



AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

QUARTERLY REPORT Q3 FY 2012

APRIL 1 – JUNE 30, 2012



One of 4,270 wheat seed producers that received ADF loans through the [REDACTED]

QUARTERLY REPORT

QUARTER 3, FISCAL YEAR 2012

Program Title: Agricultural Credit Enhancement Program

Contract Number: EDH-I-00-05-00004

Contractor: Development Alternatives, Inc.

Date of Submission: July 31, 2012

Contracts Officer Technical Representative: Ali Ahmad

Contracting Officer: Paul Martin

Chief of Party: Juan M. Estrada-Valle

ACE MISSION STATEMENT

ACE will establish and manage the Agricultural Development Fund; a wholesale lending institution under the Ministry of Agriculture, Irrigation and Livestock, making credit available to farmers and agribusiness entrepreneurs through a variety of intermediaries, in an unprecedented effort to revolutionize Afghan agriculture.



**AGRICULTURAL CREDIT
ENHANCEMENT**

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LIST OF ACRONYMS

ADF	Agricultural Development Fund
ACE	Agricultural Credit Enhancement
AISA	Afghanistan Investment Support Agency
ASAP	Accelerating Sustainable Agriculture Project
CMU	Credit Management Unit
DAB	Da Afghanistan Bank
FAIDA	Financial Access for Investing in the Development of Afghanistan
FTE	Full Term Employment Equivalent
FI	Financial Intermediary
GDA	Global Development Alliances
GIRoA	Government of the Islamic Republic of Afghanistan
GIS	Geographic Information System
Idea-NEW	Incentives Driving Economic Alternatives Project
KMF	Knowledge Management Facility
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoU	Memorandum of Understanding
NFI	Non-financial Intermediary
PMP	Performance Management Plan
SAB	Sharia Advisory Board
TAFA	Trade and Accession Facilitation for Afghanistan
TO	Task Order
TRC	Technical Review Committee

EXECUTIVE SUMMARY

Providing financial access for the agricultural sector in Afghanistan is proving to be an effective process. Through the last quarter, the ACE Program continued to manage the \$100 Million Agricultural Development Fund (ADF) and ensure rapid disbursements of agricultural credit through participating intermediaries. The project is also creating a new agricultural finance market in Afghanistan, whose success will serve as a promising business model for other financial institutions and development funds. As of June 30th, 2012, the ADF has approved 77 loans worth 1.82 Billion Afghanis (or \$37.2 million USD) and has disbursed over 1 Billion Afghanis (\$21.5 million USD), directly benefitting 14,514 farm households in 27 provinces of Afghanistan. Inability of GIRA to disburse funds provided through on-budget support hindered ADF's ability to grow lending significantly during the quarter. Extensive efforts to address the challenges of ADF registration have continued and are expected to result in registration during the next quarter.

ACE has succeeded in consolidating the ADF institutionally, organizationally and operationally, transforming the institution into a highly visible, effective and dynamic entity. The project facilitated the establishment of the ADF Advisory Board, which approved the credit policies and procedures, allowing the ADF to operate under the management of the ACE program. During the reporting quarter, aligned with the ACE task order, ACE is in final discussions with USAID and MAIL regarding the ADF transition plan, which encompasses the governance structure, roles and responsibilities of ADF executives and the timing of the transition. In addition, to build the capacities of ADF personnel, ACE is actively engaged in a comprehensive training program to ensure that the Afghan national team acquires the skills needed to manage the institution following the transition from ACE. As of the last quarter, the local staff is progressively at the forefront of daily operations, assuming increasing responsibilities from expatriate advisors.

Enabled by the design of specialized and customized loan management financial software, trained personnel, and robust credit and operational policies and procedures for agricultural and Islamic finance, ACE has managed to establish a comprehensive credit management system for the ADF. The system allows managing the complexities of a financial institution, the risks of agricultural lending, and particularly the segregation of capital required by Islamic financial principles. With the installation of the FAO-GTZ Micro

ACHIEVEMENTS

APRIL – JUNE 2012

- EXPANDED THE ACE/ADF LOAN PORTFOLIO TO 1.82 BILLION AFGHANIS; BENEFITTING 14,514 FARMERS ACROSS 27 OUT OF 34 PROVINCES OF AFGHANISTAN.
- DISBURSED 1.05 BILLION AFGHANIS IN ADF LOANS AND GRANTS.
- BUILT A HIGH-QUALITY CREDIT PORTFOLIO OF \$37M AT 0.03% DEFAULT RATE, WELL BELOW THE 5% BENCHMARK
- SUPPORTED THE PARTICIPATION OF TEN ADF CLIENTS IN THE 18TH ANNUAL AZERBAIJAN INTERNATIONAL FOOD EXHIBITION HELD IN BAKU, ON MAY 13-18, 2012.
- TRAINED 14 DAIL VALUE CHAIN ADVISORS ON VALUE CHAIN ANALYSIS WHICH RESULTED IN 14 CROP-SPECIFIC STUDIES COMPLETED.
- ADAPTED 4 ISLAMIC LENDING PRODUCTS FOR USE IN AGRICULTURE: WAKALA, ARBUN, IJARA AND MURABAHAH.
- ESTABLISHED CREDIT MANAGEMENT SYSTEM CUSTOMIZED FOR CONVENTIONAL AND ISLAMIC LENDING.
- APPROVED THE SECOND LOAN TARGETING A WOMEN'S ORGANIZATION, [REDACTED] WHICH INDIRECTLY BENEFITTED 2,000 WOMEN IN NORTHERN AFGHANISTAN.
- ORGANIZED FIVE AGRICULTURAL CREDIT SHURAS TO GENERATE AWARENESS FOR ADF LENDING OPPORTUNITIES IN THE PROVINCES OF FARYAB, PAKTIKA, KUNDUZ, FARAH AND PANJSHER.
- SIGNED THE MEMORANDUM OF UNDERSTANDING WITH MAIL ON THE TRANSITION OF THE KMF-PAYWAND FACILITY TO MAIL.
- DELIVERED OVER 173 HOURS OF TRAINING IN 6 DIFFERENT SUBJECTS, TRAINING 70 PEOPLE OF WHICH 59 ARE FIRST-TIME PARTICIPANTS.
- CREATED 122 NEW JOBS DURING THE REPORTING QUARTER THROUGH AGRIBUSINESSES AND NON-FINANCIAL INSTITUTIONS.

Banking System and adequate training of the key personnel, ACE now has a consolidated ADF credit operating system which helps maintain a standardized accounting system and tight control over disbursements and repayments.

ADF lending was significantly less than its target and potential due to funding limitations. These limitations were due to the fact that all funds obligated through the ACE contract have been committed for approved loans and ongoing obstacles for GIRoA to disburse funds provided through on-budget support, during the quarter, the ADF held only one Credit Committee meeting, which only approved five new loans. The loans for [REDACTED]

[REDACTED] the [REDACTED] and [REDACTED] were approval for a total of \$887,000. The actual loan disbursements for the period April-June was \$2.9 million USD. The ACE Technical Review Committee has approved another 12 loan applications totaling \$14.1Million USD which are pending ADF Credit Committee decision and disbursement. ACE has suspended credit committee meetings and loan approvals on hold until the funding issue is resolved in order to prevent reputational risk of approving loans that cannot be disbursed in a timely manner.

To respond to the clients' needs for Sharia compliant financial products, ACE designed four new Islamic financial products: Wakala, Ijara, Salam and Murabaha. The team is working on the establishment of a Sharia Advisory Board, an independent body endorsing the Sharia compliant products offered by the project.

ACE organized six training courses over the reporting quarter including the Value Chain Analysis training for DAIL staff; the Islamic Lending training for the ADF staff; the MicroBanker Training on the ADF loan management system; database training for MAIL/MIS staff and training on data collection for the Agromet project, a partner of ACE-PAYWAND and MAIL. The project offered 173 hours of capacity building for ADF and MAIL staff, training a total of 70 participants.

The project achieved its second loan to women with a loan to the [REDACTED] a woman-owned business in Mazar-e-Sharif involved in producing handicraft garments such as head scarves and traditional Afghan dresses made from silk and other material. The company will use its loan of \$230,000 to buy cocoons from about 2,000 farmers and employ more women. Currently, the project is looking into five additional loans to women which will be processed in the coming months.

In order to build the capacities of MAIL, over a period of three months, ACE trained and mentored 14 value chain specialists (DAIL agricultural extension officers), who conducted and completed 14 crop-specific value chain analysis in the North, West, East and Central Afghanistan during the past quarter. The participants benefitted from the methodology, the analytical framework of how to conduct value chain analysis, and report writing. To review the analysis in the local language and establish Afghan ownership over the products, ACE established a Value Chain Review Advisory Committee comprised of agricultural economics and marketing stakeholders in the regions.

In May, ACE facilitated the participation of ten ADF clients engaged in the export business in the Annual Azerbaijan International Food Exhibition held in Baku, on May 13-18, 2012. This event is an 18-year-old tradition which brings together business representatives from emerging markets of Central Asian countries and the Middle East, ideal markets for Afghan agricultural produce. During the event, ACE assisted its clients with the establishment of booths to exhibit their products and with the facilitation of trade meetings with foreign companies.

In terms of market information systems, the project achieved another milestone with respect to the Knowledge Management Facility (PAYWAND) and its integration within MAIL structures with the signing of the Memorandum of Understanding for the transition of the knowledge management facility to MAIL. To prepare for the transition, ACE trained MAIL/MIS staff on database management and maintenance as well as successfully organized a field visit to Ghana where MAIL key personnel had the opportunity to see other successful and advanced market information systems in Africa and meet with their representatives.

Component I: Delivery of Credit Services

The delivery of credit services constitutes the core activity of the ACE project. For this purpose and in the absence of financial institutions interested to engage in agricultural lending, the project primarily partners with non-financial institutions and agribusinesses that on-lend to farmers.

As per the agreement between USAID and GIRoA, at least 75 percent of the ADF funds for lending should be channeled through the national budget. While USAID made the first on-budget transfer on February 8, 2012, the GIRoA has not yet been able to establish the mechanisms to make the funds available to ADF borrowers. This political challenge, which lies outside the control of ACE, has impacted the ability of the project to approve and disburse new loans at the desired rate in the reporting quarter.

ACE made significant attempts to organize and expedite the ADF legalization process to facilitate disbursement of the funds provided on-budget to the GIRoA. In collaboration with USAID, ACE has been fully involved in discussing a transition plan for the ADF and the governance structure with MAIL. To facilitate the disbursement process, the project organized the Inter-Ministerial Committee at the Serena Hotel on June 17th, which included the participation of the MAIL Minister, the Minister of Justice and other political figures of GIRoA. Unfortunately, the meeting did not yield any concrete positive results. ACE is working with MAIL to seek possible routes to register the ADF as a legal entity, which could allow for the flow of funds on-budget. While no official time estimate has been provided, the ADF registration is expected to be completed during the next reporting Quarter.

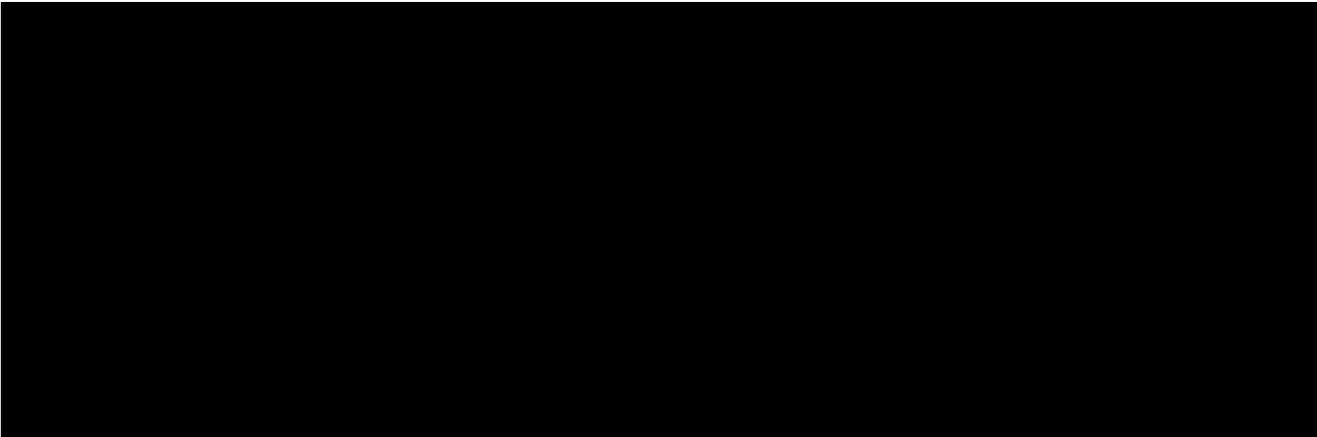
Due to these impasses created with the registration process as a legal entity, ADF currently has no funds available to continue loan disbursements. In order to manage client expectations, only one ADF Credit Committee meeting was organized during the reporting quarter. The ADF Credit Committee approved five loans totaling \$887,000 USD for companies and associations in the provinces of Balkh and Nangarhar. As of the end of June, loan approvals have reached \$37.2 million USD, with some \$30 million USD currently in the loan pipeline. Considering that many agriculture loans are time-sensitive, the pipeline is continuously updated.

Table 1: ADF Credit Committee meetings' results

ADF Credit Committee Meetings – Quarter 3 FY 2012				
No. of meeting	Date	Borrower	Amount Requested	Decision
26th Meeting	4/18/2012		\$130,000	Approved
			\$125,000	Approved
			\$302,000	Approved
			\$100,000	Approved
			\$230,000	Approved

ADF is currently present in 28 of the 34 provinces in Afghanistan, either through direct loans to agribusinesses or through farmers (direct beneficiaries). To use the available funds for lending efficiently, ACE de-obligated an amount of \$822,655 during the third quarter. \$192,655 was reduced from the first [REDACTED] loan, \$200,000 from the exporter's loan through [REDACTED] \$180,000 from the Rana Seeds Company and \$250,000 from the original loan for [REDACTED]. In addition, initially approved in AFN, the loan amounts in U.S. Dollar for [REDACTED] and [REDACTED] have been adjusted according to the current exchange rate. Therefore, a reduction of \$ 238,376 in the total ADF loans approved derives from the currency exchange fluctuation.

In the last quarter, ACE disbursed \$2.9 million USD of which, \$1,307,607 went to the [REDACTED] \$435,297 to the Helmand FSC, \$300,000 to [REDACTED] \$195,018 to the [REDACTED] \$200,000 to [REDACTED] and \$150,004 to [REDACTED]. A combined effort from the lending and value chain strengthening officers enabled the [REDACTED] to distribute the DAP fertilizer on-credit to 725 farmers thus far. At this point, 99 percent of the original loan has been disbursed to 27 cooperatives. The first few disbursements were made to both the fertilizer and transportation companies to ensure that the cooperatives receive their agricultural inputs on time. The seeds and fertilizer were delivered to the farmers on time and in



Left: [REDACTED] working with the ACE team on a distribution plan for the fertilizer on credit. Until now, 725 farmers have benefitted from a loan of \$1.32 Million USD to support the potato producers with high quality fertilizers and seeds on credit. Right: Potato farmers in Bamyan receiving DAP fertilizers on ADF credit.

an organized manner. Later in June, a team of USAID officials and ACE staff visited Bamyan to meet with representatives of two potato cooperatives, [REDACTED] and [REDACTED]. Representatives and a combined group of about thirty-five farmers from both cooperatives expressed their satisfaction with loans and opportunities that ADF financing had opened in the area. The farmers also asked for ACE's assistance with their marketing programs and sales contracts.

In the last quarter, the ACE Technical Review Committee approved 12 other loan cases which are pending review and a final decision once the ADF Credit Committee meetings are resumed. Thus, the following loans are pending ADF Credit Committee approval for disbursement:

- The [REDACTED] involved in carpet production in Bamyan, with a loan of \$200,000 to purchase wool and carpet yarn for its members.
- A loan of \$150,000 to [REDACTED] requested to procure fertilizers and pesticides for on-lending to farmers and implementing a soybean project for Nutrition and Education International.
- A loan of \$150,000 to [REDACTED] to increase their production capacity from 1,200 Kg to a maximum of 3,000 Kg per day by purchasing modern and more efficient equipment.

- A loan of \$100,000 to [REDACTED] [REDACTED] to purchase raw materials from farmers. The organization will use the loan to hire 240 women on daily wages to weave the carpets.
- A second loan of \$6,715,000 to [REDACTED] to finance 67 member seed enterprises benefiting over 4,350 famers.
- A loan of \$1 million to [REDACTED] to import about 1,600 MT of high quality DAP fertilizer from China. The company would then on-lend the fertilizer to 3,100 farmers directly or through wholesalers, retailers or suppliers in the various provinces across Afghanistan.
- A second loan of \$3,630,000 to [REDACTED] to on-lend to 15 [REDACTED] in the South, East and Central regions of the country. The individual [REDACTED] will in turn provide working capital loans to their member farmers to buy agricultural inputs.
- A loan of \$1,000,000 to [REDACTED] to add a new production line to its biscuit business. This new line of production will enable the company to produce new types of creamy and non-creamy biscuits which are new product varieties for the [REDACTED] Company and currently have a good market demand.

Left: View of fertilizer distribution for the \$800,000 loan to [REDACTED] in Kunduz and Balkh provinces. Right: View of cucumber harvesting at the greenhouses of [REDACTED] revamped through an ADF loan of \$100,000.

- A loan of \$470,000 to [REDACTED] to pay its main distributors, to build a hanger to be used as storage for finished goods and to pay in advance for farmers to cultivate cucumber and onions for the company.
- A loan of \$500,000 to [REDACTED] to import good quality and genuine pesticides, veterinary products, sprayers and other agricultural inputs. The company will on-lend the products to approximately 300 farmers in various districts of Kandahar province.
- A loan of \$100,000 to [REDACTED] association to enable 30 members to purchase the inputs required for beekeeping such as bees, packaging materials, tents, and to also help the association to buy honey from its members.
- A loan of \$470,000 to [REDACTED] to purchase 600 MT of apples from farmers in Jalrez, Sayed Abad and Chak districts of Wardak province. The Company will also purchase wooden boxes used for storing the apples in the cold storage with the help of an ADF loan.



Photos: Farmers in Jalalabad, suppliers of certified wheat seed to Pul-e-Behsoud Seed Company, a member of [REDACTED] is requesting a second loan of \$6.7 million USD to enable 67 seed enterprises to purchase wheat seed from farmers. Right: The ACE team visiting the new processing facility of [REDACTED] in Mazar-e-Sharif, supported by an ADF loan

NEW Business

ACE currently has a pipeline of over \$30 million USD worth of loan applications. A selection of loans with strong applications by region is described below as follows:

East

- [REDACTED] located in the Sorkhrod district of Nangarhar province is requesting a loan of \$100,000 to buy raw materials from local producers. The business is registered with AISA and makes porridge from wheat. The company is run by a group of women and sells its products in the local market of Jalalabad.
- [REDACTED] is requesting \$100,000 to purchase raw material and machinery to expand its operations. The company which produces pickles, jams, sauce, tomato paste and juices has been active for the last four years and is registered with AISA.
- [REDACTED] is interested in an ADF loan of \$150,000. The farm supplies chicks and broilers to different markets in the provinces of Nangarhar, Kabul, Baghlan, Kunar and Laghman. The loan purpose is to purchase hatchery machinery, feed, and other inputs.

Central

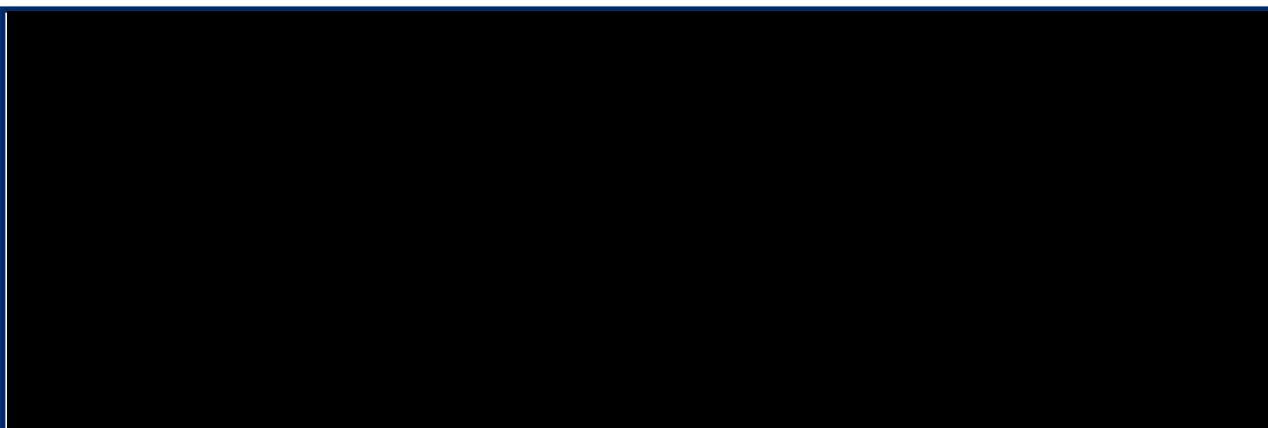
- The [REDACTED] is requesting \$250,000 to purchase a new mill machine and build a pullet house. The loan will enable the association to increase the capacity of the feed mill by 100 percent and will allow the association to provide animal feed and chickens to its members on credit.

North:

- [REDACTED] consists of 15 agricultural depots in all the districts of Samangan and provides agricultural input and veterinary services to farmers. The association has applied for a \$300,000 loan to on-lend to farmers for inputs. The funds will also be used to purchase four tractors that will be leased by farmers and will benefit about

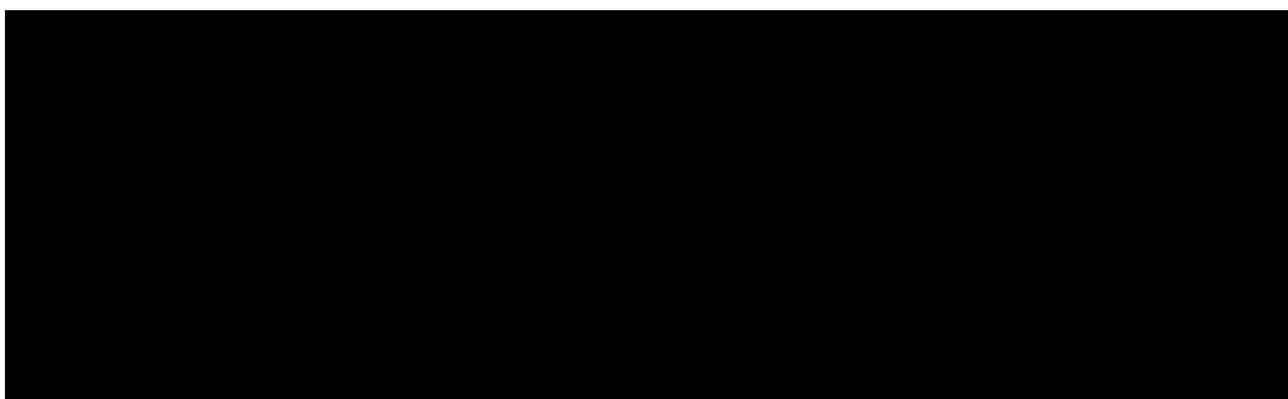
2,000 farmers.

- [REDACTED] has 1,000 farmer members and is interested in a loan of \$1 million USD to purchase fertilizers for the next almond and pomegranate season.



Photos: View of the facilities of the [REDACTED] located in Jalalabad city, interested in an ADF loan of \$130,000. Right: The ACE team discussing the application of [REDACTED] in Mazar-e-Sharif.

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- [REDACTED] has applied for a loan of \$250,000 to purchase dry fruits (pomegranates and almonds) from farmers, process them and then sell to exporters. 200 farmers are expected to benefit from this loan.
- [REDACTED] involved in the processing of edible oil from seeds, is applying for \$200,000 to purchase raw materials for its operation. The business has linkages with 500 farmers in the Sholgara, Charkent and Aqcha districts. The company already has a contract to supply edible oil in Tajikistan.



Left: [REDACTED] discussing their loan proposal with the ACE team. Right: View from almond plantation of [REDACTED] in Mazar.

- The [REDACTED] applied for a second ADF loan of \$700,000 to purchase dried fruit from growers. The company is an existing ADF client involved in the dry fruit business in Herat province. Hariwa Habibzadah has already repaid its first loan and is requesting a new loan to purchase dry fruits from farmers and small traders in Herat. The value chain strengthening advisors identified the need for an Agricultural Modernization Grant to improve their sorting and packaging processes and the company's hygienic conditions.
- The [REDACTED] is requesting a loan of \$110,000 to purchase agricultural inputs and finance the labor costs. The team completed the Sharia agreement with the client.
- The [REDACTED] has applied for an ADF loan of \$187,000 to purchase raw vegetables, fruits and food processing equipment. The team completed the Sharia agreement with the client.
- The [REDACTED] is in the process of preparing their business plan and other documentation required by the ACE team. The company is interested in an ADF loan to finance working capital and purchase milk from farmers. Additionally, the company is looking into purchasing compressors for cooling tanks in the milk collection centers. The total estimated amount of the loan is \$1 Million USD.

South:

- [REDACTED] is involved in in-put supply for local farmers. Currently they have 11 stores in Kandahar and are looking for \$300,000 to import high quality inputs from Germany and supply it to wholesalers and retailers.
- [REDACTED] a member of the [REDACTED] is requesting a loan of \$200,000 to on-lend to farmers. [REDACTED] has been assisting the [REDACTED] with training.



- ██████████ - The Company is involved in the business of importing agricultural inputs like pesticides, veterinary medicines, tools, seeds and sprayers mainly from France, Korea, China and India. It supplies the products to wholesalers and retail shops in almost all parts of the country (28 provinces). The main office of the company is located in Kandahar. The company is looking for \$500,000 to import pesticides, animal medicines, sprayers and tools.
- ██████████ Ltd is involved in the production of potato chips, snakes and PVC pipes. They are supplying their products to the southern provinces as well as Kabul. The company is looking for \$300,000 for their working capital to increase the production and increase the supply chain. The business is located in Shorandam Industrial Park Kandahar.

Consolidation of Credit Administration

In terms of credit administration and operational consolidation, during the past quarter ACE achieved the establishment of a comprehensive credit management system which includes but is not limited to, regular audits of lending processes and credit files. With the assistance of two short term consultants from MicroBanker/Nepal, the ADF portfolio management system (MBWin) is now customized for ADF conventional and Sharia lending, installed and operating. MBWin is an integrated banking system with full functionality for loans, as well as deposits and shares.

The new system is designed to enhance both efficiency and safety. The consultants provided extensive training to the credit administration team and two lending officers focusing on accounting practices with real transactions, debit and credit adjustments for loans, changing interest rate options, and modifying account information for loan rescheduling. The team also trained the IT specialist on how to set up user accounts and upload and download applications.

A short-term Finance and Risk Assessment Expert joined the team in early April to install appropriate risk assessment tools to inform loan decisions and improve overall portfolio management. The following tools are now complete and in place for all loan packages.

- a) Risk Assessment Tools: Three customized risk assessment tools for agribusinesses, financial institutions, and non-financial intermediaries, including identification of relevant factors, assignment of appropriate weightings, and the definition of scoring parameters for each factor are completed.
- b) Risk Assessment Guidelines: Detailed guidelines outlining the objectives and use of the risk assessment tools, including instructions and descriptions to guide the scoring of each factor.
- c) Risk Assessment Reporting Templates: Customized reporting formats to maintain risk assessments for all ACE/ADF loans, track ongoing quality of portfolio, and facilitate analysis of performance of sub-groups, sectors, geographies and loan officers.

This integrated financial system together with best practices of risk assessment and mitigation will move the ADF toward superior operational capacity. The system will support the long-term sustainability of the ADF once transitioned to MAIL.

Credit Management Unit -Update

In March, ACE set up another CMU for the ██████████ ██████████ to manage two separate loans for a total of \$1.3 Million USD. The CMU became operational on April 2nd supported by the Farm Financial Support Program (FFSP) to distribute fertilizers and agricultural tools on credit to farmers in Kunduz, Balkh and Samangan provinces. The ██████████ CMU has so far distributed 11,283 Bags of urea fertilizer, 1,904 bags of DAP and 192 agricultural tools to 929 farmers in Kunduz, Takhar, Balkh and Samangan provinces.

The ██████ CMU successfully collected \$3,230,947 USD (70 percent) of the entire loan in early repayments. The CMU team is working diligently with ██████ management to accurately track the payments from the NGOs and other donor organizations to seed enterprises. In addition, the ██████ CMU staff worked closely with the ██████ management team on the new loan application for the 2012 harvest season of certified wheat seed. Approximately 67 seed enterprises applied for credit from ██████ to purchase the certified wheat seed produced by their member farmers. The team worked on harvest estimations and is supporting the loan applications of the enterprises in order to finalize ██████ new loan application. The ACE Technical Review Committee internally approved \$6.715 million as the second loan to ██████. A final decision will be taken by the ADF Credit Committee.

Islamic Finance

During the past three months, ADF has seen an increased demand from its clients for Islamic financial solutions to the extent that currently 50 percent of all new financial transactions are Sharia compliant. To cater to this demand, ADF has introduced a range of Islamic financial products. Only in the last quarter, the project introduced the Ijara, Wakala, Murabaha and Arbun products, achieving a total of nine innovative lending products established since the beginning of the project. For each of the transaction types that will be offered by ADF, the team prepared a three-to-four page document that provides an overview of the structure, proof of permissibility and the contract elements. The purpose of these documents is to provide the lending officers with all the high level information required to discuss the possibilities with the client and answer any particular questions. Client documentation serves as the basis of all other transaction documentation. For each of the transaction types that will be offered by the ADF, a standard form has been produced and implemented.

The ADF is in process of establishing a Sharia Advisory Board (SAB); a body of qualified Sharia Scholars responsible for ensuring that the products and contracts of an Islamic financial institution comply with Sharia principles. The project has already hired three members of the SAB and the inauguration meeting will take place in July 2012.

The in-house Islamic Finance consultant provided 27 hours of training to nine lending advisors, and has designed a specific policies and procedures document for Sharia compliant lending which is translated into Dari. The Sharia Advisory Board will endorse the document, or suggest revisions and changes to be incorporated.

The team worked on the Credit Line Structure using Islamic Financial products. The credit lines can be structured using products that are currently available with the ADF. This can either be structured as Wakala (agency) or sequential Murabaha (trade) transactions. The project prepared a concept note on how the credit lines structures are now finalized.



Left: View of the Islamic Finance Event organized on May 22, 2012 to present the Sharia compliant financial products offered by ACE/ADF and the corresponding policies and procedures.

lending opportunities. The team used the “Business to Bank” conference chaired by FAIDA on June 17th as an opportunity to introduce ADF lending opportunities and the eligibility criteria to over 100 participants and businesses. ACE presented some of the loans types the ADF has been providing in the region and answered questions regarding the loan process. On May 15th, ACE participated in the [REDACTED] Business Networking Session, among 100 participants, where lending officers had the opportunity to disseminate information on ADF lending and eligibility criteria. Finally, on June 27th the team participated in a capacity building training for women personnel organized by MAIL/Home Economics Department, where they introduced the ADF and the lending opportunities for women.

ACE and ADF Grants

In the last quarter, ACE approved an Agricultural Modernization Grant of \$120,100 for the [REDACTED] [REDACTED] the purpose of which is to expand their market and to reach potential buyers in other provinces. The grant will enable [REDACTED] and its dealers to increase their market share and price competitiveness by investing in promotions and live demonstration to potential farmers in key regions.

In the same way, the project signed an Agricultural Modernization grant agreement with [REDACTED] [REDACTED] [REDACTED] has received a loan for \$155,000 from the ADF to pay for the pre-harvest, post-harvest, fertilizer, water and labor costs for its Saffron growers. The association will purchase the saffron from its members during the post-harvest at market rate. [REDACTED] will be able to add more value and earn more for its members if the product can meet the packaging demands of the international market. The grant is helping the association to get operational support to manage the ADF loan and to meet the market demands of its international buyers by procuring packing machine and developing a marketing strategy. The total value of the grant is \$45,800.

During the reporting period, ACE approved an ADF Challenge grant of \$99,800 for the [REDACTED] [REDACTED]. The purpose of the grant is to engage Mennonite Economic Development Associates to assist the [REDACTED] with the establishment of a comprehensive medium-term action plan focused on the technical support and capacity building for [REDACTED] roll-out into rural SME operations; supporting [REDACTED] in planning its roll-out into rural SME operations in a pilot province (Balkh); carrying out respective market research in the pilot province; developing a SME rural credit product for [REDACTED] for Balkh; developing the SME rural lending business strategy for [REDACTED] and developing of a proposal to facilitate ADF Lending to [REDACTED] linked with the [REDACTED] guarantee program.

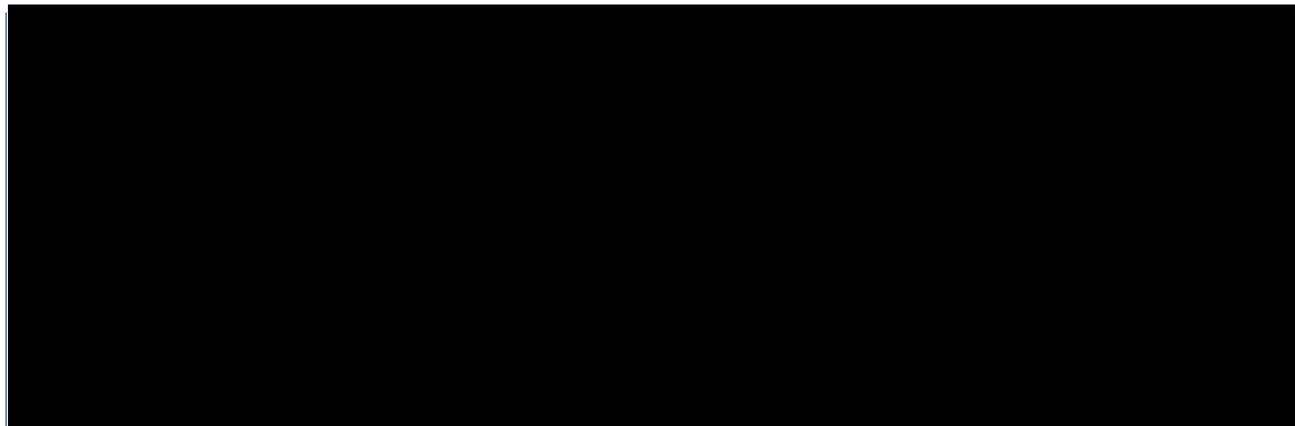
In terms of disbursements for the existing grants, during the reporting quarter the project achieved the following:

- The project disbursed \$39,650 to the [REDACTED] [REDACTED] Credit Management Unit (CMU) under an ADF Challenge Grant of \$127,497 for staff salaries and operational expenses. In addition to this, ACE disbursed \$3,175 for the ADF innovation grant of \$35,126 for M-PAISA mobile money to the [REDACTED]
- ACE disbursed \$24,700 to [REDACTED] [REDACTED] under the existing ADF Challenge Grant to be utilized for CMU staffs salaries and operating expenses. The [REDACTED] CMU staff received training and instructions on how to prepare financial reports and documents that comply with grant requirements.
- The [REDACTED] received \$32,338 under their ACE Agricultural Modernization Grant to support the participation of ten Afghan businesses in the 6th Annual Azerbaijan International Exhibition. The ten ACE/ADF clients explored potential market channels for their products, while also learning about equipment and machinery available in the market.

- The [REDACTED] [REDACTED] received \$17,107 as the first installment under the challenge grant of \$72,000, to establish a Credit Management to manage the second loan. The organization will hire three regional loans officers for the Kunduz, Balkh and Samangan provinces to properly manage the ADF loans.

The team is working on several new grant proposal and concept notes, some of which include:

- An agricultural modernization grant of \$94,030 to support the field visit of seven Afghan women, who are members of women cooperatives in Bamyan, Nangarhar, Herat, Takhar,



Left: View of the marketing event organized for the [REDACTED] in Jalalabad, enabled by an ACE grant. Right: Members of [REDACTED] in Herat province collecting saffron flowers.

Kunduz, Badakshan and Balkh provinces, to Tamil Nadu, India to gain experience on how women cooperatives work. ACE and MAIL, in partnership with [REDACTED] will coordinate the field visit.

- An agricultural modernization grant of \$43,650 to support the [REDACTED] [REDACTED] in provision of processing equipment, training, and operational support is underway. The grant will enable the company to improve its current process flow through access to the new machinery, and to build the capacity of the technical staff via improved hygiene and training on alternate methods of processing.
- An agricultural modernization grant of \$27,440 to support the [REDACTED] Company to improve the quality of the noodles and vermicelli and increase import substitution. The company will contribute with \$10,000 to establish a plastic house to increase the overall hygiene and safety conditions.
- An agricultural modernization grant of \$22,470 to support the [REDACTED] [REDACTED] to establish two cucumber greenhouses in Kabul.
- Another agricultural modernization grant of \$4,330 to support the participation of [REDACTED] [REDACTED] in the Cashmere World Exhibition which will be held in Hong Kong from September 27 - 29, 2012. The grant will be used to cover travel and exhibition booth costs.
- An agricultural modernization grant of \$92,540 to support [REDACTED] [REDACTED] with participation of Afghan businesses at the Ingredients Turkey International Exhibition. Ingredients Turkey is a specialized event for ingredients suppliers and consumers from around the world.

Table 2: ACE/ADF Grants

No	Business Name	Province	Grant Purpose	Grant Type			Grant Period		Total \$Approved	Disbursed \$ value	% Paid
				ADF		ACE	Start Date	End Date			
				Challenge	Innovation	Ag Modernization					
1		Kabul	30th India International Trade Fair participation			✓	1-Nov-10	1-Dec-10	80,623	79,122	98.14
2		Kabul	To set up a CMU to manage ADF loan.			✓	1-Dec-10	30-Nov-11	49,090	40,153	81.79
3		Nangarhar	To set up a CMU to manage ADF loan.	✓			23-Apr-11	30-Jul-12	127,49	120,081	94.18
4		Afghanistan	To set up a CMU to manage ADF loan.	✓			1-May-11	30-Apr-13	352,232	72,951	20.71
5		Kabul	Assessment of women cooperatives in 17 provinces of Afghanistan	✓			25-Jun-11	31-Dec-11	23,991	23,991	100.00
6		Nangarhar	To exclusively engage M-paisa to facilitate the repayment of agricultural loans from members of [REDACTED]		✓		20-Sep-11	30-Apr-12	35,126	27,906	79.44
7		Kabul	Capacity Building, IT Equipment and Software provision to enhance the associations' members financial management skills.	✓			29-Sep-11	28-Feb-13	72,453	17,652	24.36
8		Kabul	31st India International Trade Fair (IITF) participation			✓	10-Oct-11	15-Dec-11	124,160	124,160	100.00
9		Kabul	7th Uzbekistan International Exhibition & 18th Azerbaijan International Foods Exhibition Participation			✓	15-Mar-12	15-Jun-12	149,824	80,845	53.96
10		Kabul	15th Annual Ingredients Russia Exhibition Participation			✓	1-Mar-12	30-Apr-12	46,220	38,507	83.31
11		Nangarhar	Extend the market of [REDACTED] to reach out new provinces in Afghanistan.			✓	15-May-12	14-May-13	120,100	35,100	29.23
12		Kabul	Rural SME Operation Support	✓			1-May-12	30-Apr-13	99,800	0.00	0.00
13		Herat	Support marketing activities of the association.			✓	15-May-12	14-May-13	45,800	2,800	6.11
14		Kabul	To set up a CMU to manage ADF loan.	✓			15-Mar-12	14-Mar-13	72,000	17,107	23.76
Sub Total ACE Grants (Ag Modernization)									615,817	397,887	
Sub Total ADF Grants (Challenge)									747,973	251,782	
Sub Total ADF Grants (Innovation)									35,126.21	27,906	

Grand Total

1,398,916

680,375

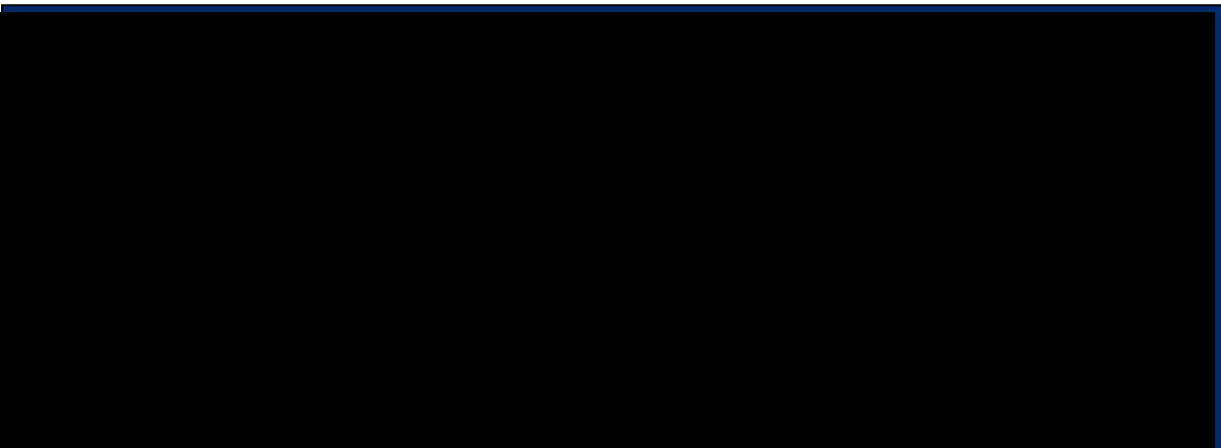
Gender Activities

During the past quarter, ACE undertook several initiatives with respect to addressing gender issues and providing ADF financial opportunities to women. These activities are threefold:

- 1) To provide access to finance for women entrepreneurs, agribusinesses and farmers across the country, therefore generating new business for women;
- 2) To provide training and capacity building opportunities for women organizations, as well as assistance for the women ADF clients;
- 3) To improve women's role within the ACE project through capacity building, training and promotion while hiring more women for ADF technical positions.

First, ACE has several loans to women agribusinesses and associations interested in the ADF lending opportunities in the pipeline.

- The Takhar Women Trader Social Organization and [REDACTED] ADF applications were presented at the ACE Technical Review Committee meeting during the reporting period. These associations work with thousands of carpet weavers in Takhar and Bamyan provinces. Hand-woven carpets have become a cottage industry and many of those involved in weaving are women. Due to financial resource and cultural constraints, the weavers have little source of income. Also, the workstations are set up in their homes; therefore they are exposed to numerous health risks. To mitigate the occupational health hazards, ACE is looking into working with the Good Weave NGO to provide social services to carpet weavers.
- The [REDACTED] is another prospective client interested in \$187,000 USD to expand their food processing business. The loan will be reviewed at the ACE Technical Review Committee meeting in the next quarter.
- [REDACTED] is owned by two women Afghan entrepreneurs and is located in Dashte Barchi of Kabul province and produces varieties of bread, pastries and other baked goods for local grocery stores and restaurants. The company is requesting \$120,000 to purchase modern equipment necessary for expansion of the business.
- The [REDACTED] requested an ADF loan for \$166,000; Afghan Women Saffron Association - \$198,000; Ghowhar Shad - \$253,000. The three associations are members of the larger Bastan Saffron Shura, and are interested in expanding their businesses.



Left: View of the production of [REDACTED] a woman-led organization in Mazar-e-Sharif. Right: View of the bread production facilities at the [REDACTED] in Kabul.

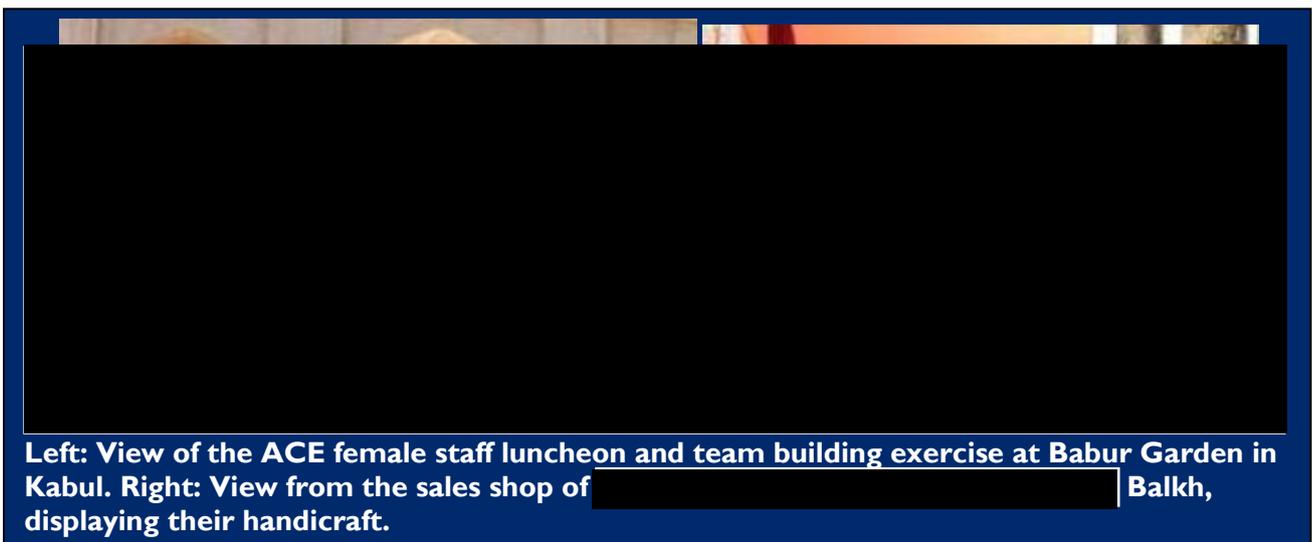
- [REDACTED] in Jalalabad is requesting a loan of \$100,000 to purchase raw materials from local producers. The company produces porridge from wheat and is run by a group of women.

Second, ACE submitted a Request for Application (RFA) to conduct a series of gender trainings for its partners, clients and staff in Kabul and the regions. This training includes three phases: training, monthly on-line discussions, and on-the job support for the participants. A specific tailored curriculum will be developed based on the needs of ADF and participants.

ACE/ADF conducted a gender audit of its intermediaries in order to ensure that Afghan women have equitable opportunities to participate in, contribute to and benefit from the program. The participatory gender audit promotes learning and ownership of the process and outcome. The audit employed a multi-pronged process involving a desk study of ADF clients' loan applications, use of checklists, field visits, and structured interviews with ADF intermediaries. The project suggested improving the working environment of female employees of [REDACTED] Company; [REDACTED] and [REDACTED] as well as hiring more female staff.

The [REDACTED] Organization has requested an ACE Value Chain Grant of \$89,094 to facilitate a study tour and training Cooperatives in India (Tamil Nadu) for 11 ADF women members and ADF partner organizations. The study tour and training will introduce the participants to basic and socio-economic advantages of cooperatives. The capacity building program for Women Cooperatives is consistent with USAID's policies regarding the engagement of women in economic development activities. The program will build the capacity of women organizations to use and administer credit, and constitutes the first step towards becoming ADF clients. The participants would be exposed to the concept, structure, dynamics, management and sustainability of Cooperatives; (1) Linkages with various stakeholders; (2) Empowerment through entrepreneurship and (3) Livelihood creation. This initiative is part of an on-going partnership with the United Nations Development Program's (UNDP) Gender program and MAIL's Home Economics Directorate.

Third, in terms of women empowerment within the ACE team, the project has introduced a Female Staff Luncheon Networking Session which takes place every Thursday. The female staff discusses



Left: View of the ACE female staff luncheon and team building exercise at Babur Garden in Kabul. Right: View from the sales shop of [REDACTED] Balkh, displaying their handicraft.

different topics related to their professional development. To date, this activity resulted in a visit to the American University, an offer to waive the entry examination fees for ACE female employees and a member of the ACE staff passing the second screening for a Fulbright scholarship. During the reporting period, female expatriates and local staff shared lunch at Babur gardens, as part of the team building exercise. As part of the efforts to develop capacity of female staff, ACE provides twice a week English classes for five support staff (women). The ACE Human Resources Department hired two female

technical staff; one female lending officer and one female customer service officer during the reporting period.

Internal Audit and Compliance

In the last quarter, the internal audit and compliance unit prepared two-prequalification reports, a tool introduced in the previous quarter, for two potential clients. Table No.4 shows the list of audit reports conducted for ADF existing clients.

Table 3: Pre-qualification reports

Pre-Qualification Reports		
No	Client	Status of the Loan
1	[REDACTED]	Application withdrawn by the client
2	[REDACTED]	Forwarded to ADF Credit Committee

Table 4: Audit reports

Audit Reports		
No	Client	Status of the Loan
1	[REDACTED]	Disbursed
2	[REDACTED]	Disbursed
3	[REDACTED]	Disbursed
4	[REDACTED]	Disbursed
5	[REDACTED]	Disbursed
6	[REDACTED]	Disbursed
7	ACE/ADF Loan Repayments (repayment status of 12 ACE/ADF borrowers)	Finalized

ACE completed the loan utilization audit for several ADF clients such as: the [REDACTED] [REDACTED] and [REDACTED] Trading Company. The team visited the clients in the field, assessed the impact of the loans, evaluated the repayment process, reviewed the credit files and discussed all these matters with the clients. The purpose of these reports was to provide the ADF management with independent and objective opinions on the loan utilization by the borrowers, to check their compliance with the policies and head of terms signed between the parties; and assess borrowers' willingness and ability to repay the loan. In addition, during the reporting month the project also finalized the compliance sample report for the [REDACTED] [REDACTED] to test the ACE/ADF compliance tool. The team also prepared the Internal Audit Plan for 2012-2013 and also finalized the ADF Policies and Procedures General Compliance Tools.

Table 5: ADF LOANS APPROVED AND DISBURSED TO END BENEFICIARIES

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Approved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Beneficiaries	Status
1		Agribusiness	Yes	Kabul Province	\$ 120,000	\$ 120,000	\$ 122,484	-	Complete
2		Agribusiness	Yes	Nangarhar	\$ 300,000	\$ 300,000	\$ 315,000	-	Complete
3		Agribusiness	Yes	Balkh	\$ 200,000	\$ 200,000	\$ 41,008	-	Active
4		Agribusiness	Yes	Kabul	\$ 1,970,000	\$ 1,280,000	\$ 385,553	-	Active
5		Agribusiness	Yes	Kunar	\$ 312,000	\$ 312,000	\$ 335,337	630	Complete
6		Agribusiness	Yes	Helmand	\$ 242,000	\$ 242,000	\$ 260,100	1,489	Complete
7		Agribusiness	Yes	Balkh	\$ 121,000	\$ 121,000	\$ 125,137	-	Complete
8		Agribusiness	Yes	Nangarhar	\$ 100,000	\$ 100,000	\$ 53,538	-	Active
9		Agribusiness	Yes	Wardak	\$ 230,000	\$ 230,000	\$ 102,000	-	Active
10		Agribusiness	Yes	Balkh	\$ 1,977,597	\$ 1,977,597	\$ -	1,625	Active
11		Agribusiness	Yes	Wardak	\$ 224,000	\$ 224,000	\$ -	-	Active
12		Agribusiness	Yes	Nangarhar	\$ 900,000	\$ 900,000	\$ -	-	Active
13		Agribusiness	Yes	Kabul	\$ 715,000	\$ 715,000	\$ -	-	Active
14		Agribusiness	Yes	Kabul	\$ 250,000	\$ 250,000	\$ 10,017	-	Active
15		Agribusiness	Yes	Kabul	\$ 375,000	\$ 375,000	\$ 14,257	-	Active
16		Agribusiness	Yes	Hirat	\$ 273,000	\$ 273,000	\$ 101,833	-	Active
17		Agribusiness	Yes	Hirat	\$ 700,000	\$ 700,000	\$ 10,563	600	Active
18		Agribusiness	Yes	Hirat	\$ 425,000	\$ 425,000	\$ -	-	Active
19		Agribusiness	Yes	Hirat	\$ 155,000	\$ 155,000	\$ -	117	Active
20		Agribusiness	Yes	Kunar	\$ 538,579	\$ 538,579	\$ -	232	Active
21		Agribusiness	Yes	Logar	\$ 99,568	\$ 99,568	\$ -	-	Active

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Approved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Beneficiaries	Status	
22		Agribusiness	Yes	Balkh	\$ 1,500,000	\$ 700,000	\$ -	-	Active	
23		Agribusiness	Yes	Kabul	\$ 101,317	\$ 101,317	\$ -	-	Active	
24		Agribusiness	Yes	Helmand	\$ 435,298	\$ 435,298	\$ -	-	Active	
25		Agribusiness	Yes	Laghman	\$ 150,004	\$ 150,004	\$ -	-	Active	
26		Agribusiness	Yes	Hirat	\$ 2,500,000	\$ -	\$ -	-	Active	
27		Agribusiness	Yes	Nangarhar	\$ 200,000	\$ 200,000	\$ -	-	Active	
28		Agribusiness	Yes	Wardak	\$ 195,018	\$ 195,018	\$ -	-	Active	
29		Agribusiness	Yes	Nangarhar	\$ 130,000	\$ -	\$ -	-	Active	
30		Agribusiness	Yes	Nangarhar	\$ 125,000	\$ -	\$ -	-	Active	
31		Agribusiness	Yes	Balkh	\$ 302,000	\$ -	\$ -	-	Active	
32		Agribusiness	Yes	Nangarhar	\$ 100,000	\$ -	\$ -	-	Active	
33		Agribusiness	Yes	Balkh	\$ 230,000	\$ -	\$ -	-	Active	
		Agribusinesses				\$ 16,196,381	\$ 11,319,381	\$ 1,876,826	4,693	
34		NFI	Yes	Balk, Kunduz, Samangan	\$ 92,652	\$ 92,652	\$ 92,652	212	Complete	
35		NFI	Yes	Nangarhar, Lagman, Kunar	\$ 500,000	\$ 500,000	\$ 332,347	1,852	Active	
36		NFI	Yes	Bamyan	\$ 46,600	\$ 46,600	\$ 46,319	15	Active	
37		NFI	Yes	Bamyan	\$ 53,543	\$ 53,543	\$ 55,259	47	Complete	
38		NFI	Yes	Bamyan	\$ 25,469	\$ 25,469	\$ 26,989	10	Complete	
39		NFI	Yes	Bamyan	\$ 31,265	\$ 31,265	\$ 36,430	59	Complete	
40		NFI	Yes	Bamyan	\$ 76,993	\$ 76,993	\$ 75,413	156	Active	
41	NFI	Yes	Bamyan	\$ 21,561	\$ 21,561	\$ 22,337	74	Complete		
42	NFI	Yes	Bamyan	\$ 14,479	\$ 14,479	\$ 15,150	22	Complete		

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Approved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Beneficiaries	Status
43		NFI	Yes	ALL	\$ 4,950,000	\$ 4,757,345	\$ 3,352,618	4,270	Active
44		NFI	Yes	Kabul	\$ 300,000	\$ -	\$ -	-	Active
45		NFI	Yes	Balkh, Kunduz, Samangan	\$ 800,000	\$ 474,805	\$ -	883	Active
46		NFI	Yes	Bamyan	\$ 1,320,000	\$ 1,307,607	\$ -	725	Active
SUB-TOTAL NFI					\$ 8,232,562	\$ 7,402,319	\$ 4,055,514	8,325	
47		FI	Yes	Balk, Jawzjan, Faryab, Samangan, Baghlan	\$ 1,784,027	\$ 1,784,027	\$ 40,518	1,139	Active
48		FI	Yes	Kabul Province	\$ 1,000,000	\$ 1,000,000	\$ 1,018,521	-	Complete
49		FI	Yes	All	\$ 10,000,000	\$ -	\$ -	-	Active
SUB-TOTAL FI					\$ 12,784,027	\$ 2,784,027	\$ 1,059,039	1,139	
TOTAL ADF LOANS					\$ 37,212,970	\$ 21,505,726	\$ 6,991,379	14,157	
ACE/ADF Grant Recipient		Type of Grant			\$ Value approved	\$ Value Disbursed	Status		
1		ACE Agricultural Modernization			\$ 80,623	\$ 79,122	Complete		
2		ACE Agricultural Modernization/ CMU Grant			\$ 49,090	\$ 40,153	Complete		
3		ADF Challenge			\$ 127,497	\$ 120,081	Active		
4		ADF Challenge			\$ 352,232	\$ 72,951	72951 Active		
5		ADF Challenge			\$ 23,991	\$ 23,991	Complete		
6		ADF Innovation			\$ 35,126	\$ 27,906	Active		
7		ADF Challenge			\$ 72,453	\$ 17,652	Active		
8		ACE Agricultural Modernization			\$ 124,160	\$ 124,160	Complete		
9		ACE Agricultural Modernization			\$ 149,824	\$ 80,845	Active		

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Approved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Beneficiaries	Status
10	[REDACTED]	ACE Agricultural Modernization			\$ 46,220	\$ 38,507		Active	
11		ACE Agricultural Modernization			\$ 120,100	\$ 35,100		Active	
12		ADF Challenge			\$ 99,800	\$ -		Active	
13		ACE Agricultural Modernization			\$ 45,800	\$ 2,800		Active	
14		ADF Challenge			\$ 72,000	\$ 17,107		Active	
SUB-TOTAL GRANTS					\$ 1,398,916	\$ 680,375			
GRAND TOTAL					\$ 38,611,886	\$ 22,186,101			

¹27 loans to [REDACTED] province.

TABLE 6: ADF LOAN PIPELINE

Loan Pipeline Tracker Report									
<u>Borrower</u>	<u>Loan Type</u> <u>FI,</u> <u>Direct,</u> <u>NFI</u>	<u>Region</u>	<u>Loan amount</u> <u>requested</u>	<u>1st Visit</u>	<u>Other</u> <u>Visits</u>	<u>Next</u> <u>Mtg</u>	<u>Regiona</u> <u>l Office</u>	<u>Loan</u> <u>Applicatio</u> <u>n Stage</u>	<u>Notes and Comments</u>
[REDACTED]	FI	Takhar	\$ 100,000	11/16/11		TBD	Mazar	MEDIUM	The case was presented at the ACE TRC meeting and it was recommended to be forwarded to the ADF CC meeting for approval. Next step: Will be presented at the next ADF CC.
[REDACTED]	Direct	Mazar	\$ 350,000	11/17/11		TBD	Mazar	MEDIUM	The loan application and financials of the company have been received. The Pre-audit and risk management have been completed for the client. Next step: Awaiting value chain report.
[REDACTED]	Direct	Bamyan	\$ 200,000	01/28/11		TBD	Mazar	MEDIUM	The case was presented at the ACE TRC meeting and it was recommended to be forwarded to the ADF CC meeting for approval. Next step: Will be presented at the next ADF CC.
[REDACTED]	Direct	Kunduz	\$ 2,500,000	04/29/12			Mazar	MEDIUM	The application is completed, work on financials is ongoing and will be completed by this week, value chain and audit report have been prepared.
[REDACTED]	Direct	Bamyan	\$ 200,000	01/28/11		TBD	Mazar	MEDIUM	The case was presented at the ACE TRC meeting and it was recommended to be forwarded to the ADF CC meeting for approval. Next step: is ready to be presented at the ADF CC.

[REDACTED]	Direct	Kandahar	\$ 10,000	03/30/12			Kabul	PRELIM	The proposal is being finalized. It will be presented at the next ADF CC meeting.
[REDACTED]	Direct	Herat	\$ 700,000	09/04/12			Herat	PRELIM	The financials have been prepared and the case is ready to present in the next ACE TRC meeting.
Borrower	Loan Type FI, Direct, NFI	Region	Loan amount requested	1st Visit	Other Visits	Next Mtg	Regiona l Office	Loan Applicatio n Stage	Notes and Comments
[REDACTED]	Direct	Samangan	\$ 2,000,000	02/14/12		TBD	Mazar	MEDIUM	The loan application is complete. The senior lending officer has visited the client and reviewed the application. The Pre-audit team visited the client and the firm. Next step: Value chain team is on the ground, as we receive the value chain report, the case will be presented to the ACE TRC meeting.
[REDACTED]	Direct	Herat	\$ 2,000,000	09/15/11	09/20/11		Herat	FINAL	The case was presented at the ACE TRC and ADF CC. The ADF CC asked for some information on market (specific to where the new production would be sold), environmental evaluation and Union's sustainability. The additional documentation was already presented to Technical Review and will be submitted in the next ADF CC. More information on carpet designs, international market was requested again by ADF CC. The case will be represented at the ADF CC.
Khaja [REDACTED]	Direct	Herat	\$ 150,000	01/04/12			Herat	PRELIM	The loan application was filled with the client (group of 15 members). The financials have been revised and the Islamic product designed. <u>Next step:</u> Value Chain evaluation is in process.
[REDACTED]	Direct	Herat	\$ 187,000	01/04/12	09/04/12		Herat	PRELIM	Last information like Bank Statements has been requested to the Association. The Value Chain evaluation is under process.

[REDACTED]	Direct	Herat	\$ 800,000	20/12/11	01/02/12		Herat	FINAL	The package is ready to present to the ADF CC.
[REDACTED]	Direct	Herat	\$ 1,000,000	11/01/11	12/26/11	02/06/12	Herat	MEDIUM	The [REDACTED] restructured their request. The loan amount has been reduced and it will include only the farmers. They are filling a new application with all the beneficiaries and each one's requirements.
[REDACTED]	Direct	Herat	\$ 1,000,000	11/12/11	18/1/12	24/1/12	Herat	MEDIUM	The package is ready to present to the ADF CC.
Borrower	Loan Type FI, Direct, NFI	Region	Loan amount requested	Ist Visit	Other Visits	Next Mtg	Regiona l Office	Loan Applicatio n Stage	Notes and Comments
[REDACTED]	Direct	Herat	\$ 470,000	03/04/12			Herat	MEDIUM	Waiting to get MAIL and USAID's final approval on the ADF CC Decision Sheet.
[REDACTED]	Direct	Herat	\$ 166,000	15/5/12			Herat	MEDIUM	Application under process. Upon completion, the case will be presented at the ACE TRC.
[REDACTED]	Direct	Herat	\$ 198,000	15/5/12			Herat	MEDIUM	Application under process. Upon completion, the case will be presented at the ACE TRC.
[REDACTED]	Direct	Herat	\$ 253,000	15/5/12			Herat	MEDIUM	Had a meeting with their representatives to ask for more detail on applicants
[REDACTED]	Direct	Kandahar	\$ 500,000	28/3/12			Kabul	MEDIUM	Loan proposal has been presented to the TRC. <u>Next:</u> will be presented at the next ADF CC meeting.
[REDACTED]	Direct	Paktika	\$ 500,000	03/13/12		03/27/12	Kabul	PRELIM	The Association was established in 2009 with the Sub Associations in Khost and Pakika Provinces. They have 275 members and purchasing pine nuts from the member and selling to Pakistani traders. They are looking for \$500K for 18 months, for the advance payment to the members. Next step: working on the loan application and company financial statements.
[REDACTED]	Direct	Kandahar	\$ 200,000	3/20/12	5/28/12	TBD	Kabul	FINAL	The case is ready for the presentation in next ACE TRC.

[REDACTED]	Direct	Laghman	\$ 100,000	02/02/12			Jalalabad	MEDIUM	TRC recommended that the case be presented to the ADF CC.
[REDACTED]	Direct	Jalalabad	\$ 600,000	02/03/12			Jalalabad	MEDIUM	The case has been put on hold for now, as the company is in the process of importing biscuit making machinery from Italy.
[REDACTED]	Direct	Kabul	\$ 300,000	04/01/12	05/13/12	TBD	Kabul	MEDIUM	Lending and Value Chain teams are determining a loan structure and purpose for the company. Value Chain team will visit the company this week and the case will be ready for presentation by the end of May.
Borrower	Loan Type FI, Direct, NFI	Region	Loan amount requested	Ist Visit	Other Visits	Next Mtg	Regiona l Office	Loan Applicatio n Stage	Notes and Comments
[REDACTED]	Direct	Kabul	\$ 150,000	02/11/12	03/08/12	TBD	Kabul	MEDIUM	[REDACTED] a yoghurt production company located in Darulaman of Kabul. The company has been operating for more than one and half years and has established a good reputation in the market. The owners have requested a loan from ADF to modernize their production line through procurement of modern equipment. A portion of the loan shall be utilized by the company to build a reliable network of suppliers. The case was approved by TRC <u>Next:</u> ADF lending team will present the case to the next ADF CC for approval.
[REDACTED]	Direct	[REDACTED]	\$ 150,000	04/18/12	05/01/12	TBD	Kabul	MEDIUM	Waiting to get MAIL and USAID's final approval on the ADF CC Decision Sheet.
[REDACTED]	Direct	Kabul/ Nangarhar	\$ 350,000	04/15/12	TBD	TBD	Kabul	MEDIUM	Value Chain Department will review the request this week.

[REDACTED]	NFI	Kabul	\$ 5,000,000	04/26/12	05/13/12	TBD	Kabul	MEDIUM	ADF Lending team is working on the concept for this loan. [REDACTED] executives will meet with the lending team to agree on general terms and conditions of a possible loan. <u>Next:</u> ADF lending meet with [REDACTED] managing director to finalize terms of the loan and collect more information.
[REDACTED]	Direct	Jalalabad	\$ 1,000,000	01/01/12			Jalalabad	FINAL	TRC recommended that the case be presented to the ADF CC.
[REDACTED]	Direct	Kabul	\$ 6,715,105				Kabul	MEDIUM	TRC recommended that the case be presented to the ADF CC.
[REDACTED]	Direct	Kabul	TBD	04/15/12			Kabul	PRELIM	The president of the company is in foreign till now. As he comes, Lending team will discuss the loan with the company.
[REDACTED]	Direct	Jalalabad	\$ 500,000				Jalalabad	MEDIUM	The client has withdrawn its loan request.
[REDACTED]	Director	Jalalabad	\$ 150,000	26/5/12			Jalalabad	MEDIUM	Finalizing the proposal to be presented to the TRC.
[REDACTED]	Direct	Jalalabad	\$ 150,000	05/15/12			Jalalabad	PRELIM	Finalizing the proposal to be presented to the TRC.
[REDACTED]	Direct	Jalalabad	\$ 600,000				Jalalabad	MEDIUM	Finalizing the proposal to be presented to the TRC. And Value chain report is under preparation.
[REDACTED]	Direct	Wardak	\$ 300,000	03/29/12			Kabul	MEDIUM	The case was presented at the ACE TRC meeting and it was recommended to be forwarded to the ADF CC meeting for approval. <u>Next step:</u> Will be presented at the next ADF CC.
[REDACTED]	Direct	Jalalabad	\$ 150,000	05/27/12			Jalalabad	PRELIM	Finalizing the proposal to be presented to the TRC.
Totals:			\$ 29,699,105						
Updated on: 07/01/2012									



We give credit to women
entrepreneurs because it is fair,
because it is ethically right, but most importantly
because it makes
economic sense!



MINISTRY of AGRICULTURE,
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Component 2: Agricultural Modernization and Value Chain Development

Value Chain Strengthening

The purpose of ACE's Value-Chain strengthening unit is to provide technical support to the lending operations, as well as to ADF clients. The unit leads the technical assessment of production; processing and marketing activities proposed by loan applicants and also provides technical assistance to ADF borrowers.

The program supported agricultural value chain strengthening through four complementary activities:

- 1) Increase the capacities of MAIL personnel to conduct value chain analysis;
- 2) Promote increased market opportunities for Afghan agricultural products;
- 3) Recognize and promote innovation in the agricultural sector;
- 4) Provide technical reviews and assistance for the ADF loans.

First, throughout the reporting quarter, ACE mobilized a team of one value chain strengthening consultant and one Afghan value chain strengthening specialist to conduct the Agricultural Value Chain Training for 14 MAIL/DAIL staff. The first part of the training program consisted of a classroom training which took place from April 8-12, 2012 in Kabul. The training course was officially opened by Mr. Waziri, MAIL Director of Cereals Section, and Juan M. Estrada, Chief of Party for ACE. The course curriculum covered value chain selection, value chain analysis, and strategic and programmatic recommendations. Upon the selection of specific agricultural value chains, the participants would carry out value chain analysis for specific crops and submit final reports.

Based on USAID's Value Chain selection criteria, the participants selected the following value chains for analysis:

West: Saffron, Raisins, and Pistachio

North: Yellow Melons, Cotton, Wheat, and Almonds;

East: Onions, Rice, Citrus Fruits, and Honey;

Central: Fresh Grapes, Potatoes, Apples, and Pomegranates



Left: View of the formal Value Chain Analysis training for DAIL staff, organized by ACE on April 8-12, 2012. Right: Balkh DAIL Extension Manager Mohammad Yusuf and Research Manager Parwiz interviewing cotton traders.

Basic knowledge on value chain analysis throughout a three months program. At the end of the training, participants received a Certificate of Completion, and a customized Value Chain Analysis and Development Toolkit, in Dari. The toolkit contained an analytical framework and checklists to assist the MAIL Advisors in conducting their respective value chain analysis in the region and also a proposed outline of the value chain reports to ensure standardization and comparability.

After the training in Kabul ended, the DAIL value chain specialists went back to conduct field research on individual value chains. The DAIL trainees traveled to various districts and conducted hundreds of interviews with input providers, producers, traders, processors, wholesalers, retailers and providers of supporting products and services. To assist with reviewing and providing feedback on the first draft of the value chain studies in the national language, ACE established a Value Chain Review Advisory Group comprised of agricultural economics and marketing stakeholders from Afghan universities, the private sector and civil society. In order to ensure a consistent review methodology, a one-day Value Chain Review Workshop for the committee was held at the ACE Office in Kabul to review the objectives of the study, the Value Chain Methodology, and to provide technical and operational requirements for the review of the value chain studies.

During the last half of May, ACE began the second round of regional group meetings to review the feedback provided by the Advisory Committee. The ACE team met with the Mazar-e Sharif Advisory Committee professors and the DAIL trainees from Balkh and Kunduz, as well as the DAIL trainees from Kabul and the Central region. During these meetings, ACE provided advice and guidance to the DAIL trainees on how best to revise their reports to reflect feedback provided by the Advisory Committee. By the time of this report, the 14 value chain analysis reports are complete and will be presented during the graduation ceremony and workshop in early July. The activity will be coordinated with MAIL.

Second, to promote increased market opportunities for the ADF clients, the project assisted the [REDACTED] in Jalalabad with the organization of a “Thresher Marketing Workshop” in Jalalabad on May 16-17, 2012. The activity was enabled by an agricultural modernization grant. The company invited 39 agricultural machinery dealers from 11 provinces of Afghanistan such as Kunduz, Baghlan, Faryab, Kabul, Kandahar, Helmand, Logar, Nangarhar, Ghazni, Balkh and Kunar to discuss the sales strategy for the new harvest season. Between the time of the workshop and this report, the company sold 60 threshers in several provinces, whereas in the months of April, May and June Javed Afghan Wheat Thresher sold a total of 117 threshers.



Left and Right: View of the Thresher Marketing Workshop organized in Jalalabad in collaboration with the [REDACTED] and 39 agricultural machinery dealers.

In terms of international trade facilitation events, during the month of May, ACE facilitated the participation of ten ADF clients engaged in the export business in the 18th Annual Azerbaijan International Food Exhibition held in Baku, on May 13-18, 2012. The Azerbaijan International Food Industry Exhibition is an international event held each year in Azerbaijan since 1995. During the event,

ACE assisted its clients with the establishment of booths to exhibit their products and with the facilitation of trade meetings with business representatives from Azerbaijan, Russia and other European countries including Germany, Turkey and Poland. Through this event, the Afghan businesses established business relationships and long-term linkages with the continuously emerging markets of central Asian countries and the Middle East. Exhibiting their products at the show enabled the participating Afghan businesses, primarily involved in agricultural production and processing, to promote foreign investments in Afghanistan and identify new markets to export Afghan agricultural products. In addition, the participants had an opportunity to see how other international companies do business, how they exhibit and promote their products and understand the international standards and procedures for export-import operations. This exhibition constituted a unique platform for the participants to introduce the best of Afghanistan's agricultural products, specifically to the Caspian market where there is significant demand for them. The Afghan companies will follow up with the business contacts established during the event. This is expected to boost their sales and enable them to negotiate contracts with companies across the globe on equal terms.



The ACE team supported the organization of the Mazar-e-Sharif Business Fair on April 15-18, 2012, through Golden Sponsorship. The sponsorship for the event allowed the project to reserve several additional booths for ADF clients. A total of nine ADF clients participated in the event from various regions of the country to exhibit and promote their products. The event constituted a good opportunity for the clients to reach out to buyers and input suppliers. Some of the results achieved during the fair include: the [REDACTED] sold one wheat thresher and signed a contract for 20 more threshers; [REDACTED] signed a contract with [REDACTED] to provide the company with 100MT of flour; and the [REDACTED] signed two contracts for handicrafts and carpets.

Third, during the reporting quarter the project conducted several value chain technical reviews for the loan packages reviewed by the ACE Technical Review Committee and the ADF Credit Committee. Some of the loan packages reviewed by the team include:

- The [REDACTED] imports agrichemicals, including pesticides, veterinary medicines, and different agricultural tools into Afghanistan. The team conducted the technical review to determine if the business proposal is feasible.
- The [REDACTED] in Laghman province is involved in raw honey production. The loan will assist the client not only to increase honey production but also to add value through processing and packaging. The value chain team is assisting the company with technical expertise.



Left: Eng. Shir Ahmad Sepahizada Deputy Director of [REDACTED] in Balkh province handing over the Golden Sponsorship to the ACE staff at the Mazar-e-Sharif Business Fair. Right: Governor of Balkh province, Mr. Ustad Atta Muhammad Nur, visiting the ADF booth at the Business Fair in Mazar-e-Sharif.

- The [REDACTED] is involved in wool spinning and weaving of carpets and handicrafts. The team visited the company facility to collect information and completed the technical review.
- The [REDACTED] operates 28 small fruits and vegetable processing centers and works under this association in Herat province. The team met with [REDACTED] the head of the association, to collect information on the current business and expansion needs in order to complete the value chain technical review.
- The [REDACTED] produces different types of fruits and non-fruit saplings. The cooperative applied for an ADF loan of \$150,000 to invest in the purchase of inputs for the development of their business in Herat province. During a meeting with Mr. Aminullah, the head of the cooperative, the team collected information on the structure of the cooperative and visited member nurseries. The technical review for the loan application is ongoing.
- [REDACTED] is involved in bakery production and is interested in investing in their biscuit production business. The loan from the ADF is requested by the company to finance the purchase of raw materials such as wheat, sugar and ghee. A quick review including information on the purchase of wheat from farmers, equipment purchase and installation of the machines and availability of city power for reduction of the cost of production and competition in the market has been observed and reviewed.
- The team visited the [REDACTED] to physically inspect the facilities and collect information. The [REDACTED] is requesting an ADF loan to finance the purchase of feed mill equipment and pullets to be raised by the association. The breeders will be sold to the members of the Association. The project requested for the association to provide further information on feed mill equipment and pullets that would be financed by the ADF.
- The project supported the [REDACTED] [REDACTED] with a technical feasibility study for the project. Information on advances to the farmers and purchase of apples are further needed to be collected for this case before presenting to the committee. A calendar that illustrates different activities for this case from the loan disbursement till marketing and repayment of the loan has been drafted to make sure that the loan is disbursed on time and all the activities are pre-planned to make the business successful. The final technical report will be submitted to the technical review committee.

- ACE is working with the [REDACTED], which collects milk from farmers in the central region and processes it into yoghurt, to develop an improved process flow. The company is interested in an ADF loan of \$150,000 to modernize their production line through the procurement of new equipment. A portion of the loan will be utilized by the company to build a reliable network of suppliers and through distributing 200 aluminum drums for milk collection to the farmers on credit. The team supported the client in identifying proper equipment necessary for milk processing and collection.

Fourth, the ACE team worked intensively in completing the documentation for several Agricultural Modernization Grants for ADF clients among which: 1) [REDACTED] is requesting an ACE agricultural modernization grant equivalent to \$92,100 to support soybean-value chain activities; 2) [REDACTED] [REDACTED] is interested in a grant to cover the expenses of hiring a team of technicians from India for the installation of the processing equipment at the new plant; 3) [REDACTED] a recipient of an ADF loan of \$700,000, is interested in attending the Cashmere Work Exhibition in Hong Kong on September 27-29, 2012; 4) the [REDACTED] is interested in a grant to purchase packing machinery, a blancher, and a conveyor, and to also provide technical training to their staff to improve their potato chip processing; and 5) [REDACTED] which is interested in a grant to purchase silk spinning and weaving machines. The project foresees approving six to eight new ACE agricultural modernization grants in the next quarter.



Component 3: Coordination and Knowledge Management

The Knowledge Management Component aims at integrating production and market information currently being generated by an array of organizations, and transforming it into market intelligence applicable to diverse audiences within the agriculture sector, while building the capacity of MAIL staff to manage the system.

In terms of market information systems and knowledge management, the ACE project completed several tasks and products, achieving a number of successes during the reporting quarter.

- 1) On April 8th, ACE and MAIL/MIS representatives signed a Memorandum of Understanding (MOU) on the PAYWAND transition to MAIL, a milestone in the history of the project. Since the launch of the Knowledge Management Facility-PAYWAND in autumn of 2011, ACE has been working closely with the Department of Market Information Systems at MAIL on drafting a transition plan for PAYWAND. After many discussions and iterations, in April, ACE and MAIL signed a MoU which underlines the structure of collaboration between MAIL and ACE for the enhancement of the market information systems for agriculture in Afghanistan. The MOU envisions the details of transitions of PAYWAND from ACE to MAIL as well as the roles and responsibilities of both partners for the sustainability and successful operations of the Knowledge Management Facility. The document was signed by the General Director of the Directorate of Planning and Policy Mr. Farid Mateen on behalf of MAIL and the COP Mr. Juan Estrada-Valle on behalf of ACE.
- 2) Study tour to Ghana – a team of three MAIL/MIS key personnel and two ACE MIS staff traveled to Ghana on a market information study tour on May 12-19, 2012. The purpose of the tour was to expose the representatives from MAIL, Management Information Systems Department, who will take over the PAYWAND operation, to two successful market information systems in a country with similar challenges and development stage. The team visited two market information platforms, Mfarms and ESOKO. ESOKO is a similar initiative to PAYWAND, established in 2005 as a donor and private sector initiative to provide information on markets, trade and export

mFarms
Agribusiness Solutions

Home Products Vendors Buyers

WELCOME
LOGIN SIGN UP
Forgot your password?

PARTNERS
USAID FROM THE AMERICAN PEOPLE
IITA Research to nourish Africa
UPOCA Uniting the power of voices in Africa

USERS ONLINE
Buyers 1

PRODUCTS FOR SALE
Gari Creamy-white crispy granules, slightly sour
Cassava fufu flour Odourless fermented white powder used to prepare instant food
Cassava flour Odourless unfermented fine white powder for bakery/pastry products
Attieke Cassava couscous
Starch White gelatinous extract from cassava roots used in industries
Tapioca

02 Healthy cassava farm

The mFarms Platform: A Business Solution for Agriculture

The International Institute of Tropical Agriculture (IITA) has partnered with Image-AD (Ghana) to customize "mFarms" into an agribusiness solution in response to smallholders' need to commercialize cassava. Cassava is a root crop that grows well in various tropical soil types and ecologies. It is a key food security and poverty reduction crop in sub-Saharan Africa. Cassava has advantages as raw material for use in food, feed and industrial products. Processing cassava into quality products therefore opens market opportunities for small- to large-holder enterprises.

procedures. It provides regular price information on agriculture commodities and trade flows on both web-based and mobile platforms.

The ESOKO team provided information on data collection systems and data uploads through mobile technology applications to the participants, which can be replicated and used by MAIL for several purposes while collecting data in the field. The monitoring and data validation procedures as integral parts of data collection were discussed in detail by both teams. The web platform design with several levels of customization within a multitasking and multi-sharing platform was beneficial and interesting to the Afghan participants. This model could be adopted by MAIL in the future as a means of sharing information between networks and interest groups.

Mfarms is a complementary service for the agricultural value chain and its actors. The project started as a donor based initiative in 2009 with the purpose of linking farmers to markets with AGRA (Alliance for a Green Revolution in Africa) funding and IFDC (International Fertilizer Development Center) technical implementation. The starting platform gathered information on 3,000 agri-input dealers or 90 percent of input dealers of the country, and collected and provided market information to the public. The primary concept was reinvented into a more complex platform that integrates information from all value chain actors in a geo-referenced database offering several services for its members. The module is designed to create operational efficiencies by allowing organizations, associations and identifiable groups to serve a large number of their members or affiliates dispersed over space using mobile phones and the web. The primary aim of this module is to link smallholder farmers to market through larger intermediaries of the value chain able to register in the platform such as: market produce aggregators, agro-input dealers, transport companies and warehouses. The Afghan participants benefitted significantly from the experience in several ways, such as 1) it provided an opportunity to network with other Market information System providers in the region; 2) to get information on other innovative solutions; 3) to discuss implementation challenges with other professionals; and 4) to discuss potential future information channels and the content of agricultural information systems of the future.



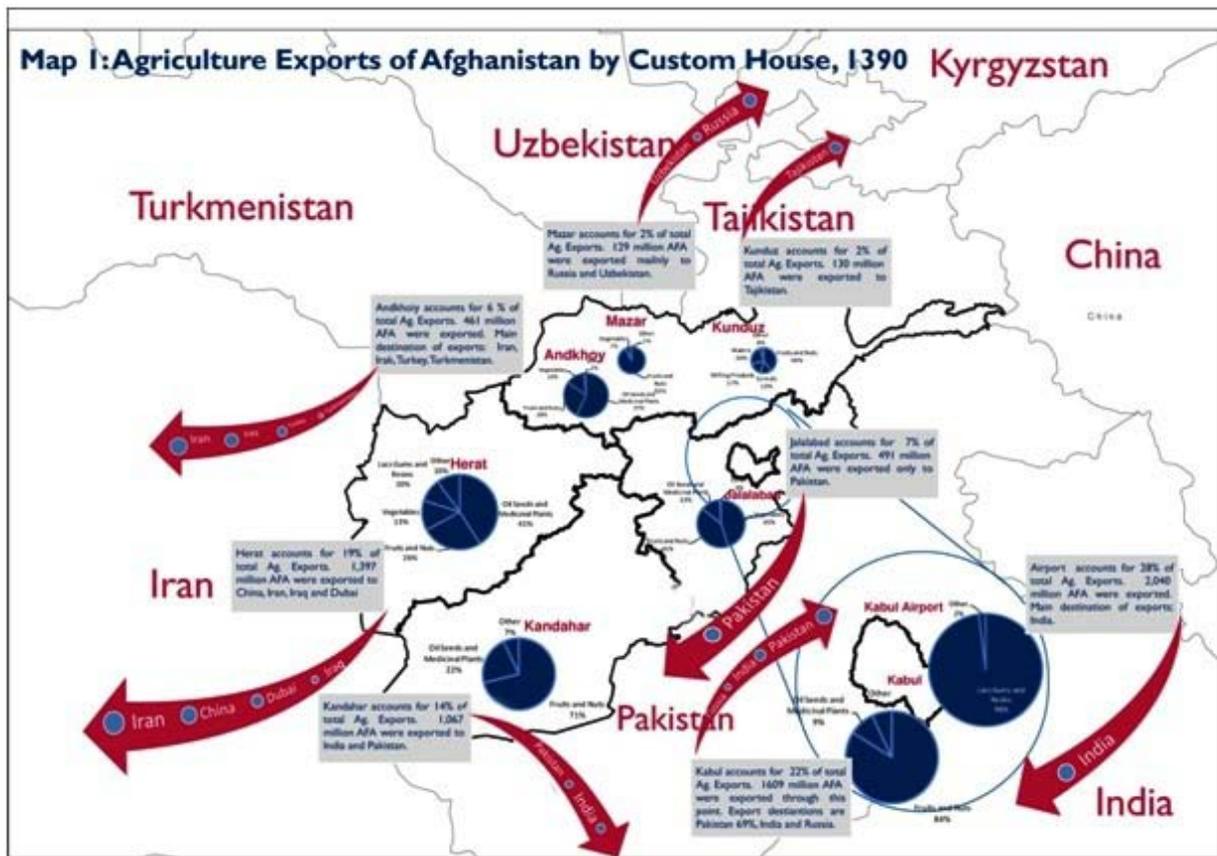
Left and Right: View of the meeting between the Afghan participants and the ESOKO team in Accra, Ghana.

- 3) The team completed the first draft of the Agricultural Trade Report for the year 1390, according to which the “agricultural trade flows of Afghanistan reached 83.743 Billion AFN (\$1.7Billion USD) in 1390.” The trade flows increased by 11.2 percent compared to the year 1389. The import trade flows account for the largest share of the agricultural trade flows with a constant increase during the last few years. The increase in share from 89 percent in 1389 to 93 percent in 1390 is related to the increase of imports as well as the decrease of the value of agriculture exports. These developments have resulted in an increased trade deficit, valued at 72.120 Billion AFN (\$1.5 Billion USD). The agricultural exports were valued at 5.811 Billion AFN (\$120.8 million USD) having decreased by 23.1 percent in 1390. The agricultural exports still account for the major share of the total exports of Afghanistan but their share decreased by 7 percent. They

have vigorously grown since 1385 (2006-2007), reaching a peak in 1388 and then decreasing consequently in 1389-90 to the same level as in 1385.”

- 4) ACE is organizing a 36 hour training course on MS Access database development for MAIL/MIS and Agromet project staff. The purpose of this activity is to train MAIL staff on how to design, develop and maintain Relational Database Management Systems (RDBMS) using MS Access 2007, how to implement RDBMS in their daily activities and most importantly how to run and maintain the KMF Access Database. Six representatives from MAIL and Agromet project started the course on June 7th, and it will continue until July 12th.
- 5) ACE organized a two-day training for 28 MAIL representatives working for the extension services as data collectors, from northern region provinces such as Balkh, Kunduz, Baghlan, Jawzjan, Samangan, Saripul, Faryab and Uruzgan and Agromet project staff. The event took place in Mazar-e-Sharif to present the Knowledge Management Facility – Paywand to data collectors in the field and focused on improving the data collection processes. ACE undertook this activity in the framework of designing production calendars for wheat, rice and corn for most of the provinces in Afghanistan. As part of the collaboration with Agromet, KMF-Paywand analyzes the raw data collected by Agromet, and transforms the information into market intelligence for several agricultural actors. Agromet project assists the GIRoA in collecting and analyzing agricultural and meteorological data related to crop production, irrigation, water supply, energy, and aviation. This activity will take place in several other regions of the country and will enable the MIS department to design a new publication series that will focus on crop specific production calendars. To achieve this, ACE needs high quality data from the field.

MAP No 2: Agriculture exports by custom house



- 6) ACE is coordinating the training for the Data Analysis and Economic Writing Training. 12 participants from MAIL, Agromet and ACE are already registered in the first group which will take place from June 30th till July 25th. The purpose of the training is to enhance the skills of the participants with respect to data analysis and interpretation through the use of computer and statistical software and help them incorporate the findings into well-structured economic reports.

Performance Management - ACE Progress against Targets

The third quarter of 2012 showed continued success of the project as ACE moved towards the third calendar year. The M&E team continues to revamp monitoring activities by constantly improving the reported indicators and their verification, which has created a stronger, more rigorous set of impact data. Systematic data collection and analysis according to a pre-determined timeline is implemented rigorously.

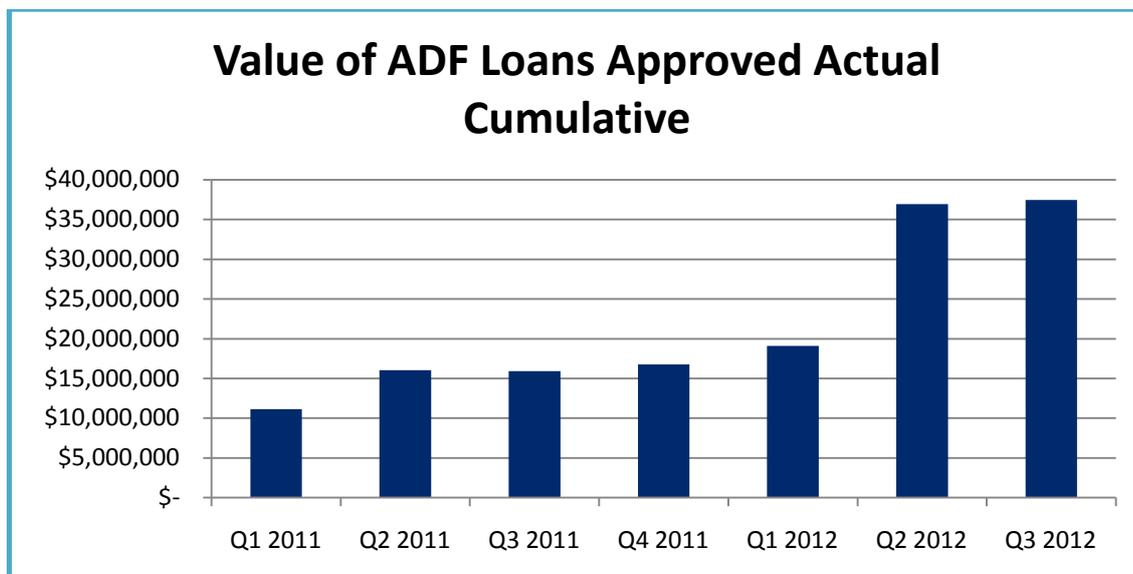
Quarterly Results

This section presents the progress of ACE from April 1st to June 30th, 2012. A description of the main accomplishments for each indicator is followed by a summary of quarterly result against planned targets.

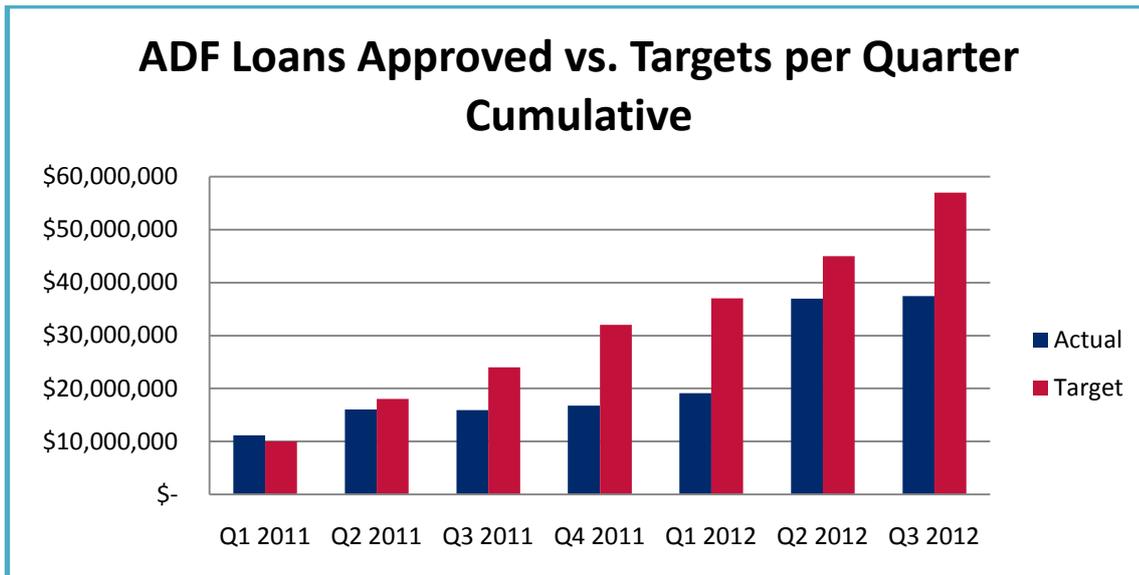
Indicator #1.1- During the last quarter, ACE achieved a total net growth of \$507,784 USD in approved ADF loans. This is due to a total of \$887,000 USD in approved loans by the ADF Credit Committee meeting and the quarterly de-obligations from the original loan agreements. The unavailability of ADF funds for lending, caused by the delay in the registration of the ADF and the unsolved political challenges with MAIL, resulted in a suspension of ADF Credit Committee meetings.

Nonetheless, the project aimed to close the gap between the loans approved versus the quarterly targets: At the end of this quarter, ADF stands at a total of \$37.2 million USD loans approved. The two graphs below show the ADF loans approved for each quarter; and the actual performance versus targets.

Graph No 1: ADF Loans Approved per Quarter



Graph No 2: ADF Loans Approved per Quarter



Indicator #1.2 – In the last quarter, ACE achieved 3,617 new direct farmer beneficiaries through nine intermediaries as shown in the Table No 6 below. 13 farmer beneficiaries were women.

As per PMP indicator definition, this indicator tracks “the number of individuals benefitting from ACE/ADF loan agreements,” therefore as stipulated in the previous quarterly reports, the number of loan agreements signed with agribusinesses and farmer beneficiaries will be counted against this indicator. Three agreements with agribusinesses were signed during the reporting quarter; [redacted] and [redacted]. This brings the total number of individual loan agreements for the quarter to 3,620.

Table 7: Q3 FY2012- Net Direct beneficiaries (farmers)

No.	Company	Direct beneficiaries	Male	Female
1	[redacted]	725	725	0
2	[redacted] (new only)	819	813	6
3	[redacted] 2 nd Loan	883	883	0
4	[redacted]	600	600	0
5	[redacted]	78	67	11
6	[redacted] FSC	232	232	0
7	[redacted] FSC	196	195	1
8	[redacted]	38	37	1
9	[redacted]	46	46	0
	Total	3,617	3,598	19

Up to this point, the project directly benefitted a total 14,514 farmers whereas 17 additional agribusinesses have benefitted from ADF loan agreements. The table below shows ACE farmer direct beneficiaries disaggregated by Regional Command and Gender.

Table 8: Actual Direct Beneficiaries per Regional Command

Region	Total Direct Beneficiaries	Male	Female	Loan Disbursed in (\$)
RC - East	4,764	4,748	16	1,600,963.75
RC - North	6,357	6,349	8	4,563,763.03
RC - South	1,463	1,463	0	231,635.00
RC - West	1,930	1,813	117	1,110,633.07
Total	14,514	14,373	141	7,506,995

Table 9: ACE/ADF approved and disbursed loans per Regional Command

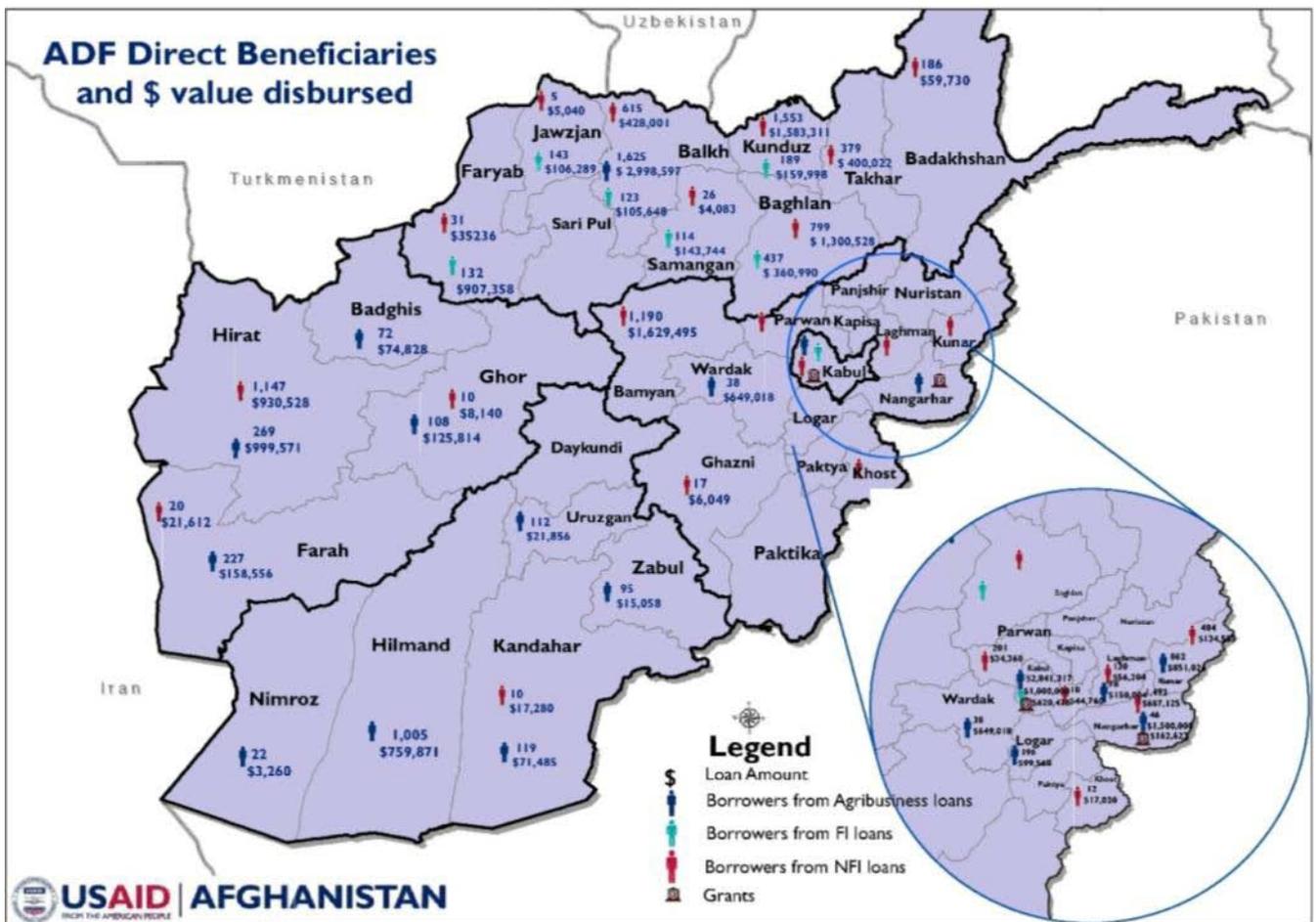
Region	Loan Approved (\$)	Loan Disbursed in (\$)	Beneficiaries
RC Central	\$ 14,876,079	\$ 3,885,630	18
RC East	\$ 6,180,610	\$ 5,813,217	4,746
RC North	\$ 10,005,769	\$ 8,598,574	6,357
RC South	\$ 888,810	\$ 888,810	1,463
RC West	\$ 4,819,048	\$ 2,319,048	1,930
Total	\$ 37,212,970	\$ 21,505,279	14,514

The Performance Indicator Data Sheet (Table No.9) on page 43 shows the ACE quarterly accomplishments and the current cumulative actual performance against quarterly and annual targets. Below are some of the reasons ACE could not fully achieve the quarterly targets for indicators #1.1; #1.2 and #2.1.

- The unresolved issues with MAIL, such as delays in agreeing with the ADF governance structure and the legal structure to register the ADF, as well as the GiRoA's inability to disburse lending funds on-the budget through the Ministry of Finance, have been obstacles. Lack of familiarity with the management of a financial institution on the part of MAIL, the lack of leadership at lower levels of the Ministry and unwillingness to make decisions without the concurrence of the highest level authorities has delayed the process of registering the ADF. After the first trials in February-March, it became evident that GiRoA is not equipped to disburse loans as assumed in the project design, and will require registration of the ADF to proceed, thereby causing an unforeseen delay that resulted in a significant backlog.
- Until the ADF legal registration is successfully achieved, ACE/ADF has no funds for lending. To manage client expectations during the reporting quarter only one ADF Credit Committee meeting was organized, as opposed to five-six meetings organized generally in any previous quarter. ACE currently has 12 loans approved by the ACE Technical Review Committee which are waiting ADF Credit Committee decision and another \$30 million USD worth of loan cases in the pipeline. In addition, ACE de-obligated \$800,000 in the reporting quarter, and a total cumulative of \$4.5Million USD since the start of the project.

- The lack of funds for lending affected not only the loan approval and disbursements, but also the number of direct beneficiaries. Due to the delays in disbursements, such as for [REDACTED] and [REDACTED] and the inability to disburse the loans approved by the ADF Credit Committee, ACE has only disbursed to a total of 14, 514 farmers as of June 30th 2012. ACE is currently working with its lending partners to collect, verify and register loan agreements between intermediaries and farmers. Should funds for lending be available in the next month, the project will reach the target of 24,000 farmers before the end of September.
- Due to the lack of ADF funds for lending, during the reporting quarter, ACE adopted a very conservative approach with signing new grants agreement, aiming to allocate the remaining ADF funds for lending purposes only. However, the project approved two new Agricultural Modernization grants and is currently finalizing approximately ten new grants proposals.

Map 3: ADF Disbursement and Beneficiaries per Province



Map 4: ADF Borrowers according to Intermediaries

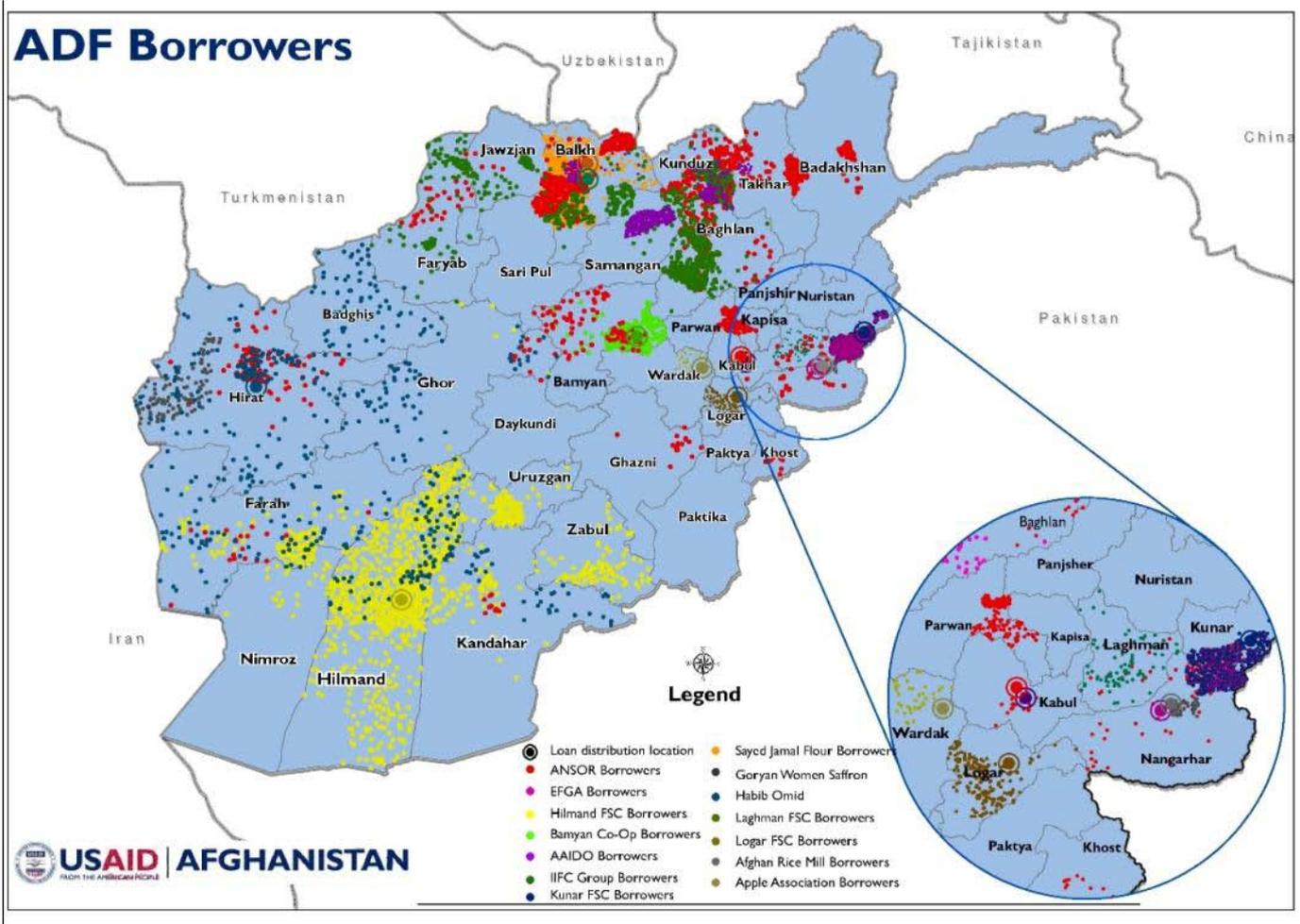


Table 10: PERFORMANCE DATA QUARTER 3 FY2012

PMP INDICATOR	FY2011	Q1 FY2012	Q2 FY2012	Q3 FY2012	ACTUAL Q3 FY 2012	TARGET Q3 FY2012	%	Male	Female	TARGET FY2012
1.1 Value of Finance Accessed in US dollars. (cumulative)	16,746,562	19,104,562	36,943,562	37,212,970	37,212,970	57,000,000	65%	37,066,346	385,000	\$65,000,000
Sub-indicator: Value of ADF loans disbursed in US dollars (cum)	9,515,771	15,530,721	18,917,799	21,505,726	21,505,726	23,000,000	94%	21,350,726	155,000	\$25,000,000
1.2 Number of individuals benefitting from ACE or ADF financial agreements	8,720	447	1,744	3,620	14,531	20,000	73%	14,390	138	24,000
Sub-indicator: Number of indirect beneficiaries achieved	94,162	3,362	277	3,410	101,211	40,000	253%			48,000
1.3 Percent Increase in income by assisted farms and agribusinesses	-	-	-	-	-	-	-			10%
1.4 Net total increase in FTE jobs created by USG sponsored agriculture activities	171	242	180	122	715	450	161%	628	67	500
2.1 Value of Challenge/Innovation and Agriculture modernization grants disbursed	737,683	136,457	259,076	265,700	1,398,916	6,000,000	23%	1,370,345	28,571	\$9,500,000
2.2 Number of participating financial intermediaries and private intermediaries on-lending funds from ADF	14	2	27	2	45	18	250%	44	1	19
2.3 Number of innovative lending products established by PIs and FIs	3	1	1	4	9	4	225%			4
2.4 Percentage of loan losses resulting from ACE lending recommendations	0	0	0	0.039%	0.039%	<5%	100%			<5%
3.1 Percentage change in value of export of Afghanistan agriculture products for firms supported by ACE	N/A	-	-	-	-	-	-			10%
3.2 Number of loans approved under USAID's DCA mechanism	-	-	-	-	-	1	0%			1
3.3 Number of public private partnerships formed as a result of USG assistance (including GDAs)	-	-	-	-	-	0	-			0
4.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector	5	1	1	1	8	9	89%			10
4.2 Number of market information and market intelligence products created and disseminated by the established knowledge management	13	3	3	1	20	22	91%			25
4.3 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information syst.	15	19	1	55	90	47	191%	90	-	60
4.4 Number of person hours of training: including formal and practical training and technical visits	74	127	20	173	394	264	149%			320

Table 11: ADF Direct and Indirect Beneficiaries

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
1	[REDACTED]	-	-	-	300	300	300
2	[REDACTED]	-	-	-	8,000	8,000	8,000
3	[REDACTED]	-	-	-	600	600	500
4	[REDACTED]	-	-	-	125	125	125
5	[REDACTED]	630	630	630	-	-	-
6	[REDACTED]	1,489	1,489	1,489	-	-	-
7	[REDACTED]	-	-	-	250	250	250
8	[REDACTED]	-	-	-	300	300	300
9	[REDACTED]	-	-	-	52	52	52
10	[REDACTED]	2,000	2,000	1,625	-	-	-
11	[REDACTED]	-	-	-	4,500	4500	-
12	[REDACTED])	570	570	-	8,170	8,170	1,800
13	[REDACTED]	-	-	-	250	250	-
14	[REDACTED] (2nd)	-	-	-	230	230	-
15	[REDACTED]	-	-	-	177	177	177
16	[REDACTED]	-	-	-	110	110	110
17	[REDACTED]	600	600	600	-	-	-
18	[REDACTED]	-	-	-	2,500	2,500	2,500
19	[REDACTED]	117	117	117	-	-	-
20	[REDACTED] (2 nd loan)	718	718	232	-	-	-
21	[REDACTED]	300	300	196	-	-	-
22	[REDACTED]	800	800	-	1,000	1,000	1,000
23	[REDACTED]	-	-	-	10	10	10

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
24	(2nd Loan)	2,980	2980	-	-	-	-
25		645	645	78	-	-	-
26		-	-	-	1,000	-	-
27		100	100	46	500	-	-
28		400	400	38	-	-	-
29		-	-	-	-	-	-
30		-	-	-	50	-	-
31		8	-	-	-	-	-
32		20	-	-	40	-	-
33		-	-	-	2,000	-	-
SUB-TOTAL Agribusinesses		11,377	11,349	5,051	30,164	26,574	15,124
34		212	212	212	-	-	-
35		1,852	1,852	1,852	-	-	-
36	op	15	15	15	-	-	-
37		47	47	47	-	-	-
38		10	10	10	-	-	-
39		59	59	59	-	-	-
40		156	156	156	-	-	-
41		74	74	74	-	-	-
42		22	22	22	-	-	-
43		4,270	4,270	4,270	86,087	86,087	86,087
44	Exporters' Loan	-	-	-	400	-	-

45	[REDACTED]	1,149	1,149	883	-	-	-
ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
46	[REDACTED]	725	725	725	-	-	-
SUB-TOTAL NFI		8,591	8,591	8,325	86,487	86,087	86,087
47	[REDACTED]	1,139	1,139	1,138	-	-	-
48	[REDACTED]	25	25	-	-	-	-
49	[REDACTED]	181	-	-	34,200	-	-
SUB-TOTAL FI		1,345	1,164	1,138	34,200	-	-
GRAND TOTAL		21,313	21,104	14,514	150,851	112,661	101,211

Indicator #1.3 - Percentage increase in income by assisted farms and agribusinesses is an annual indicator which, as per PMP and the Annual Work Plan 2, will be reported in FY 2012.

Indicator #1.4 - During this quarter, the number of new jobs created expressed in Full-Time Equivalent is 122. This increase counts for the new jobs created by agribusiness comprising full time, part time and seasonal jobs. Unfortunately due to delayed disbursement, businesses such as ██████████ ██████████ Mazar-e-Sharif could not employ more women.

Table 12: New FTE Jobs Created in Q3 FY 2012

No	Type of FTE	Male	Female	Total
1	Full Time Jobs	58.65	0	58.65
2	Part Time Jobs	0	0	0
3	Seasonal Jobs	63.5	0	63.5
Total Q3 FY2012		122.14	0	122.14

Indicator #2.1 – In quarter 3 ACE approved three new grants, one ADF Challenge Grant and two ACE Agricultural Modernization Grants for a total of \$385,800.

Table 13: New Grants Q3 FY 2012

No	Company	Purpose	ADF Challenge	ACE AG. Modern.	Start Date	End Date	Grant Amount
1	██████████	Extend the market of Javid Afghan Thresher company to reach out to new provinces of Afghanistan		✓	15-May-12	14-May-2013	\$ 120,100
2	██████████	Rural SME Operation Support	✓		01-May-12	30-April-2013	\$ 99,800
3	██████████	Support Marketing activities of the association		✓	15-May-12	14-May-2013	\$ 45,800
TOTAL							385,800

The ADF Challenge/Innovation Grants are being temporarily suspended due to the unavailability of ADF funds for lending. However the project is working to finalize another 10 ACE Agricultural Modernization grants for the next quarter.

Indicator # 2.2 – The new quarterly loan approvals resulted in new intermediaries for the ACE Program. Both the ██████████ ██████████ in Jalalabad and ██████████ ██████████ will make loans to farmers and members. With these two new borrowers, ACE stands at a total of 45 intermediaries.

Table 14: New participating intermediaries

No	Name	Intermediary Type	Province	District	Loan Amount
1	██████████	Agribusiness	Nangarhar	Various	100,000
2	██████████	Agribusiness	Balkh	Various	302,000

Indicator #2.3 – ACE launched four new innovative lending products during the reporting quarter. Wakala is a product that has been implemented with [REDACTED] [REDACTED] [REDACTED] Salam is being used with [REDACTED] for the construction of a warehouse; Murabaha is being used with [REDACTED] and [REDACTED] for business premises, whereas Ijara is being used with [REDACTED] Cooperative for breeder farms. In an Ijara transaction, ADF appoints the client to undertake the lease and own the asset. The ownership of the asset will be transferred to the ultimate beneficiary at the end of the lease.

Indicator # 2.4 – All the ADF loans approved and signed to date have been repaid on time, except for a portion of the loan to the [REDACTED]. Therefore, as of the time of this report, the % of ADF loan losses stand at .039%. (See Annex I for detailed information).

Indicator # 3.1 – As per the newly approved PMP and Annual Work Plan 2, the percentage change in export sales for firms supported by ACE will be reported in FY2012. These results will be reported in the next annual report, due on October 31st, 2012.

Indicator # 3.2 - During this quarter there were no loans approved under USAID's DCA mechanism.

Indicator #3.3 – Even though ACE has already developed several proposals, there were no formal Public-Private Partnerships formed during this period. As per Modification No.9 of the Task Order, the project is not obliged to approve any new GDAs in the option year 2.

Indicator #4.1 –In the fourth quarter, ACE, in collaboration with [REDACTED] an ADF client, organized a workshop on agricultural machinery with the participation of over 30 agricultural input dealers from several provinces. Descriptive information is provided in the Value Chain Strengthening section.

Up to this point, ACE has organized two agricultural credit working groups, four value chain specific workshops on onion, wheat, saffron and edible oil, one national summit on perishable logistics, and a workshop on agricultural machinery.

Indicator # 4.2 – The ACE MIS unit launched one product in the last quarter; the Agricultural Trade Reports for 1390. The product is disseminated through www.paywand.mail.gov.af and www.mail.gov.af. With these products, ACE stands at 20 market information and market intelligence products designed thus far. In the next quarter, ACE is aiming at launching five additional market information products including production calendars for specific crops.

Indicator #4.3 – In the last quarter ACE trained a total of 70 people from ACE/ADF, MAIL and the Agromet project, of which, 55 are first time participants in the capacity building opportunities offered by the project. As of now, ACE has exceeded the target by 91 percent.

Indicator # 4.4 –ACE provided 173.25 hours of training in six different topics including: agricultural value chain analysis, Islamic finance, database management for MAIL/MIS staff, and financial software by MicroBanker Nepal.

Table No 15: Training provided by ACE in Quarter 3 FY12

NO	TOPIC	Number of first time participants	Total Number of Participants	Location	Start	End Date	Hours
1	ACE Value Chain Training Workshop	14	14	ACE Office Kabul	08-Apr-12	30 -June 12	20.5
2	Islamic Finance Training for Lending Team	1	9	ACE Office Kabul	27-Apr-12	10-May-12	27.25
3	Paywand-Agromet training	28	28	Mazar	27-Jun-12	28-Jun-12	10.5
4	Micro Banker training	2	7	ACE Office Kabul	02-Apr-12	10-May-12	31
5	MS Access Database Development Training for MAIL/MIS Kabul	7	7	ACE Office Kabul	07-Jun-12	12-Jul-12	36
6	MIS Study Tour to Ghana	3	5	Ghana	12-May-12	19-May-12	48
Total		55	70				173.25

Sex-disaggregated Data: Actual versus Targets

ACE is determined to reflect gender issues in project activities and more specifically in performance indicators. This is expressed in the last revisions to the Annual Work Plan 2. As of Quarter 3 FY12, ACE set self-imposed targets for male and female beneficiaries moving forward for two indicators.

Table No 16: Sex-segregated Indicators with self-imposed targets

ACE Performance Indicators	Actual Q3 FY2012 (Cum.)	Target Q3 FY2012 (Cum.)
1.2 Number of individuals benefitting from ACE or ADF financial agreements/ Direct	14,531	20,000
Male	14,390	19,000
Female	141	1,000
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	715	450
Male	648	405
Female	67	45

While ACE met and exceeded the sex-based targets on the number of jobs created, the reason behind not meeting the target set for the male/female number of beneficiaries is the unavailability of funds to lend and the delays with disbursements. Overall, the delays in the disbursements and final loan approvals by the ADF Credit Committee meeting impeded ACE from meeting the target of 20,000 direct beneficiaries. This impacted the ratio between male/female beneficiaries.

[REDACTED]

[REDACTED] received an ADF loan of \$100,000 USD to purchase 33,000KG of raw honey from 300 beekeeping farmers in the Nangarhar region. After the completion of the loan, the company created 22 new jobs (in FTEs) and increased total production by 34 percent. The loan helped the company by increasing the total sales by 31 percent. The company has indirectly supported over 150 beekeepers to date and has expanded its markets to new provinces such as Balkh, Kunduz, Takhar, Baghlan, and Kandahar.

[REDACTED]

The [REDACTED] Company received a \$200,000 ADF loan for working capital and to purchase new technology to improve edible oil production. Almost one year after the disbursement of the loan, the company created 44 new jobs (in FTEs) and increased total production by 28 percent. The loan resulted in a 49 percent increase in total sales for the company.

[REDACTED]

[REDACTED] received a \$244,000 ADF loan to import agricultural inputs, fruit saplings, sprayers and tools, and then sell these items to farmers. Six months after the loan disbursement, the company created 62.40 new jobs (in FTEs) and increased total sales by 42.66 percent compared to the previous year.

[REDACTED]

The [REDACTED] is a women-led organization based in Ghoryan district of Herat province. The association has a total of 485 women members, of whom 178 are involved in saffron production. The [REDACTED] purchases saffron flower from its women saffron grower members, then processes, packages and sells it in domestic and international markets. After the first six months of the loan disbursement, the association increased its total sales by 48 percent and created 6.60 new jobs (in FTEs). The loan resulted in a 65 percent increase in the total amount of saffron purchased from its members. The loan helped the association to increase its sales price by 38.8 percent compared to the previous year when its members were not able to sell the saffron in the Kabul markets.

The ADF loan of \$155,000 provided opportunity for 117 women members of the association to sell their saffron for a higher price as they have stronger negotiating power having capital to pay growers for the harvest without having to not sell in advance at a lower price.

[REDACTED]

[REDACTED] is one of the largest exporters of fresh and dry fruits in Afghanistan. The company exports red raisin, dry figs, pistachios, walnuts, almonds and fresh fruits to wholesale markets in Dubai, Turkey, Pakistan and India. The company exported 258 Mt of fresh fruits last year. Six months after the disbursement of the loan, the company created 20.25 new jobs (in FTEs) and increased fruit exports by 16.8 percent to Dubai and Indian markets. The company increased its total sales by 35 percent compared to last year.

Communication and Outreach

In the past quarter, ACE contributed to the organization of the Mazar Business Fair with a Golden Sponsorship for the event. The business fair, which took place on April 15, provided an opportunity for the ADF and its clients to promote their business, as well as for the ADF to launch its lending opportunities and products for the agricultural sector. The team worked with the media and prepared the talking points for the opening ceremony.

In April, the team designed a news brief that focused on Sharia Compliant Services and published a brochure on Sharia compliant lending including a framework, the prohibitions, the products, and Sharia principles implemented by ACE/ADF. The brochure is printed in three languages, Dari, Pashto and English. In May, the project published the monthly news brief entitled “Counting the next Billion.” The brief focuses on the ADF disbursement of 1 Billion Afghanis benefiting approximately 13,000 farmers and provides testimonies from clients on the impact of the ADF loans on their business.

The news brief of June entitled “Islamic Finance: a Fair Deal” aimed at increasing clients’ awareness of the ADF’s ability to provide Sharia compliant loans. During the past six months, the ADF has seen an increased demand from its clients for Islamic financial solutions to the extent that currently, 50% of all new financial transactions are Sharia compliant. To cater to this demand, ADF has introduced a range of new Islamic financial products such as Murabaha and Wakala. While Islam encourages the generation of wealth via trade and investments, all dealings must be honest, fair, and transparent. Goods need to be sold in the open market and parties should not take advantage of each other's helplessness.

In addition, during the reporting period, ACE prepared two client video and photo sessions with [REDACTED] in Jalalabad. This constitutes a client testimony under the initiative “A Word from our client,” that ACE has been developing in the last year. The project launched two ADF radio public announcements (PSAs) to encourage the [REDACTED] farmers to repay their first loan.

The Agricultural Credit Shuras, which were organized in Panjsher, Kunduz, Farah, Faryab, Paktika, provinces, constitute one of the most effective ways of increasing general awareness on ADF financing opportunities and identify new clients.

In partnership with MAIL/Public Relations and Media Department, ACE submitted a media advisory for the Graduation Ceremony of MAIL’s first Value Chain Analysis specialists, trained by ACE. The event will take place in early July in collaboration with MAIL.

Administrative and Human Resources

In the reporting quarter, ACE not only put a great deal of efforts in building the capacities of the existing technical staff but also hired 11 local staff members to fill positions on the project. The team hired, two lending officers, two internal auditors and two customer service officers, of which one is a woman. In addition, one grants coordinator, one Islamic finance manager, one procurement specialist and a monitoring and evaluation officer joined the ACE team.

During the past month, the project promoted two female personnel, Nilab Akrami and Khatija Safi to the positions of IT Specialist and Value Chain Strengthening Advisor, respectively.

David Fischer arrived in the country in the previous quarter to assist ACE on value chain analysis and conduct capacity building activities for ACE/ADF and MAIL staff. His STTA assignment was completed in early July after the graduation ceremony of 14 DAIL value chain strengthening staff. Michael Alcorn,

Finance and Risk Assessment Expert joined the team to develop structured credit assessment tools, design guidelines and reporting templates. Rob Dressen, DAI Vice President and Senior Banking Advisor joined ACE with the fundamental objective of leading the discussion on the ADF transition and governance structure with MAIL and USAID. Mr. Dressen also provided training and coaching to the lending staff. Doe Adovor, Senior Economist was deployed to Kabul on June 19th to conduct the Data Analysis and Economic Report Writing for ACE and MAIL staff throughout July to August.

TABLE 18: Afghan National personnel deployed during Quarter 1 FY2012

No.	Name	Position	Start Date
1	Saifullah Esmatullah	Internal Auditor	3-Jun-12
2	Mohammad Taib	Islamic Finance Manager	3-Jun-12
3	Ataullah Mohmand	Sr. M&E Specialist	3-Jun-12
4	Abdul Wahid	Sr. Lending Officer	3-Jun-12
5	Samiullah Ehsas	Customer Service Officer	20-Jun-12
6	Tahmina Hassil	Customer Service Officer	24-Jun-12
7	Obaid Rahman	Internal Auditor	08-May-12
8	Haseebullah Jabarkhail	Grants Coordinator	08-May-12
9	Mohammad Mansoor	MIS Officer	21-May-12
10	Jamshid Karimi	Junior Lending Officer	23-May-12
11	Mohammad Munir	Procurement Specialist	24-May-12

TABLE 19: Expatriate personnel deployed during Quarter 3 FY2012

No	Name	Position	Date
1	Michael Alcorn	Credit Risk Assessment Advisor	12- April -12
2	Robert Dressen	Senior Banking Advisor	28-April-12
3	Doe Adovor	Senior Economist	19-June-12
4	David Fischer	Value Chain Strengthening Advisor	March – July 12

ACTIVITIES FOR THE NEXT QUARTER

- In the next quarter, ACE aims to resolve the issue of the ADF legal license and expedite the process of on-the-budget disbursement.
- ACE will present loan packages worth over \$30 million USD to the ADF Credit Committee meeting.
- The Sharia Advisory Board of highly educated scholars and practitioners will be inaugurated in early July.
- The project will undertake several training courses in credit, data analysis and economic report writing, Dale Carnegie training courses on “Communication skills for managers”, “Creating a Professional Demeanor: How to look, Act, and Sound like a professional” and “Building a Great Team”. These activities aim at building the capacity of the executive team that will manage the ADF.

ANNEX I – Percentage of Loan Losses Resulting from ACE Lending Recommendations

	Name of Business	Province	District	Amount (\$)	Type of business	Start Date	End Date	Actual Amount Disbursed	Repayment amount expected to date (\$)	Actual repaid to date (\$)	% repaid	\$ Value late by 180 days or more
1	[REDACTED]	Kabul	Kabul	\$120,000	Agribusiness	10/5/10	12/7/10	\$120,000	\$122,483.92	\$122,483.92	100%	\$0
2	[REDACTED]	Nangarhar	Nangarhar	\$300,000	Agribusiness	10/31/10	10/31/11	\$300,000	\$315,000	\$315,000	100%	\$0
3	[REDACTED]	Balk	Balk	\$200,000	Agribusiness	5/24/11	4/24/14	\$200,000	\$77,523	\$43,008	55%	\$0
4	[REDACTED]	Kabul	Kabul	\$1,000,000	FI	11/30/10	5/21/11	\$1,000,000	\$1,018,521	\$1,018,521	100%	\$0
5	[REDACTED]	Balk, Kunduz, Samangan	Balk, Kunduz, Samangan	\$92,652	NFI	3/9/11	12/31/11	\$92,652	\$92,652	\$92,652	100%	\$0
6	[REDACTED]	Kabul	Balk, Samangan, Baghlan, Takhar, Jawzjan, Kunduz	\$1,970,000	Agribusiness	12/20/10	4/5/14	\$1,280,000	\$526,185.33	\$526,185.33	100%	\$0
7	[REDACTED]	Balk, Jawzjan, Faryab, Samangan, Baghlan	Balk, Jawzjan, Faryab, Samangan, Baghlan	\$1,784,027	FI	12/19/10	12/31/14	\$1,784,027	\$40,517.90	\$40,517.90	100%	\$0

S/N	Name of Business	Province	District	Amount (\$)	Type of business	Start Date	End Date	Actual Amount Disbursed	Repayment amount expected to date (\$)	Actual repaid to date (\$)	% repaid	\$ Value late by 180 days or more
8	[REDACTED] Afghanistan	Helmand	Helmand	\$242,000	Agribusiness	12/19/10	1/1/12	\$242,000	\$260,100	\$260,100	100%	\$0
9	[REDACTED]	Kunar	Kunar	\$312,000	Agribusiness	12/20/10	12/15/11	\$312,000	\$ 335,336.71	\$335,336.71	100%	\$0
10	[REDACTED]	Nangarhar, Laghman, Kunar	Nangarhar	\$500,000	NFI	3/31/11	6/30/12	\$500,000	\$500,000	\$349,665.34	70%	\$0
11	[REDACTED]	Balkh	Balkh	\$121,000	Agribusiness	3/28/11	10/28/11	\$121,000	\$125,137.19	\$125,137.19	100%	\$0
12	[REDACTED]	Bamyan	Bamyan	\$46,600	NFI	4/11/11	11/11/11	\$46,600	\$46,319	\$46,319	100%	\$0
13	[REDACTED]	Bamyan	Bamyan	\$53,543	NFI	4/11/11	11/11/11	\$53,543	\$55,259	\$55,259	100%	\$0
14	[REDACTED]	Bamyan	Bamyan	\$25,469	NFI	4/11/11	11/11/11	\$25,469	\$26,989	\$26,989	100%	\$0
15	[REDACTED]	Bamyan	Bamyan	\$31,265	NFI	4/11/11	11/11/11	\$31,265	\$36,430	\$36,430	100%	\$0

S/N	Name of Business	Province	District	Amount (\$)	Type of business	Start Date	End Date	Actual Amount Disbursed	Repayment amount expected to date (\$)	Actual repaid to date (\$)	% repaid	\$ Value late by 180 days or more
16	[REDACTED]	Bamyan	Bamyan	\$76,993	NFI	4/11/11	11/11/11	\$76,993	\$80,843.11	\$75,413	93%	\$5,430.11
17	[REDACTED]	Bamyan	Bamyan	\$21,561	NFI	4/11/11	11/11/11	\$21,561	\$22,337	\$22,337	100%	\$0
18	[REDACTED]	Bamyan	Bamyan	\$14,479	NFI	4/11/11	11/11/11	\$14,479	\$15,150	\$15,150	100%	\$0
19	[REDACTED]	ALL	ALL	\$4,950,000	NFI	6/23/11	6/23/12	\$4,757,345	\$4,950,000	\$3,459,968	70%	\$0
20	[REDACTED]	Nangarhar	Nangarhar	\$100,000	Agribusiness	5/11/11	5/11/12	\$100,000	\$53,538	\$53,538	100%	\$0
21	[REDACTED]	Wardak		\$230,000	Agribusiness	9/19/2011	6/19/12	\$230,000	\$240,652	\$240,652	100%	\$0
22	[REDACTED]	Mazar		\$1,977,597	Agribusiness	9/29/2011	9/29/2014	\$1,977,597	\$0	\$0	100%	\$0
23	[REDACTED]	Wardak		\$224,000	Agribusiness	9.28.11	3.28.13 for tools and 5.28.12 for fertilizers and pesticides	\$224,000	\$0	\$0	100%	\$0
24	[REDACTED]	Nangarhar	Nangarhar	\$900,000	Agribusiness	10/22/11	4/30/2013	\$900,000	\$10,017	\$10,017	100%	\$0
25	[REDACTED]	Kabul	Kabul	\$715,000	Agribusiness	12/27/2011	9/27/2012	\$715,000	\$0	\$0	100%	\$0

S/N	Name of Business	Province	District	Amount (\$)	Type of business	Start Date	End Date	Actual Amount Disbursed	Repayment amount expected to date (\$)	Actual repaid to date (\$)	% repaid	\$ Value late by 180 days or more
26	[REDACTED]	Kabul	Kabul	\$300,000	NFI	Pending	Pending	\$0.00	\$0	\$0	100%	\$0
27	[REDACTED]	Kabul	Kabul	\$250,000	Agribusiness	11/30/11	11/30/2012	\$250,000	\$0	\$0	100%	\$0
28	[REDACTED]	Kabul	Kabul	\$375,000	Agribusiness	12/28/11	2/28/2013	\$375,000	\$14,257	\$14,257	100%	\$0
29	[REDACTED]	Herat	Herat	\$273,000	Agribusiness	12/27/11	5/31/2012	\$273,000	\$273,000	\$101,833	38%	\$0
30	[REDACTED]	Herat	Herat	\$700,000	Agribusiness	1/2/2012	1/9/2014	\$700,000	\$21,125	\$21,125	100%	\$0
31	[REDACTED]	Herat	Herat	\$425,000	Agribusiness	1.27.2012	2.27.2013	\$425,000	\$9,500	\$9,500	100%	\$0
32	[REDACTED]	Herat	Herat	\$155,000	Agribusiness	1/27/2012	1/27/2013	\$155,000	\$0.00	\$0.00	100%	\$0
33	[REDACTED]	ALL	ALL	\$10,000,000	FI	Pending	Pending	\$0.00	\$0.00	\$0.00	100%	\$0
34	[REDACTED]	Mazar	Mazar	\$1,500,000	Agribusiness	4/2/2012	4/2/2015	\$700,000	\$0.00	\$0.00	100%	\$0
35	[REDACTED]	Kunar	Kunar	\$538,579	Agribusiness	2/14/2012	2/14/2013	\$538,579	\$0.00	\$0.00	100%	\$0

S/N	Name of Business	Province	District	Amount (\$)	Type of business	Start Date	End Date	Actual Amount Disbursed	Repayment amount expected to date (\$)	Actual repaid to date (\$)	% repaid	\$ Value late by 180 days or more
36	[REDACTED]	Logar	Logar	\$99,568	Agribusiness	3/27/2012	3/27/2013	\$99,568	\$0.00	\$0.00	100%	\$0
37	[REDACTED] (2nd Loan)	Balk, Kunduz, Samangan	Balk, Kunduz, Samangan	\$800,000	NFI	3/28/2012	12/31/2012	\$474,805	\$0.00	\$0.00	100%	\$0
38	[REDACTED]	Kabul	Kabul	\$101,317	Agribusiness	3/25/2012	11/25/2012	\$101,317	\$0.00	\$0.00	100%	\$0
39	[REDACTED] 2nd Loan	Helmand	Helmand	\$435,298	Agribusiness	4/12/2012	4/12/2013	\$435,298	\$0.00	\$0.00	100%	\$0
40	[REDACTED]	Laghman	Laghman	\$ 150,004	Agribusiness	3/15/2012	3/15/2013	\$150,004	\$0.00	\$0.00	100%	\$0
41-67	[REDACTED]	Bamyan	Bamyan	\$1,320,000	NFI	3/15/2012	12/14/2012 or 3/14/2012	\$1,307,607	\$0.00	\$0.00	100%	\$0
68	[REDACTED]	Herat	Herat	\$2,500,000	Agribusiness	Pending	Pending	\$0.00	\$0.00	\$0.00	100%	\$0
69	[REDACTED]	Jalalabad	Jalalabad	\$200,000	Agribusiness	5/16/2012	11/16/2013	\$200,000	\$0.00	\$0.00	100%	\$0

S/N	Name of Business	Province	District	Amount (\$)	Type of business	Start Date	End Date	Actual Amount Disbursed	Repayment amount expected to date (\$)	Actual repaid to date (\$)	% repaid	\$ Value late by 180 days or more
70	[REDACTED]	Wardak	Wardak	\$195,018	Agribusiness	5/12/2012	5/12/2013	\$195,018	\$0.00	\$0.00	100%	\$0
71	[REDACTED]	Jalalabad	Jalalabad	\$130,000	Agribusiness	Pending	Pending	\$0.00	\$0.00	\$0.00	100%	\$0
72	[REDACTED]	Jalalabad	Jalalabad	\$125,000	Agribusiness	Pending	Pending	\$0.00	\$0.00	\$0.00	100%	\$0
73	[REDACTED]	Mazar	Mazar	\$302,000	Agribusiness	Pending	Pending	\$0.00	\$0.00	\$0.00	100%	\$0
74	[REDACTED]	Jalalabad	Jalalabad	\$100,000	Agribusiness	Pending	Pending	\$0.00	\$0.00	\$0.00	100%	\$0
75	[REDACTED]	Mazar	Mazar	\$230,000	Agribusiness	7/3/2012	7/3/2015	\$0.00	\$0.00	\$0.00	100%	\$0
Total Loan Approved				37,212,969.68								
Total Loan Disbursed				21,505,726.20								
Total Loan Repaid				7,417,394.39								
Total Value of Loans late by 180 days or more				\$5,430.11								

$$\text{Portfolio loan losses} = \frac{\text{Total Value of loans late by 180 days or more}}{\text{Outstanding} * } \% = \frac{5,430.11}{14,088,331.81} \% = 0.039\%$$

*Outstanding = Disbursed amount – Repaid amount

ACE has in place a problem loan committee whose sole purpose is to implement activities to minimize loan defaults. The latter complements ACE's prudent lending practices.