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AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

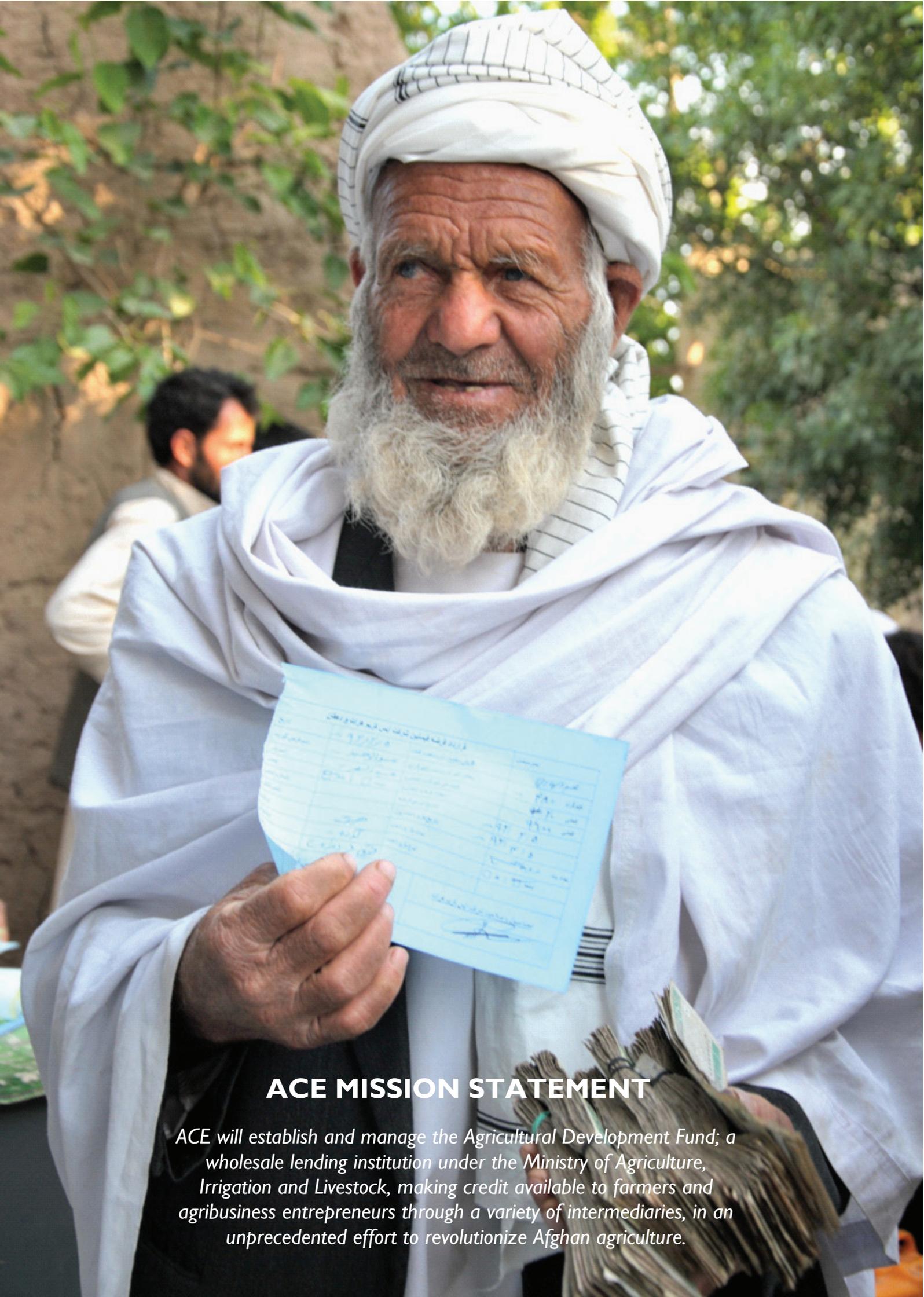
2013 ANNUAL REPORT

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ANNUAL REPORT

FISCAL YEAR 2013

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Contracting Officer's Representative:	Ali Ahmad
Contracting Officer:	Raphael Metzger
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.

LIST OF ACRONYMS

AAIDO	Afghanistan Almond Industry Development Organization
ADF	Agricultural Development Fund
ACE	Agricultural Credit Enhancement
Agromet	Agro-Meteorology (Agromet) Program
ANSOR	Afghanistan National Seed Organization
ASAP	Accelerating Sustainable Agriculture Project
CEO	Chief Executive Officer
COA	Chart of Accounts
COO	Chief Operating Officer
CMU	Credit Management Unit
DAIL	Directorate of Agriculture, Irrigation and Livestock
EFGA	Eastern Region Fruit Growers' Association
FAIDA	Financial Access for Investing in the Development of Afghanistan
FAO	Food and Agricultural Organization
FSCAA	Farm Service Center Association of Afghanistan
FTE	Full Term Employment Equivalent
FI	Financial Intermediary
IDEA-NEW	Incentives Driving Economic Alternatives Project
IIFC	Islamic Investment Finance and Cooperative
IP	Implementing Partner
GDA	Global Development Alliances
GIRoA	Government of the Islamic Republic of Afghanistan
GIS	Geographic Information System
GWSA	Ghoryan Women Saffron Association
KMF	Knowledge Management Facility
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoU	Memorandum of Understanding
MIS	Market Information Systems
NFI	Non-financial Intermediary
OoA	Office of Agriculture
PMP	Performance Monitoring Plan
PRT	Provincial Reconstruction Team
SAB	Sharia Advisory Board
TO	Task Order
TRC	Technical Review Committee

FOREWORD

The provision of agricultural credit is a challenging proposition world over; risks are ubiquitous, geographic dispersion and the scale of individual loans typically increases transaction costs and the diversity of agricultural activities require flexibility in the design of financial products.

In the case of Afghanistan, those challenges reach exponential levels that require an implementation approach based on a combination of development economics theory as the fundamental guiding principle, local knowledge to reduce the risks brought about by illegitimate business people and rent seekers, as well as ingenuity to develop appropriate financial products. The combination of these factors is what has made of the ACE program a game changer; an example of smart development which is increasingly exerting a transformational effect on the rural communities.

The establishment and operation of the Agricultural Development Fund, which seemed an impossible task in 2010 is now a reality. The ADF was registered in December 2012, its High Council, equivalent to a Board of Directors, is fully functional and the institution has a healthy and growing portfolio. Over 17 international media outlets, including the Guardian UK, the Chicago Tribune, Reuters, the e-wallstreeter and Islamic Finance News have portrayed the ADF as an example of a successful financial institution serving the agriculture sector in one of the world's more volatile environments.

The priority for 2014 will be the institutional consolidation and the transition of the ADF to Afghan control. This will be achieved through a strategy based on three fundamental pillars:

- 1) The capitalization of the fund to a minimum of US\$160 million, leveraging USG resources, for which donors are already contributing.
- 2) Ensuring the independence of the fund in 2 ways:
 - a. Maintaining the current governance structure, in which GIRoA plays a role at the strategic level, in partnership with private sector representatives.
 - b. Ensuring that the CEO--currently being recruited--has a proven record in western corporate values, unquestionable integrity and a strong personality
- 3) Further strengthening the credit policies and procedures, ensuring that there are no gaps allowing for the exercise of discretionary power.

Without a doubt, 2014 will be the year of the ADF; the expansion of the credit portfolio will continue to have a direct and positive impact on the growth of the rural economies, contribute to prosperity and social stability

Juan M Estrada-Valle
Chief of Party

EXECUTIVE SUMMARY

By the end of its third year, the Agricultural Credit Enhancement (ACE) Program has proudly achieved its mission of establishing the Agricultural Development Fund (ADF), an institution acclaimed within and outside Afghanistan. The ADF has become a front runner and a model of how to do revamp Afghan agriculture, showing how the provision of credit to the right nodes along the agricultural value chains can maximize productivity, income and job creation.

Soon after ACE started its operations in July 2010, the implementation context changed significantly when the banking sector did not engage in the intermediation of ADF funds. This tore down what was one of the fundamental assumptions for the implementation of the ACE program, leaving the project unable to provide finance to farmers. Additionally there was demand for Islamic financial products and the registration of the ADF by the Afghan government was behind schedule, leaving the contractor unable to legally lend funds.

In the face of adversity, ACE made a strategic shift to achieve its fundamental objective. The new strategy was based on a series of innovations, such as the Credit Management Units (CMUs) that allowed the use of non-financial institutions, especially farmer associations and cooperatives as conduits for credit; established what is recognized as the most robust system for the provision of Islamic finance in Afghanistan, and contracted the services of a financial institution to underwrite loans awaiting for the registration of the ADF.

After two years of carrying out lending activities under the auspices of the ACE project, in November 2012 the Cabinet of Ministers approved the Charter of the ADF which consequently, led to the registration of the Agricultural Development Fund as a standalone financial institution. Currently the ADF has its main office in Kabul and 5 regional offices in Jalalabad, Mazar-e-Sharif, Bamyán, Herat and Kandahar. With over 22,000 end borrowers in 32 provinces, loan approvals worth US\$80 million and disbursements to date surpassing US\$40 million, the ADF is effectively supporting the growth of Afghan agriculture. In addition to end borrowers, during the last year ADF loans indirectly benefited over 124,000 rural households who thanks to ADF finance have access to inputs, production technologies, better market opportunities and jobs.

ACE IS EXCELLING AT MEETING THREE FUNDAMENTAL OBJECTIVES:

1) Establishing and consolidating a highly effective credit institution that relies on innovation to overcome the challenges brought about by insecurity and weak institutions.

2) Supporting the growth of the sector by positively and substantially affecting crop productivity, agro processing, and market efficiency, with direct impact on employment and incomes

3) Building the capacity of the cadre of Afghan professionals who will manage the ADF.

ACE's follows a cogent approach based on the provision of finance to the nodes of the value chains where credit is more likely to maximize returns, while addressing fundamental issues constraining value chain growth. In the last year alone, farmers who had access to ADF loans achieved a documented average increase of 50 percent in household income. Similarly, exports of the ADF clients increased by 30 percent. Since its inception, the ADF has facilitated the creation of 1,987 Full Time equivalent (FTE) jobs, of which 61 percent are full time; 31 percent are seasonal; and 8 percent are part-time jobs.

Notwithstanding the fact that providing free technical and material support is an inherently easy task, especially in Afghanistan; the provision of grants is one of the few performance indicators in which ACE fell short. This derives from the project's deliberate approach to make prudent, efficient and responsible use of USG resources. Not all ADF clients are provided with grants. Moreover, ACE uses grants as tools to assist ADF clients address specific and critical issues constraining their competitiveness.

In FY2013 ACE approved 16 new grants worth of US\$0.95 million of which three ADF Challenge grants to operate Credit Management Units, sponsor a farmers' radio talk show and help OXUS Afghanistan, a financial institution intermediating ADF funds.

Thirteen ACE Agricultural Modernization grants approved during the same period provided ADF clients with technical assistance in improving processing flows and upgrading clients' operations, introducing food safety and sanitation measures, post-harvest handling practices and supporting the marketing strategies of ADF clients.

Lending to women constitutes a major commitment of the team implementing ACE. As a result, during the last year, the ADF provided loans worth US\$1.8million to women led agribusinesses and female farmers under its ZAHRA financial product. However, given the limitation of the ADF to provide loans under US\$100,000 it launched ZAHRA for small business loans between US\$20,000 and US\$100,000 through an arrangement with OXUS Afghanistan.



Members of the ADF High Council. From left to right: Mr. Atiq Nusrat, representative of ACCI, H.E. Minister Asif Rahimi (MAIL), Miss Dawn Thomas, USAID representative; H.E. Deputy Minister Mustafa Mastoor (MOF) and H.E. Deputy Minister Mir Haidari (MAIL).

ACE in collaboration with USAID's Office of Agriculture assisted in the facilitation of the first 2 meetings of the Implementing Partners Gender Working Group. The main purpose of this initiative is to discuss and share the methods and approaches used by the IPs to include women in their agricultural programs and to enhance the role of women in the sector.

H.E. Minister Rahimi of MAIL visited the premises of Salahe Dekundiwal Brothers Agro Productions and Services Company in Kabul, a star ADF client involved in growing greenhouse vegetables which managed to increase their net income by 241 percent; and Bamyan cooperatives, a third time ADF client that benefited from a loan of US\$2million to provide agricultural inputs on credit to 1280 farmers, members of 44 cooperatives. During the potato harvest celebration the Minister highlighted the importance of credit access for farmers to enhance productivity and overall farm income.

COMPONENT I:

DELIVERY OF CREDIT SERVICES

- o Consolidation of the ADF
 - o Credit Operations and Services
 - o Innovation
 - o ADF Grants
 - o Gender Activities
- Internal Audit and Compliance

Three years after ACE's inception and remarkable accomplishments in providing access to finance to modernize Afghanistan's agricultural sector, encourage competition and increasing the efficiency of markets, ACE is now focusing on ensuring a successful transition and the sustainability of the ADF. Several steps achieved so far allow ACE to go forward with drawing a comprehensive transition strategy for the ADF, to ensure the sustainability of the Fund. As of now, the ADF stands for a true partnership established between USAID (Office of Agriculture) and GfR/A leading to a highly effective mechanism to fund medium and large scale agribusinesses and help entrepreneurs to seize market opportunities and generate wealth.

The formal establishment of the ADF on November 12, 2012 as a standalone legal entity under the leadership of MAIL, the governance structure, the establishment of the ADF High Council as the decision making body and the additional ADF committees, and the donor guidelines constitute the main prerequisites for the transition. While ACE has another 1.3 years before it's completed, a meticulously planned transition will ensure that the ADF's credit facilitation and ACE's technical value chain assistance continues after the ACE contract ends. Developing a detailed and cogent ADF transition plan in consultation with the High Council will be





ADF Donor Conference
Jul 18, 2013

the priority for the next quarter. Financial projections, organizational charts, ADF policies and procedures and departmental manuals will all be developed in FY 2014.

Nevertheless, the ADF is praised by MAIL and the international community in achieving its mission as a financial institution with a menu of financial products. The ADF has become a viable business model which complements the activities of foreign assistance initiatives of the past decade, by providing access to finance.

CONSOLIDATION OF THE ADF

Following the legal establishment of the ADF, the High Council held its first inaugural meeting on November 28, 2012 chaired by H.E. Mohammad Asif Rahimi, Minister of MAIL, with the representation of Ministry of Finance, Afghanistan Chamber of Commerce and Industry, USAID's Office of Agriculture and ACE. On their second meeting, on December 15, 2012 the ADF High Council passed a resolution on the establishment of three separate committees; an Audit Committee, a Credit Committee and a Governance and Compensation Committee which would be charged with delegated power and authority to take ADF policy decisions on behalf of the High Council.

By 2013, the ADF High Council was institutionalized as the decision making body of the Fund that meets on a quarterly basis to discuss strategic matters. The ADF structure, human resources and expansion of the fund with seeking other donor's contribution have all been on the agenda.

Thorough financial analyses indicate that to become financially sustainable and ensure its continuation of activities after the transition, the ADF will require a total capital of \$160million USD as an outstanding loan portfolio. This is an additional \$60 million next to the current \$100 million provided by the USAID to the Afghan government. To initiate the discussion on raising additional funds for the ADF, under the leadership of H.E. Minister Rahimi on July 18th MAIL, ACE and MAIL hosted a conference on the capitalization of the ADF with the participation of the donor community.

During this event, Minister Rahimi praised the performance of the ACE team and the ADF, describing it as a well thought-of institutionally robust financially viable institution with remarkable impact on the rural communities. The ACE team presented an overview of the ADF, innovations for credit delivery as well as the donor participation guidelines. While several donors are interested in contributing funds to the ADF, the meeting was adjourned with a pledge of \$10million USD from the Danish Embassy, which are recently considering to raise their contribution to US\$25million. ACE, USAID and MAIL are planning to organize similar events for several other donors interested in investing in the ADF.

The ADF is facilitating investments in production, processing, markets and high-value value chains which leads to rapid economic growth.... As of today, the ADF is a robust and functional financial institution serving over 20,000 rural households and agribusinesses in 32 provinces of Afghanistan. The ADF has approved loans for over \$75 million USD has collected over \$18million USD in repayments, while keeping a default rate of less than 4 percent". - stated H.E. M. Asif Rahimi.

CREDIT OPERATIONS AND SERVICES

In FY 2013, ACE expeditiously established the ADF finance department, separate from ACE, and consolidated the credit administration and loan operations units with separate well-defined roles and responsibilities. The team provided on-job-training to the new staff. Below are some of main revised responsibilities of each of the unit:

Lending: compiles all original documents according to the Credit Administration checklist and forwards the package to the Credit Administration;

Credit Administration: reviews the documents in consultation with the legal advisor and forwards the loan agreement, disbursement instructions and decision sheet to the ADF finance department;

ADF Finance: reviews the disbursement packages and prepares payment vouchers and wire transfers. The CEO reviews and approves the wire transfers. The team verifies that the payment has been processed by the bank and issues instructions for the booking of the loan;

Loan Operation: reviews the loan agreement, decision sheet, term sheet, Sharia agreement and bank confirmations. Books the loan in the Micro-Banker financial system.

Upon the registration of the ADF as an independent financial institution, the ADF has its own ADF bank accounts with the Afghanistan International Bank (AIB). Currently, the fund operates with five separate accounts, one master account; two accounts for Sharia lending (in USD and AFN currency) and two for conventional lending (in USD and ADF currency). In addition, with the legal establishment of the ADF ACE was required to adopt a new procedure on mortgage registration in favor of the ADF before the loan disbursements. This has proven to be a lengthy process that delays loan disbursements. Currently ACE is discussing possible ways to expedite the process in agreement with the provincial courts.

ACE upgraded the Micro Banking financial software system, by integrating the new ADF Chart of Accounts (COA) in the system, migrating the existing data into the new COA, training eight ADF staff on financial software usage and maintenance, and changing the MB system from cash to accrual basis. A second training course provided by the Micro Banker Pvt. Ltd. Nepal consultants for the local lending officers focused on how to configure cash-in and cash out transactions in the system, manage transaction reversals and adjustments, update loan rescheduling and restructuring, change interest rates,

generate standard and customized reports from the system as well as trouble shooting system errors.

In addition, during the past year ACE engaged an international expert to provide training on Loan Performer – the financial software used by ACE for the financial management of the Credit Management Unit. Ten employees of ACE and its non-financial intermediaries were trained on operating and maintaining the system. To respond to the needs of the companies operating in the agricultural sector in Afghanistan which are unable to produce balance sheets, income statements, owner equity statements, and some don't even have proper bookkeeping systems ACE has developed a financial tool to address these challenges. In the first stage, the team designed a tool for agricultural traders and food processing companies, which represents the largest portion of the ADF clients. In a user-friendly ACCESS based interface, the lending officers are only required to enter basic information such as sales, cost of goods sold, expenses, accounts receivables, accounts payable and asset value to generate simple statements for small companies. The financial tool also gives the option to generate more elaborate financial statements for more complex companies and include scenario analysis to analyze credit risk under different conditions such as changes in price, volume sold, packaging and transport costs, etc.

ADF TRANSITION

As the ADF grows as an institution and the team prepares for the transition, there is a prerequisite to adjust its structure. To achieve this in December 2013 ACE will present the new organizational structure of the ADF with redefined roles and responsibilities. This will be complemented by a comprehensive training program in the areas of general management, rural finance and banking operations for different groups within the ADF staff.

Currently ACE is revising the general credit policy, updating the credit and risk policy manual, drafting the manuals for personnel management, financial management, technical operations and administration and operations. Later in December, ACE will initiate the asset disposition from the project to the ADF, transfer the management board, the ADF staff and other operation costs to the ADF including payroll. This will require a USAID waiver, which ACE will request in November 2013.

In FY2014 ACE's goal is:

- To complete the transition of credit and administrative operations from ACE to the ADF, with emphasis on strengthening the capacity of the management team
- To build a strong and healthy portfolio
- To mobilize additional funds to capitalize the institution and ensure its sustainability

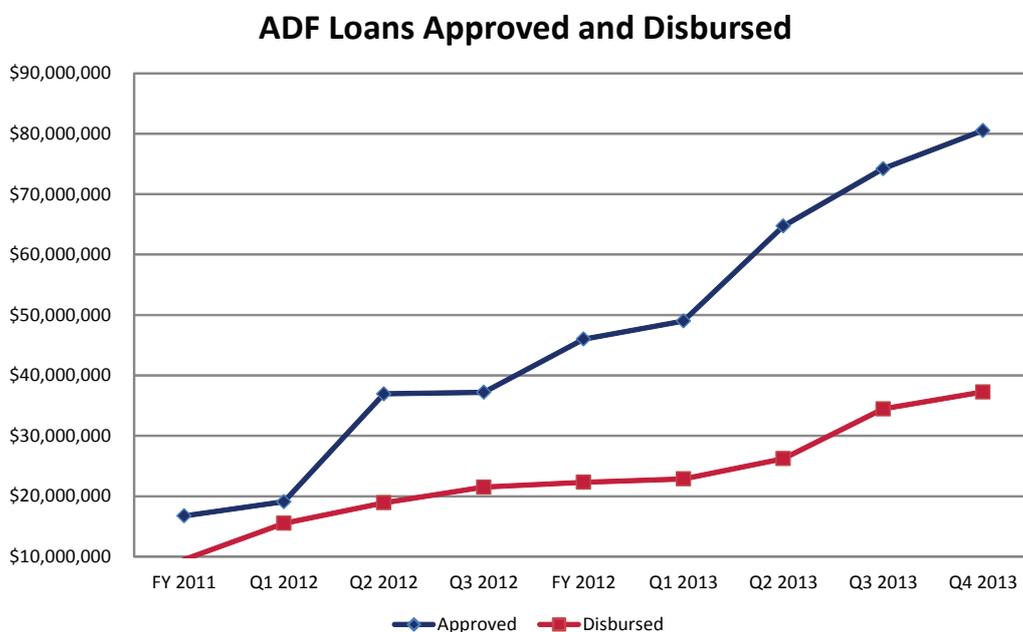
ADF LENDING

ACE continues to ensure the availability of agricultural funding for farms and agricultural enterprises across the country. US\$80.5 million in ADF loan approvals is a

remarkable achievement for a new institution like the ADF given the institutional and security landscape in Afghanistan. In FY 2013 alone, ACE approved over US\$34.5 million in new loans reaching a loan portfolio of \$80.5 million with a list of 191 approved loans; while disbursing net US\$14.9 million in FY 2013.

Following the registration of the ADF, USAID transferred the first US\$9 million on budget to the Ministry of Agriculture, which following a challenging negotiation with MAIL on the disbursement process were finally made available to the ADF and to its borrowers. This transfer, together with the initial one of US\$24.7 million channeled through the ACE contract allowed the ADF to disburse US\$37.3 million, while utilizing a portion of the repayment of the first loans.

Graph I: ADF loans approved and disbursed on a quarterly basis



ACE has disbursed a total of US\$37.3 million to new and existing clients till now and has a pipeline of over US \$10 million. At this point, the project has benefitted 21,565 farmers in 32 provinces of Afghanistan, indirectly benefitting another 124,231 households.

Some of largest loans approved during the 2013 include:

- ACE assisted the Bamyán potato cooperatives to provide agricultural inputs on credit to 1,200 farmers, members of 44 Cooperatives. The ACE team together with the representatives of Bamyán Cooperatives traveled to several villages to ensure the correct distribution of seed and fertilizers in compliance with the loan agreement. The

disbursement of potato seeds and fertilizers on ADF credit was completed by the end of May.

- [Redacted] Ltd. is also a new ADF client that will benefit from a USD \$2 million loan to import water irrigation systems and equipment for Afghan farmers and agribusinesses.
- [Redacted] Company received a loan of \$1.3 Million USD to purchase equipment and extend advance payments to 800 farmers to supply fluid milk to the company.



Production line at Herat Ice Cream Company, an ADF client

- [redacted] Company Ltd, obtained an ADF loan of \$1 million USD to purchase agricultural equipment's such as solar water pumps, sprayers, water pumps, irrigation pipes and spare parts for agricultural machinery;
- [redacted] Food Industries, located in Herat, will benefit from an ADF loan of \$987,078 to expand their business. The company processes and markets
- Dried fruits, nuts, cereals and saffron. The processing cycle includes the sorting, cleaning, grading, roasting and packaging using modern machinery.
- [redacted] Company Ltd. an exporter based in Herat received a loan of \$800,000 to purchase pistachio kernels and to cover the cost of cleaning, sorting, packaging and transport.
- [redacted] Association obtained a new loan of US\$544,563 to purchase dried fruits, such as walnut, cherry, pistachios, almonds, apricot and cumin from 1,950 orchard growers in 30 districts of Takhar Province. The association will sell the produce to the wholesalers in Kabul, Herat, and Balkh provinces

Table 1: ADF loans approved during the reporting year FY 2013

No	Company/Entity	\$Loan Amount
1	Sensitive client information	\$ 1,300,000
2		\$ 700,000
3		\$ 800,000
4		\$ 100,000
5		\$ 350,000
6		\$ 100,000
7		\$ 144,000
8		\$ 200,000
9		\$ 1,000,000
10		\$ 200,000
11		\$ 1,000,000
12		\$ 250,000
13		\$ 200,000
14		\$ 1,200,000
15		\$ 100,000
16		\$ 187,000
17		\$ 100,000
18		\$ 300,000
19		\$ 700,000
20		\$ 2,000,000
21		\$ 100,000
22		\$ 500,000
23		\$ 138,607
24		\$ 617,076
25		\$ 480,503
26		\$ 1,390,176
27		\$ 273,025
28		\$ 200,218
29		\$ 273,025
30		\$ 174,008
31		\$ 544,563
32		\$ 270,709
33		\$ 99,260
34		\$ 360,946
35		\$ 315,647
36		\$ 98,708
37		\$ 246,770
38		\$ 987,078
39		\$ 116,156
40		\$ 96,797
41		\$ 1,000,000
42		\$ 96,797
43		\$ 483,985
44		\$ 2,000,000
45		\$ 1,500,000

No	Company/Entity	\$Loan Amount
46	Sensitive client information	\$ 336,010
47		\$ 288,008
48		\$ 350,000
49		\$ 200,000
50		\$ 150,000
51		\$ 100,000
52		\$ 610,909
53		\$ 183,273
54		\$ 200,000
55		\$ 500,000
56		\$ 180,000
57		\$ 200,000
58		\$ 230,000
59		\$ 3,000,000
60		\$ 100,000
61		\$ 250,000
62		\$ 2,069,858
63		\$ 463,392
64		\$ 1,500,000
TOTAL		\$ 34,206,504

The ADF loans continue to show tremendous impact in employment, productivity, sales and income. Some of the achievements include:

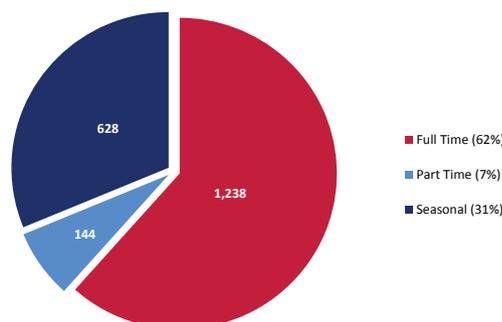
- [Redacted] Company received. After one year of the loan implementation, the company shows 11 percent increase in output, 21 percent increase in sales, and 23 percent increase in net income, while having created 48 additional full time jobs.
- [Redacted] in Mazar-e-Sharif received an ADF loan of US\$1.9 million to purchase wheat from farmers and increase their throughput. This intervention resulted in 88 percent increase in output, 90 percent increase in sales and 56 percent increase in net income.
- [Redacted] Trading Company received an ADF loan of US\$700,000 to purchase cashmere on credit from goat

herders in the Western region and export it to China. After one and half year from the loan disbursement the client realized an increase in output of 33 percent, annual sales increased by 60 percent and net income rose by 60 percent.

- [Redacted] Slaughter House received an ADF loan of US\$425,000 to build three raising halls for chickens and purchase equipments and chicken feed to increase their production and sales. After the loan, the company shows 20 percent increase in their production, 15 percent increase in sales and 37 percent increase in net income.
- [Redacted] Trading Company received an ADF loan of US\$800,000 to purchase pistachios from farmers in Herat province and export them to India, Turkey and UAE. The client realized a 6 percent increase in exports, a 15 percent increase in net income and has created 60 full time jobs

Graph 2: Jobs created by ACE

FTE Jobs by type (Cumulative from the beginning of ACE)



In June 2013 the Agricultural Development Fund (ADF) inaugurated its provincial office in Bamyān. Since 2011, the ADF had kept a small office within the Provincial Delegation of MAIL to serve a small number of clients. However, an increase in the number of loans provided in the province required of a stronger presence. The event focused on two milestones:

- The formal opening of the Provincial Office of the ADF, in partnership with OXUS Afghanistan, which will allow thousands of farmers from Bamyān province to access credit, both at wholesale level from the ADF and at a retail level from OXUS.
- The recognition of outstanding ADF clients, or those cooperatives that have complied with their commitment to repay their loans on time during the 2012-2013 season.

In addition to the ADF, the Government of the Islamic Republic of Afghanistan has been considering the idea of establishing an Agricultural Development Bank, which could provide a broader array of services to the farmers and agribusinesses. Within this context, MAIL requested the assistance of the United States Agency for International Development (USAID) to conduct a feasibility study for the establishment of Agricultural Development Bank, as way to support MAIL's policy making process. USAID provided the support through its Agricultural Credit Enhancement (ACE) program.

In September 2013 the Ministry of Agriculture, Irrigation and Livestock (MAIL) and USAID hosted a half day workshop for the presentation and discussion of the Feasibility Study for the Agricultural Development Bank, developed by ACE.

INNOVATION

ACE developed a series of innovations to ensure the delivery of credit to farmers, such as: 1) designing innovative Islamic financial products; and 2) establishing operational Credit Management Units (CMU) to deliver credit to end-borrowers; and 3) using Agricultural Credit Shuras for raising awareness and generating business for the ADF.

I. ISLAMIC FINANCE

The demand of the Afghan agribusinesses and farmer for Sharia compliant loans which do not bear traditional interest was noticed early in the project. Since mid-2011 to cater these needs, ACE has designed and launched financial products that are compliant with the principles of Sharia law, with a strong base in trade and investment, and at the same time apply a range of socially responsible elements such as fair trade, openness and honesty.

Ensuring that a broad spectrum of staff understands the Islamic Finance principles and what ADF can offer to clients is of the utmost importance. In order to achieve this, a number of different training courses have been provided catering to specific needs of groups of ADF staff. Firstly, a number of easy to understand, transparent product structures have been

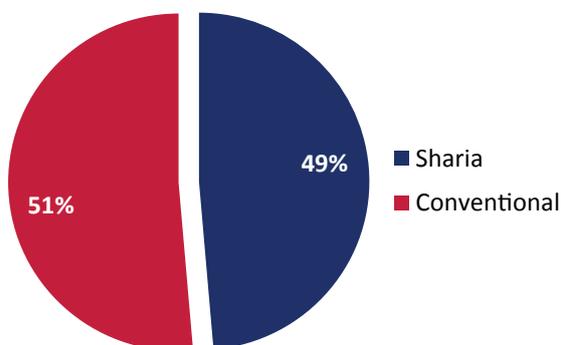
defined and implemented including highly standardized client documentation. All key lending staff has received different degrees of training which has enabled them to confidently discuss the most appropriate solution with their clients. Further, specific policies and procedures have been put in place to ensure compliance with Islamic principles. Two functions have been added to the ADF's operational support structure to ensure the Islamic Financial transactions follow the Sharia principles for finance: the Sharia Advisory Board (SAB) and the internal Islamic Finance specialist.

The ADF SAB consists of three members and is independent from the ADF management and operations in a way similar to an external auditor. The members of the SAB are all Afghan nationals with a background in Islamic jurisprudence and finance, with one of them representing the Ministry of Hajj. The SAB held their third meeting to review and approve their Audit Manual. The audit manual is one of the core documents based on which the financial products and their transactions will be audited. The team also reviewed the Afghan Debt Collection Law (No. 441) which applies to the ADF, since the Fund is a government organization by its statute. The Sharia lending advisors agreed that the ADF can hand over the collection of any debts to the Afghan government and ultimately the police.

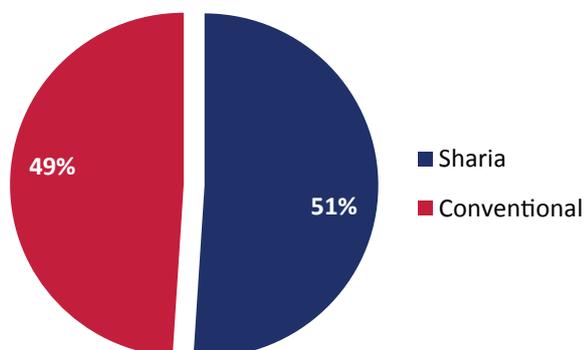
Till now ACE has developed nine innovative lending mechanisms based on Islamic finance principles for use in agricultural finance, well-accepted in Afghanistan. Sharia lending products constitute 49 percent of the approved ADF loans, whereas the Islamic financial products constitute 51 percent of all loans disbursed as of September 30th, 2013.

Graph 3 and 4: Proportion of Sharia vs. Conventional loans Approved and Disbursed

ADF Loans Approved in FY2013 by Financial Product



ADF Loans Disbursed in FY2013 by Financial Product



2. CREDIT MANAGEMENT UNITS

Credit Management Units constitute one of the single most powerful mechanisms launched by ACE to mitigate credit risks when lending to farmers. The CMUs are loan management functional unit, established within the ADF non-financial intermediary with the fundamental purpose to a) process individual loan applications, b) disburse loans, and c) ensure timely collection. These operational structured are

typically supported through small ADF Challenge grants that aim at attenuating credit risk and default, whereas allow for the program to reach at a large number of direct beneficiaries across the country. ACE has provided Loan Performer, financial software currently used by the CMUs to manage their credit operations in an accountable fashion. This has been accompanied by a financial training and software operation mentoring to build the capacities of the non-financial intermediaries.

Due to the prudent execution of the CMU concept and the ability of the team to adopt it according to clients' needs, this organization form continues to be a very effective mechanism to safeguard the integrity of the ADF loans while enabling ACE to reach at a large scale of farmers.

provinces across the country. The nation-wide campaign launched earlier in 2012 experienced exponential growth in territorial coverage reaching out at agricultural sector actors to introduce the ADF financial opportunities available. During the past year, the team organized 22 Agricultural Credit Shuras in several provinces such as Wardak, Ghor, Kunduz, Baghlan, Jawzjan, Sari-Pul, Badghis, Kandahar, Nangarhar, Kapisa, Parwan, Herat, Logar, Parwan and Daykundi. Of these, five shuras targeted women in the provinces of Kandahar, Nangarhar, Herat and Parwan. Till now, the team has covered 31 out of 34 provinces of Afghanistan.

3. AGRICULTURAL CREDIT SHURA EVENT

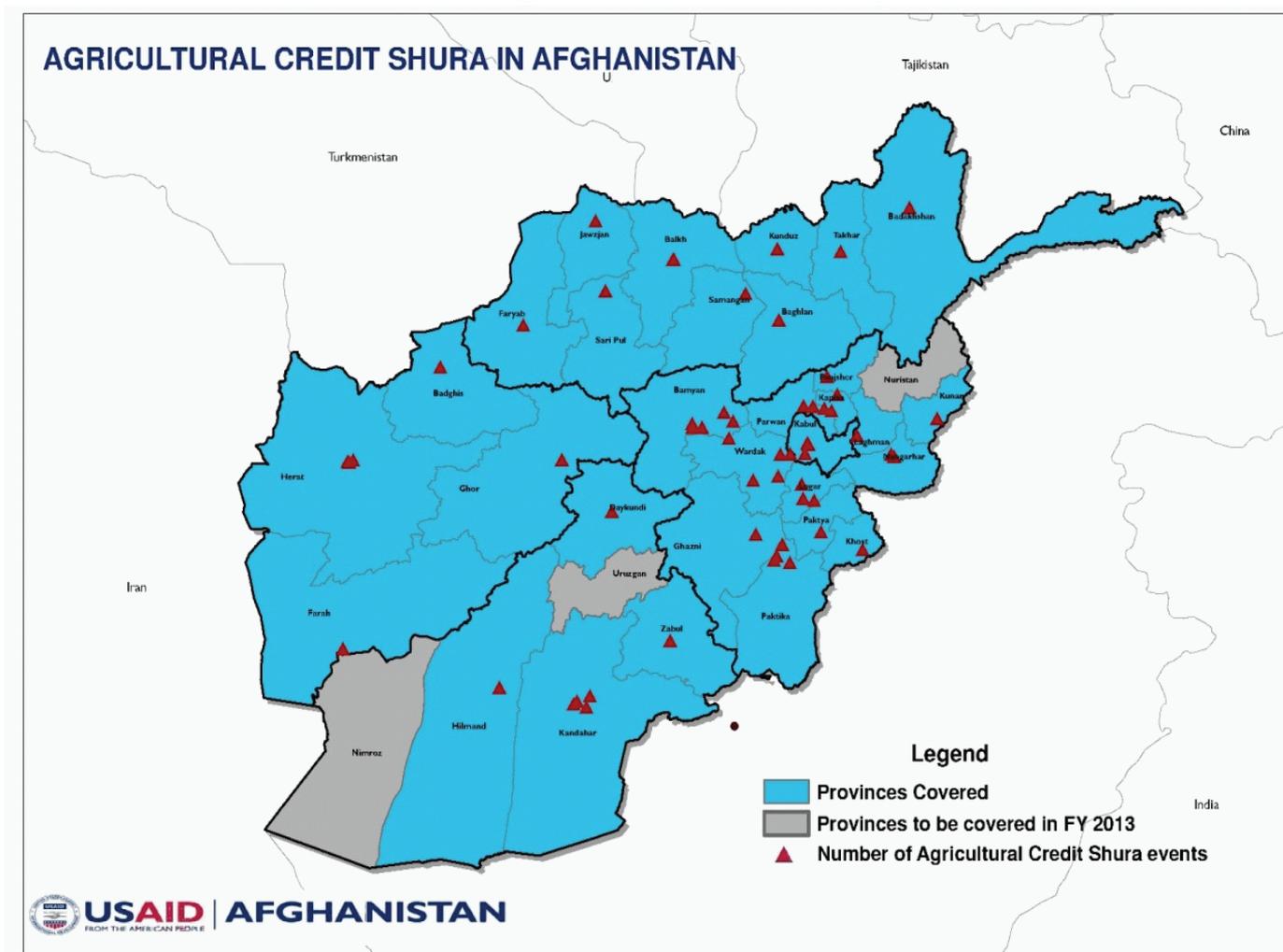
The Agricultural Credit Shura, an instrument of awareness on ADF lending, continues to make inroads and travel to remote

By the end of FY2013 ACE has established six CMUs within the ADF non-financial intermediaries which have enabled the disbursement of US\$10.8 million USD directly to 9,900 farmer borrowers. Till the end of the next year at least \$20million will be disbursed through the CMUs. ACE is now establishing a CMU for Herat Empowered Woman Social Association (HEWSA) to manage an ADF loan of \$187,000. The client will on-lend to 20 food processing centers managed by women, to purchase raw and packing materials. The disbursement of the new ANSOR loan of US\$6.7 million will start in the next quarter.

The agricultural credit shura events generally consist of a two to three hour meeting with farmer representatives and male or female agribusiness entrepreneurs. The ACE staff provides an overview of the financial services available from the ADF, the eligibility criteria, as well as the technical assistance offered by the ACE program to help clients succeed. Sharia

compliant products, terms of loans and the possibility of qualified value chain technical assistance are also presented to farmers, members of cooperatives, agribusinesses and agro processors, and representatives of NGOs and local media. These events are coordinated with DAIL offices, PRTs, and USAID to achieve a larger audience and ensure effectiveness.

MAP I: Agricultural Credit Shura map



GRANTS

In the past year, ACE approved 16 new grants worth of a total of US\$0.95 million. Three ADF challenge grants aimed at 1) supporting the operations of the CMU for AAIDO, an existing non-financial intermediary; 2) sponsoring a talk show for farmers in a Salam Watandar local radio for a year period which would announce and promote the ADF lending opportunities; and 3) support the operations of OXUS Afghanistan, a financial intermediary for the ADF which is currently managing two loans worth of US\$1.96 million. OXUS Afghanistan will benefit from an ADF challenge grant of \$300,000 to expand their business into a new market, develop new products to serve the communities that OXUS currently works in, and to build the capacity of the local national staff. OXUS has a strong position in the community as a catalyst for a positive impact on the livelihood of its

clients. As a result of the grant, OXUS and ACE already opened a joint branch office in Bamyan province. The client's staff will be trained by the Frankfurt School of Finance and Management and thirty percent of the ADF loans are earmarked for women.

ACE awarded thirteen ACE Agricultural Modernization grants comprised of agricultural value chain technical assistance to the ADF clients to support their agro-processing operations, provide training and assistance on food safety, hygiene and sanitation, marketing support as well as post-harvest handling. The grant of \$14,250 to Quality Management Construction consisted of supporting the company to conduct field demonstrations on solar irrigation systems focusing in the Northern provinces to introduce commercial farmers to cost-effective irrigation systems.

Graph No 5: Grants approved by Quarter

ADF and ACE Grants Approved by Quarter (cum)

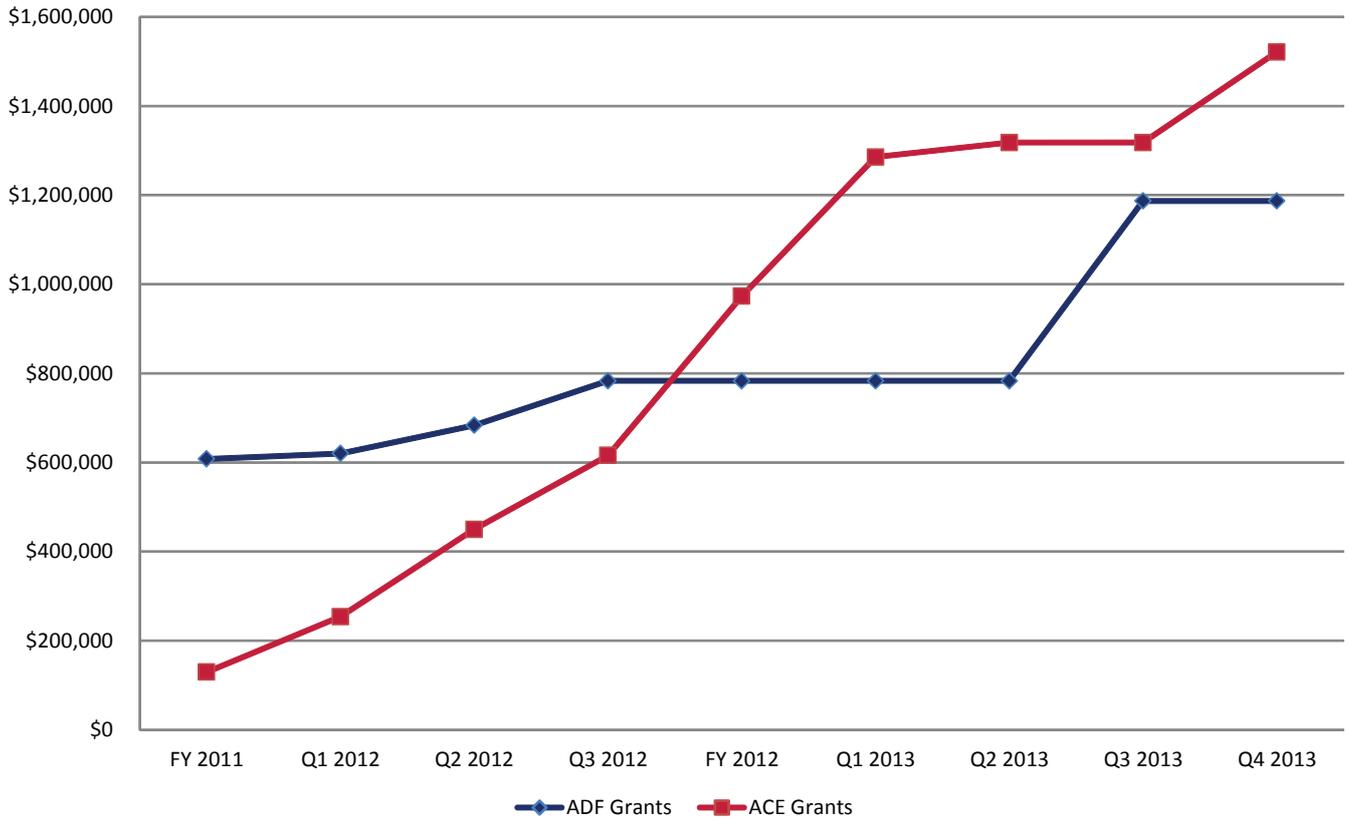


Table No. 2: ACE and ADF Grants approved in FY 2013

No	Business Name	Province	Grant Purpose	Grant Type			Grant Period		Total \$Approved
				ADF		ACE	Start Date	End Date	
				Challenge	Innovation				
1		Laghman, Kapisa, Logar and Kabul	Implementation of smart cards innovative activity to enable farmers to purchase Ag inputs on credit			✓	20-Nov-12	19-Nov-13	39,289
2		Balkh	Training & Technical Assistance			✓	15-Dec-12	15-Dec-13	41,500
3		KBL, Samangan, Kunduz, Balkh & Ghazni	Solar water pump irrigation system demonstrations to AAIDO members in the targeted provinces.			✓	15-Dec-12	15-Jun-13	14,250
4		Balkh	Provision of silk processing equipments and marketing support.			✓	15-Dec-12	15-Dec-13	70,500
5		HRT, Bamyan, Balkh, KBL & Nangarhar	Gender training program for the ADF clients and Partners.			✓	15-Dec-12	15-Jun-13	76,219
6		Kabul	Provision of Training and Technical Assistance			✓	30-Dec-12	30-Dec-13	38,168
7		Mazar-e-Sharif	provision of training, labeling machine, and marketing assistance to its product			✓	1-Mar-13	28-Feb-14	32,380
8		Hirat	Provision of Training & Technical Assistance			✓	1-Mar-13	28-Feb-14	32,325
9		Kabul	To support the credit Management Unit operation to manage ADF loan.	✓			1-Jul-13	30-Jun-14	81,670
10		Kabul	Farm Talk Program	✓			1-Jul-13	30-Jun-14	22,011
11		Kabul	Support operation of the loan implementation	✓			1-Jul-13	30-Jun-14	300,000
12		Hirat	Training & Technical Assistance			✓	15-Sep-13	14-Sep-14	40,000
13		Kabul	Access to standardized and well equipped packing stations, improve harvest, packing and transport			✓	15-Sep-13	14-Sep-14	24,946
14		Takhar	To address commercial and social aspects of carpet weavers in Takhar Province.			✓	15-Sep-13	14-Sep-14	24,150
15		Bamyan	To address commercial and social aspects of carpet weavers in Bamyan Province.			✓	15-Sep-13	14-Sep-14	24,150
16		Hirat	Training, ISO Certification & Technical Assistance			✓	15-Sep-13	14-Sep-14	90,000
Sub Total ACE Grants (Ag Modernization)									547,877
Sub Total ADF Grants (Challenge)									403,681
Sub Total ADF Grants (Innovation)									0
Grand Total									951,558

GENDER ACTIVITIES

ACE continues to make every possible effort to find ways to make agricultural credit accessible to women in Afghanistan. Women generally have fewer assets, access to credit, services, markets and technologies which exacerbates their chances of entering into contract farming agreements. To alleviate this, ACE has embarked on a mission not only to identify successful female agribusiness entrepreneurs and assist them to upgrade their operations, but also to meet the needs of smaller farms and agribusinesses led by women which do not meet the \$100,000 loan threshold determined by the ADF. Besides, the program is committed to encouraging the ADF clients and staff to adhere to the basic principles of gender equality.

As of now, ACE has approved 9 loans to women for a total amount of \$1,822,000 USD. Afghan Women Saffron Growers Association is a second time borrower which used an ADF loan of \$155,000 in 2012 and this year is receiving a loan of \$250,000 to increase their saffron flower purchase from farmers and increase their exports. OXUS Afghanistan is a financial intermediary, registered as a corporation under Afghan law and was founded in 2007 by OXUS Development Network, a Paris based network of microfinance institutions affiliated to the International Non Governmental Organization, ACTED. The client has a strong branding, with visible branches built on the same corporate identity model. OXUS will manage two ADF lines of credit of over US\$1.9 million of which 30 percent of the funds are earmarked for women.

Table 3: ADF Loans to Women

No	Client	Type	Province	Loan Amount
1	Sensitive client information	Agribusiness	Herat	\$155,000
2		Agribusiness	Takhar	\$100,000
3		Agribusiness	Balkh	\$230,000
4		Agribusiness	Bamyan	\$200,000
5		Agribusiness	Kabul	\$100,000
6		Agribusiness	Herat	\$187,000
7		NFI	Herat	\$250,000
8		FI	Nationwide	\$139,017
9		FI	Nationwide	\$450,000
TOTAL				\$1,811,017

During FY2013 ACE designed and tested an innovative Islamic financial product for women, branded ZAHRA, to cater for the credit needs of female agribusiness entrepreneurs. This product aims at already operating medium scale enterprises, individually or in group and provides a significant opportunity to strengthen the existing female-led agribusinesses rather than financing start-ups. Some of the characteristics of the Zahra program include:

- The main subsectors of focus would be annual and perennial horticulture, livestock husbandry and agro-processing;
- The loans would be managed by a financial institution under a special set of incentives and under a risk-sharing agreement not known to the borrowers’
- The loan amounts would range between \$20,000 and \$40,000 in Afghani equivalent’
- Collateral, provided by male family members;
- Strict monitoring program, seeking to avoid the use of women as “fronts” to access finance;
- All borrowers would be required to take financial literacy classes, provided by a business development services company contracted by ACE/ADF;
- Those women who successfully graduate from the financial literacy program would be granted a reduction in the loan fee (not principal);
- In addition to financial literacy, the borrowers will have access to technical assistance in an area relevant to their line of business, as well as to facilitation of market arrangements. Depending on the particular nature of the business, the program could provide closer support through a business mentorship program.

As seen above, this program has a lot of potential to take small and medium scale operations to the next level not only through the financial access but also through technical assistance and financial literacy program which if successful

can ensure the sustainability of the program. The technical assistance is typically supported through ACE agricultural modernization grants. Below is a list of ACE grants approved in FY 2013 to support women and women-led agribusinesses.

Table 4: ACE Agricultural Modernization Grants targeting women approved in FY 2013

No	Company	Province	Grant Purpose	Grant Period		US\$ Approved
				Start Date	End Date	
1	Sensitive client information	Balkh	Provision of silk processing equipments and marketing support.	15-Dec-12	15-Dec-13	\$70,500
2		Herat, Bamyar, Balkh, Kabul, Nangarhar	Gender training program for the ADF clients and Partners.	15-Dec-12	15-Jun-13	\$76,219
3		Takhar	To address commercial and social aspects of carpet weavers in Takhar Province.	15-Sep-13	14-Sep-14	\$24,150
4		Bamyar	To address commercial and social aspects of carpet weavers in Bamyar Province.	15-Sep-13	14-Sep-14	\$24,150
Grand Total						\$195,019

ACE is looking into financing several other women-led agribusinesses and entrepreneurs such as:

- Afghan Worker Women Association is interested in a \$200,000 loan to expand their beekeeping business in Ghanzi province.
- Women Entrepreneur Association from Kunduz province is interested in \$100,000 loan to expand carpet production.
- Barge Bahar Production Company requested \$100,000 to expand its dairy production in Kabul.

Under the ZAHRA program, ACE is looking at smaller scale operations such as Ferdous Bureen Food Processing Company from Nangarhar province requesting an ADF loan to purchase starch processing machinery; Tamadon Safron Processing Association in Sari-Pul interested in \$50,000 loan to increase their saffron production; Green Organic Company in Kabul requested around \$20,000 to launch vermin composting in Afghanistan.

ACE in partnership with United Nations Development Program's (UNDP) Gender Program and MAIL's Home Economics Directorate through an ACE grant with Hand in Hand-Afghanistan (HiH-AF) supported seven representatives of women cooperatives from rural Afghanistan with through a training program and an exposure visit to India. The Afghan participants had the opportunity to learn about integrated approaches to empowerment, the Self Help Groups, corresponding structures and functions, opportunity identification, as well as market surveys and business plan development.

In May 2013 ACE, in collaboration with the Office of Agriculture (OAG), organized and co-chaired the first Implementing Partners Gender Working Group meeting. The main purpose of the meeting was to discuss and strengthen the terms of reference for the Working Group and to identify how each partner could contribute to its success. In addition, Sayara Strategies, contracted in mid-2012 by the Office of Agriculture to assess the inclusion of women in ACE project's activities, provided an overview of its findings. The assessment focused on ways to meaningfully include women in project activities and methods for advancing women's role in agriculture and agribusiness.

The second meeting organized in July, was again hosted by ACE. Ms. Anne Williams, the Deputy Director of USAID's Office of Agriculture welcomed all the participants. The group discussed and finalized the Terms of Reference for the group as well as the agricultural internship and possibilities for implementing partners to assist this initiative in their target areas. The implementing Partners' Gender Working Group is proving to be a very efficient platform to share information, and strengthen coordination among USAID IPs on issues regarding gender equity and empowerment of women in agriculture. OAG seeks to increase the understanding of the importance of gender dynamics in the communities where they work, among the partners, and within the programs for development of Afghan agriculture.

INTERNAL AUDIT AND COMPLIANCE

In the last year the internal audit and compliance unit continued to play a crucial role in ensuring the transparency and integrity of ADF lending operations while guaranteeing compliance with current policies and procedures. As the ADF structure consolidates the ADF internal audit department will have a stronger focus on the post-disbursement audits of ADF clients and acting as the focal point of coordination with external auditors.

During the past year, the team prepared over 36 post-disbursement audit reports, including the revision of all Sharia compliant loans disbursed between April-December 2012. This activity was carried out in compliance with the Sharia Audit Manual. In addition, during the reporting period the team revised the ADF Internal Audit Manual which defines the policies, standards, and procedures which will generally govern the internal audit function.

Table 5: Audit assessments conducted in FY 2013

Audit Assessments conducted in Q1 FY'13		
No	Client	Status of the Loan
1	Ghoryan Saffron Company	Disbursed
2	Logar Farm Service Center	Disbursed
3	Tanin Industrial Company	Disbursed
4	Dr. Abdul Wakil Farmers Association (2nd Loan)	Disbursed
5	Kapisa Farm Service Center	Disbursed
6	Rabia Mariam Handicraft Company	Disbursed
7	Bamyan Cooperatives	Disbursed
8	Audit of AAIDO Exporters Loan	Disbursed
9	Audit of AAIDO Second Loan Repayment	Disbursed
10	Audit of Saib Group (Apple Association) Loan	Disbursed
11	Audit of Afghan Rice Mill Company	Disbursed
12	Audit of Laghman FSC Loan	Disbursed
13	Audit of Qarizada Tomato Paste Production Company Loan	Disbursed
14	Audit of RANA Seeds and Agribusiness Company - Standard Grant for Pilot Soybean Program	ADF Grant
15	ADF Sharia Loan Annual Review	Loans Disbursed Apr-Dec 2012
16	Verification and Reconciliation of the ADF profit and Loan Records	All ADF Loans
17	Audit of Ghulam Dastagir Food Production Company	Disbursed
18	Audit of Sayed Ahmad Khushkyar Logistic Limited Company	Disbursed
19	Investigation on Disbursement of the loan to Sudais Saud Company	Disbursed
20	Audit of Ghulghula Agriculture and Livestock Cooperative	Disbursed
21	Audit of Taje Telayee Poultry Cooperative	Disbursed
22	Audit of Javed Afghan Agricultural Equipments Manufacturing Company	Disbursed
23	Audit of Nangrahar Nursery Growers Association	Disbursed
24	Audit of Afghanistan Almond Industry Development Organization (2013)	Disbursed
25	Audit of Takhar Trader Women Social Organization	Disbursed

Audit Assessments conducted in Q1 FY'13

No	Client	Status of the Loan
26	Audit of Dehqan Roz Dairy Production Company	Disbursed
27	Audit of Nangarhar Edible Oil Processing Cooperative	Disbursed
28	Audit of Sayel Food Processing Company	Disbursed
29	Audit of Hafiz Ebad Wool Processing and Carpet Production Company	Disbursed
30	Audit of Momen Khan Ag Input Business	Disbursed
31	Audit of Sanaizada Edible Oil Company Grant	Disbursed
32	Audit of Herat Ice Cream Company	Disbursed
33	Audit of Herat Empowered Women Association	Disbursed

During the reporting period, the internal audit and compliance unit audited the reconciliation of ADF loan records in the MicroBanker financial system and coordinated

with the external auditors (Ernst and Young) which conducted an audit assessment of the first transfer of US\$9million from USAID as on-budget contribution to the ADF.

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	\$ 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	\$ 73,387	-	Active
4		Agribusiness	Yes	Kabul	\$ 1,970,000	\$ 1,280,000	\$ 1,448,449	-	Active
5		Agribusiness	Yes	Kunar	\$ 312,000	\$ 312,000	\$ 323,669	625	Complete
6		Agribusiness	Yes	Helmand	\$ 242,000	\$ 242,000	\$ 251,050	1,364	Complete
7		Agribusiness	Yes	Balkh	\$ 121,000	\$ 121,000	\$ 125,137	-	Complete
8		Agribusiness	Yes	Nangarhar	\$ 100,000	\$ 100,000	\$ 101,614	-	Active
9		Agribusiness	Yes	Wardak	\$ 230,000	\$ 230,000	\$ 241,652	-	Complete
10		Agribusiness	Yes	Balkh	\$ 1,977,597	\$ 1,977,597	\$ 988,672	1,625	Active
11		Agribusiness	Yes	Wardak	\$ 224,000	\$ 224,000	\$ 120,315	-	Active
12		Agribusiness	Yes	Nangarhar	\$ 900,000	\$ 900,000	\$ 946,837	109	Complete
13		Agribusiness	Yes	Kabul	\$ 715,000	\$ 715,000	\$ 75,356	-	Active
14		Agribusiness	Yes	Kabul	\$ 250,000	\$ 250,000	\$ 263,836	-	Complete
15		Agribusiness	Yes	Kabul	\$ 375,000	\$ 375,000	\$ 27,252	-	Active
16		Agribusiness	Yes	Herat	\$ 273,000	\$ 273,000	\$ 201,951	-	Active
17		Agribusiness	Yes	Herat	\$ 700,000	\$ 700,000	\$ 63,384	600	Active
18		Agribusiness	Yes	Herat	\$ 425,000	\$ 425,000	\$ 58,326	-	Active
19		Agribusiness	Yes	Herat	\$ 155,000	\$ 155,000	\$ 166,000	117	Complete
20		Agribusiness	Yes	Kunar	\$ 538,579	\$ 538,579	\$ 107,346	688	Active
21		Agribusiness	Yes	Logar	\$ 99,568	\$ 99,568	\$ 101,809	-	Active
22		Agribusiness	Yes	Balkh	\$ 1,250,000	\$ 1,250,000	\$ 293,934	780	Active
23		Agribusiness	Yes	Kabul	\$ 101,317	\$ 101,317	\$ 42,853	-	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
24		Agribusiness	Yes	Helmand	\$ 435,298	\$ 435,298	\$ 253,432		Active
25		Agribusiness	Yes	Laghman	\$ 150,004	\$ 150,004	\$ 130,613	438	Active
26		Agribusiness	Yes	Nangarhar	\$ 200,000	\$ 200,000	\$ 95,000	219	Active
27		Agribusiness	Yes	Wardak	\$ 195,018	\$ 195,018	\$ 40,241	-	Active
28		Agribusiness	Yes	Nangarhar	\$ 130,000	\$ 124,308	\$ -	-	Active
29		Agribusiness	Yes	Nangarhar	\$ 125,000	\$ 117,481	\$ -	-	Active
30		Agribusiness	Yes	Balkh	\$ 302,000	\$ 287,428	\$ -	2	Active
31		Agribusiness	Yes	Nangarhar	\$ 100,000	\$ 95,238	\$ -	18	Active
32		Agribusiness	Yes	Balkh	\$ 230,000	\$ 222,996	\$ 104,602	-	Active
33		Agribusiness	Yes	Wardak	\$ 224,390	\$ 224,390	\$ 44,293	-	Active
34		Agribusiness	Yes	Kapisa	\$ 146,342	\$ 146,342	\$ 84,000	160	Active
35		Agribusiness	Yes	Herat	\$ 400,000	\$ 399,416	\$ 103,817	53	Active
36		Agribusiness	Yes	Takhar	\$ 100,000	\$ 100,000	\$ -	145	Active
37		Agribusiness	Yes	Bamyan	\$ 200,000	\$ 134,542	\$ -	150	Active
38		Agribusiness	Yes	Kandahar	\$ 500,000	\$ 500,000	\$ 264,000	569	Active
39		Agribusiness	Yes	Kabul	\$ 150,000	\$ 97,276	\$ 2,432	-	Active
40		Agribusiness	Yes	Herat	\$ 1,300,000	\$ 1,290,518	\$ 13,073	761	Active
41		Agribusiness	Yes	Herat	\$ 700,000	\$ -	\$ -	-	Active
42		Agribusiness	Yes	Herat	\$ 800,000	\$ 765,478	\$ 18,673	59	Active
43		Agribusiness	Yes	Kandahar	\$ 100,000	\$ -	\$ -	-	Active
44		Agribusiness	Yes	Faryab	\$ 350,000	\$ 328,330	\$ 8,856	-	Active
45		Agribusiness	Yes	Kabul	\$ 100,000	\$ -	\$ -	-	Active
46		Agribusiness	Yes	Mazar	\$ 144,000	\$ 135,084	\$ 3,672	245	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
47		Agribusiness	Yes	Kabul	\$ 200,000	\$ 94,545	\$ -	18	Active
48		Agribusiness	Yes	Kunduz	\$ 1,000,000	\$ -	\$ -	-	Active
49		Agribusiness	Yes	Nangarhar	\$ 200,000	\$ 187,617	\$ -	280	Active
50		Agribusiness	Yes	Nangarhar	\$ 1,000,000	\$ -	\$ -	-	Active
51		Agribusiness	Yes	Mazar	\$ 250,000	\$ 227,273	\$ -	-	Active
52		Agribusiness	Yes	Kandahar	\$ 200,000	\$ 181,818	\$ -	-	Active
53		Agribusiness	Yes	Nangarhar	\$ 1,200,000	\$ 1,114,734	\$ -	-	Active
54		Agribusiness	Yes	Samangan	\$ 100,000	\$ 55,750	\$ -	-	Active
55		Agribusiness	Yes	Herat	\$ 187,000	\$ 175,100	\$ -	14	Active
56		Agribusiness	Yes	Herat	\$ 100,000	\$ -	\$ -	-	Active
57		Agribusiness	Yes	Kabul	\$ 300,000	\$ 272,232	\$ -	-	Active
58		Agribusiness	Yes	Mazar	\$ 700,000	\$ 700,000	\$ -	-	Active
59		Agribusiness	Yes	Herat	\$ 2,000,000	\$ -	\$ -	-	Active
60		Agribusiness	Yes	Jalalabad	\$ 100,000	\$ -	\$ -	-	Active
61		Agribusiness	Yes	Kandahar	\$ 500,000	\$ -	\$ -	-	Active
62		Agribusiness	Yes	Jalalabad	\$ 138,607	\$ 55,442	\$ -	-	Active
63		Agribusiness	Yes	Kabul	\$ 617,076	\$ 486,000	\$ -	-	Active
64		Agribusiness	Yes	Herat	\$ 480,503	\$ -	\$ -	-	Active
65		Agribusiness	Yes	Mazar	\$ 1,390,176	\$ -	\$ -	409	Active
66		Agribusiness	Yes	Kandahar	\$ 273,025	\$ 273,025	\$ -	105	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
67		Agribusiness	Yes	Kandahar	\$ 200,218	\$ -	\$ -	-	Active
68		Agribusiness	Yes	Paktika	\$ 273,025	\$ 273,025	\$ -	150	Active
69		Agribusiness	Yes	Kandahar	\$ 174,008	\$ -	\$ -	-	Active
70		Agribusiness	Yes	Takhar	\$ 544,563	\$ -	\$ -	-	Active
71		Agribusiness	Yes	Herat	\$ 270,709	\$ 270,709	\$ -	-	
72		Agribusiness	Yes	Baghlan	\$ 99,260	\$ -	\$ -	-	
73		Agribusiness	Yes	Kandahar	\$ 360,946	\$ -	\$ -	-	
74		Agribusiness	Yes	Mazar	\$ 315,647	\$ -	\$ -	-	
75		Agribusiness	Yes	Jalalabad	\$ 98,708	\$ 98,708	\$ -	26	
76		Agribusiness	Yes	Mazar	\$ 246,770	\$ -	\$ -	-	
77		Agribusiness	Yes	Herat	\$ 987,078	\$ 404,253	\$ -	-	
78		Agribusiness	Yes	Jalalabad	\$ 116,156	\$ -	\$ -	-	Active
79		Agribusiness	Yes	Kabul	\$ 96,797	\$ 38,718	\$ -	-	Active
80		Agribusiness	Yes	Kabul	\$ 1,000,000	\$ -	\$ -	-	Active
81		Agribusiness	Yes	Mazar	\$ 96,797	\$ 96,797	\$ -	-	Active
82		Agribusiness	Yes	Jalalabad	\$ 483,985	\$ -	\$ -	-	Active
83		Agribusiness	Yes	Kabul	\$ 2,000,000	\$ -	\$ -	-	Active
84		Agribusiness	Yes	Kabul	\$ 1,500,000	\$ 1,000,000	\$ 13,589	-	Active
85		Agribusiness	Yes	Mazar	\$ 336,010	\$ -	\$ -	-	Active
86		Agribusiness	Yes	Herat	\$ 288,008	\$ -	\$ -	-	Active
87		Agribusiness	Yes	Samangan	\$ 350,000	\$ -	\$ -	-	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
88		Agribusiness	Yes	Herat	\$ 200,000	\$ -	\$ -	-	Active
89		Agribusiness	Yes	Jalalabad	\$ 150,000	\$ -	\$ -	-	Active
90		Agribusiness	Yes	Jalalabad	\$ 100,000	\$ -	\$ -	-	Active
91		Agribusiness	Yes	Jalalabad	\$ 610,909	\$ -	\$ -	-	Active
92		Agribusiness	Yes	Jalalabad	\$ 183,273	\$ -	\$ -	-	Active
93		Agribusiness	Yes	Mazar	\$ 200,000	\$ -	\$ -	-	Active
94		Agribusiness	Yes	Kabul	\$ 500,000	\$ -	\$ -	-	Active
95		Agribusiness	Yes	Kandahar	\$ 180,000	\$ -	\$ -	-	Active
96		Agribusiness	Yes	Jalalabad	\$ 200,000	\$ -	\$ -	-	Active
97		Agribusiness	Yes	Kabul	\$ 230,000	\$ -	\$ -	-	Active
		AL Agribusinesses			\$ 41,990,367	\$ 22,843,956	\$ 7,640,605	9,729	
98		NFI	Yes	Balk, Kunduz, Samangan	\$ 92,652	\$ 92,652	\$ 92,652	212	Complete
99		NFI	Yes	Nangarhar, Lagman, Kunar	\$ 500,000	\$ 500,000	\$ 366,105	1,845	Active
100		NFI	Yes	Bamyan	\$ 46,600	\$ 46,600	\$ 47,965	15	Active
101		NFI	Yes	Bamyan	\$ 53,543	\$ 53,543	\$ 55,114	47	Active
102		NFI	Yes	Bamyan	\$ 25,469	\$ 25,469	\$ 26,692	10	Complete
103		NFI	Yes	Bamyan	\$ 31,265	\$ 31,265	\$ 32,176	59	Complete
104		NFI	Yes	Bamyan	\$ 76,993	\$ 76,993	\$ 76,289	155	Active
105		NFI	Yes	Bamyan	\$ 21,561	\$ 21,560	\$ 22,086	74	Complete
106		NFI	Yes	Bamyan	\$ 14,479	\$ 14,479	\$ 15,091	22	Complete
107		NFI	Yes	ALL	\$ 4,757,345	\$ 4,757,345	\$ 4,866,657	4,140	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
108		NFI	Yes	Kabul	\$ 300,000	\$ 200,000	\$ 139,015	-	Active
109		NFI	Yes	Balkh, Kunduz, Samangan	\$ 800,000	\$ 1,274,058	\$ 496,853	1,852	Active
110		NFI	Yes	Bamyan	\$ 1,320,000	\$ 1,307,607	\$ 1,318,800	525	Active
111		NFI	Yes	Kabul	\$ 6,715,105	\$ -	\$ -	-	Active
112		NFI	Yes	Kabul	\$ 3,000,000	\$ -	\$ -	-	Active
113		NFI	Yes	Kabul	\$ 100,000	\$ -	\$ -	-	Active
114		NFI	Yes	Herat	\$ 250,000	\$ 167,742	\$ -	-	Active
115		NFI	Yes	Bamyan	\$ 2,069,858	\$ 1,856,189	\$ -	944	Active
		TOTAL NFI			\$ 20,174,870	\$ 10,425,502	\$ 7,555,495	9,900	
116		FI	Yes	Balk, Jawzjan, Faryab, Samangan, Baghlan	\$ 1,784,027	\$ 1,784,027	\$ 569,604	1,137	Active
117		FI	Yes	Kabul Province	\$ 1,000,000	\$ 1,000,000	\$ 1,018,521	-	Complete
118		FI	Yes	All	\$ 10,000,000	\$ -	\$ -	-	Active
119		FI	Yes	All	\$ 3,630,000	\$ 878,406	\$ 16,459	414	Active
120		FI	Yes	All	\$ 463,392	\$ 324,374	\$ 4,906	351	
121		FI	Yes	All	\$ 1,500,000	\$ -	\$ -	-	Active
		SUB-TOTAL FI			\$ 18,377,419	\$ 3,986,807	\$ 1,609,489	1,902	
		TOTAL ADF LOANS			\$ 80,542,655	\$ 37,256,268	\$ 16,805,589	21,531	



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

SNAPSHOT

Giving Credit to Afghan Agriculture

USAID provides credit to progressive cooperatives



Photo: ACE Program

"Agricultural credit provided by the ADF is having a strong impact on the rural communities; it is indeed unleashing the true potential of Afghan agriculture".

H.E. Mr. Asif Rahimi

Minister of Agriculture, Irrigation and Livestock

USAID funded credit institution is directly benefitting thousands of farmers across Afghanistan. Only in Bamyan province, this year 1,280 farm households, members of 44 cooperatives received agricultural loans.

In mid September 2013 the Minister of Agriculture, Irrigation and Livestock and the Governor of Bamyan province, together with representatives of the Agricultural Development Fund (ADF), celebrated the Potato Harvest, an event that brought together hundreds of farmers representing potato producing cooperatives. ADF has been operating in Bamyan province since 2011 in partnership with the Provincial Delegation of MAIL, however the increase in the number of loans provided in the province required of a stronger presence that resulted in the opening of ADF provincial office in June 2013.

Agricultural cooperatives from Bamyan province received ADF loans for the third consecutive year. In the spring of 2011, 438 potato growers members of 7 cooperatives were provided with loans for seed and fertilizer. Later, in the spring 2012, 700 potato growers members of 27 cooperatives accessed loans for agricultural inputs; and in 2013 1,280 potato growers, members of 44 cooperatives received over 112 Million Afghani (US\$2.4 million) in loans.

H.E. Dr. Habiba Sorabi, Bamyan Governor stated: *"People are shifting from the traditional ways of farming to modern ways, the main product in Bamyan is potatoes, but due to bad roads and lack of storage and agricultural credit they couldn't sell for a good price. Now we have Agricultural credit, more than 1,000 potato storage units, and good roads."*

To date ADF has approved loans for over US\$ 80 million. These loans are directly benefiting over 22,000 farmers in 32 provinces. The work carried out with potato growing cooperatives in Bamyan province is one of several examples of how credit is supporting the growth of agriculture.

Component 2:

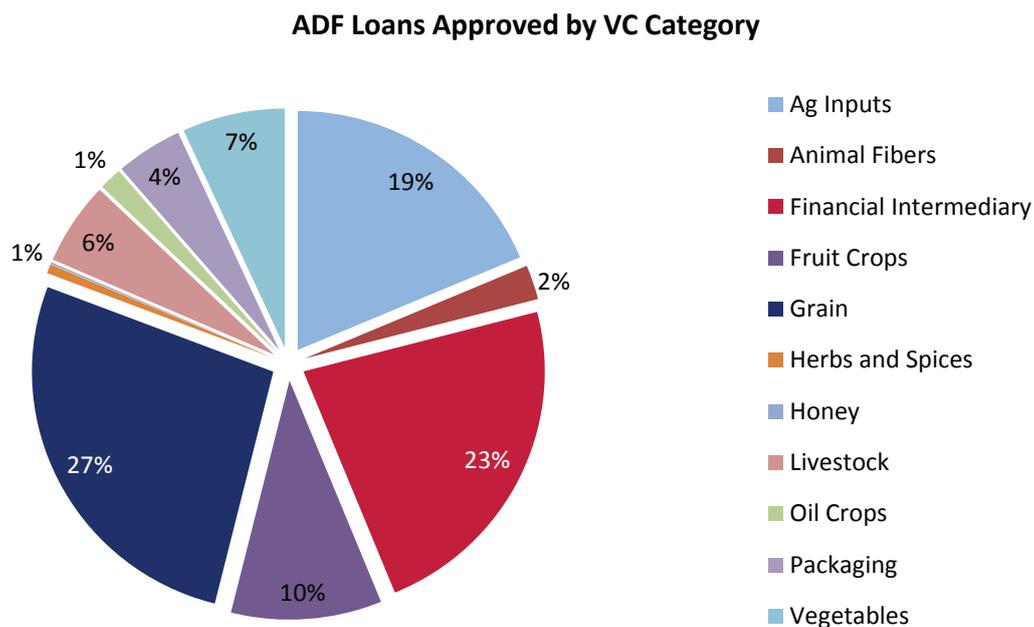
Agricultural Modernization and Value Chain Development

- Technical assistance and ACE Agricultural Modernization Grants
- Technical Assessment of Loan Applications
- Environmental Compliance

ACE and ADF lending operations rely heavily on the agricultural knowledge of the expatriate and local team. In this regard, component two fulfills a dual and crucial role in the provision of agricultural credit; on the one hand, it assesses the technical feasibility of the business plans and on

the other it provides technical assistance to ADF borrowers. This combination provides a holistic support to agribusinesses as well as to financial and non-financial intermediaries taking output into accounts the complexities of production, input and output markets, and the relative skill levels of the workforce in Afghanistan.

Graph 6: ADF loans by VC Category



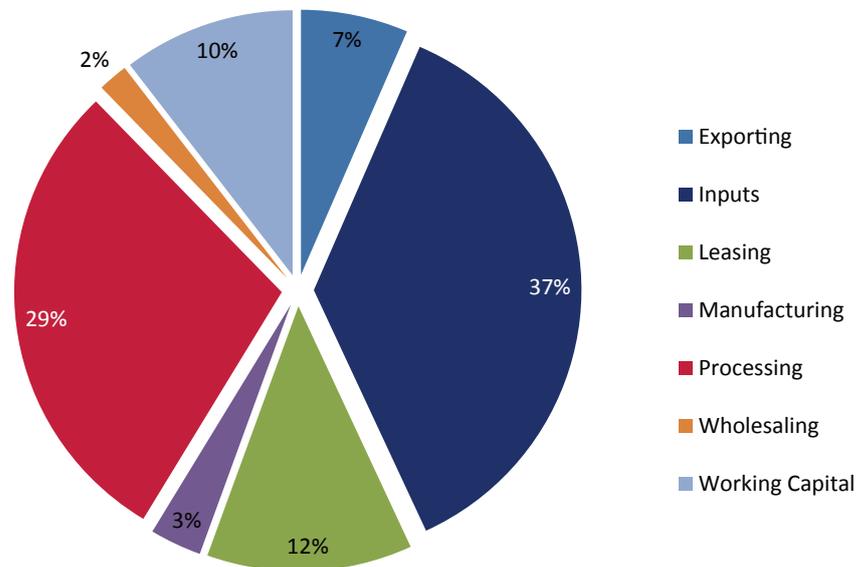
When looking at the US\$80.5 million in loans approved thus far by the ADF, in terms of value chain categories at this point the largest credit volume has gone towards 1) grains (US\$21.6 million); 2) financial intermediaries (US\$18.4 million); 3) agricultural inputs (US\$15million); and 4) fresh and dry fruits (US\$8.1 million).

Looking at the value chain node where ACE has intervened with credit is far more complex due to the fact that many loans involve cash injections along several nodes; for example a dry fruit exporter can be at the same time engaged in

wholesaling, processing and exporting. However, divided broadly according to the main nodes of intervention, the picture would look close to the one in Graph No 6 below. According to the node, the largest credit volume has gone towards financing 1) agricultural inputs (US\$29.5 million); 2) processing (US\$23.5million), 3) leasing (US\$10million); and 4) working capital (US\$8.4million).

Graph 7: ADF Loans by VC Node of Intervention

\$ Loans Approved by VC Node



During the past year ACE adjusted its approach and focus towards the Component 2. Technically, as of the past quarter this component is renamed as the “Technical Unit” indicating a revision in the scope of work to better meet the ADF needs, as the project prepares for the transition.

Technical assistance, when carefully paired with financial assistance (loans) help bolster agricultural production, enhance productivity while aiming at increasing agro processing standards, improving market efficiency, hence enhancing clients’ repayment capacity. Food safety training, provided by ACE’s technical staff is a recent addition to its service menu; it has the purpose of enabling ADF clients to adopt hygiene and food safety practices, thereby increasing the safety of their food products.

The use of Agricultural Modernization grants allow ACE to provide technical assistance with a major focus on marketing, improvement of the efficiency of processing lines, and purchase of machinery.

TECHNICAL ASSISTANCE AND ACE AGRICULTURAL MODERNIZATION GRANTS

During the reporting period ACE approved 13 new Agricultural Modernization grants to mainly assist ADF clients with technical know-how and hands on support to upgrade their operations, introduce new food safety and post-harvest handling measures, as well as support clients’ marketing

attempts. The achievements of some of the agricultural modernization grants are presented here:

- Javed Afghan Wheat Thresher completed their activities for the grant of US\$120,000 to expand their agricultural machinery market, develop and implement a marketing strategy. Through the agricultural modernization grant, the client successfully managed to raise the number of its dealers from 11 to 18. The client consolidated their marketing strategy; the company designed and printed promotional materials, broadcasted TV advertisements and installed 10 billboards across the country. This integrated effort will help the company to consolidate their position in the agricultural machinery market and compete with the imported machinery.
- Salahe Daikundiwal Brothers Agricultural Service Company in Kabul certainly constitutes one of the most successful ADF clients. The company started with 22 greenhouses of 0.5hectare and after a loan of US\$101,317 expanded to 56 greenhouses which had a dramatic impact on production (over 200 percent increase in one year) and job creation. Due to their exponential business growth the client hired 56 new employees (in FTEs) in the last year alone. ACE assisted the company through an agricultural modernization grant to establish six washing, grading and packing stations; refurbishment of restrooms and provision of training on hygiene and sanitation and post harvest handling for the company staff.

H.E. Minister Rahimi of MAIL, his team and the media visited the client on August 29th to find out more on the business expansion of Salahe Dekundiwal Brothers Agricultural Services Company following the ADF loan and observe the greenhouse upgrades supported by ACE. Minister Rahimi expressed his satisfaction with the vast expansion of the business, increases in the production and sales, as well as improvements in their grading and packing processes.

- ACE assisted the Afghan Rice Mill Company with their marketing activities and launching of their new brand. At the time of this report the client had contracted a printing company to design and install three billboards in visible areas of the eastern region. The project signed a contract with Sharq Radio, Eslah Radio and Afghan National TV to broadcast the TV and Radio commercials for the client. The client organized a special event in Jalalabad in August 2013 to launch their new brand. Fifty eight participants, including the Deputy Governor of Nangarhar, representatives from the DAIL department, the Director of ACCI local NGOs, farmers and agribusiness entrepreneurs attended the event. During his speech, the Deputy Governor expressed his appreciation to the ADF for supporting agribusinesses and farmers across the region. Rice dealers who attended the event spoke about the high quality of the Afghan Rice Mill's products. One of them mentioned that "If the Afghan Rice Mill Company can fulfill the demand of the current market; we would not need to import rice from Pakistan anymore".

- Shamshad Noodles (Ghulam Dastagir Agricultural Company) – The purpose of the grant is to improve food safety and production capacity. ACE supported the client to establish two closed-environment drying houses for their noodles. ACE provided the company with an additional stainless steel dough mixer to increase throughput, provided staff uniforms, training in good manufacturing practices (personal hygiene and sanitation).

In the past year, ACE supported four ADF clients with technical assistance and training on food safety and sanitation. The team offered two-day training to the employees of Salahe Daikundiwal Brothers Agricultural Service Company in Kabul, one day training to Herat Empowered Women Social Organization, Tanin Heart Industrial Food Company and Qarizada Tomato Paste Company. In Herat the training session with suppliers of the company focused on staggered planting, cucumber production and harvest and postharvest practices. The team introduced the low tunnel technology to farmers as way to have an earlier crop and extension of the growing season to benefit from higher prices at the tail ends of the season. In Mazar-e-Sharif the team introduced advanced crop production techniques and post-harvest practices to tomato producers.

Table No 7: Technical Assistance training courses

No	Client	# Days	Date	Training	# Employees
1	Tanin Herat Industrial Food Company	1	4-Aug-13	Cucumber Production and Post-Harvest	24
2	Qarizada Tomato Paste Company	1	6-Aug-13	Tomato Production and Post-Harvest	26
3	Salahe Dekundiwal Brothers Agricultural Services Company	2	August 14-15, 2013	Food Safety and Personal Hygiene	78
4	Herat Capable Women Association	1	3-Sep-13	Food Safety	63
TOTAL					191

In the coming year, ACE will assist ten more clients in food safety and sanitation, with emphasis on the wheat flour industry. The wheat flour market is currently passing through a crisis influenced by low competitiveness of local production. In 2014 ACE will support this value chain through a dual perspective; facilitating the establishment of a private sector driven wheat seed market and by assisting the wheat flour industry to play a more relevant role in the policy making process.

Similarly, in 2014 ACE will train five ADF clients in the several steps of the export process, including industry and public regulations. In terms of agricultural modernization grants,

ACE will support a minimum of 10 ADF clients with specific focus on: 1) increasing the agro processing efficiency; 2) introduction of food safety, hygiene and sanitation practices; 3) promoting improved post-harvest practices; and 4) providing marketing support.

TRADE PROMOTION AND FIELD DEMONSTRATIONS

Different from the previous year, ACE did not provide financial assistance to ADF borrowers to participate in international trade events. While 60 clients sponsored by the projects attended agricultural trade fairs in India, UAE, Russia,

Azerbaijan and Turkey in FY 2012, during the reporting period ACE encouraged ADF clients to cover the costs of their participation in trade these activities.

Thus instead of sponsoring the participation of ADF clients, during the last year the project provided modest sponsorships for trade events organized by MAIL and DAILs. ACE participated with an ADF booth in a four-day trade fair organized by the Afghanistan Chamber of Commerce and Industry in Balkh where the team had a chance to introduce the ADF financial products. In Herat, the farmers' day celebration took place on March 24th. The ACE team received an appreciation letter from the Governor of Herat and DAIL director, acknowledging the ADF as a major partner and sponsor for Herat activities. Project staff distributed brochures, leaflets and newsletters on the main achievements of the ADF and potential financial opportunities, reaching out to several new prospective clients.

Through two separate agricultural modernization grants, ACE supported demonstration of new technologies. ACE has provided a grant to the Quality Management Construction (QMC) Company to demonstrate solar irrigation systems to commercial farmers across the Northern and Eastern regions. QMC conducted 10 demonstrations in Ghazni, Balkh, Kunduz and Samangan attended by 213 farmers. The idea behind the demonstrations is to engage AAIDO, an organization intermediating ADF funds to finance solar irrigation systems. AAIDO is currently assessing the interest of farmers; the first loans are expected to be processed in the first quarter of 2014.

Also, the grant to Javed Afghan Wheat Thresher partially focused on demonstration of agricultural machinery such as wheat and rice threshers. The company conducted a total of 51 field demonstrations of agricultural machinery and equipments in over 23 provinces, such as Paktya, Balkh, Jawzjan, Sare-Pul, Faryab, Kunar and Laghman and 58 districts of Afghanistan. Given the high agricultural production of wheat and rice, predominantly in the Northern Afghanistan, the demand for local threshers has increased significantly and the client has been able to sell 337 wheat and rice threshers thus far, out of a total of 400 threshers financed by the ADF loan.

TECHNICAL ASSESSMENT OF LOAN APPLICATIONS

Without a strong agricultural expertise, ACE and ADF lending in Afghanistan context would have been challenging, if not impossible. The technical unit vigilantly examines every loan proposal focusing on the soundness of the businesses plans, agricultural seasonality, market competitiveness and the probability of success of the proposed investments.

To achieve this, ACE relies heavily on the technical assessments of the loan applications, which also inform ACE's decisions regarding the provision of technical assistance in production, processing, sales and marketing to ADF borrowers. During FY2013, the team reviewed over 80 credit cases and provided technical input while ensuring compliance with the environmental conditions stipulated by USAID. Within this activity, ACE coordinates with other

USAID-funded projects such as IDEA-NEW, CHAMP, FAIDA, and others, which provide technical assistance and grants to ADF prospect clients.

ENVIRONMENTAL COMPLIANCE

During the reporting year, ACE established an environmental task force within the ACE technical unit to support ACE lending activities and grants with environmental screening of the proposed activities funded under the project. The purpose is to ensure that ACE and ADF activities comply with the environmental procedures mandated by a U.S. federal law, codified in Chapter 22, Code of Federal Regulations, Section 216 or 22CFR216, commonly known as Reg. 216. The objective of Reg. 216 is to minimize and eliminate the potential environmental risks from U.S. government activities in foreign countries through a two-phase process of risk characterization followed by identifying appropriate mitigation measures or conditions if needed.

To achieve this, in July 2013 the project deployed a short-term Environmental Compliance consultant to discuss the requirements with USAID Mission Environmental Office (MEO). Within this framework, ACE developed an Environmental Compliance Guidelines and Procedures Manual which provides the guidelines for ACE's environmental compliance work and outlines the main formats required to be followed by the team. The consultant provided a training activity on environmental compliance to the Afghan national team which has already started implementing the activities based on the regulation.

After the Administrative Action Memorandum was signed by USAID to simplify the Environmental Management System (EMS) process for the ACE project, seven Environmental Reports (which include an Environmental Review Form, an Environmental Review Report and an Environmental Mitigation and Monitoring Plan) have been finalized for the new approved loans. These documents have been submitted to USAID Mission Environmental Officer.

Table No 8: List of ADF loans screened for Environmental Compliance

Loan Case Approved	Screening Result	Mitigations	Status
Bakhtar Flour Mills Ltd.	Activities represent a Moderate or Unknown Risk	Specific management of operations, storage and transport of raw material and finished flour, waste management	Submitted for approval
Sadeq Hamid Badghesi Ltd	Activities represent a Moderate or Unknown Risk	Specific activities in procurement of raw material, storage of inputs and finished products and transport of inputs and finished product and management of solid waste	Submitted for approval
Central Aybak Dry Fruit Seller Association	Activities represent a Moderate or Unknown Risk	Specific activities in procurement of raw material, storage of inputs and finished products and management of solid waste	Submitted for approval
Kamel Dairy Production Company	Activities represent a Moderate or Unknown Risk	Specific activities in procurement, quick transport of raw milk, storage of dry curd, transport of finished products (especially the ones requiring cold chain) and waste control	Submitted for approval
Hope Agriculture and Livestock Company	Activities represent a Moderate or Unknown Risk	Specific activities when purchasing cattle, purchasing and storing veterinary medicines, storing animal feed, and management/recycling of organic waste	Submitted for approval
Shir Poor Sultani Flour Mill	Activities represent a Moderate or Unknown Risk	Specific management of operations, storage and transport of raw material and finished flour, waste management. Personnel Safety to be improved.	Submitted for approval
Qurbankhail Mawlana Yaqoob Charkhi Brother & Co. Ltd	Activities represent a Moderate or Unknown Risk	Purchase only inputs listed in the Afghanistan PERSUAP, safe transport of agriculture inputs, specific activities in the storage, and waste management. Personnel Safety to be established.	Changes after revision was made, adding the newly approved Afghanistan PERSUAP as reference

Coordination and Knowledge Management

- Knowledge Management Facility - PAYWAND
- Market Information Briefs and Trade Reports
- Crop Production Calendars
- SMS Client Notification System

The knowledge management facility (Paywand) developed by ACE within the first two years of contract implementation has been transferred to MAIL in September 2012 and since then operated by the MIS Department. The system is accessible online, hosted under the umbrella of the Afghanistan National Data Center and is broadcasted through the webpage of MAIL at www.paywand.mail.gov.af. Users can customize data download agricultural reports and studies developed by research institutes and international development organizations as well as other trade reports and other publications.

In the next year, ACE will continue to support the operation of Paywand, including technical assistance in data analysis and dissemination. The team is looking at possible ways to provide a grant to companies that collect market prices on agricultural crops (such as Roshan) which would subsequently provide MAIL/MIS department with an opportunity to broadcast commodity prices in major markets on regular basis. Even though the deliverables under this component have been completed, ACE will continue to support MAIL with capacity building if required, on data analysis and market research.

In the past year ACE cogently developed trade reports on quarterly basis (for Year 1391) in three languages, Dari Pashto and English focusing on agricultural trade flows, exports and import substitution. The team published provincial crop calendars which provide detailed information on the growth stages of staple crops in distinct provinces of Afghanistan. The crop calendars contain information about crop stages, from land preparation to harvesting, on a provincial level. The calendars constitute a useful tool that enhances the understanding of the seasonal differences of crop production by province as well as their role in the distribution and availability in the market. The publication contains three major crops: 1) Wheat – the calendar covers 17 provinces out of 34 provinces of Afghanistan; 2) Corn – the calendar covers six major provinces of the country; and 3) Rice – covers 5 major provinces.

To assist the ADF lending operations in March 2013 ACE designed and launched an SMS system to notify the ADF borrowers on their upcoming repayments on a regular basis as well as send a daily message to the past-due clients. This initiative was implemented in collaboration with PAYWAST, an innovative social network which enables ACE to send alerts and reminders to the ADF clients before the actual repayment date. PAYWAST operates with all mobile networks such as MTN, AWCC, Etisalat, Afghan Telecom, except for Roshan. To notify the ADF borrowers using the Roshan network, ACE designed another in-house system using a GSM data modem with software which has the ability to send individual messages as well as group messages. Both systems can send SMSs in Dari, Pashto and English with the time intervals such as: two weeks before the due date, one week before the due date, one day before the due date, on the day of the payment and every day after the due date, should the loan not be repaid on time. The system has proven to be invaluable to alert the ADF clients on their upcoming repayments as the loan portfolio continues to steadily increase.

CAPACITY BUILDING

Strengthening the capacities and the technical capabilities of the Afghan national staff who will manage the day to day ADF operations and capacities of the ADF clients is at the core of ACE's operations. During the last year, the team provided five training courses to 25 employees mainly focusing on lending and Islamic finance, operation of loan performer financial software and Micro Banking system, general management skill and internal audit and control.

In the next year, ACE will not only focus at enhancing the capacities of the ADF staff but also at ensuring that the High Council is technically prepared to provide strategic guidance to the ADF post 2014, particularly on governance and integrity areas. Efforts in this direction will ensure that the High Council members adhere to the bylaws and transparency in the decision making process, hence avoiding political influence and the exercise of discretionary power. The same goes with the members of the three committees, such as Audit, Credit and Governance, and Compensation committees.

Table No 9: Training programs provided to the ACE/ADF staff in FY2013

No	Training	# of Hours	Start Date	End Date	# Employees
1	Islamic Finance Training	19	23-Sep-12	24-Sep-12	5
2	Loan Performer Training	96	13-Nov-12	01-Dec-12	10
3	Developing Management Skills	40	24-Feb-13	28-Feb-13	1
4	Internal Audit and Control	15	19-Feb-13	21-Feb-13	3
5	Advance Micro banking System Software (MBWin) Training	18	26-Jun-13	04-Jul-13	6
TOTAL		188			25

While ACE transitions to the ADF, the capacity building activities will benefit several categories of individuals:

- Members of ADF High Council and other Committees;
- Current ADF lending advisors
- Employees of the ACE program who in the future will become staff of the ADF
- Members of Credit Management Units and other ADF client organizations;
- Women Organizations and prospect female clients
- MAIL MIS department on areas such as new technologies on information dissemination and data analysis and quality.

Earlier in 2013, ACE initiated a series of “Innovation Challenges” to encourage the Afghan technical staff to engage in not only the daily technical aspects of ACE/ADF, but also to participate in solving more strategic issues by thinking creatively and relying on the local knowledge. The senior Afghan Staff across the different units of the project were given specific tasks such as “propose a logical, stepwise and culturally acceptable process to ensure the timely collection of loans,” or other measures to control the default rate and to be more effective with extending credit to women. The team presented their ideas organized in three groups. Typically, the presentations take place towards the end of each month and ideas are presented with the whole staff participating. The SMS notification idea for the ADF clients arose during one of the team “challenge innovation” presentations.

COMMUNICATIONS AND OUTREACH

During the third year of the project implementation, the successes of the ADF agricultural lending made the international news appearing in over 17 international news websites and newspapers. Generally the media outlets, such as “the Guardian”, the “Chicago Tribune” and the “Reuters,” published an article on USAID’s ACE program dealing with agricultural credit praising the development approach used by the program. An emphasis was put on the variety of Islamic financial products, a smart approach when lending in an Islamic country, targeting commercial farmers and agribusinesses.

“Following 10 years of foreign assistance, Afghan farmers have acquired the knowledge to increase productivity and improve produce, but access to finance was, until recently, a binding constraint. Lack of access to agricultural credit was preventing farmers from putting newly acquired knowledge into practice... Against all odds, the Agricultural Development Fund (ADF) is providing thousands of farmers and agribusinesses with loans for everything from buying certified seed to building farm equipment. What's more, these loans are being paid”

The ADF made the local and national news on several occasions during FY2013 when H.E. Minister Rahimi of MAIL visited ADF clients in Kabul and Bamyán such as the Salahe Dekundiwal Brothers Agro Productions and Services Company, a client that due to an ADF loan of over a US\$100,000 managed to increase their greenhouse space from 22 to 56 greenhouse units and increase their net income by over 200%; and Bamyán potato cooperatives which this year received a loan of 112 million AFN which enabled 1,280 farmers members of 44 cooperatives to access agricultural credit. This constitutes the third ADF loan provided by the ADF to Bamyán cooperatives. . In the spring of 2011, 438 potato growers’ members of 7 cooperatives were provided

with loans for seed and fertilizer. Later, in the spring 2012, 700 potato growers' members of 27 cooperatives accessed loans for agricultural inputs; and in 2013 1,280 potato growers, members of 44 cooperatives received over AFN 112 Million in loans.

Mr. Rahimi said: "Agricultural credit provided by the ADF is having a strong impact on the rural communities; it is indeed unleashing the true potential of Afghan agriculture".

H.E. Dr. Habiba Sorabi, Bamyan Governor stated: "People are shifting from the traditional ways of farming to modern ways, the main product in Bamyan is potatoes, but due to bad roads and lack of storage and agricultural credit they couldn't sell for a good price. Now we have Agricultural credit, more than 1,000 potato storage units, and good roads."

In addition, only in the last year, ACE held 22 agricultural credit Shuras aimed at promoting ADF financial services in

collaboration with PRTs, USAID and provincial DAILs, with the participation of over 600 representatives of farmer associations and agribusiness entrepreneurs. Regional and national agricultural and business fairs also present excellent opportunities to generate awareness on the ADF. This year ACE sponsored Farmers' Day Fair in Kabul, Herat, Jalalabad and Mazar-e-Sharif/ The activity 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.

Throughout the year, ACE developed ADF monthly news briefs focusing on ADF successes and specific achievement related to the ADF clients. To reach out to larger audiences, ACE also published an advertisement on the ADF lending opportunities in the SAFI Airways in-flight magazine as well as is supporting a Talk Show for Farmers on Salam Watandar Radio for a year.

Monitoring & Evaluation

ACE Progress against Targets

the ACE team is confident that the project has managed 1) to establish a functional Agricultural Development Fund; 2) has achieved the overall annual targets as determined in the PMP and AW3; and 3) the ADF lending activities are showing significant impact and results through increased income for farmer households, more jobs created and increased export sales.

The Indicator Data Sheet in the next page portrays ACE's achievements against project targets. ACE's aggressive approach towards facilitating credit access across the country focusing on high return investments, allowed the program to reach at US\$80.5 million in loans approved. Nevertheless,

issues with collateral registration once a loan is approved have lead to delays in disbursements which are affecting the number of direct farmer beneficiaries receiving an ADF loan. Similarly, due to ACE's conservative approach with granting ACE and ADF grants, the number and the volume of grants issued is below the target.

Indicator 1.1 Value of finance accessed through lending. In the last year ACE approved a net of US \$34.5 million in ADF loans, significantly higher than in any previous year.

Table 10: ADF loans approved and disbursed by regional command

Region	Loan Approved (\$)	Loan Disbursed (\$)	Beneficiaries
RC Central	\$33,748,449	\$6,460,958	387
RC East	\$14,905,862	\$10,431,060	7,122
RC North	\$17,228,992	\$12,573,998	9,247
RC South	\$4,377,006	\$1,997,984	2,029
RC West	\$10,282,346	\$5,792,268	2,746
Total	\$80,542,655	\$37,256,268	21,531

Graph No 8: Value of loans approved per Regional Command

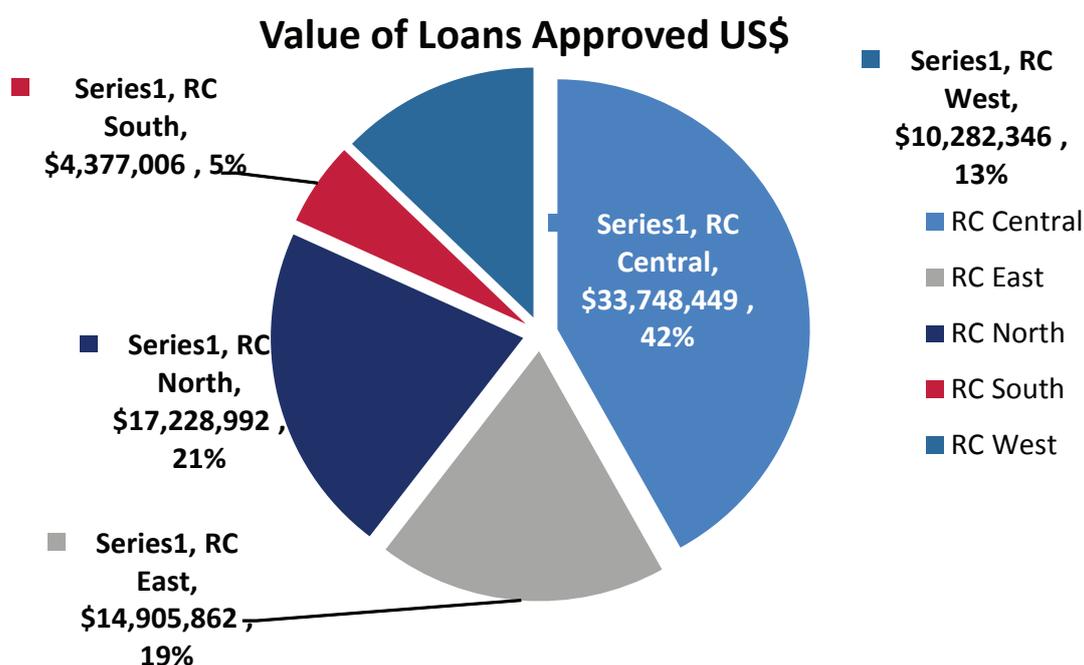


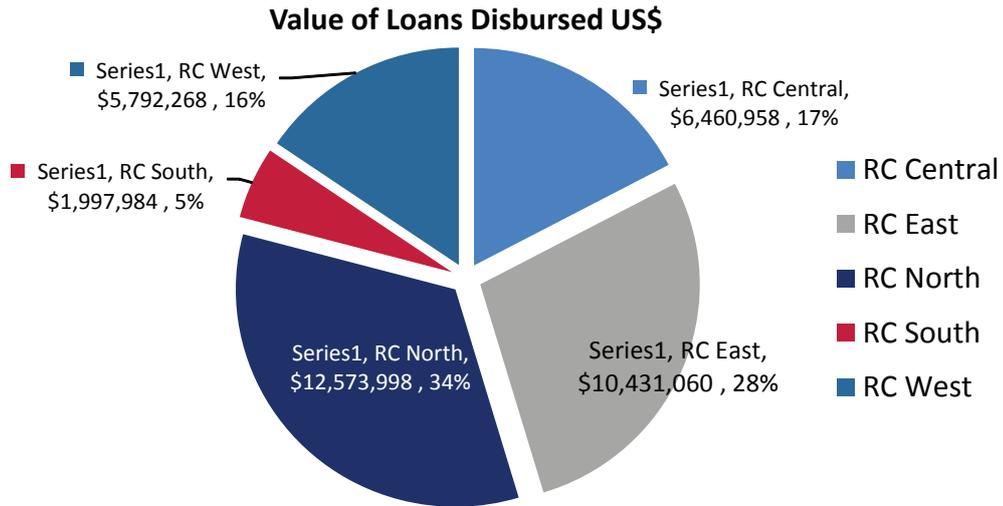
Table 13: Performance Data Q4 FY 2013

Indicator Name and Number	Baseline (date collected)	FY 2011		FY 2012		Q1 FY 2013 (total for this quarter only)*		Q2 FY 2013 (total for this quarter only)*		Q3 FY 2013 (total for this quarter only)*		Q4 FY 2013 (total for this quarter only)*		NET FY2013		TOTAL Cumulative FY2013		Target for FY 2013		Target for FY 2014		
		Actual		Actual		Actual		Actual		Actual		Actual		Actual		Actual		Target		%		
1.1 Value of finance accessed through lending	0	\$16,746,562		\$46,010,957		\$3,000,000		\$19,030,646		\$6,172,852		\$6,328,200		\$34,531,698		\$80,542,655		\$85,000,000		92%		\$85,000,000
Male	0	-		\$45,325,957		\$3,000,000		\$18,493,646		\$6,022,852		\$5,889,183		\$33,405,681		\$78,731,638						
Female	0	-		\$685,000		\$0		\$537,000		\$150,000		\$439,017		\$1,126,017		\$1,811,017						
1.1 - a Values of Loans Disbursed	0	\$9,515,771		\$22,319,454		\$658,600		\$8,710,165		\$2,776,029		\$2,792,020		\$14,936,814		\$37,256,268		\$50,000,000		93%		\$85,000,000
Male	0	-		\$22,021,458		\$478,600		\$8,307,334		\$2,377,103		\$2,792,020		\$13,955,057		\$35,976,515						
Female	0	-		\$297,996		\$180,000		\$402,831		\$398,926		\$0		\$981,757		\$1,279,753						
1.2 Number of individuals benefiting from financial agreement	0	8,720		15,233		639		1,269		3,124		1,309		6,341		21,574		40,000		54%		60,000
Male	0	8,717		15,089		639		1,123		3,110		1,119		5,991		21,080		39,000		54%		
Female	0	3		144		0		146		14		190		350		494		1,000		49%		
1.2 - a Num: of individuals benefitting from ACE or ADF financial agreements/ Indirect	0	94,162		101,711		1,280		13,020		7,200		1,320		22,820		124,531		80,000		154%		120,000
1.3 Percent annual increase in household income by assisted direct beneficiaries	Oct, 11 Avg** \$580/HH	-		56%		N/A		N/A		N/A		50%		50%		50%		10%		500%		10%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	0	171		856		89		262		496		284		1,131		1,987		1,000		199%		2,000
Male	0	171		749		54		244		395		225		918		1,667		800		209%		
Female	0	0		107		35		18		101		59		213		320		200		160%		
2.1 Value of challenge/ innovation and agriculture modernization grants app	0	\$737,683		\$1,756,296		\$312,251		\$32,380		\$403,681		\$203,246		951,558		\$2,707,854		\$10,000,000		27%		\$20,000,000
Male	0			\$1,592,475		\$165,532		\$32,380		\$403,681		\$64,946		666,539		\$2,259,014						
Female	0			\$163,821		\$146,719		\$0		\$0		\$138,300		285,019		\$448,840						
2.1 - a Value of Challenge/Innovation (ADF) Grants	0	\$607,970		\$783,099		\$0		\$0		\$403,681		\$0		403,681		\$1,186,780		\$6,000,000		20%		\$15,000,000
Male	0	\$0		\$759,108		\$0		\$0		\$403,681		\$0		403,681		\$1,162,789						
Female	0	\$0		\$23,991		\$0		\$0		\$0		\$0		\$0		\$23,991						
2.1 - b Value of Agricultural Modernization (ACE) grants approved	0	\$129,713		\$973,197		\$312,251		\$32,380		\$0		\$203,246		547,877		\$1,521,074		\$4,000,000		38%		\$5,000,000
Male	0	-		\$833,367		\$165,532		\$32,380		\$0		\$64,946		262,858		\$1,096,225						
Female	0	-		\$139,830		\$146,719		\$0		\$0		\$138,300		285,019		\$424,849						

Indicator Name and Number	Baseline (date collected)	FY 2011	FY 2012	Q1 FY 2013 (total for this quarter only)*	Q2 FY 2013 (total for this quarter only)*	Q3 FY 2013 (total for this quarter only)*	Q4 FY 2013 (total for this quarter only)*	TOTAL Cumulative FY2013	Target for FY 2013	%	Target for FY 2014
2.2 Number of participating Financial Intermediaries and Private Intermediaries on-lending funds	0	14	50	0	-1	30	6	35	22	359%	25
Male	0	-	47	0	-1	30	4	33			
Female	0	-	03	0	0	0	2	2			
2.3 Number of innovative lending products established by Private Intermediaries (IRs) and Financial Intermediaries (IRs)	0	3	9	0	0	-	-	0	5	225%	6
2.4 Percentage of loan losses resulting from ACE lending recommendations	0	-	1.32%	3.09%	4.00%	3.92%	3.86%	3.86%	<5%	100%	<5%
3.1 Percentage change in value of exports of Afghanistan agricultural products for firms supported by ACE	\$3048355 (Oct, 11)	-	61%	N/A	N/A	N/A	30%	30%	10%	300%	10%
3.2 : Number of loans approved under USAID's Development Credit Authority (DCA) mechanism	0	0	0	0	0	0	0	0	3	N/A	4
3.3 Number of public-private partnerships formed as a result of USG assistance (including GDAs)	0	0	0	0	0	0	0	0	2	N/A	4
4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information sys	0	15	189	40	15	6	200	261	90	500%	120
Male	0	15	175	27	13	4	120	164	63	538%	
Female	0	0	14	13	2	2	80	97	27	411%	
4.2 Number of person hours of training; including formal and practical training and technical visits	0	74	525	196	74	175	30.5	318	520	162%	700
5.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector while addressing the value chain constraints	0	5	9	1	1	-	-	2	15	73%	20
5.2 Number of market information and market intelligence products created and disseminated by the established Knowledge Management	0	13	25	5	1	1	1	8	38	87%	50

* All indicators are expressed quarterly net, except for indicators 1.1 and 1.1(a) which are always expressed in cumulative figures. ** HH: Household

Chart 9: ADF loans disbursed per Regional Command.

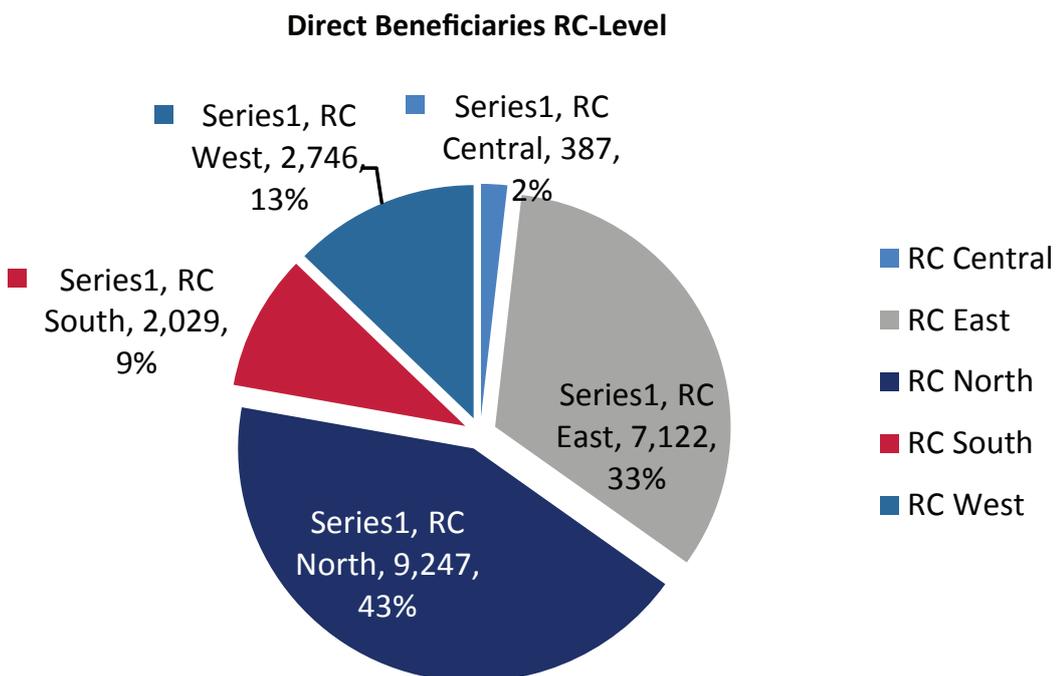


As of FY 2013, ACE has disbursed a total of US\$37.3 million, of which US\$14.9 million were disbursed during the reporting year only. While the team realizes that the gap between the loan approvals and disbursements remains wide, there are two fundamental reasons behind this: 1) due to collateral registration requirements, the ADF clients are being delayed by public government offices during registration which subsequently causes delays in the ADF disbursements. This has to do with the rule of law landscape in Afghanistan and law enforcement. 2) Many ADF loans are structured as lines of credit or scheduled in multiple disbursements, since borrowers do not need all the funds at the same time. This continues to affect the gap between loan approvals and disbursements.

Indicator 1.2 - Number of individuals benefiting from financial agreement.

As shown in the table No. 10 the total number of ACE/ADF direct beneficiaries is 21,531. By indicator definition, ACE counts the agribusinesses (a total of 43 as of FY2013) not engaged in on-lending towards this indicator as well. In the last quarter only, ACE on-lent to 1,309 direct beneficiaries, whereas in the past year, to a net number of 6,341 farmers. While this constitutes only 54 percent of the current target, the delays in disbursements to farmers are closely related to the gap between loans approved (US\$80.5million) and disbursed (US\$37.3 million).

Graph No 10: ADF farmer beneficiaries per Regional Command.



Indicators I.3 - Percent annual increase in household income by assisted direct beneficiaries.

In FY 2013, ACE reported 6,341 direct farmer beneficiaries who have received credit, advanced payments or/and agricultural inputs such fertilizer, pesticides, seed and other equipments as credit from non financial intermediaries. For this reason, ACE focused on conducting baseline and impact assessments for the farmers who directly benefitted from cash or an in-kind loan from the ADF. These intermediaries are: Bamyan Cooperatives (525 beneficiaries), AAIDO (1,065 beneficiaries); Sayed Ahmad Khushkyar Company (569 beneficiaries); Momen Khan Agricultural Input Company (245 beneficiaries) and the IIFC Group (414 beneficiaries in). The team randomly selected a district level-stratified sample of 5-10 percent to interview the same farmers for the determination of baseline and their impact.

Consistently with the previous years, ACE adopts the following approach to measuring household income for farmer direct beneficiaries: Income = Revenues – Cost of

Production. While potato farmers in Bamyan used the fertilizers on ADF credit for potato cultivation only, members of the IIFC Group and Momen Khan in the Northern region used it for the cultivation of as many as 10 different commodities, such as tree crops, vegetables and cereals. An individual percent change in income was calculated for every group of farmers, based on the intermediary.

The formula used for the weighted average is:

$$\% \text{ change in income} = \frac{[(\% \text{ change in income for Bamyan cooperatives} * \text{no of farmers}) + (\% \text{ change in income for Sayed Ahmad Khushkyar} * \text{no of farmers}) + (\% \text{ change in income for Momen Khan farmers} * \text{no of farmers}) + (\% \text{ change in income for AAIDO farmers} * \text{no of farmers}) + (\% \text{ change in income for IIFC farmers} * \text{no of farmers})]}{\text{total number of farmers}}$$

In this case % changes in income = $[(29.4\% * 39) + (46.3\% * 57) + (15.6\% * 60) + (32.4\% * 31) + (35.3\% * 70)] / 275$. The weighted average is 50%. In this case, the weighted average is equal to the normal average.

Table 12: Sampling used for Household income

Intermediary / ADF Client	Size of Sample (# farmers)	Average % change in income
Bamyan	39	42%
Sayed Ahmad Khushkyar	57	86%
Momen Khan	60	19%
AAIDO	31	48%
IIFC	70	55%
Total no of farmers	275	

Despite the sample size limitation, this increase in productivity and the opportunity to sell is leading to an average 50 percent increase in household income. This gain is remarkable and above the target set by the PMP of 10%.

Indicator I.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities.

Only in the last quarter, the project created 284 jobs (in FTEs) of which 193 full time, 41 part-time jobs and 50 seasonal jobs. Up until now, ACE has created a total of 1,987 jobs, 320 of which employ women. The chart below shows the percentage of jobs created for women and men; as well as jobs per category from the beginning of the project.

Chart 6 & 7: FTE Jobs created from the beginning of the projects by category

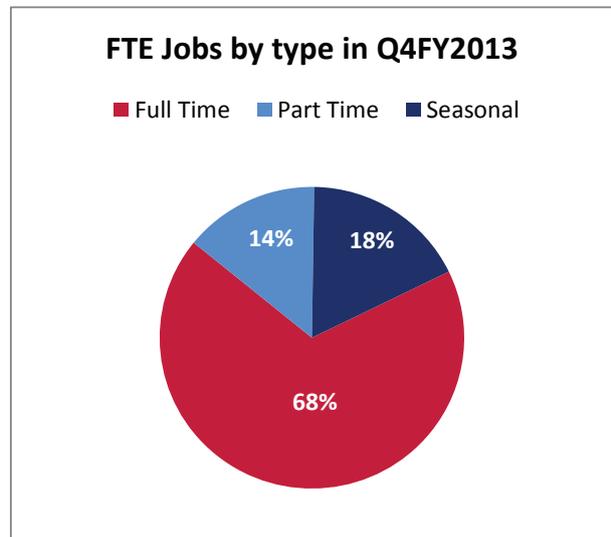
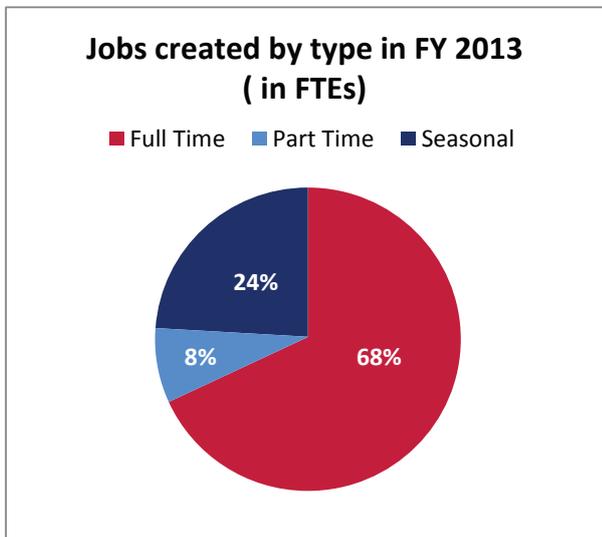
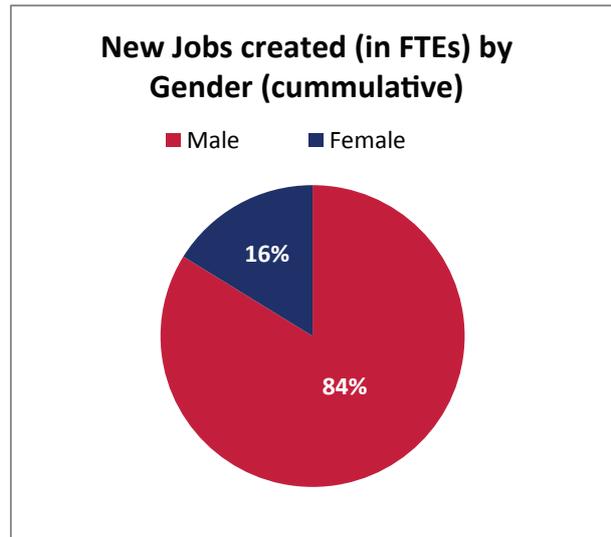
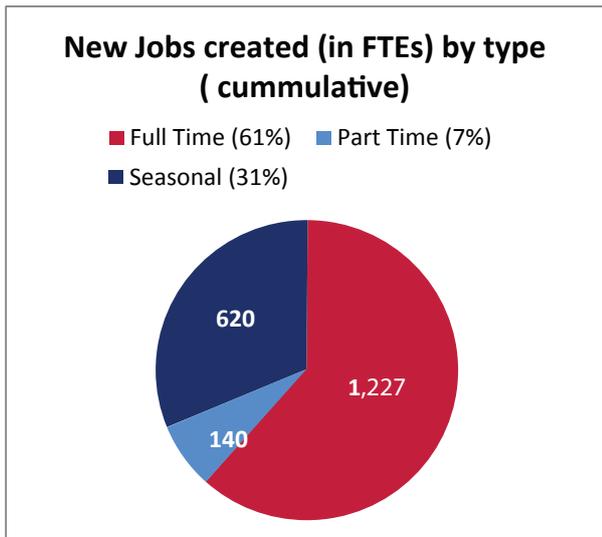


Table No 13: FTEs Created in FY 2013

Quarter	Full Time	Part Time	Seasonal	Total Jobs created FTEs	Male	Female
Q1 FY2013	71	3	15	89	54	35
Q2 FY2013	85	15	162	262	244	18
Q3 FY2013	424	28	44	496	395	101
Q4 FY2013	193	41	50	284	226	59
Grand Total (FY 2013 only)	773	87	271	1131	919	213

Indicator 2.1 - Value of challenge/ innovation and agriculture modernization grants approved. In the last quarter ACE approved a total of US\$203,246 of which all constitute of ACE Agricultural Modernization Grants. In the last year, ACE approved a total of US\$951,558 in grants, of which US\$403,681 in ADF challenge and innovation grants and US\$547,877 in ACE Agricultural Modernization Grants.

Table 14: ACE and ADF grants approved and disbursed since inception

Grants	Approved	Disbursed
ACE Agricultural Modernization Grants	1,521,074	833,251
ADF Challenge Grants	1,151,654	513,077
ADF Innovation Grants	35,126	27,906
ADF Challenge & Innovation	1,186,780	540,983
TOTAL GRANTS	2,707,855	1,374,234

Indicator 2.2 - Number of participating Financial Intermediaries and Private Intermediaries on-lending funds from ADF

Table 15: Participating Intermediaries added in Quarter 4 FY2013

No	Name	Number of Beneficiaries	Quarter
1	Afghanistan Social Poultry & Animal Farmer Association (ASPAFA)	18	Quarter 4 FY 2013
2	Attae Export and Import Ltd	105	Quarter 4 FY 2013
3	Herat Capable Women Association	14	Quarter 4 FY 2013
4	Nawi Heena Production and Packaging Company	26	Quarter 4 FY 2013
5	OXUS Afghanistan	351	Quarter 4 FY 2013
6	Paktika Urgon Pine Nuts Association	150	Quarter 4 FY 2013

In the last quarter, ACE added six new non-financial participating intermediaries, as presented in the table above. All the intermediaries have already been involved in providing loans to farmers.

Indicator 2.3 - Number of innovative lending products established by Private Intermediaries (IRs) and Financial Intermediaries (IRs).

Since the ADF Islamic Finance is now consolidated, now new lending products have been designed during the reporting year. The table below shows a snapshot of the innovative lending mechanisms launched by ACE since inception. No new lending products were established in FY 2013.

Table 16: All the innovative lending products launched since the beginning of the project

No.	Company	Province	Type of Product	Description
1	AAIDO, EFGA, Season Honey	Kunduz, Samangan, Balkh, Nangarhar	Murabahah Markup - Sharia Product	ADF and borrower share markup and profit but do not share losses. It is a short term lending product which can easily be adapted for seasonality in agriculture.
2	Dr Abdul Wakil Association, Red Gold Afghanistan Saffron Company, Said Jamal Flour Mill, Javed Afghan Thresher (2nd loan)	Wardak, Herat; Balkh, Nangarhar	Murabahah Profit - Sharing	Murabahah Sharing Profit is a Sub-Murabahah product designed by ACE to lend to Food Processing sector, support the purchase of fruits and cover parts of production costs. The fundamental idea of this product is the borrower and lender share borrower's profit.
3	FSC Kunar and Helmand Farm Stores	Kunar, Helmand	Factoring with Sharia compliant provisions	"The loan is extended with Sharia compliant provisions of Murabah, whereby the Lender shall share in the profit of the sales that constitute the receivables purchased under this agreement. Murabah is used as the basis for calculation of the factoring fee.
4	Tyoran Ayobi Slaughterhouse Company	Herat	Murabahah Return on Investment Sharing	The Murabahah Return on Investment Sharing product is used to estimate the amount of return on investment and share it with the client. This product is mainly used for investment activities, such as, Construction, Purchase of Machineries etc.
5	Afghan Rice Mill	Nangarhar	Wakala with Arbun	The Wakala with Arbun transaction is similar to the Wakala with the difference that the client agrees to make an advance payment to the farmers he purchases the raw materials from. The final price of the purchased raw material will be based on the price at the mandawi taking into consideration other factors such as transportation.
6	Taje Telayee Development Poultry Farm Cooperative (breeder farms)	Balkh	Ijara	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.
7	Sayel Food Processing Company (Construction of warehouse), Taje Telayee Development Poultry Farm Cooperative (Breeder farms)	Nangarhar, Balkh	Salam	The salam transaction is used for short term project finance that can be used for the construction of assets. ADF pays the builder or cooperative. The client obtains ownership of the asset on completion and pays ADF in accordance with the agreed payment schedule.
8	Nangarhar Nursery Growers' association, Rabia Mariam Handicrafts (premises)	Nangarhar, Balkh	Murabahah	This transaction is a trade agreement that can be applied in different ways. The transaction can be applied to finance coops and farm stores to purchase raw materials and ag inputs for onward sale to farmers. In addition, it can be used to pay for premises and machinery directly to the supplier. The client will pay ADF the original purchase price plus a pre-agreed mark-up.
9	Ghulam Dastagir Food Production, Sayel Food Processing Company (Raw materials and processing, Taje Telayee Development Poultry Farm Cooperative (Raw materials and processing), Rabia Mariam Handicrafts (Raw materials and processing)	Nangarhar, Balkh	Wakala	In the Wakala transaction, ADF appoints the client to undertake a specific service. A specified estimated return is due to ADF with any additional return on the service due to the client as an incentive for his efforts. The client has the obligation to inform ADF as soon as he/she realizes that they will not be able to generate the expected return. ADF will then be able to decide whether to withdraw or continue.

Indicator 2.4 – Percentage of loan losses resulting from ACE lending recommendations.

Due to the very prudent lending activities at the end of the second year of project implementation ACE has a default rate of 3.86%, well below the target of 5%. See Annex 2.

Indicator 3.1 - Percentage change in value of exports of Afghanistan agricultural products for firms supported by ACE.

In 2012, ACE had five agribusiness clients involved in the exports of agricultural commodities such as dried fruits and nuts, saffron, cotton and cashmere. The weighted baseline consists of US \$3,383,638 whereas the same companies achieved a total of US\$4,161,331 in export sales. As it can be seen from the table below, one of the clients has been experiencing problems (Hariwa Habibzada) and its actually encountering repayment difficulties, to solve which ACE is assisting as required.

Table 17: Exports for companies supported by ACE

Client	ADF Loan \$	Commodity	Export Sales – Baseline (2012)	Export Sales- Impact (2013)
	250,000	Saffron	\$112,420	\$130,872
	700,000	Cashmere	\$1,271,700	\$1,600,113
	273,000	Dried Fruit	\$447,018	\$272,146
	715,000	Dried Fruit	\$1,470,000	\$1,975,500
	200,000	Cotton	\$82,500	\$182,700
TOTAL			\$3,383,638	\$4,161,331

To standardize the ‘time effect’ the current exports sales were compared with 3/4th of the baseline sales. The weighted average change in exports sales is a function of individual change (Impact sales – Baseline sales) and weighted average of each individual impact sales versus the total sales in 2013 (impact).

Table 18: Exports for companies supported by ACE – Weighted Average

Client	Percentage change (impact vs baseline)	% of individual export sales vs total sales of 2013	Weighted Average
	16%	0.03	0.01
	26%	0.38	0.10
	-39%	0.07	-0.03
	34%	0.47	0.16
	121%	0.04	0.05
Weighted Average			30%

Indicator 3.2 - Number of loans approved under DCA mechanism.

Due to the lack of interest on behalf of the banking sector in Afghanistan to engage on DCA mechanism, no ADF loans have been approved under the DCA mechanism yet.

Indicator 3.3. – Number of Public Private Partnership formed as a result of USG assistance.

ACE is exploring several ways of working for sustainable results in the agricultural sector through developing ‘Global Development Alliances’. The first GDA to be approved in early FY2014 consists of several milk collection centers in Herat, built in partnership with milk suppliers and Herat Ice Cream Company, an ADF client interested in standardized milk supplies for their operation.

Indicator 4.1- Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information systems.

Table 19: Training courses offered by ACE in Quarter 4 FY13

No	Training	Quarter	# of Hours	# Participants
1	Environmental Compliance Training	Q4FY13	5.5	10
2	Hygiene & Sanitation Improvement Practice Training for Herat Capable Women Association	Q4FY13	4.5	62
3	Post harvest and Tomato Production training for Qarizadah Tomato Paste Company	Q4FY13	8	26
4	Post harvest and Cucumber Production Training for Tanin Herat Industrial Food Company	Q4FY13	8	24
5	Hygiene & Sanitation Improvement Practice Training for Salahe Daikundiwal Company	Q4FY13	4.5	78
TOTAL			30.5	200

318 participants attended and successfully graduated from the 13 different training courses organized in FY 2013. Based on indicator definition, participants attending similar courses (e.g. Credit Training) can be counted only once. This brings the total number of trained staff in credit policy and operations, value chain strengthening, and market information systems to 450

Indicator 4.2 - Number of person hours of training; including formal and practical training and technical visits. During the past year, ACE offered 261.5 hours of technical trainings in the subjects described below.

Table 20: Number of training sessions offered in FY2013

No	Training	Quarter	# of Hours	# Participants
1	Exposure Training for The members of Women Cooperatives of Afghanistan	Q1FY13	72	13
2	Grants Management Training	Q1FY13	8	14
3	Islamic Finance Training	Q1FY13	19	5
4	Loan Performer Training	Q1FY13	96	10
5	Developing Management Skills	Q2FY13	40	1
6	Grants Management and Report Writing Training	Q2FY13	19	11
7	Internal Audit and Control	Q2FY13	15	3
8	Advance Micro banking System Software (MBWin) Training	Q3FY13	18	6
9	Environmental Compliance Training	Q4FY13	5.5	10
10	Hygiene & Sanitation Improvement Practice Training for Herat Capable Women Association	Q4FY13	4.5	62
11	Post harvest and Tomato Production training for Qarizadah Tomato Paste Company	Q4FY13	8	26
12	Post harvest and Cucumber Production Training for Tanin Herat Industrial Food Company	Q4FY13	8	24
13	Hygiene & Sanitation Improvement Practice Training for Salahe Daikundiwal Company	Q4FY13	4.5	78
TOTAL			261.5	318

Indicator 5.1 - Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector while addressing value chain constraints.

In the last quarter, ACE organized the Pomegranate Value Chain Workshop in Kandahar; additionally in the last year, a total of four value chain workshops were organized.

Table 21: Number of conferences and workshops offered in FY2013

No	Name of Conference, Workshop etc	Workshop Type	Workshop Date	Province	Participating Entities	Quarter
1	Soybean Value Chain Workshop, Established by Rana Seed Co. with ACE VC Grant Support	Roundtable	26-Dec-12	Kabul	Farmers, Agribusinesses, Traders, Donors and Govt officials	Quarter 1 FY 2013
2	Soybean Value Chain Workshop	Workshop	01-Jan-13	Kabul	Soybean, Producers, Processors, Traders, DAIL, ACE and NGO's	Quarter 2 FY 2013
3	Soybean Value Chain Workshop	Workshop	06-Jan-13	Nangarhar	Soybean Producers (farmers), Processors, Traders, DAIL, ACE and other NGO representatives.	Quarter 2 FY 2013

Indicator 5.2 – Number of market information and market intelligence products created and disseminated by the established Knowledge Management Unit. In the last year ACE developed a total of eight market information products, as listed below.

Table 21: Number of market information products launched in FY2013

No	Name of Product	Type of Market Information and Market Intelligence product	Type of Dissemination	Quarter
1	Market brief (Corn)	Agriculture Crop calendar	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 1 FY 2013
2	Agricultural trade report Q2, 1390-Dari, Pashto	Agriculture Trade Brief	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 1 FY 2013
3	Agricultural trade report Q2, 1390-English	Agriculture Trade Brief	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 1 FY 2013
4	Market brief (Wheat)	Agriculture Crop calendar	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 1 FY 2013

5	Fresh and Dried fruits, Exports procedures	Ag. Export Procedure map	Internet, Agricultural exhibitions, and meeting with stakeholders	Quarter 2 FY 2013
6	Agricultural trade report Q2, 1391-English	Agriculture Trade Brief	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 3 FY 2013
7	Market brief (Rice)	Agriculture Crop calendar	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 1 FY 2013
8	Agricultural Trade Report Q3 -1391	Agriculture Trade Brief	Internet, Agricultural exhibitions, and meetings with stakeholders	Quarter 4 FY 2013

Sex-disaggregated Data: Actual versus Targets

The table below shows ACE's performance towards meeting the self-imposed targets on gender. Including women in the ADF activities and benefiting women from lending, grants, training, job opportunities constitutes one of project's commitments.

Table 22: Sex-segregated Indicators with self-imposed targets

ACE Performance Indicators	Actual FY2013 (Cum.)	Target FY2013 (Cum.)	Percentage % Achieved
1.2 Number of individuals benefitting from ACE or ADF financial agreements	21,574	36,000	54%
Male	21,080	39,000	54%
Female	494	1,000	49%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	1,987	1,000	199%
Male	1,667	800	209%
Female	320	200	160%
4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information system.	450	90	500%
Male	339	63	538%
Female	111	27	411%

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. In accordance with the request of the COR, ACE will report sex-disaggregated data on three additional indicators. The table below shows the sex-segregated data the four additional indicators.

Table 23: Sex-segregated Indicators without Targets.

ACE Performance Indicators	FY 2012	FY 2013
1.1 Value of Finance Accessed	\$46,010,957	\$80,542,655
Male	\$45,325,957	\$78,731,638
Female	\$685,000	\$1,811,017
2.1 Value of Challenge/Innovation and Agriculture modernization grants approved.	\$1,756,296	\$2,707,854
Male	\$1,592,475	\$2,259,014
Female	\$163,821	\$448,840
2.2 Number of participating financial intermediaries and private intermediaries	50	85
Male	47	80
Female	3	5

Stories from our Clients (or Fact Sheets)

Herat Ice Cream Company received an ADF loan of US\$1.3 million to purchase modern machinery and provide advance payments for milk supply to farmers in about 16 villages in Herat. As a result of the ADF loan, in one year the client:

- Benefited 800 livestock farmers in Herat province
- Increased the production by 11%.
- Increased the average ice cream price by 9%.
- Increased the annual sales by 21%.
- Increased the net income of the company by 23%
- Created 48 full time jobs (in FTEs) which shows 27% increase in the employment of the company comparing to the last year.
- Had a 43% return on investment
- Expanded the markets of the company to 6 new provinces (Samangan, Jawzjan, Ghor, Panjsher, Takhar and Badghis provinces)

Habib Omid Trading Company received an ADF loan of US\$700,000 to purchase cashmere on credit from goat raisers in the Western region and exported it to China. A year after the disbursement the company has:

- Increased their production by 33%.
- Increased the average price of cashmere by 20%.
- Increased the annual export sales by 60%.
- Increased the net income of the company by 60%
- Created 41 full time jobs (in FTEs) which constitute 34% increase in the employment of the company comparing to the last year.
- Had a 18% return on investment

Salehi Daikundiwal Agricultural Production Company received an ADF loan of US\$100,000 to purchase plastic sheeting, drip irrigation pipes and other equipment to build 34 new well equipped and modern greenhouses. A year after the disbursement of the loan Salehi Daikundiwal Agricultural Production Company has:

- Increased their annual production by 149%.
- Increased the average price of cucumber per Metric Ton by 8%.
- Increased the annual sales by 169%.
- Increased their net income of the company per by 241%
- Built 34 new well equipped and modern greenhouses which have increased the total number of greenhouses from 22 to 56.
- Created 72 full time jobs (in FTEs) which constitute 173% increase in employment
- Had a 29% on return on investment on the ADF loan
- Expanded the markets of the company to Ghazni and Paktia provinces.

Sayed Jamal Flour Mill received an ADF loan of US\$1.9 million to purchase additional wheat from farmers and increase their production. The ADF loan helped the company to achieve the following:

- Increased the number of their farmers from 550 to 1,625 which shows 195% increase in the direct beneficiaries of the company.
- Increased the production by 88%.

- Benefited the company with 7% on return on investment which shows a positive return on investment with the help of ADF loan.
- Expanded the markets of the company to 3 new provinces(Sar-e-Pul, Baghlan and Kunduz provinces)

Sodais Saud Trading Company received an ADF loan of US\$800,000 to purchase pistachio kernel from farmers on credit in Herat province and export them to India, Turkey and UAE. A year after the disbursement of the loan Sodais Saud Trading Company has:

- Benefited 60 farmers in Herat province.
- Increased the production by 15%.
- Increased the annual export sales by 26%.
- Increased the net income of the company by 15%
- Created 60 full time jobs (Full Term Employment Equivalent) which shows 29% increase in the employment of the company comparing to the last year.
- Benefited the company with 6% on return on investment which shows a positive return on investment with the help of ADF loan.
- Expanded the market of the company to Turkey.

Tyron Ayobi Slaughter House received an ADF loan of US\$425,000 to build three raising halls for chickens and purchase equipments and chicken feed to increase their sales and production. A year after the disbursement of the loan Tyron Ayobi Slaughter House Company has:

- Increased the production by 20%.
- Increased the annual sales by 15%.
- Increased the net income of the company by 37%
- Created 27 full time jobs (Full Term Employment Equivalent) which shows 68% increase in the employment of the company comparing to the last year.
- Benefited the company with 34% on return on investment which shows a positive return on investment with the help of ADF loan.

Afghan Rice Mill Company received an ADF loan of US\$200,000 to pay advance payments to 219 farmers and purchase 800 Metric Tons of paddy from the farmers. After one year of the ADF loan disbursement, the client has:

- Benefited 219 farmers in the Eastern region.
- Increased the total annual production by 325%.
- Increased the average rice price by 13%.
- Increased the annual sales by 378%.
- Increased the net income of the company by 129%
- Created 48 full time jobs (Full Term Employment Equivalent) which shows 27% increase in the employment of the company comparing to the last year.
- Benefited the company with 39% on return on investment which shows a positive return on investment

Implementation Challenges

For the most part, the implementation challenges faced by the project in 2012 have been overcome. ACE and MAIL have a strong partnership and the recently established governance structure of the ADF is providing the institution with legitimacy and a robust and functional structure.

The challenges currently faced by ACE refer to operational issues, most of them derived from the uniqueness of the ADF for both USAID and MAIL. They include:

- Delays in the transfer of funds from MOF to MAIL and to the ADF. This is also having a detrimental effect on the timing of the subsequent transfers from USAID to MOF.
- Uncertainty regarding the ability of the ACE program to transition its staff to the ADF and continue paying their salaries. The transfer of staff before the end of the ACE contract is crucial to ensure that all systems are functional and to reduce liability on the contractor. A determination is required from USAID.

Plans for FY2014

- Launching an aggressive capacity building program for ADF staff, filling knowledge and skill gaps in preparation for the transition
- Continue leveraging USG resources by approaching other donors, as a way to reach achieve the sustainability of the fund
- Hiring the Executive Director, who will assume the CEO position at the end of 2014
- Transitioning assets and staff to the ADF within the period December 2013 - March 2014
- Reinforcing the structure and operation of the High Council and committees by facilitating an inception workshop

ANNEX I – ADF Loans Approved and Disbursed to End-Beneficiaries

No	BORROWER	Direct Beneficiaries				Indirect Beneficiaries			
		Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers		
1		-	-	-	300	300	300		
2		-	-	-	8,000	8,000	8,000		
3		-	-	-	600	600	500		
4		-	-	-	125	125	125		
5		625	625	625	-	-	-		
6		1,364	1,364	1,364	-	-	-		
7		-	-	-	250	250	250		
8		-	-	-	300	300	300		
9		-	-	-	52	52	52		
10		2,000	2,000	1,625	-	-	-		
11		-	-	-	4,500	4,500	-		
12		570	570	109	8,170	8,170	1,800		
13		-	-	-	250	250	-		
14		-	-	-	230	230	-		
15		-	-	-	177	177	177		
16		-	-	-	110	110	110		
17		600	600	600	-	-	-		
18		-	-	-	2,500	2,500	2,500		
19		117	117	117	-	-	-		
20		688	688	688	-	-	-		

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	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
21		-	-	-	-	-	-	-	-	-
22		800	800	780	1,000	1,000	1,000	1,000	1,000	1,000
23		-	-	-	10	10	10	10	10	10
24		-	-	-	-	-	-	-	-	-
25		645	645	438	-	-	-	-	-	-
26		219	219	219	500	500	500	500	500	500
27		-	-	-	-	-	-	-	-	-
28		-	-	-	-	-	-	-	-	-
29		-	-	-	50	50	50	50	50	50
30		8	8	2	-	-	-	-	-	-
31		20	20	18	40	40	40	40	40	40
32		-	-	-	2,000	2,000	2,000	2,000	2,000	2,000
33		-	-	-	-	-	-	-	-	-
34		200	200	160	-	-	-	-	-	-
35		70	70	53	-	-	-	-	-	-
36		150	150	145	100	100	100	100	100	100
37		1,500	1,500	150	-	-	-	-	-	-
38		600	600	569	-	-	-	-	-	-
39		200	200	-	-	-	-	-	-	-
40		800	800	761	1,200	1,200	1,200	1,200	1,200	1,200
41		200	-	-	-	-	-	-	-	-
42		400	59	59	500	500	500	500	500	500
43		-	-	-	100	100	100	100	100	100

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	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
44		-	-	-	1,050	1,050	1,050			1,050
45		-	-	-	30	-	-			-
46		250	245	245	1,500	1,500	1,500			1,500
47		20	18	18	45	45	45			45
48		600	-	-	1,500	-	-			-
49		1,100	280	280	-	-	-			-
50		3,100	-	-	-	-	-			-
51		-	-	-	80	80	80			80
52		-	-	-	-	-	-			-
53		-	-	-	12,000	12,000	12,000			12,000
54		837	-	-	4,400	-	-			-
55		20	14	14	1,255	1,255	1,255			1,255
56		-	-	-	25	-	-			-
57		10	-	-	2,000	2,000	2,000			2,000
58		214	-	-	-	-	-			-
59		200	-	-	-	-	-			-
60		30	-	-	100	-	-			-
61		-	-	-	-	-	-			-
62		15	-	-	-	-	-			-
63		-	-	-	6	-	-			-
64		20	-	-	-	-	-			-
65		900	409	409	5,000	-	-			-

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	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
66		100	105	105	70	70	70	70	70	70
67		-	-	-	70	-	-	-	-	-
68		150	150	150	850	850	850	850	850	850
69		58	-	-	60	-	-	-	-	-
70		-	-	-	1,952	-	-	-	-	-
71		220	-	-	-	-	-	-	-	-
72		-	-	-	-	-	-	-	-	-
73		-	-	-	70	-	-	-	-	-
74		-	-	-	40	-	-	-	-	-
75		26	26	26	300	300	300	300	300	300
76		-	-	-	50	-	-	-	-	-
77		-	-	-	500	-	-	-	-	-
78		-	-	-	-	-	-	-	-	-
79		50	-	-	-	-	-	-	-	-
80		100	-	-	1,200	-	-	-	-	-
81		-	-	-	-	-	-	-	-	-
82		-	-	-	80,000	-	-	-	-	-
83		-	-	-	-	-	-	-	-	-
84		-	-	-	-	-	-	-	-	-
85		-	-	-	400	-	-	-	-	-
86		150	-	-	-	-	-	-	-	-
87		-	-	-	2,000	-	-	2,000	-	-
88		-	-	-	135	-	-	135	-	-

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	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
89		-	-	-	-	-	-	-	-	-
90		-	-	-	-	-	-	-	-	-
91		35	-	-	120	-	-	-	-	-
92		-	-	-	-	-	-	-	-	-
93		-	-	-	-	-	-	-	-	-
94		-	-	-	-	-	-	-	-	-
95		-	-	-	-	-	-	-	-	-
96		-	-	-	-	-	-	-	-	-
97		29	-	-	-	-	-	-	-	-
		20,015	12,487	9,729	147,922	49,614	38,164			
98		212	212	212	-	-	-	-	-	-
99		1,845	1,845	1,845	-	-	-	-	-	-
100		15	15	15	-	-	-	-	-	-
101		47	47	47	-	-	-	-	-	-
102		10	10	10	-	-	-	-	-	-
103		59	59	59	-	-	-	-	-	-
104		155	155	155	-	-	-	-	-	-
105		74	74	74	-	-	-	-	-	-
106		22	22	22	-	-	-	-	-	-
107		4,140	4,140	4,140	86,087	86,087	86,087	-	-	-
108		5	5	-	400	280	280	-	-	-
109		1,852	1,852	1,852	-	-	-	-	-	-

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	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
110		700	525	525	-	-	-	-	-	-
111		4,351	-	-	-	-	-	-	-	-
112		1,400	-	-	-	-	-	-	-	-
113		137	-	-	-	-	-	-	-	-
114		70	-	-	950	-	-	-	-	-
115		1,236	944	944	-	-	-	-	-	-
		16,330	9,905	9,900	87,437	86,367	86,367			86,367
116		1,137	1,137	1,137	-	-	-	-	-	-
117		-	-	-	-	-	-	-	-	-
118		181	-	-	34,200	-	-	-	-	-
119		3000	414	414	-	-	-	-	-	-
120		500	351	351	-	-	-	-	-	-
121		750	-	-	-	-	-	-	-	-
	SUB-TOTAL FI	5,568	1,902	1,902	34,200	0	0			0
	GRAND TOTAL	41,913	24,294	21,531	269,559	135,981	124,531			124,531

ANNEX 2 - Percentage of Loan Losses Resulting from ACE Lending Recommendations

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
1		Kabul	Kabul	\$120,000	Agribusiness	10/5/2010	12/7/2010	\$120,000	\$122,484	\$122,484	100%	\$0
2		Nangarhar	Nangarhar	\$300,000	Agribusiness	10/31/2010	10/31/2011	\$300,000	\$315,000	\$315,000	100%	\$0
3		Balkh	Balkh	\$200,000	Agribusiness	5/24/2011	4/24/2014	\$200,000	\$73,378	\$67,252	100%	\$0
4		Kabul	Kabul	\$1,000,000	FI	11/30/2010	5/21/2011	\$1,000,000	\$1,018,521	\$1,018,521	100%	\$0
5		Balkh, Kunduz, Samangan	Balkh, Kunduz, Samangan	\$92,652	NFI	3/9/2011	12/31/2011	\$92,652	\$92,652	\$92,652	100%	\$0
6		Kabul	Balkh, Samanga, Baghlan, Takhar, Jawzjan, Kunduz	\$1,970,000	Agribusiness	12/20/2010	4/5/2014	\$1,280,000	\$1,280,000	\$1,162,834	100%	\$0
7		Balkh, Jawzjan, Faryab, Samangan, Baghlan	Balkh, Jawzjan, Faryab, Samangan, Baghlan	\$1,784,027	FI	12/19/2010	12/31/2014	\$1,784,027	\$569,604	\$440,361	100%	\$0
8		Helmand	Helmand	\$242,000	Agribusiness	12/19/2010	1/1/2012	\$242,000	\$251,050	\$251,050	100%	\$0
9		Kunar	Kunar	\$312,000	Agribusiness	12/20/2010	12/15/2011	\$312,000	\$323,669	\$323,669	100%	\$0
10		Nangarhar, Laghman, Kunar	Nangarhar	\$500,000	NFI	3/31/2011	6/30/2012	\$500,000	\$533,300	\$366,105	68.65%	\$161,645
11		Balkh	Balkh	\$121,000	Agribusiness	3/28/2011	10/28/2011	\$121,000	\$125,137	\$125,137	100%	\$0

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
12		Bamyan	Bamyan	\$46,600	NFI	4/11/11	11/11/11	\$46,600	\$47,965	\$47,965	100%	\$0
13		Bamyan	Bamyan	\$53,543	NFI			\$53,543	\$55,114	\$55,114	100%	\$0
14		Bamyan	Bamyan	\$25,469	NFI			\$25,469	\$26,692	\$26,692	100%	\$0
15		Bamyan	Bamyan	\$31,265	NFI			\$31,265	\$32,176	\$32,176	100%	\$0
16		Bamyan	Bamyan	\$76,993	NFI			\$76,993	\$76,988	\$76,288	99.08%	\$700
17		Bamyan	Bamyan	\$21,561	NFI			\$21,561	\$22,086	\$22,086	100%	\$0
18		Bamyan	Bamyan	\$14,479	NFI	4/11/2011	11/11/2011	\$14,479	\$15,091	\$15,091	100%	\$0
19		ALL	ALL	\$4,757,345	NFI	6/23/2011	6/23/2012	\$4,757,345	\$4,866,657	\$4,866,657	100%	\$0
20		Nangarhar	Nangarhar	\$100,000	Agribusiness	5/11/2011	5/11/2012	\$100,000	\$101,614	\$101,614	100%	\$0
21		Wardak		\$230,000	Agribusiness	9/19/2011	6/19/2012	\$230,000	\$241,652	\$241,652	100%	\$0
22		Mazar		\$1,977,597	Agribusiness	9/29/2011	9/29/2014	\$1,977,597	\$988,671	\$988,671	100%	\$0
23		Wardak		\$224,000	Agribusiness		3.28.13 for tools and 5.28.12 for fertilizers and pesticides					
24		Nangarhar	Nangarhar	\$900,000	Agribusiness	10/22/2011	4/30/2013	\$900,000	\$946,837	\$946,837	100%	\$0
25		Kabul	Kabul	\$715,000	Agribusiness	12/27/2011	9/27/2012	\$715,000	\$645,085.7	\$75,356	8.56%	\$569,730
26		Kabul	Kabul	\$300,000	NFI	10/10/2012	8/10/2013	\$200,000	\$139,015	\$139,015	100%	\$0

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
27		Kabul	Kabul	\$250,000	Agribusiness	11/30/2011	11/30/2012	\$250,000	\$263,836	\$263,836	100%	\$0
28		Kabul	Kabul	\$375,000	Agribusiness	12/28/11	2/28/13	\$375,000	\$27,252	\$27,252	100%	\$0
29		Herat	Herat	\$273,000	Agribusiness	12/27/2011	5/31/2012	\$273,000	\$201,951	\$201,951	100%	\$0
30		Herat	Herat	\$700,000	Agribusiness	1/2/2012	1/9/2014	\$700,000	\$63,384	\$63,384	100%	\$0
31		Herat	Herat	\$425,000	Agribusiness	1.27.2012	2.27.2013	\$425,000	\$58,326	\$58,326	100%	\$0
32		Herat	Herat	\$155,000	Agribusiness	1/27/2012	1/27/2013	\$155,000	\$166,000	\$166,000	100%	\$0
33		ALL	ALL	10,000,000	FI	Pending	Pending	\$0	\$0.00	\$0.00	100%	\$0
34		Mazar	Mazar	\$1,250,000	Agribusiness	4/2/2012	4/2/2015	\$1,250,000	\$293,934	\$293,934	100%	\$0
35		Kunar	Kunar	\$538,579	Agribusiness	2/14/2012	2/14/2013	\$538,579	\$107,346	\$107,346	100%	\$0
36		Logar	Logar	\$99,568	Agribusiness	3/27/2012	3/27/2013	\$99,568	\$101,809	\$101,809	100%	\$0
37		Balkh, Kunduz, Samangan	Balkh, Kunduz, Samangan	\$800,000	NFI	3/28/2012	12/31/2012	\$1,274,058	\$496,853	\$496,853	100%	\$0
38		Kabul	Kabul	\$101,317	Agribusiness	3/25/2012	11/25/2012	\$101,317	\$42,853	\$42,853	100%	\$0
39		Helmand	Helmand	\$435,298	Agribusiness	4/12/2012	4/12/2013	\$435,298	\$253,432	\$253,432	100%	\$0
40		Laghman	Laghman	\$150,004	Agribusiness	3/15/2012	3/15/2013	\$150,004	\$130,613	\$130,613	100%	\$0
41-67		Bamyan	Bamyan	\$1,320,000	NFI		12/14/2012 or 3/14/2012	\$1,307,607	\$1,318,800	\$1,318,800	100%	\$0
68		Herat	Herat	\$0	Agribusiness	Pending	Pending	\$0	NA	\$0	100%	\$0
69		Jalalabad	Jalalabad	\$200,000	Agribusiness	5/16/2012	11/16/2013	\$200,000	\$95,000	\$95,000	100%	\$0

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
70		Wardak	Wardak	\$ 195,018	Agribusiness	5/12/12	5/12/13	\$ 195,018	\$ 51,355.69	\$ 40,241	78.36%	\$ 11,115
71		Jalalabad	Jalalabad	\$ 130,000	Agribusiness	Pending	Pending	\$ 124,308	\$ 0.00	\$ 0	100%	\$ 0
72		Jalalabad	Jalalabad	\$ 125,000	Agribusiness	Pending	Pending	\$ 117,481	\$ 0.00	\$ 0	100%	\$ 0
73		Mazar	Mazar	\$ 302,000	Agribusiness	Pending	Pending	\$ 287,428	\$ 0.00	\$ 0	100%	\$ 0
74		Jalalabad	Jalalabad	\$ 100,000	Agribusiness	Pending	Pending	\$ 95,238	\$ 0.00	\$ 0	100%	\$ 0
75		Mazar	Mazar	\$ 230,000	Agribusiness	7/3/2012	7/3/2015	\$ 222,996	\$ 104,602	\$ 104,602	100%	\$ 0
76		Wardak	Wardak	\$ 224,390	Agribusiness	7/10/2012	6/10/2013	\$ 224,390	\$ 44,293	\$ 44,293	100%	\$ 0
77		Kapisa	Kapisa	\$ 146,341	Agribusiness	7/28/2012	7/28/2013	\$ 146,341	\$ 84,000	\$ 84,000	100%	\$ 0
78		Herat	Herat	\$ 400,000	Agribusiness	7/25/2015	1/25/2015	\$ 399,416	\$ 103,817	\$ 103,817	100%	\$ 0
79		Mazar	Mazar	\$ 100,000	Agribusiness	12.31.12	12.31.14	\$ 100,000	\$ 0.00	\$ 0	100%	\$ 0
80		Bamyan	Bamyan	\$ 200,000	Agribusiness	Pending	Pending	\$ 134,541	\$ 0.00	\$ 0	100%	\$ 0
81		Kandahar	Kandahar	\$ 500,000	Agribusiness	Pending	Pending	\$ 500,000	\$ 264,000	\$ 264,000	100%	\$ 0
82		Kabul	Kabul	\$ 150,000	Agribusiness	Pending	Pending	\$ 97,276	\$ 2,432	\$ 0	100%	\$ 0
83		All	All	\$ 6,715,105	NFI	Pending	Pending	\$ 0	\$ 0.00	\$ 0	100%	\$ 0
84		Various	Various	\$ 3,630,000	FI							
85		Various	Various	\$ 3,000,000	NFI	Pending	Pending	\$ 0	\$ 0.00	\$ 0	100%	\$ 0
86		Herat	Herat	\$ 1,300,000	Agribusiness	3/14/2013	3/14/2016	\$ 1,290,518	\$ 13,073	\$ 13,073	100%	\$ 0
87		Herat	Herat	\$ 700,000	Agribusiness	Pending	Pending	\$ 0	\$ 0.00	\$ 0	100%	\$ 0
88		Herat	Herat	\$ 800,000	Agribusiness	5/5/2013	5/6/2013	\$ 765,478	\$ 18,673	\$ 18,673	100%	\$ 0
89		Kandahar	Kandahar	\$ 100,000	Agribusiness	Pending	Pending	\$ 0	\$ 0.00	\$ 0	100%	\$ 0

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
90		Fareyab	Fareyab	\$350,000	Agribusiness	5/5/2013	5/5/2014	\$328,330	\$8,856	\$8,856	100%	\$0
91		Kabul	Kabul	\$100,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
92		Mazar	Mazar	\$144,000	Agribusiness	4/27/2013	4/27/2014	\$135,084	\$3,672	\$3,672	100%	\$0
93		Kabul	Kabul	\$200,000	Agribusiness	5/30/2013	5/30/2015	\$94,545	\$0.00	\$0	100%	\$0
94		Kunduz	Kunduz	\$1,000,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
95		Nangarhar	Nangarhar	\$200,000	Agribusiness	4/27/2013	4/27/2014	\$187,617	\$0.00	\$0	100%	\$0
96		Nangarhar	Nangarhar	\$1,000,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
97		Mazar	Mazar	\$250,000	Agribusiness	6/19/2013	6/19/2014	\$227,273	\$0.00	\$0	100%	\$0
98		Kandahar	Kandahar	\$200,000	Agribusiness	6/11/2013	6/11/2014	\$181,818	\$0.00	\$0	100%	\$0
99		Nangarhar	Nangarhar	\$1,200,000	Agribusiness	3/18/2013	3/18/2015	\$1,114,734	\$0.00	\$0	100%	\$0
100		Samangan	Samangan	\$300,000	Agribusiness	1/9/2013	1/9/2015	\$55,750	\$0.00	\$0	100%	\$0
101		Kabul	Kabul	\$100,000	NFI	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
102		Herat	Herat	\$187,000	Agribusiness	5/30/2013	11/30/2014	\$175,100	\$0.00	\$0	100%	\$0
103		Herat	Herat	\$100,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
104		Kabul	Kabul	\$300,000	Agribusiness	5/9/2013	5/9/2014	\$272,232	\$0.00	\$0	100%	\$0
105		Mazar	Mazar	\$700,000	Agribusiness	6/29/2013	6/29/2014	\$700,000	\$0.00	\$0	100%	\$0
106		Herat	Herat	\$250,000	NFI	5/5/2013	11/5/2014	\$167,742	\$0.00	\$0	100%	\$0
107		Herat	Herat	\$2,000,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
108		Jalalabad	Jalalabad	\$100,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
109		Kandahar	Kandahar	\$500,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
110		Bamyan	Bamyan	\$2,069,858	NFI	5/16/2013	4/16/2014	\$1,856,189	\$0.00	\$0	100%	\$0
111		Jalalabad	Jalalabad	\$138,607	Agribusiness	31/07/2013	31/12/2014	\$55,443	\$0.00	\$0	100%	\$0
112		Kabul	Kabul	\$617,076	Agribusiness	6/25/2013	6/5/2016	\$486,000	\$0.00	\$0	100%	\$0
113		Herat	Herat	\$480,503	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
114		Mazar	Mazar	\$1,390,176	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
115		Kabul	Kabul	\$463,392	FI	7/2/2013	7/2/2018	\$324,374	\$4,906	\$4,906	100%	\$0
116		Kandahar	Kandahar	\$273,025	Agribusiness	6/25/2013	6/25/2014	\$273,025	\$0.00	\$0	100%	\$0
117		Kandahar	Kandahar	\$200,218	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
118		Paktika	Paktika	\$273,025	Agribusiness	18/07/13	18/07/14	\$273,025	\$0.00	\$0	100%	\$0
119		Kandahar	Kandahar	\$174,008	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
120		Takhar	Takhar	\$544,563	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
121		Herat	Herat	\$270,709	Agribusiness	19/09/2013	19/12/2014	\$270,709	\$0.00	\$0	100%	\$0
122		Baghlan	Baghlan	\$99,260	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
123		Kandahar	Kandahar	\$360,946	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
124		Mazar	Mazar	\$315,647	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
125		Jalalabad	Jalalabad	\$98,708	Agribusiness	31/07/2013	31/12/2014	\$98,708	\$0.00	\$0	100%	\$0
126		Mazar	Mazar	\$246,770	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
127		Herat	Herat	\$987,078	Agribusiness	21/09/2013	21/09/2015	\$404,253	\$0.00	\$0	100%	\$0
128		Jalalabad	Jalalabad	\$116,156	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
129		Kabul	Kabul	\$96,797	Agribusiness	21/09/2013	21/05/2014	\$38,719	\$0.00	\$0	100%	\$0
130		Kabul	Kabul	\$1,000,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
131		Mazar	Mazar	\$96,797	Agribusiness	11/9/2013	11/9/2014	\$96,797	\$0.00	\$0	100%	\$0
132		Jalalabad	Jalalabad	\$483,985	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
133		Kabul	Kabul	\$2,000,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
134		Kabul	Kabul	\$1,500,000	Agribusiness	24/07/2013	24/07/2015	\$1,000,000	\$13,589	\$13,589	100%	\$0
135		Mazar	Mazar	\$336,010	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
136		Herat	Herat	\$288,008	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
137		Samangan	Samangan	\$350,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
138		Herat	Herat	\$200,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
139		Jalalabad	Jalalabad	\$150,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
140		Kabul	Kabul	\$1,500,000	FI	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
141		Balkh	Balkh	\$100,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
142		Mazar	Mazar	\$610,909	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
143		Herat	Herat	\$183,273	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
144		Mazar	Mazar	\$200,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
145		Kabul	Kabul	\$500,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
146		Kandahar	Kandahar	\$180,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
147		Jalalabad	Jalalabad	\$200,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
148		Kabul	Kabul	\$230,000	Agribusiness	Pending	Pending	\$0	\$0.00	\$0	100%	\$0
Total Loan Approved									\$80,742,654.68			
Total Loan Disbursed									\$37,256,264.00			
Total Loan Repaid									\$16,118,164.00			
Total Value of Loans late by 180 days or more									\$816,391.00			

$$\text{Portfolio loan losses} = \frac{\text{Total Value of loans late by 180 days or more}}{\text{Outstanding*}} \% = (816,391.42 / (37,256,264 - 16,118,164)) = (816,391.42 / 21,138,100) = 3.86\%$$

*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.

