

Annual Report

Year One

October 16, 2012 – September 30, 2013

(Fourth Quarterly Report)



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Assistance in Building Afghanistan by Developing Enterprises Program

Leader with Associate Cooperative Agreement No. EEM-A-00-04-00002-00

Associate Cooperative Agreement No. AID-306-LA-13-00001

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October 16, 2012 – September 30, 2013

(Fourth Quarterly Report)

Submitted by:

Volunteers for Economic Growth Alliance (VEGA)

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Table of Contents

List of Acronyms.....	v
Introduction.....	1
Executive Summary.....	3
Start-up, Launch and Management.....	4
Accomplishments.....	5
Component 1: Public Private Alliances.....	5
Component 2: Technical Assistance and Business Advisory Services.....	16
Component 3: Business Enabling Environment.....	22
Regional Operations.....	31
Gender.....	33
Communications and Outreach.....	35
Environmental Compliance.....	37
Monitoring & Evaluation and IT Support.....	37
Annex 1 – Performance Indicators.....	38

List of Acronyms

ABADE:	Assisting in Building Afghanistan by Developing Enterprises	DFID:	UK Department for International Development
ABIF:	Afghanistan Business Innovation Fund	DOC:	Department of Commerce
ACCI:	Afghan Chamber of Commerce and Industry	EGGI:	Economic Growth and Governance Initiative
ADF:	Agricultural Development Fund	EPPA:	Export Promotion Agency of Afghanistan
AIBF:	Afghan Institute of Banking and Finance	FAIDA:	Financial Access for Investing in the Development of Afghanistan
AISA:	Afghanistan Investment Support Agency	GIRoA:	Government of the Islamic Republic of Afghanistan
ANSA:	Afghan National Standard Authority	GIZ:	Deutsche Gesellschaft für Internationale Zusammenarbeit
ANSA:	Afghan National Standards Authority	GMP:	good manufacturing practices
AO:	Agreement Officer	IDEA-NEW:	Incentives Driving Economic Alternatives for the North, East, West
AOR:	Agreement Officer's Representative	IESC:	International Executive Service Corps
APPF:	Afghan Public Protection Force	IFC:	International Finance Corporation
ASMED:	Afghanistan Small Medium Enterprise Development Program	ILO:	International Labor Organization
AWDP:	Afghanistan Workforce Development Program	IQC:	indefinite quantity contract
AWDP:	Afghanistan Workforce Development Program	IR:	intermediate results
BOA:	Basic Ordering Agreement	ISAF:	International Security Assistance Force
BDS:	Business Development Services	IT:	Information Technology
BSP:	Business Service Provider	LARA:	Land Reform in Afghanistan
CHAMP:	Commercial Horticulture and Agricultural Marketing Project	LTTA:	Long-Term Technical Assistance
COP:	Chief of Party	M&E:	Monitoring and Evaluation
CRM:	Customer Relationship Management	MoCI:	Ministry of Commerce and Industries
DAI:	Development Alternatives, Inc.	MoF:	Ministry of Finance
DCOP:	Deputy Chief of Party	MoM:	Ministry of Mines
		NGO:	Non-Governmental Organization

OAG: Office of Agriculture
 OEGI: Office of Economic Growth and Infrastructure
 OHS: Occupational Health and Safety
 OPPD: Office of Program and Project Development of USAID
 PIO: Public International Organizations
 PMP: Performance Management Plan
 PPA: Public-Private Alliances
 RADP: Regional Agriculture Development Program
 RAMP-UP: Regional Afghan Municipalities Program for Urban Populations
 RFA: Request for Application
 SME: Small and Medium Enterprise
 STTA: Short-Term Technical Assistance

SUPPORT II: Services under Program and Project Offices for Results Tracking
 TA: Technical Assistance
 TAFA: Trade and Accession Facilitation for Afghanistan
 TAMIS: Technical, Administrative, and Management Information System
 TFBSO: Taskforce for Business and Stability Operations
 USAID: United States Agency for International Development
 USG: United States Government
 VEGA: Volunteers for Economic Growth Alliance
 WB: World Bank
 WED: Women Enterprise Development



ABADE helps develop Afghanistan's marble industry by providing technical assistance to the Ministry of Commerce and Industries in preparing an action plan for the marble sector.

Introduction

Background of the Project

Pursuant to the Leader-with-Associate Cooperative Agreement No. EEM-A-00-04-00002-00, Associate Cooperative Agreement No. AID-306-LA-13-00001, VEGA/IESC will implement the Assistance in Building Afghanistan by Developing Enterprises (ABADE) Program. The period of performance for the agreement is October 16, 2012 – October 16, 2016.

IESC is the lead implementer of the ABADA Program, joined by Land O’Lakes International and DAI. Under this Agreement, VEGA/IESC will support USAID’s Assistance Objective 4: “A developed business climate that enables private investment, job creation, and financial independence by helping small and medium enterprises (SMEs) grow their businesses.” The latter will be achieved by providing SMEs and Innovative Alliance Partners with the additional capital, appropriate equipment and technologies, access to technical assistance, and business-specific inputs they need to succeed. ABADA’s three components are designed to increase the productivity and investment potential of SMEs in Afghanistan, generate employment, and improve Afghanistan’s business enabling environment.

Year One Annual Report

The purpose of this document is to present the Year One accomplishments of the ABADA Program, from October 16, 2012 through September 30, 2013. This report covers program start-up, major accomplishments of the three technical components, the cross-cutting units of Gender and Outreach, and program support units Monitoring and Evaluation and Information Technology.

Lessons learned midway through Year One prompted the restructuring in scope and function of the technical components. The processes and structure within Components 1 and 2 were changed to streamline the development of Public-Private Alliance (PPA) agreements, while Component 3’s scope was amended to make ABADA’s technical assistance more relevant and responsive to the needs of its government partners. These changes are discussed in more detail in the appropriate sections.

This report also serves as the ABADA Program’s report for the fourth quarter of Year One.

Executive Summary

Less than three months into the ABADE Program, which was awarded in October 2012, VEGA/IESC was mobilized and ready to begin program operations. The three technical components were staffed and fully functional as of February 2013 and by May 2013 the regional offices were set up. ABADE adopted the best practices of the earlier ASMED Program, enabling the former to quickly launch its technical activities.

By the end of Year One, ABADE had received a total of 311 concept notes, of which 88 became full applications. From the 88, 13 applications were fully signed and executed and another 13 were submitted for USAID approval. More than 70 applications remain in the pipeline in various stages of processing or were pending USAID approval. Higher portfolio numbers will begin showing in the first quarters of Year Two.

Following an intense assessment of portfolio performance after the first six months, a restructuring in scope and function of the three components was put in effect in order to streamline the Public Private Alliances (PPA) processes, stimulate the creation of PPAs, and render ABADE's services to its government partners more relevant and efficient, particularly for the Ministry of Commerce and Industries (MoCI) and Afghanistan Investment Support Agency (AISA). These changes resulted in a large increase in the number of PPA concept notes received by the program – from an average of three per week at the beginning to almost 20 per week at the close of the year – and more PPA applications processed.

Technical assistance and business development services to small and medium enterprises (SMEs), including short and long-term training programs for women that were conducted by ABADE, helped SMEs and women entrepreneurs develop and grow their enterprises. The national benchmark data on business needs and consultancy services in Afghanistan that will result from the nationwide survey conducted by ABADE and completed in September 2013, will prove useful not just for the project, but also for government ministries and organizations and private entities in planning responsive and relevant interventions to bolster the development of the business sector. The analysis of the survey will be completed in the beginning of Year Two.

Mutually beneficial partnerships were forged with government ministries and agencies including MoCI, Ministry of Mines and AISA; national and regional chambers of commerce; business sectoral groups such as the agribusiness, carpet, mining and gemstone sectors; donor organizations such as the World Bank; and USAID implementing partners like FAIDA, ADF, AWDP, IDEA/NEW and ARFC. The synergy resulting from these partnerships enabled ABADE to increase its reach and effectiveness in dealing with its SME clients.

Start-up, Launch and Management

ABADE began mobilizing in November 2012, beginning with securing a business registration, setting up offices and residences, organizing the Risk Management Team (Pilgrims Group) and negotiating with Afghanistan Public Protection Force (APPF) to provide local security services.

Within 60 days of the award, ABADE submitted to USAID project deliverables including the Annual Work Plan, Performance Monitoring Plan (PMP), Branding and Marking Plan, and the Public Private Alliance selection criteria. An internal field operations manual for program management was likewise developed in this period.

Mechanisms were set up to stage the implementation of the three technical components of ABADE. Component 1 – Public Private Alliances began operations in November 2012, while Component 2 – Technical Assistance and Business Advisory Services, and Component 3 – Business Enabling Environment, implemented by sub awardees Land 'O Lakes and DAI respectively, initiated field operations in December 2012. The ABADE Program was officially launched in February 2013, with top-level officials from GIRoA, USAID and implementing partners attending the event.



Dr. Anwar-ul-Haq Ahadi, Minister of Commerce and Industries, delivers the keynote speech at the launch of the ABADE Program in Kabul on February 2013.

During start-up, ABADE was based at The Baron Hotel and later moved to its permanent office location at Darulaman Road, District 6, Kabul in March 2013 when all arrangements with APPF were completed.

The regional offices in Herat and Mazar became fully operational in May 2013.

Personnel

Key and technical positions were filled in the first six months of operation. ABADE Chief of Party (CoP), Zdarvko Shami, came on board in February 2013, to replace ABADE's start-up CoP who departed in December. In the interim, the DCoP for Operations acted as CoP.

With the exception of the Grants Manager, all national and expatriate positions have been filled as of the end of the year, with movements occurring during the period. The Compliance Officer was replaced in June 2013, and the Grants Manager departed from the project in August 2013. The search for a qualified candidate is underway.

Inventory

During start-up, ABADE established a set of controls and took reasonable steps to ensure the judicious use of project property. The project received a number of items from the USAID disposition unit, the most important of which were vehicles, including three armored and six soft skin SUVs. Security related items like personal protection equipment, short-wave radios, tracking devices, and cameras were also dispositioned to ABADE. All items continue to be used in the implementation of the project, with the exception of the soft skin vehicles which are pending re-registration and licensing.

Accomplishments

This section describes the accomplishments of the three technical components – Public Private Alliances, Technical Assistance and Business Advisory Services, and Business Enabling Environment, including the cross-cutting units of Gender and Outreach.

Component 1: Public Private Alliances

Component 1, Public Private Alliances (PPAs), provides sub-awards to Afghan SMEs, consortia of SMEs and organizations engaging in economic development activities at the SME level. Component 1 is divided into two sub-components, with four major tasks that were accomplished in Year One:

- Component 1A - SME Alliances

SME Alliances are designed to target existing, productive SMEs, consortia or joint ventures of existing SMEs through a competitive award process. The purpose of these alliances is to mitigate business expansion risks, encourage private investment

for business growth, stimulate job creation, and facilitate expansion into new markets.

- Component 1B - Innovation Alliances

Innovation Alliances will support investments in non-traditional business approaches to create economic growth and stability. Particular emphasis will be placed on activities that foster business innovation, expand the role of women and youth in business, promote pro-poor growth, and increase value-added productivity in strategic industries.



ABADE encourages women's participation in business through its Innovation PPAs.

Tasks:

- Task 1.1 Prepare and Launch Requests for Applications (RFAs)
- Task 1.2 Implement Outreach Campaign
- Task 1.3 Deliver Workshops to Potential Alliance Partners
- Task 1.4 Develop SME and Innovation Alliances

Task 1.1 Prepare and Launch RFAs

At the beginning of program implementation, the Component 1 team developed a comprehensive PPA Manual for the management of PPAs that included guidance on the review process, a selection committee, assessment procedures, and selection criteria and scoring values. Based on these criteria, in December 2012 RFAs for both SME and Innovation PPAs were developed and launched. The launch dates for the SME Alliances and the Innovation Alliances were deliberately staggered to distinguish the two PPAs from each

other and prevent confusion among future applicants. By the end of Year One, ABADE received 311 concept notes.

In the second quarter of Year One, ABADE prepared and launched a call for expressions of interest (EOI) in “Creating Jobs and Opportunities for Women” to assist ABADE with identifying potential Innovation Alliance partners. The EOI is distinguished from the Innovation PPA in that it targets women-owned or managed enterprises, which may be less structured or may not strictly match the PPA criteria. Unfortunately, the majority of these submissions were grant applications with little or no partner contribution to the activity, which did not meet the ABADE selection criteria. Based on this experience, ABADE continued outreach efforts through direct communication with women entrepreneurs and business associations, resulting in three PPA agreements with women entrepreneurs out of the total 13 PPAs signed during the year.

In July, the technical team reviewed the process for developing, evaluating and producing PPAs and developed a new streamlined process based on the lessons learned from the previous six months. This led to the development of a new PPA process manual and concept note templates, which streamlined the process of collecting usable information from the applicants. The improved systems were intended to speed up the Alliance development process, and were built into the revised RFAs, both launched in October 2013, and to apply during the second year of the project.

Task 1.2 Implement Outreach Campaign

ABADE implemented a number of outreach events to introduce the RFA and the PPA process to local business communities. The foremost of these events were the roadshow presentations in Kabul (February 26, 2013 - 150 participants), Herat (March 11 – 134 participants), and Mazar (March 26 - 70 participants). These presentations were followed by application writing workshops, targeting potential SME partners and specifically businesswomen applicants.

In addition to the roadshows, ABADE held meetings, presentations and follow-up discussions to enhance the outreach of the project to target populations. The program was presented to the Office of Economic Growth and Infrastructure and the Office of Agriculture at USAID to give them a better understanding of the structure and functions of ABADE's three components.



An ABADE staff member distributes brochures at an outreach event.

More details regarding the RFA and the PPA process were presented to future partners and collaborators within the USAID portfolio such as FAIDA, ACE (ADF), AWDP, CHAMP, AGRED, IDEA-NEW, as well as to other donors and their programs – World Bank, IFC, GIZ and the international donor coordination body. In subsequent ABADE outreach activities involving potential alliance partners, these organizations were also invited and participated in the events. ABADE likewise presented its programs to specific organizations, to a broader audience in important gatherings, and to key government officials and offices. They include: International Labor Organization (ILO), Young Women Social Entrepreneurs, Afghan Forward, Economic Growth Conference in Jalalabad, Kabul AgFair, the Governor of Wardak Province, Afghanistan Investment Support Agency (AISA), Association of Marble and Granite Processors of Afghanistan (AMGPA), Afghanistan Rural Enterprise Development Program (AREDP), American Soybean Association and the World Initiative for Soy in Human Health (ASA-WISSH), Shelter for Life, Chambers of Commerce and Industry (CCI) of Kabul, Herat and Mazar, 10,000 Women, and Center for Innovation and Entrepreneurship (CIE).

ABADE prepared a public media campaign to reach a wider number of potential alliance partners, but with the steady and increased inflow of concept notes brought about by the various outreach events, the media campaign was deemed unnecessary at present.

Task 1.3 Deliver Workshops to Potential Alliance Partners

As envisaged in the work plan, the aforementioned ABADE roadshow presentations were followed by application writing workshops which targeted members of the business

communities in each of the regions. These were aimed at presenting the business opportunities offered by ABADE and to explain in detail the application criteria and process so that the attendees could submit concept notes.

The first of such workshops was piloted in Kabul and was meant to test the training modules and activity format. As a result, a new workshop format was developed with a shorter amount of time devoted to slide presentations. The improved road show format included small group meetings, question-and-answer session, and one-on-one meetings on an as-needed basis. With the new format developed, the succeeding four roadshows were followed by PPA development workshops. These were delivered by a competitively-selected BDS provider, who operated under the supervision of ABADE’s Component 1 team.

Table 1 – Roadshows and PPA development workshops in Year One

Workshop / Region	Date	# of Participants
Workshop 1 – Kabul	Feb 26	150
Workshop 2 – Herat	Mar 11	134
Workshop 3 – Kabul	Mar 24	88
Workshop 4 – Mazar	Mar 26	70
Workshop 5 – Kabul	Apr 26	150

As a follow-up to the roadshows, a further series of individual PPA promotion and outreach events were held by the regional teams. These events included concept note writing clinics for participants from targeted companies, who expressed interest in seeking investment.

Table 2 – PPA outreach and Concept Note writing workshops at the regional level

Area	Partners	Date	Participants		
			Men	Women	Total
Herat	AISA	Apr 30, 2013	0	25	25
	ACCI	Jun 11, 2013	23	2	25
	Banow Wan Baray Women’s Business Center	Jun 11, 2013	5	25	30
	ACCI, Herat Industrial Union	Jun 12, 2013	25	0	25
	Herat Business Incubator	Jun 15, 2013	20	10	30
Mazar	ACCI, Mazar Industrial Union	Jun 4, 2013	72	14	86
	IDEA-NEW	Aug 18, 2013	62	28	90

The ABADE team also continuously held one-on-one idea development sessions with potential PPA applicants to assist them in developing concept notes. Additional information and feedback was also provided by e-mail and telephone. In total, ABADE received 311 concept notes in the first year, of which 88 have so far become full applications submitted

to the ABADE Technical Evaluation Committee. Of the 88, 13 became active PPAs. Another 13 were approved by ABADE’s PPA committee and were sent to USAID for final approval. The rest of the concept notes either remained in the pipeline in various stages of the application process (76) or were rejected outright (147). The common reasons for the rejection of a concept note include: not meeting the basic criteria of leverage, i.e. owner contribution; soundness of the business idea; and the low proportion of job creation against the amount of the leverage. On the other hand, after a concept note was approved, it became evident that a lot of effort had to be put into the collection of all necessary information required to complete the application, especially since many partners were illiterate or had difficulty understanding the requirements and presenting the strength of their business proposal.

Task 1.4 Develop SME and Innovation Alliances

As described above, ABADE has signed 13 active PPAs:

Table 3. List of PPAs in Year One

Companies with PPA Agreements	Sector	Location	ABADE support (USD)	Company Investment (USD)	Est. Direct Jobs Created
SME PPA					
Buzurge Afghan LTD	Agribusiness – fresh and dry fruits and nuts exporter	Kabul	908,000	1,939,225	40
Javed Waziri PVC and Aluminum Profile Production Ltd	Manufacturing - aluminum and PVC profiles	Kabul	514,500	2,444,000	180
Khogiani Talc Processing	Industrial Minerals Processing	Kabul	443,000	930,000	120
Refa Technology*	ICT – electronic payment facility	Kabul	360,000	924,700	164
Geo Search Company	Marble and Granite - quarrying	Wardak/ Kabul	342,400	1,130,000	160
Badghis Ice Factory	Agribusiness – ice factory	Badghis	147,950	342,230	25
Melad al Mehdi	Manufacturing – liquid detergent	Kabul	146,000	447,000	61
Green Hewad United Agriculture Products Processing Company	Agribusiness – fruit drying	Kabul	119,216	239,360	37
Binazeer Construction Company (BCC)*	Construction	Kabul	40,800	107,600	17

Companies with PPA Agreements	Sector	Location	ABADE support (USD)	Company Investment (USD)	Est. Direct Jobs Created
Chipsi Fastfood Restaurant	Food - fast food	Herat	20,650	121,610	10
Innovation PPA					
Paiwastoon Networking Services Ltd	ICT – IT support and services	Kabul	86,000	131,900	75
Payam-e-Noor	Education-focused NGO – children’s books	Kabul	83,330	214,000	40
Green Organic Company*	Agribusiness- vermicomposting	Kabul	24,990	40,300	10

* Woman-owned / managed business

Profile of Active PPA

SME PPAs

Buzurge Afghan LTD is a company involved in the export of dried and fresh fruit, nuts and spices, in partnership with the Dutch firm Agri Food Trade BV. Due to a growing demand for pine nuts, the two firms

agreed to establish a joint venture to develop a modern pine nut processing factory in Kabul. The PPA entails the procurement of equipment and storage facilities and training of operators and supervisors in modern production management. ABADE and the PPA partners did an extensive search but were not successful in finding



ABADE signed the first five PPAs on June 19, 2013 with the following companies (L-R): Green Hewad, Geo Search, Buzurge, Green Organic and Benazir Construction.

existing equipment capable of processing the typical Afghan pine nut/seeds. The PPA partners, in consultation with ABADE, are currently working with a potential producer to design and manufacture the customized equipment.

Javed Waziri PVC and Aluminum Profile Production Ltd. is a local Afghan window manufacturing company established in 2008. The company currently produces aluminum and PVC profiles (the PVC is import from Turkey and Dubai) to make doors, windows, cabinets, louvers and showcases. Component 1 is working with the applicant to finalize the technical specification for the purchase request in order to start the procurement.



Javed Waziri PVC and Aluminum Profile Production Ltd

Khogiani Talc Processing Factory is an established industrial minerals processing factory in Khogiani District of Nangarhar Province, which produces a raw mineral base for various industrial applications. Because of security concerns in the original location of the factory, the PPA partner decided to move the whole facility to Jalalabad City. This relocation created a significant change in the factory setup, and therefore the equipment specifications were revised. ABADE started the procurement process when it had confirmed that the relocation of the plant from Khogiani to Jalalabad was in progress.



Khogiani Talc Processing Factory

Refa Technology Company (RTC) specializes in information and communication technology. Its president, Fatima Mazari, wants to fundamentally improve and modernize the payment infrastructure in the country. As of the end of the reporting period, RTC had signed agreements with two commercial banks – and was in negotiation with a third – to partner in the online payment system. Currently, RTC is testing the point of sales equipment samples received from the competitively-selected international supplier. Upon the completion of the verification process, ABADE will procure the specified equipment.

Geo Search Company is a leading surveying and geotechnical company, employing 70 persons and providing services to land development and construction companies. Having identified a promising marble site in Maidan Wardak, Behsod District, Geo Search has acquired the quarrying rights for the site. Geo Search now needs advanced equipment for the extraction, cutting and polishing of the marble. ABADE has received quotes for this procurement.



Geo Search Company

However, it was determined that the security situation in the marble mining region has deteriorated, which may create challenges during the implementation process. The ABADE team is working with the alliance partner to find a solution or the PPA may need to be cancelled due to these constraints.

Badghis Ice Factory is a new venture to be established by two existing companies in Badghis Province. The company is proposing to establish an ice factory in the city of Qala-e-Naw. This procurement is in process but ABADE has consulted with the PPA partner to revise the requirements for a different more modern type of machinery.



Green Hewad United Agriculture Products

Melad al Mehdi is a washing liquid production company. This PPA will help the owners in establishing a new washing powder/liquid production line. The purchase of machinery is in process.

Green Hewad United Agriculture Products Processing Company is a branch of the Green Hewad United Group of Companies. Green Hewad will use solar-powered dryers to produce dried figs and apricots with natural color; install a modern frying line to produce roasted and flavored peanuts; and procure regulated expellers to extract natural oil from walnut and apricot kernels. Due to the lack of interest from the international community in this region, ABADE is soliciting bids from local suppliers. This procurement is currently in process.

Binazeer Construction Company (BCC) is a woman-owned business established in 2009, which currently employs seven persons. After completing several construction contracts in Kabul and Kandahar in 2012, Binazeer began manufacturing construction equipment, including adjustable jacks and construction lifts.



Binazeer Construction Company

Registering a growing demand for these kinds of products, Binazeer now wishes to diversify their product offerings by acquiring more production machinery. ABADE has announced the RFQ for the above equipment but the quotes received were higher than the approved budget in the PPA application. ABADE is now working with the PPA partner to revise its application and resubmit, taking into consideration the lessons learned in the first application.

Chipsi Fast Food Restaurant is the first established fast-food chain restaurant to launch a branch in Herat. The company is investing in a second restaurant with the goal of developing future franchise opportunities. As well as introducing the international practice of standardized food products across different restaurants, Chipsi is also planning to integrate improved food safety and handling into the standard



Chipsi Fast Food Restaurant

operating practices of its first restaurant. As a critical first step in the procurement process, Component 1 is working with the applicant to finalize a purchase request.

Innovation PPAs

Paiwastoon Networking Services Ltd is an Afghan IT company that is planning to sell its branded plug-and-play ‘Magic Box’ server which works with low bandwidth and may be used by companies, organizations and households. The equipment specification has been finalized and procurement will begin in the near future. Although one of the first agreements to be signed, the implementation of this PPA had been delayed because the company’s registration with AISA had expired while the application was under process. It took Paiwastoon almost six months to renew its registration, and only then could the procurement process move forward.



Payam-e-Noor

Payam-e-Noor is an education NGO which intends to launch a production house that will design and print children’s books on a medium and large scale. This innovative printing house will provide children books that are designed and authored by Afghans, successfully competing with current imports from Pakistan and Iran and contributing to the long term sustainability of the organization. The tender for the technical equipment is in the evaluation stage.

Green Organic Company is a newly established women-owned and operated company. The President is a graduate of the ‘10,000 Women Program’ of the American University of Afghanistan. She developed the plan to initiate vermicomposting in Afghanistan. ABADE has purchased all the equipment and paid the first installment of the worms. The PPA



Green Organic Company

partner will be inspecting the earthworms in India and final delivery is expected by the end of October 2013.

Changes in Programmatic Structure

During July 2013, the technical team reviewed the process for developing, evaluating and producing alliances and developed a new streamlined process, based on the lessons learned from the previous six months. This led to the development of a new PPA process manual and new concept note forms that facilitated collecting accurate and useful information from applicants, which has been acknowledged by USAID as an improvement. The revision was intended to speed up the alliance development process and to ensure that possible issues that would make implementation difficult were screened before the PPA was approved and implemented. From experience in Year One, delays occurred when the estimated amount that was vetted did not correspond with the actual amount of the award (market cost of the equipment/services). In order to avoid re-vetting PPAs when the total estimated amount did not match the actuals, it was decided that the vetting of PPA partners should only occur after the application was completed.

At the end of Year One, further changes in the PPA process were made to ensure that Component 1's resources were properly utilized. Originally, Component 1 was responsible for the entire PPA process, i.e. pre-application stage or PPA development, application, evaluation, award, and implementation. Starting in August 2013, all actions relating to the pre-application and evaluation stages were moved to Component 2. Component 1 thus focuses on PPA implementation – from preparing the actual PPA agreement for AO approval to PPA implementation (including procurement) and to close-out of the PPA activities when completed.

Component 2: Technical Assistance and Business Advisory Services

Component 2 provides technical assistance for sub-award recipients and program stakeholders to improve their operations and management capabilities. ABADE's assistance focuses on resolving technical business issues such as market entry, production, access to finance, profitability, and achievement of quality standards.

Component 2's services are divided into pre-award and post-award services. Pre-award services assists prospective alliance partners to develop their applications for partnerships, while technical support provides services for PPA implementation as provided for in the PPA agreements.

Pre-award services include assistance with business plan development, particularly financial reviews, marketing, and budgeting, while post-award services are focused on industry-specific technical skills training, management and staff training to aid in the implementation of the PPA. Depending on the industry sector, ABADE may request technical assistance or training prior to disbursement of all or part of the PPA assistance. For example, as a pre-award service, in order to assess the viability of the PPA, a feasibility study or a marketing assessment may be required. Technical assistance may be included in the PPA package in order to ensure smooth operations or better management of the PPA by the partner. For example, a food processing PPA may require training in good management practices, HACCP and hygiene.



Sabook Alikozay Company, a textile company in Jalalabad, is one of the SMEs that has applied for a PPA to expand its operations.

In addition to the development of PPAs, Component 2 has two primary tasks:

- Task 2.1 Preparation of support systems for Alliance partners and relevant actors
- Task 2.2 Delivery of technical assistance and advisory services.

Major accomplishments in Year One are discussed below.

Task 2.1. Prepare Support Systems for Alliance Partners and Relevant Actors

Creation of traditional and specific business development service (BDS) packages

With the engagement of a Senior Business Leader in December 2012, Component 2 started its primary task of preparing business training modules, in anticipation of the technical assistance that will be needed by the SMEs. Overall, the team was able to produce a total of

27 BDS training modules, covering general training needs areas including; market entry, production, access to finance, profitability, and quality standards in management training. Specific BDS training modules related to the construction sector were also drafted.

The team has started assembling a pool of business development services (BDS) providers that would be able to deliver the training modules to the SMEs. This initial list will be enhanced with results from the BDS survey that is now being finalized. ABADE will then conduct a competitive process to select potential BDS providers to conduct the trainings as needed; selection evaluation will be based on their experience and capacity related to the relevant training modules.

Inventory of consulting services in Afghanistan

Beginning in June 2013, a nationwide mapping and inventory of available consulting services in Afghanistan was planned, in order to review ongoing BDS activities and programs, as well as the BDS profiles currently registered and contracted by various donor programs and institutional clients. For this purpose, supply and demand survey design and implementation was contracted to a local service provider in June. At the end of Year One, the first stage of the survey was complete. The survey had a sample size of 511 BDS providers and 226 SMEs, with a strong focus on the marble, gemstones, carpet, construction and food processing sectors. The findings of the study will direct how ABADE will help the BDS providers improve the quality of their service and identify other trainings that SMEs need but are not currently offered or available.

The second stage of the BDS survey will commence in October 2013, when the survey results will be analyzed. The end of result of this stage will be an updated, reliable picture of BDS supply and demand, along with a prioritization of the identified needs of both BDS providers and SMEs. A third stage is planned to assist the BDS environment in their development and certification (both national and international) to improve the identification of qualified providers in the industry and to raise awareness of the overall capabilities of BDS firms in the local market.

As the final study deliverable, a web-based resource database will be set up and will be linked to the websites of ABADE, AISA and ACCI. Electronic copies of the database will be distributed to USAID implementing partners and other donor organizations. The results from the study will inform the future development of a BDS Resource Center and eventually a BDS certification body.

Women-focused training

ABADE completed a gender baseline survey in April 2013 and the Gender Strategic Action Plan Afghanistan 2013 was subsequently drafted. The Gender Strategic Action Plan is a living document which will be updated to stay relevant to the needs of women in the Afghan workforce and ABADE's objectives, as more practical information is collected in the course of implementation.



Women entrepreneurs attend a concept note writing workshop in Mazar.

Guided by the Gender Strategy, Component 2 prepared a training package for women that will lessen the gap between women's current professional skills and the skills that are required in the business world. Trainings in high value skills including accounting and business systems, website construction and graphic design, engineering, human resource management and e-marketing are in high demand and represent exceptional opportunities for women for gainful self-employment.

One of the high value skills trainings – Promotions and Marketing – for 15 female entrepreneurs and managers started on September 25. The training will teach participants how to promote their products and services through cutting edge marketing techniques and will tackle traditional and electronic marketing tools during its 45-day duration, which combine theoretical classes and practical classroom or field work.

Three other trainings (website development, computer-aided design, and business finance) were originally scheduled for September but were reset to the first quarter of Year Two as they needed to be redesigned to better accommodate the requirements of participants.

Task 2.2. Deliver Technical Assistance and Advisory Services

Strengthening the capacity of ABADE's pool of BDS providers

In preparation for delivering assistance to SME alliance partners, ABADE identified a pool of BDS providers who would be tapped to provide technical assistance to SMEs. ABADE conducted two workshops in order to share its program objectives and describe the technical services required to the BDS providers. The first workshop, *BDS Capacity Building*, was held on March 17 for 28 participants, and the second, *Establishing a BDS Company and Promoting BDS Services*, was conducted on May 1 for 82 participants. The workshops also focused on developing the BDS providers' service capability and sensitivity to the market in order to promote their relevance and sustainability.

Identifying gaps and training needs

From the PPA concept notes submitted, Component 2 identified several areas in which SMEs had specific training needs. A subsequent database of training needs was prepared. This database will help ensure that each applicant receives the correct training and also enable ABADE to organize group trainings for SMEs requesting the same assistance. In addition, the nationwide BDS supply and demand survey that covers consulting services and SME training needs will provide ABADE with an overall picture of the training needs of businesses and BDS providers.

Provision of business development services and ad hoc support

In Year One, ABADE contracted BDS providers to provide business development services to SMEs. These services include training on business planning for five fruit and vegetable SMEs in Kabul, and training for 15 female business owners and managers in marketing and promotion. In addition, 15 business planning and implementation trainings were contracted to a BDS provider, who will deliver five trainings each in Kabul, Herat and Mazar in Year Two. Trainee-companies include both existing and potential PPA partners that need or have requested business planning assistance. A second training program on bookkeeping and financial reporting was developed in Year One and will be ready for roll out in the first quarter of Year Two. In addition to external service providers, ABADE's in-house specialists assisted Innovation PPA partner Green Organic Company in conducting a feasibility study on composting.

As ABADE moves into full PPA implementation, there will be a bigger demand for specialized technical training in business planning, operations, marketing and logistics. There will also be demand for general and mandatory industry-specific trainings (such as personal safety, health, GMP, HACCP, food safety) and general management training (strategy, leadership, financial, and management skills). This has indicated that an outside contracting system, specifically a Basic Ordering Agreement (BOA) mechanism, will be necessary for ABADE to process the number of procurements required to deliver the variety of training.

During Year One, ABADE sought USAID approval to use the BOA mechanism, a change from the initially proposed and rejected system of ordering services through Indefinite Quantity Contracts (IQCs). At the end of its first year of operations, ABADE was cleared to use the BOA mechanism, which will greatly expedite the procurement of technical assistance services.

Capitalizing on the relationships established in Year One with parallel USAID programs, ABADE will tap into the existing training programs of the USAID-funded Afghan Workforce Development Program (AWDP), either by referring ABADE SME partners to trainings already offered by AWDP or jointly organizing training programs.

Develop SME & Innovation Alliances

In August 2013, Component 2 assumed responsibility for the development of concept notes into full applications that would be ready to submit for committee review. At the beginning of the project, this function belonged to Component 1, but after an internal review of procedures, ABADE decided to move the PPA development process into Component 2. PPA implementation and administration was retained by Component 1. This change was made for two primary reasons: to create a distinct separation between preparation and actual



Industry specific training such as GMP and HACCP will be given to partners to improve their operations.

implementation of alliances; and to make more efficient use of human resources and skills in Components 1 and 2.

From August 2013 through the end of Year One (September 2013), Component 2 received a total of 112 concept notes and was able to review 29 applications, from where 11 were pre-approved – registering a faster rate of processing than the previous set-up. The rest of the concept notes were either pending review (47) or rejected (36).

In coordination with Component 1, Component 2 continued conducting concept note writing workshops. This activity proved fruitful as the number of concept notes received rose from an average of three per week at the beginning of the project, to almost 20 per week by the close of the Year One.

In support of this process, ABADE engaged two rotating short-term PPA development specialists to help identify and develop a substantial pipeline of potential PPAs. The specialists introduced more effective procedures and flow of work and processes, resulting in more applications being reviewed and a higher number of quality PPA applications added into the pipeline.

Component 3: Business Enabling Environment

The objective of Component 3 of the ABADE Program is to help improve the business enabling environment for SMEs by identifying key impediments and working with stakeholders to remove legal, regulatory, and administrative barriers to business success. Component 3 is identifying and analyzing legal, regulatory, and administrative (LRA) barriers faced by SMEs in targeted industry sectors. As business constraints are identified, ABADE helps mobilize stakeholder support for efforts to remove barriers, develop services and procedures for helping SMEs solve problems, and support legal, regulatory, and administrative reforms to improve the business environment in targeted industry sectors. As part of these efforts, Component 3 also provides capacity development support to business associations and government departments that are working to remove constraints and improve operating conditions in the targeted industry sectors.

During the initial start-up phase for Component 3, ABADE met with the World Bank/IFC team to discuss the work they were doing as part of their Doing Business project, particularly with respect to reducing the number of days to obtain business licenses and construction permits. It was concluded that the World Bank



ABADE, in coordination with MoCI, hosted a workshop to present the Carpet Sector Action Plan for 2013-2016.

Doing Business team was fully engaged in working on these two issues and that there was very little that ABADE could contribute to supplement the World Bank team's efforts.

Further discussions with MOCI and AISA indicated that there are higher priorities for ABADE support that these agencies would like the ABADE Component 3 Team to address. These include:

- Assist the SME directorate of MOCI in updating the action plans for six priority sectors and developing procedures and systems for coordinating efforts to implement the priority initiatives included in these action plans.
- Assist AISA in 1) formulating a communications and media strategy aimed at improving perceptions of investment opportunities in Afghanistan and promoting investments in targeted industry sectors; 2) developing improved procedures and systems for tracking investor inquiries; and 3) training their staff in investment promotion best practices for selected areas of AISA's operations.

ABADE therefore proposed to discontinue the following indicators:

- B - Reduction in the number of days to obtain business licenses
- C - Reduction in the number of days to obtain construction permits

Instead, ABADE proposed a new indicator:

- Indicator No. 10: Number of Action Plans accepted by MoCI

ABADE defined an Action Plan as a planning document that describes the strategies and priority actions that need to be implemented over a specified period of time to promote business growth and employment in targeted industry sectors. With ABADE support, MoCI is in charge of coordinating the development and implementation of these action plans, with significant input from private sector stakeholders, donor organizations, and government ministries. ABADE will consider the Action Plan accepted when MoCI signs it. This proposed change was formally submitted to USAID, who subsequently accepted the change. A modification to the indicators in the Cooperative Agreement was made in July 2013.

Based on the work conducted by ABADE's predecessor project ASMED, MoCI used the SME development strategy to develop action plans that prioritized the enabling environment impediments in various sectors and the way to resolve these issues. Until ABADE's intervention, these draft action plans were predominantly based on MoCI's insights and had very little or no input from the private



ABADE works with MoCI to draft the marble sector action plan.

sector. With ABADE's assistance, major consultative processes were introduced. These include direct consultations with companies, workshops and conferences - in order to get the private sectors' sense of the sector issues affecting their own operations. These enabling-environment issues as articulated by the private sector were identified and prioritized, and became a core part of the new action plans that were endorsed by MoCI. In addition, the action plans contain the priority issues to be resolved under MoCI leadership, but in coordination and cooperation with the relevant government ministries and stakeholders, including donors and donor projects.

The principal objectives for Component 3 during Year One were as follows:

1. Review and analyze the principal LRA barriers that are affecting the growth prospects of Afghan SMEs, particularly those operating in the industry sectors that have been targeted in the MoCI SME Development Strategy, in order to develop practical strategies for removing constraints.

2. Work with MoCI and private sector stakeholders to update the action plans for two priority sectors – carpets and agribusiness—and help formulate practical strategies for addressing high priority LRA and business development constraints.

3. Mobilize stakeholder support for collective efforts to remove LRA barriers to SME growth, with a particular emphasis on engaging private sector stakeholders in efforts to improve operational conditions for SMEs in targeted industry sectors and value chains.

4. Provide institutional support to the Afghanistan Investment Support Agency (AISA) to improve the effectiveness of their investment promotion and SME development services.



The Afghanistan carpet sector hopes to see positive changes with the implementation of the carpet sector action plan.

Task 3.1. Identifying and Analyzing LRA Barriers

During Year One, ABADE worked with the MoCI, AISA, private sector stakeholders, and other development organizations to analyze LRA barriers and other business development impediments that need to be overcome to stimulate growth of enterprises in several of the high-priority industry sectors that were highlighted in MoCI's 2009 SME Development

Strategy. The process of assessing LRA barriers included: reviewing previous research on the business environment in Afghanistan; soliciting direct feedback from companies and business associations through individual interviews and business roundtables; participating in meetings and discussions with representatives of other donor projects; and holding regular meetings with MoCI, AISA, other government ministries, and ACCI.

The overall picture gained from these assessments is consistent with the results of previous studies of the business environment in Afghanistan, which suggest that the formal laws and regulations that have been developed to govern business activities do not pose the most serious constraints to business operations; instead, the lack of consistent, transparent implementation of laws, regulations, and administrative procedures and the informal dealings that are required to deal with such issues (plus the costs of these informal requirements), pose significantly more serious problems for most businesses.¹

This initial research indicated the need for increased efforts to clarify and simplify the regulatory and administrative requirements that SMEs face in conducting their day-to-day business operations and reduce requirements for gaining government approvals for all but essential transactions. It also pointed out the need to focus on the particular LRA barriers that businesses face in specific industry sectors, engaging stakeholders in advocacy efforts aimed at removing or reducing particular LRA constraints, and increasing inputs from private sector stakeholders when new laws and regulations that affect specific industries are being formulated. Consequently, Component 3 focused on understanding the particular constraints that businesses are facing in selected industry sectors, specifically carpets, agribusiness and marble where ABADE has been working with MoCI in updating the sector action plans.

The practical value of this initial research on LRA barriers facing firms in high priority industry sectors such as carpets, agribusiness, and marble was two-fold: 1) it has served to increase involvement by private sector stakeholders in efforts to identify the most serious problems created by current government policies and practices; and 2) it has provided the basis for incorporating private sector ideas for removing LRA constraints into the updated action plans for these sectors. As discussed below, drawing in the private sector to be more active players in their specific industry is one of the principal objectives that the ABADE Component 3 team hopes to achieve over the next three years.

¹ The 2009-2010 Afghan Business Survey commissioned by the Center for International Private Enterprise (CIPE) indicated that 54% of respondents reported that informal dealings with government officials (i.e. corruption) posed the second most serious impediment to business growth (after security), whereas government regulations and red tape were only considered serious constraints by 13% of respondents.

Task 3.2 Updating MoCI Sector Action Plans and Supporting Implementation of LRA Reform and Business Development Priorities Included in These Plans

During Year One, ABADE worked with MoCI and other stakeholders to develop updated versions of the action plans for the carpet and agribusiness sectors. These action plans involved conducting meetings and interviews with a wide variety of stakeholders to identify LRA constraints, as well as other business development problems that hinder growth in these sectors, and actions that are needed to solve priority problems and constraints.

In these consultations, it surfaced that the main problem of the carpet sector is the high transportation costs that limit the ability of exporters to ship goods directly to overseas customers. The agribusiness stakeholders, on the other hand, cited the unavailability of local processing and packaging inputs (chemicals, straw, plastic cartons, aluminum cans) as the primary concern that needs to be addressed.

To design the action plan, MoCI with ABADE's assistance assessed the current situation in these industry sectors, compiled recent developments and sales trends, prepared a SWOT and value chain analysis, and through direct communication with companies, identified critical problems that firms in these industry sectors are facing. The action plans also included inputs from stakeholders on possible solutions or actions that needed to be implemented to help solve priority business development constraints. The updated action plans for the agribusiness and carpet sectors were delivered to MoCI and were officially accepted and approved by the head of the SME Directorate on September 22, 2013. The next steps will involve MoCI and relevant stakeholders identifying practical implementation actions required to resolve the issues, including designation of responsibilities, resources needed and deadlines.

In addition to helping MoCI develop updated versions of the carpet and agribusiness action plans, work was begun on updating the action plan for the marble sector. The marble sector action plan, along with a similar one for the gemstones sector, will be completed during the first half of Year Two.

Task 3.3 Mobilizing Stakeholder Support for Collective Efforts to Remove LRA Barriers

The principal goal of the ABADE Program is to support private sector development in Afghanistan, particularly by stimulating the growth of SMEs. Component 3 supports this goal by working with various stakeholder groups to remove LRA barriers that are limiting growth opportunities.



ABADE promotes a bottom-up approach in planning and the active involvement of stakeholders in identifying industry problems and solutions.

Increasing the role that private sector stakeholders can play in helping to improve the business environment and mobilizing private sector stakeholder support is a critical part of this strategy. Rather than taking a top-down approach that focuses primarily on the role of government ministries and donor organizations (which was the strategy MoCI was applying before its partnership with ABADE), ABADE emphasized a bottom-up approach that aims to increase the role of the private sector in identifying LRA and other business development constraints, and in working with other stakeholder groups to help develop solutions to these problems. ABADE has impressed upon MoCI the value of public-private dialogue and active participation of stakeholders especially the private sector industry players. MoCI has now fully adopted this strategy, realizing the importance of industry feedback, and is conducting stakeholder workshops to vet draft action plans. After the first two sector action plans were completed, ABADE observed that MoCI has fully adopted this consultative strategy in practice. Likewise, private sector participants in the discussions seemed more motivated and actively participated in the dialogues, in contrast with the sector workshops conducted by MoCI at the beginning of the year.

Component 3's efforts to mobilize stakeholder support to remove LRA barriers is a key part of ABADE's work with MoCI to develop updated versions of the carpet and agribusiness sector action plans. While working with MoCI on these plans, the Component 3 team constantly focused on soliciting inputs from private sector stakeholders. This involved engaging private firms and business associations in consultations and dialogues. Information and ideas were solicited from private sector stakeholders through interviews with

companies and associations, discussion groups, business roundtables, and conferences. These processes contributed to a major improvement in MoCI's action plans in terms of content and relevance.

The following table provides a summary of the principal events that were held during Year One to solicit feedback from private sector stakeholders about problems that should be addressed in the action plans and proposed actions to remove constraints and promote business growth.

Table 4. Consultations with Sectoral Stakeholders

Name of event	Location and Date	Purpose	Participants
Carpet Sector Roundtable	ABADE Office, Kabul Jun 5, 2013	Collect the views of private sector participants in the carpet sector, which will feed into the carpet sector action plan for 2013-2015	25 participants - carpet dealers, representatives from the Afghanistan Carpet Exporters Guild and the Kabul Carpet Sellers Association
Workshop on Strategic Priorities and Actions to Promote the Development of the Carpet Sector	Safi Landmark Hotel, Kabul Jun 26, 2013	Review the recommendations produced in the initial roundtable and solicit inputs from a broader set of stakeholders, as inputs in the carpet sector action plan.	48 participants - private sector associations and firms, MoCI, donor organizations, and NGOs
Business Roundtable on Strategic Priorities and Actions to Promote the Development of Agri-Business Sector	MoCI Office, Kabul Sep 11, 2013	Solicit feedback from agribusiness sector stakeholders, which will feed into the Agribusiness Action Plan	70 participants - Deputy Minister and top-level officials of MoCI; private sector companies, representatives of donor projects
Business roundtable: Strategic Priorities and action to promote the development of marble sector	Herat Sep 24, 2013	Discussion of the current status of the marble sector in Herat, to be inputted into the marble sector action plan	50 participants – Afghanistan Marble Industry Association in Herat, marble sector companies, local banks, Marble Center of Excellence

Task 3.4 Institutional Support to Afghan Investment Support Agency (AISA)

During Year One, ABADE has been working with AISA to identify ways in which ABADE could help the agency improve the effectiveness of its investment promotion activities. Three initial priorities were identified: formulating a new media and communications strategy; developing promotional videos to be used in conjunction with promotional events; and improving systems and procedures for tracking investor leads, including installing a basic CRM/client tracking system. Work in these areas began in the fourth quarter of Year One and will continue through the first half of Year Two.

Scopes of work were developed for an STTA assignment to help AISA evaluate their current communications and media strategy and design a new strategy that will enable them to align their current activities with international best practices for investment promotion agencies. For this assignment, one of the two consultants mentioned above will be fielded during the first quarter of Year Two.

During the 4th quarter, ABADE signed a purchase order with a local media and communications company, Cetena Group, to help AISA develop a promotional video that AISA can use as part of their publicity campaign and investment promotion activities. The video will be used as a promotional tool which AISA can use for presentations at investment promotion events, trade shows, and other business events, as well as part of its online promotional efforts. The purpose of the video is to stimulate investor interest in Afghanistan, provide information about the investment climate and procedures, and highlight investment opportunities in specific industry sectors such as mining and agribusiness.

In the last quarter of the reporting period, work began to help AISA develop a more effective system for recording and tracking investor inquiries. An international consultant began working on an assessment of AISA's current procedures for tracking investor inquiries through various stages, staff responsibilities and roles, procedures that are being used, the



ABADE provides technical assistance to AISA in improving its investment promotions campaign.

nature of AISA's current tracking systems used to collect data on customer inquiries and provide follow-up services or support, reporting methods, and overall effectiveness of the current system. In evaluating AISA's resources, ABADA's consultant learned that a tracking system did exist but the staff did not have enough awareness and knowledge of the system to be able to use it properly.

As part of this assignment the consultant will also review CRM/client tracking systems used by investment promotion agencies (particularly in developing countries) to determine which software packages would be best suited to AISA's needs. Based on the results of this assessment, the consultant will provide AISA with a set of recommendations for upgrading their current investment tracking system taking into consideration its performance and utilization, or if required, recommend the procurement of a new CRM package. This will be followed-up during Year Two with assistance to install the recommended CRM/client tracking solutions and/or software, and train AISA staff to use the new system solutions.

Regional Operations

ABADA maintains regional operations in Herat and Mazar, in order to service Afghanistan's business hubs in the northern and western regions. During Year One, ABADA contracted a local company, Afghanistan Financial Services (AFS), to provide, maintain and secure the regional offices and premises of ABADA in Herat and Mazar. This arrangement released ABADA from the burden of the myriad of administrative and contractual actions in office set-up, therefore affording ABADA a quick launch of operations in the regions.

Both regional offices became fully operational in May 2013. Each team has a staff of 11 technical and administrative personnel and is headed by a regional manager. Personnel issues were encountered in the first months of operations at the Herat Regional Office and three administrative staff members hired by subcontractor AFS were dismissed. No major staffing issues have been encountered since then, in both Herat and Mazar field offices.

Formal launching events were held to introduce the presence of ABADA to the provincial government, business community, local business organizations, donor organizations and the community at large. These launching events were high profile ceremonies and well attended by top local government officials, GIRA representatives in the provinces, USAID and USG representatives and relevant stakeholders.

The primary role of the regional offices is to promote ABADA and solicit PPA applications from businesses in the provinces. These offices handle the initial phase of the application

process (such as assistance in concept note writing, business plans, capital investment plan, pre-award site survey and preparation of environmental reports) to determine the eligibility of the applicant. After this initial process, the applications are forwarded to the ABADE office in Kabul for technical review and pre-approval. When PPAs are approved and implemented, the regional offices will monitor the implementation of the PPA agreement, provide technical guidance and support the delivery of industry-specific and management training as needed by the partners. Being the representative of ABADE in the regions, the Herat and Mazar offices actively collaborate with USAID implementing partners offering complementary services such as FAIDA, ADF, IDEA/NEW, and coordinate with the directorates of MoCI, AISA and other government agencies in the regions.

In Year One, the regional offices were instrumental in increasing the pool of potential PPA partners of ABADE through active promotion of the SME and Innovation Alliance PPAs, organizing outreach activities, conducting concept writing workshops, and assisting enterprises through the different steps in applying for a PPA. The tables below show a summary of the outreach activities and PPA application assistance undertaken by the regional offices.

Table 5. Outreach and PPA Application Activities at the Regional Level

PPA Actions Area/ Province	Outreach to Companies	Concept notes	Pre-award site survey	Business Plan (with financials)	Complete Application Package
• Herat	98	40	10	10	10
○ Badghis	2	1	1	1	1
• Mazar	65	45	21	14	14

Table 6. Coordination Activities at the Regional Level

Activities organized / participated	Objective of the activity	Participants	Date
Herat Regional Office			
Herat female entrepreneurs meeting	Presentation of ABADE	25; business women, Herat Saffron Association members	03-04-2013
Herat PDC meeting	Presentation of ABADE to PDC	20; Governor, PDC members	04-04-2013
Herat Saffron Roundtable	Presentation of ABADE	40; saffron sector workers	04-14-2013
Concept note writing workshop	Concept note writing per ABADE format	50; private companies	04-30 -2013

Marble round table	Identify problems and find solutions for the marble sector	60; marble association members, banks and microfinance; government officials, partners	09-24-2013
Mazar Regional Office			
Concept note writing workshop	Concept note writing per ABADE format	87; business men and women	06-04-2013
UNAMA donors coordination meeting	Presentation of ABADE	(Regional manager was participant)	07-14-2013
Conference on Agricultural Products (IDEA-NEW)	Presentation of ABADE	(Regional manager was participant)	08-18-2013
Implementing Partners' meeting	Collaboration among projects; presentation of ABADE	(Regional manager was participant)	09-26-2013

Due to the cancellation of operations of the Embassy Air towards the end of Year One, combined with the general security situation, it became evident that travel to the regions in Year 2 especially for expatriate staff and consultants will be more difficult. Other options for traveling and providing security on missions are being explored. In addition, ABADE hired an independent monitor – an Afghan professional who can travel to the provinces – who will do part of the PPA pre-award activities and monitoring in areas otherwise inaccessible to ABADE staff and consultants.

Gender

Gender Baseline Survey

ABADE's M&E team initiated a Gender Baseline survey which was completed in March 2013. The survey sought to determine the status of women entrepreneurship in Afghanistan with the aim of defining the formation of PPAs, especially Innovation Alliances, and the provision of technical assistance and training. The survey involved gathering data from 18 agencies, associations, cooperatives and organizations, and 625 businesses. The response rate was 27% (10 entities and 165 companies responding)². The major findings below present

² ABADE contacted 18 entities (ministries, government agencies and bodies, associations, unions, cooperatives) to get information on women-owned businesses and received information from 10. After cleanup of data and removal of double entries from a database, 2,043 companies were identified, of which ABADE reached out to 625 and where 165 responded.

significant opportunities for ABADE to assist women-owned firms in improving their performance and expanding their operations.

- 84% of women's businesses were actually owned by women; the rest were either co-owned by men or were owned by men but managed by women. Over 65% were microenterprises (0-10 employees), while most of the remainder were small enterprises (11-50 employees).
- Only 11% had ever applied for a loan.
- 44% had used the services of a business service provider.
- 37% said they need training (mostly in proposal writing and bid preparation, followed by financial, marketing and management).
- 70% used some form of accounting; less than 70% had a business plan, or income statements, and less than half of the companies managed human resources, procurements, marketing, or cash flow. Fewer than 30% of firms had a balance sheet, stock keeping or book keeping systems, or inventory management, and fewer than 15% engaged in any form of capacity building, or quality management.

Women-focused programs

Innovation PPAs

Through Innovation PPAs, women and youth are encouraged to develop non-traditional enterprises that create economic growth and stability. The criteria for Innovation PPA is somewhat relaxed for companies that cannot strictly meet the requirements yet have presented a feasible innovative business idea. An example is the Green Organic Agriculture Production Company (PPA-B001) which is implementing a vermi compost organic fertilizer manufacturing venture through a PPA agreement with ABADE.

In Year One, one Innovation PPA, Green Organic's vermi-composting project, and two SME PPAs with women owned or managed companies, were signed, as earlier mentioned in Task 1.4 under Component 1.

Table 7. Innovation and SME PPAs with women-owned or managed companies

Companies with PPA Agreements	Sector	Location	ABADE support (USD)	Company Investment (USD)	Est. Direct Jobs Created
Green Organic Company	Agribusiness-vermicomposting	Kabul	24,990	40,300	10
Refa Technology	ICT – electronic payment facility	Kabul	360,000	924,700	164
Binazeer Construction Company (BCC)	Construction	Kabul	40,800	107,600	17

Training women in high-value skills

As discussed in Component 2, ABADE has created training programs in high value skills (web design, graphics design, accounting and financial systems, e-marketing) to increase the employability profile of female professionals, and to assist women in pursuing their own enterprises in electronic-based services that are currently in high demand, and which offer the possibility of an alternate workplace.

A 45-day course on Promotions and Marketing for 15 women entrepreneurs and managers was launched in September. The training was subcontracted to RUMI Consultancy and the sessions are being held at its office. The training is expected to end in November with the presentation of the participants’ final output, which includes PR materials that they developed to promote their own company.

Two other trainings (website design and computer-aided design) originally scheduled for implementation in September were rescheduled for the first quarter of Year Two.

Communications and Outreach

ABADE’s communications are designed to educate SMEs about ABADE’s activities, soliciting support, participation, and collaboration among private sector clients and beneficiaries. They will also inform, educate, and generate interest from foreign direct investors and other partners in support of ABADE activities and Component 1 and 2 Alliances, specifically to attract interest from potential SME and Innovation Alliance partners.

In the first quarter of Year One, ABADE drafted its Branding and Marking Plan to define the communications strategy of the project, laying the guidelines on branding and marking

communication products in accordance with USAID branding and marking guidelines that govern cooperative agreements. In support of this activity, ABADE engaged the services of a professional designer to prepare functional yet aesthetic templates of program, promotional and administrative materials that ABADE will produce through the course of its operation. After several revisions the Branding and Marking Plan was finalized and was approved in principle before the end of Year One. ABADE expected to receive the formal approval in early October 2013.

In Year One, ABADE developed three media outreach programs through the media as follows:

- Production of a 30-minute video documentary and 3-minute promotional spot to promote Afghanistan's investment opportunities to national and international audiences, in support of AISA's activities. This is directly handled by Component 3. USAID vetting for the competitively selected producer, CETENA Media, was received at the end of Year One and ABADE immediately initialized implementation. The two products are expected to be finalized by end November, and will be submitted for USAID clearance before they are turned over to AISA.
- Production of twelve 30-minute episodes for TV airing, highlighting business opportunities and doing business in Afghanistan. This activity will showcase Afghan businesses, successes, challenges, export and import issues and start-up businesses. An important feature of this TV production is the documentation of the business growth of ABADE partners, to be filmed over time, to demonstrate how the business became successful and how the company was able to overcome barriers. ABADE is awaiting vetting clearance for the selected company.
- ABADE partnered with the Afghan Education Production Organization (AEPO) on the plan to produce business episodes on the popular radio program "Gold in the Dust," to raise awareness within the business community and the general public about SMEs. AEPO was originally established by the BBC World Service in 1994 and has been producing radio programs for the last 19 years. It has a large listenership across Afghanistan. Implementation of this activity will start when the USAID vetting approval is received.

Environmental Compliance

Environmental compliance for the ABADE project is subject to the requirements of the ABADE Initial Environmental Examination (IEE; Tracking# OAPA-12-May-Afg-0033) and IEE Amendment 1 (Tracking# OAPA-13-Jan-Afg-0010). In addition to the sub-project environmental compliance documentation which is completed to fulfill these requirements, the USAID Mission Environmental Officer (MEO) in a meeting on March 13, 2013 requested that ABADE generate an Environmental Manual (EM). Following submission, the MEO approved the EM on April 17, 2013. Subsequently, after a series of good quality submissions of environmental compliance documents, a Memo for the Record was issued on August 14, 2013 through the Bureau Environmental Office/Office of Afghanistan and Pakistan Affairs with instructions for streamlining the ABADE environmental compliance process. Under this agreement, sub-project environmental compliance documents do not require AOR and MEO approval prior to subproject implementation once approved by the ABADE Chief of Party and the Environmental Specialist. The ABADE environmental compliance system, including sub-project environmental compliance tracking and ongoing subproject environmental mitigation and monitoring is enacted by the MEO-approved Environmental Specialist in coordination with the central engineer located in the Kabul office. The Environmental Specialist conducted a first training on the environmental compliance program with the central engineer in April 2013. Following the staffing/opening of the Mazar-e-Sharif and Herat regional offices, trainings were conducted with regional engineers. Upcoming activities related to environmental compliance include a scheduled visit by the Environmental Specialist in October 2013 to provide individual (re)training to the regional engineers in an effort to increase the capacity and performance of the regional office staff.

The environmental compliance reports are part and parcel of the PPA development process. During the PPA application phase, the business operations and premises of the PPA applicants are inspected and assessed to determine that their business practices pose no negative impact on the environment.

Monitoring & Evaluation and IT Support

The ABADE Performance Management Plan was submitted to USAID in December 2012 and, after extensive discussions with AOR and the Office of Program and Project Development (OPPD), was approved with some modifications in January 2013. In addition to the submission and approval of ABADE's PMP, the majority of key start-up activities to establish

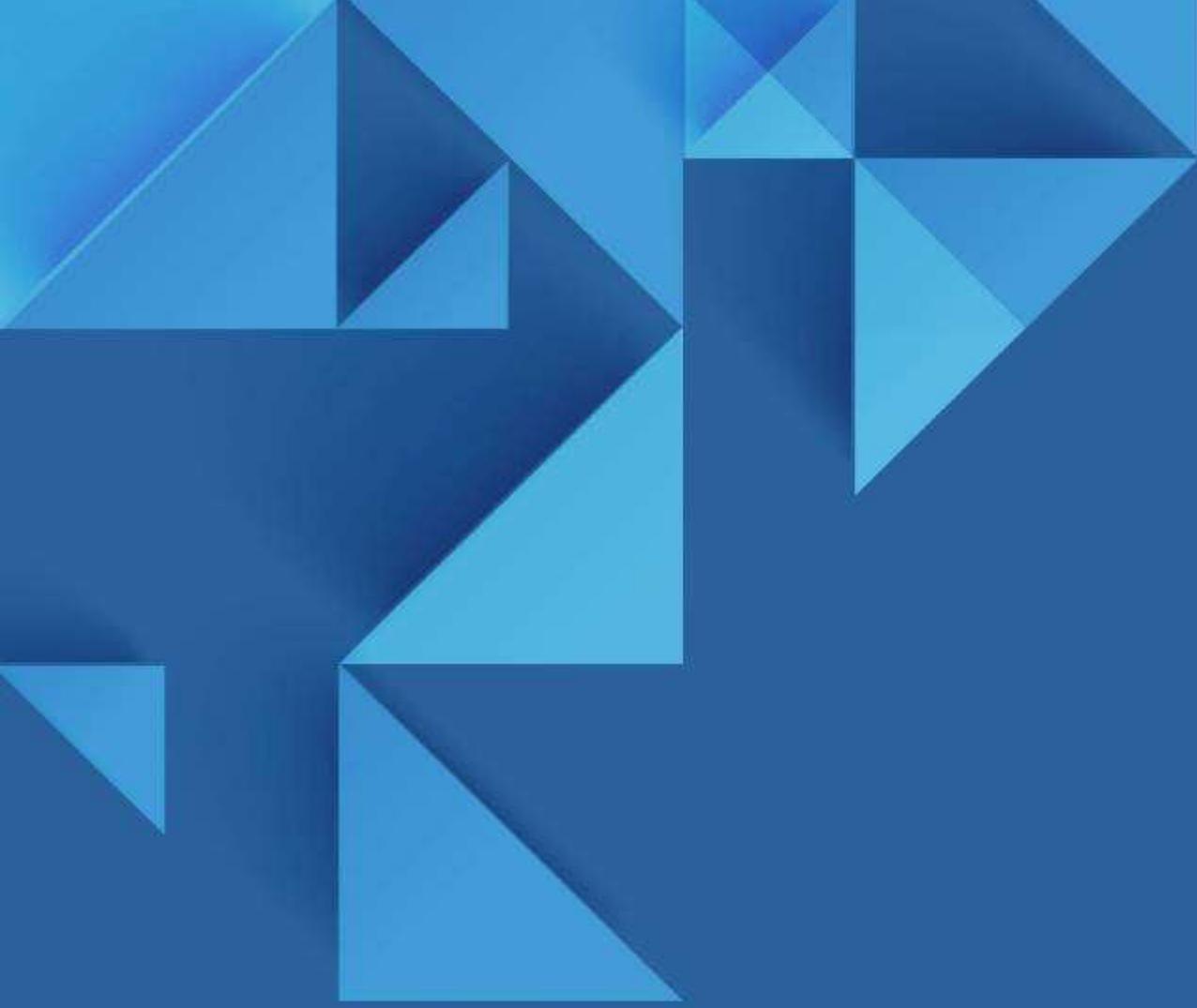
monitoring and evaluation systems were completed by the end of the first quarter. First, ABADE's M&E and IT Director designed the necessary data collection processes and tools including an SME registration form, high value skills graduate registration form, survey forms, and verification, analysis and reporting processes. Second, process flow diagrams were completed for data collection and verification. Finally, the ABADE reporting site for the Afghan Info database was also set up during the first quarter. Staffing of the M&E team was finalized.

In the first quarter of 2013, the ABADE field team completed a needs analysis of IT equipment and software and purchased all of the project's hardware and software that will support the program implementation. The equipment was installed in the ABADE offices in Kabul, Herat and Mazar, and sub-awardee DAI deployed ABADE's technical, administrative, and management system (TAMIS). DAI has agreed to provide all IT support for ABADE. The ABADE TAMIS was fully functional in May/June, while DAI's TAMIS administrator visited the Kabul office in September to customize and finalize the system in order to reflect the changes in the procedures that ABADE had implemented during the first year of the project. Documentation development and approval processes were already done electronically through TAMIS.

ABADE is organizing internal trainings for the staff of Kabul central office and the two regional offices to ensure effective use of TAMIS. Follow up trainings or coaching, as needed, will be conducted by the IT staff. With increased and improved utilization of this management information system, further revisions and improvements will probably need to be made to the system.

Annex 1 - Performance Indicators

PMP Ind	PERFORMANCE INDICATOR <i>(source of information)</i>	Qtr 04 13, April - June 2013			Cumulative Year 2013			LIFE OF PROJECT Totals		
		Target	Total	%	Target	Total	%	LOP Target	Total	%
I. Tier I Indicators										
1	500 SMEs supported with ABADE assistance <i>(SME Reg Forms)</i>	50	11	22%	100	16	16%	500	16	3%
2	150 private sector firms that have improved management practices as a result of ABADE assistance <i>(SME Reg forms and survey forms)</i>	15	0	0%	30	0	0%	150	0	0%
3	150 firms receiving ABADE assistance to invest in improved technologies <i>(SME Reg forms)</i>	15	8	53%	30	12	40%	150	12	8%
4	365 public-private alliances formed as a result of ABADE assistance <i>(SME PPA Agreements)</i>	43	6	14%	85	10	12%	365	10	3%
5	41 Innovation public-private alliances formed <i>(Innovation PPA Agreements)</i>	3	2	80%	5	3	60%	41	3	7%
6	USD 180 million in private-public sector alliances established <i>(Innovation and SME PPA Agreements)</i>	\$10,000,000	\$5,787.923	58%	\$40,000,000	\$10,348.014	26%	\$180,000,000	\$10,348.014	6%
7	20% increase in sales by Public-Private Alliance SMEs <i>(SME Registration and Survey forms)</i>	3%	0	0%	5%	0	0%	20%	0	0%
8	40 initiatives that provide alternative workplace models for women <i>(Initiative registration forms)</i>	10	0	0%	10	0	0%	40	0	0%
9	200 women trained in "high value" skills <i>(Graduate registration forms)</i>	20	0	0%	20	0	0%	200	0	0%
10	6 action plans accepted by the MOCI <i>(Action plan acceptance forms)</i>	2	2	100%	2	2	100%	6	2	33%
II. Tier II Indicators										
A	46,000 Full-Time Equivalent Jobs Created <i>(SME Registration and Survey forms)</i>	5,000	0	0%	5,000	0	0%	46,000	0	0%



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