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## AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

# 2012 ANNUAL REPORT

This publication was produced for review by the United States Agency for International Development. It was prepared by the Agricultural Credit Enhancement Program, implemented by Development Alternatives, Inc.



# ANNUAL REPORT

## FISCAL YEAR 2012

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# 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.



Across value chains and at different levels of the production process, agricultural credit is positively affecting the lives of thousands of households, promoting prosperity and supporting social stability.

# LIST OF ACRONYMS

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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
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
FSCAA	Farm Service Center Association of Afghanistan
FTE	Full Term Employment Equivalent
FI	Financial Intermediary
IIFC	Islamic Investment Finance and Cooperative
GDA	Global Development Alliances
GIRoA	Government of the Islamic Republic of Afghanistan
GIS	Geographic Information System
GWSA	Ghoryan Women Saffron Association
IDEA-NEW	Incentives Driving Economic Alternatives, North, East, West Project
KMF	Knowledge Management Facility
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoU	Memorandum of Understanding
MIS	Market Information Systems
NFI	Non-financial Intermediary
PMP	Performance Monitoring Plan
PRT	Provincial Reconstruction Team
SAB	Sharia Advisory Board
TO	Task Order
TRC	Technical Review Committee



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# FOREWORD

The importance of agricultural credit cannot be overestimated; economic development theory and history tells us how finance is a catalyzing agent of economic growth by fueling both the supply and demand sides of the agricultural development equation. Finance enables farmers to adopt advanced crop production technologies that result in increases in productivity and improvements in produce quality, with positive and direct effects on household incomes. On the demand side, finance makes possible the establishment and expansion of agro processing facilities and makes capital accessible to traders, thereby increasing effective demand for produce, encouraging competition and increasing the efficiency of agricultural markets.

These premises are which make of the ACE program a ‘game changer’ for the agriculture sector in Afghanistan’ “enabling” farmers to put in practice the knowledge acquired during the last 10 years of development assistance.

Notwithstanding the fact that GIROA did not deliver on their commitment to register the Agricultural Development Fund (ADF) following the launch of the ACE program in 2010, DAI had to assume exceptionally high risks to deliver tangible results on a priority USG initiative. By the time this report was being finalized the ADF was not yet registered, however there were indications that the final approval by the Cabinet was weeks away.

Against all odds, the commitment of the contractor and the efforts of the Afghan and expatriate team implementing ACE resulted in the establishment of a structured, robust and functional credit program serving over 15,800 rural households and agribusinesses in 30 provinces of Afghanistan. This was possible through a set of innovations that enabled ACE to work through non-financial intermediaries and provide clients with financial products compliant with religious and cultural norms. Furthermore, prudent lending practices and the establishment of partnerships with clients allowed ACE to keep a default rate substantially below the contractual threshold and comparable with that of financial institutions in the west. ACE is convinced that the recent success and future sustainability of ACE/ADF rests on 3 fundamental pillars: a) a solid governance structure, b) airtight policies and procedures and c) human capital. ACE believes that investing in people will undoubtedly contribute to the sustainability and integrity of the fund; that is why capacity development is at the core of the project’s implementation strategy.

Rather than presenting an inventory of loans, this annual report will focus primarily on the impact that credit provided by ACE has had on its clients, from farmers to agro processors and traders, which confirms the notion that agricultural credit can revolutionize Afghan agriculture, promote the growth of the rural economies and with it contribute to social stability.

**Juan M Estrada-Valle**  
Chief of Party

# EXECUTIVE SUMMARY

In the second year of implementation, the Agricultural Credit Enhancement (ACE) Program has built a comprehensive agricultural credit system providing access to financial services for agriculture related activities and building the infrastructure of a robust and efficient financial institution from a ground up. Despite the legal and political challenges preventing the registration of the ADF as a standalone institution, ACE is succeeding in developing an ambitious and healthy loan portfolio with an extremely low default rate.

ACE's agricultural lending activities are showing a tremendous impact on employment and economic growth in the agriculture and agribusiness sub-sectors, while accelerating change and upgrading farming, processing and trading activities. Below are some key figures that summarize the achievements and impact of credit provided by ACE, according to the findings of an external midterm impact evaluation commissioned by the project.

As of September 30, ACE had obtained Credit Committee approvals for 2.2 Billion Afghanis (US\$46 million); with an additional billion Afghanis (US\$21.5 million) in the pipeline; disbursements reached 1.1 Billion Afghanis (US\$22.3 million) directly benefiting 15,862 farmers and agribusinesses in 30 provinces of Afghanistan, while indirectly benefiting an additional 101,711 households.

Repayments surpassed US\$9 million, with a portfolio at risk of 1.32 percent, well below the contractual target of 5 percent. If the legal and political issues preventing the registration of the ADF were addressed and funds were made available by USAID through GIRoA, in a period of 90 days ACE could disburse an additional US\$43 million, benefiting a total of 30,000 farm households.

These figures mark significant accomplishments, especially in a context in which contract enforcement is prohibitively expensive and exercising rights on collateral is highly improbable, especially in kinetic areas. The implementation approach guiding ACE's activities which rests on 3 fundamental pillars: a) prudent lending practices, b) emphasis on competitive value chains and c) establishment of close partnerships with clients has yielded outstanding results in terms of economic impact and credit recovery.

ACE has increasingly become a more operationally sophisticated institution and a center of innovation in the fields of Islamic finance and rural credit. Although it was originally envisaged that ADF would focus primarily on conventional lending, the preference of prospective clients on Islamic Financial products became evident early in the project.

This prompted a sharp strategic turn with the fundamental objective of responding to the specific requirements of clients, especially regarding the religious and cultural appropriateness of financial products. Through its innovative financing mechanisms and ground-breaking mechanisms to reduce credit risk, ACE is fundamentally demonstrating that agricultural credit does not have to be a high risk proposition. The program's success will serve as a business model for other financial institutions and funds willing to operate in the agricultural sector. More importantly, ACE's experience demonstrates that with prudent lending practices and culturally acceptable financial products the project is unleashing higher agricultural productivity and targeting value chain nodes where value addition is greater.

The ADF strongly focuses on supporting input supply networks, commercial agriculture and agro processing operations, whereas subsistence farmers are served by a large number of relief and development initiatives through subsidized inputs, grants and free technical assistance that are better equipped to cater for their needs.

ACE's Value Chain Strengthening Unit continued to play an important role in providing 1) technical reviews of loan applications; 2) technical assistance to the new and existing clients through Agricultural Modernization Grants; 3) Assisting borrowers to access new markets and increase sales through simple facilitation of contacts to sponsoring their participation in international trade events; 4) training and mentoring MAIL officials to gain expertise in value chain analysis.

By design ACE was conceived as a wholesale lender that would cater for the needs of commercial farmers which de facto excluded women as potential borrowers. Despite this limitation, ACE is making every possible effort to ensure that men and women entrepreneurs can benefit from ADF finance. 'Zahra' is the first Islamic financial product for women, which will soon be taken up by a financial intermediary. Agricultural Credit Shuras, specifically for women, and an array of activities have already resulted in four loans for women owned enterprises worth over \$685,000.

ACE successfully designed, equipped and launched the Knowledge Management Facility-PAYWAND in 2011, a comprehensive agricultural data repository that provides timely information on agricultural commodity prices and markets within and outside Afghanistan; trade flows of agricultural and reports on agricultural markets prepared by various sources. Most importantly, the knowledge management facility transforms the data into information products targeted to different audiences to help ensure sound agribusiness decisions. As of the end of 2012, PAYWAND is a well-established mature facility, fully operational, that has been transitioned to MAIL. To ensure the sustainability of the PAYWAND operations and prepare for the transition, ACE trained MAIL/MIS staff in database management, data analysis, report writing and agricultural data collection and organized a study tour to Ghana where MAIL key personnel had the opportunity to gain insight about market information systems in Africa.



During FY2012, ACE generated public awareness of the ADF to potential end-borrowers, farmers associations, cooperatives, agribusiness entrepreneurs as well as to DAIL and provincial government officials to explain ADF terms and conditions and application procedures. To achieve this, the program organized 28 Agricultural Credit Shuras across Afghanistan reaching remote provinces such as Badakshan, Khost, Paktika, Helmand, Kandahar, Wardak and Zabul.

On the premise that the sustainability and integrity of the ADF will ultimately depend on the technical strength of the management team, and on a set of “airtight”

systems and procedures, ACE is making serious investments on both areas.

During FY2012 ACE organized 19 different training courses and study tours on subjects such as credit analysis, Islamic finance, agricultural value chain studies, data analysis, economic writing, database management and human relations, the latter in partnership with Dale Carnegie Foundation. These activities significantly increased the technical capacity of the group of Afghan professionals that will manage the ADF. Similarly, ACE institutionalized a series of policies and procedures that together with a robust credit administration system now constitute the backbone of the ADF.

# IMPACT

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65%

Average increase in the incomes of agribusinesses that received ACE loans [range 11%-310%]

67%

Average increase in sales of ACE borrowers [range 10%-300%]

36%

Average increase in the incomes of farmers that accessed credit through CMUs [Range 17-72%]

56%

Increase in the incomes of farmers that accessed credit through other intermediaries

61%

Across the board increased production of ACE borrowers [range 12-325%]

44%

Productivity gains for potato farmers who received ACE finance

856

Full time jobs generated as consequence of ADF loans

These are some of the impact figures of the Midterm Impact Evaluation carried out in October 2012 by Dr. Luis G Flores from the Institute of International Agriculture at Michigan State University.

## COMPONENT I:

# DELIVERY OF CREDIT SERVICES

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

The ACE program began with an office in Kabul in August 2010 and by 2012 it had evolved into a full nationwide with a central office in Kabul and regional offices in Herat, Mazar-e-Sharif, Jalalabad, Bamyan and Kandahar; the project deployed a staff of over 130 Afghan national and expatriate employees coordinating lending activities in villages and districts of 30 provinces. By the end of its second year ACE accomplished two major milestones: 1) it became a fully fledged financial institution with a menu of products adaptable to the business cycles of individual enterprises, and 2) consolidated a transformational, scalable and actionable agribusiness banking strategy designed to help entrepreneurs to seize market opportunities and generate wealth. These achievements are demonstrating that credit had for long been the missing variable in the economic development equation.

A series of challenges faced since its inception transformed ACE into an engine of innovation. The initial wavering of financial institutions to intermediate ADF

funds gave rise to Credit Management Units (CMUs) as mechanisms to lend through non financial intermediaries. The hesitation of farmers to borrow money based on conventional interest based loans prompted ACE to establish the most advanced Islamic Financial system in the country, fully compliant with Sharia law and highly popular, to the extent to which Islamic loans constitute over 36 percent of the loan portfolio.

### **ESTABLISHMENT OF THE ADF**

The ACE program was designed and awarded based on the initial assumption that GIRoA would register the ADF before the end of 2010. However, two years later the ADF is still not registered and despite the consolidation of credit operations ACE lacks the legal grounding to enforce loan contracts, which de facto constitutes a risk of relevance. Not being a registered institutions is also preventing the ADF from accessing the funds provided by the US government through on-budget mechanisms. If these issues were addressed and funds made available

for lending within the next quarter, ACE could disburse an additional \$43 million, benefiting a total of 30,000 farmers while unleashing potential of Afghan agriculture.

In January 2012, the President of the Islamic Republic of Afghanistan, H.E. Hamid Karzai approved a decree authorizing the registration of the Agricultural Development Fund (ADF) as a non-bank financial institution within the Ministry of Agriculture, Irrigation and Livestock (MAIL). The second step in this uniquely challenging process is the approval of by-laws by the Cabinet of Ministers, which has already taken 4 months. Following the approval by the Cabinet the ADF will hold a meeting of the High Council (i.e. Board of Directors) which is expected to remove the obstacles currently preventing ACE and ADF from accessing existing funding and disburse over US\$20 million of loans already approved.

## CREDIT OPERATIONS AND SERVICES

Enabled by the design of specialized and customized loan management financial software, trained personnel, and robust credit and operational policies and procedures for agricultural and Islamic finance, ACE established a comprehensive credit management system for the ADF. With the installation of the Micro Banker® system and the training of the key personnel, ACE now has a consolidated credit administration infrastructure which maintains a standardized accounting system and tight control over disbursements and repayments.

Some of the initiatives undertaken in 2012 to strengthen the ADF credit operations include:

- Endorsed the Credit Administration Manual which provides a standardized set of policies and procedures to support the management of the ADF.

- Adopted the Micro Banker® (MB-Win) for ADF operations; an integrated banking system with full functionality for loans, savings and current accounts, time deposits and shares.
- Completed the charters of accounts for conventional and Islamic loans with multicurrency capability.
- Developed 'Risk Assessment Tools' for three categories: agribusiness, financial institutions and non-financial institutions, including identification of relevant factors, assignment of appropriate weightings, and the definition of scoring parameters for each factor.
- Developed detailed 'Risk Assessment Guidelines' and 'Risk Assessment Reporting Templates' customized reporting to track portfolio quality and facilitate analysis of performance of sub-groups, sub-sectors, geographies and individual loan officers.
- Developed four Credit Policies and Procedures Circulars which will be part of the ADF Policies and Procedures in the future. The circulars address ADF loan classification policy, define the Loan Loss Provisions and Reserves Policy, determine the agenda for Annual Client Reviews, and focus on the management of problem loans.

## ADF LENDING

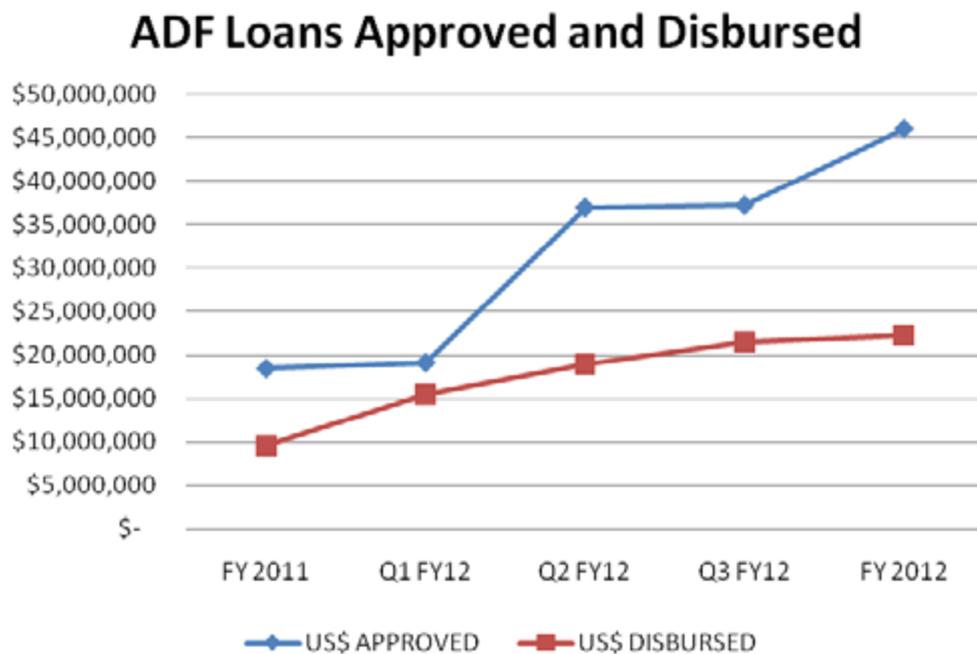
In 2012, ACE made significant progress in the provision of agricultural credit through a major increase from US\$18 million in approved ADF loans to US\$46 million, providing financial access to underserved actors within the agricultural value chains. ACE currently has a portfolio of 84 loans approved, of which 40 are loans to agribusiness, 40 to the non-financial intermediaries such as farmers associations and cooperatives, whereas 4 loans cater for financial institutions.

ACE has disbursed US \$22.3 million to new and existing clients and has a pipeline of over US\$21.5 million. At this point, the project has benefited 15,826 farmers in 30 provinces of Afghanistan, indirectly benefitting another 101,211 households.

Indirect beneficiaries include those that by virtue of ADF loans have access to new technologies, new markets and new ways to increase the efficiency of their enterprises.

Some of the largest loans approved during the 2012 include:

Graph 1: ADF loans approved and disbursed on a quarterly basis



- A US\$10 million loan to Afghan Growth Finance (AGF) to lease to the agricultural sector and entities involved in agricultural value chains in Afghanistan. AGF will use the ADF loan to specifically address the needs of the agriculture market for specialized equipment and machinery in Afghanistan. The demand for agriculture leasing in Afghanistan is estimated at US\$52 million annually and the ADF loan aims to tap into and help develop this market. AGF is a subsidiary of Small Enterprise Assistance Fund (SEAF), a global management fund with a mission to invest in SMEs in emerging markets and businesses underserved by traditional sources of capital.

The loan will serve leases in 3 distinct agricultural segments: a) Small: US\$2 million are destined for equipment costing less than US\$30,000 b) SME: US\$1 million is assigned for equipment costing less than US\$100,000 and c) Corporate: US\$7 million with no restriction. The loan segmentation allows for a wider distribution of leases and the guarantee that at least 30 percent of the loan will directly benefit farmers and small producers. The loan is expected to service 181 leases and will directly and indirectly benefit an estimated 525,000 farmers and small producers.

- A loan of US\$6,715,105 to the Afghanistan National Seed Organization (ANSOR), a returning client will provide loans to 67 seed enterprises in over 20 provinces benefiting an estimated 4,000 producers of certified wheat seed.
- A loan of US\$1.32 million to 27 potato cooperatives in Bamyan, which until now has benefitted 700 potato farmers in Bamyan province. The first loan targeted seven cooperatives and directly benefited 382 farmers which resulted in 61 percent increase in income and 44 percent increase in productivity.
- A loan of US\$3.63 million to Islamic Investment and Finance Co-operative Group (IIFCG) to provide funds to on-lend to 23 Islamic Investment and Finance Cooperatives. The IIFCs to be financed are located in the provinces of Helmand and Kandahar in the South; Nangarhar, Kunar, Laghman and Khost in the East; Charikar and Bamyan in the Central; and Balkh, Jawzjan, Faryab, Samangan, Baghlan and Kunduz in the North. The individual IIFCs would in turn provide working capital to member farmers (about 3,000) for investment in agricultural and livestock enterprises.

## INNOVATION

In response to difficult challenges, ACE became a center of innovation in the field of rural finance, where creativity, effectiveness in the delivery of services and efficiency in the use of USG resources met to produce meaningful outcomes.

Challenges faced from inception prompted ACE to innovate in three crucial areas: 1) Islamic finance, 2) Designing mechanisms to channel credit through non financial intermediaries, and 3) devise financial culturally acceptable financial products for women.

### ISLAMIC FINANCE

Since mid-2011, ACE designed and rolled out financial products that were compliant with the principles of Sharia. During 2012 ACE formalized the provision of Islamic financial products, a significant undertaking that included:

Firstly, the identification of five transaction structures that meet the requirements for agriculture finance, are free of interest and, equally importantly, abide by the fundamental principles of Sharia such as openness, transparency, and fairness. These structures were subsequently translated into highly standardized client documentation that is easy to understand for both the lending staff and clients.

Secondly ACE put in place a set of Policies and Procedures to ensure that not only the transactions, but also the processing of these transactions is compliant with the Sharia principles. During the same period, ACE actively engaged in the recruitment of an important organ of governance: the Sharia Advisory Board. Their role is to ensure that the product structures, policies, procedures and processes are designed to be Sharia compliant and remain so on an on-going basis. Following a protracted search, three Afghan individuals have been appointed one of whom is a representative of the Ministry of Hajj.

Their inaugural meeting took place on the 4th of July during which they approved the product structures. The Policies and Procedures were approved subsequently. In addition, ACE appointed an Islamic Finance Specialist.

As part of the operational readiness, an international Islamic Finance expert provided extensive training to Lending Officers as well as support departments,

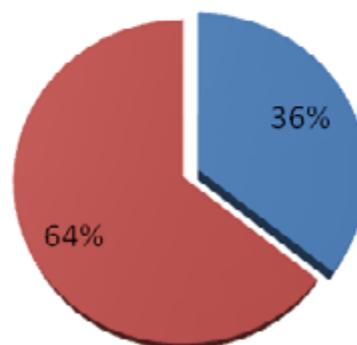
in all cases tailoring the curricula to the specific function of the trainees within the lending process.

At the end of October 2012, ACE can confidently say that it has a robust Islamic financial system which meets all the requirements and principles of Sharia.

Chart 1: ADF loans approved according to conventional lending and Islamic finance categories

## ADF Loans Approved in \$US

■ Sharia Lending ■ Conventional



“It’s our duty to assist the ADF Managing Board to ensure the integrity of its Islamic financial transactions, as well as the related processes and procedures certifying that they comply with the moral code and religious law of Islam.”

**Dr. Khuwajah Muhammad al-Esami**; Chairperson of ADF Sharia Advisory Board

## **CREDIT MANAGEMENT UNITS (CMUS)**

ACE devised the CMUs in response to the challenge posed by the absence of financial institutions interested in intermediating ACE/ADF funds, and the imperative of providing farmers with access to credit. The CMUs constitute a critical mechanism to use farmer associations, cooperatives and trade associations as conduits for credit understanding that those organizations typically lack knowledge and systems to administer lending programs.

In practice, the CMUs are a branch of the ADF housed within non financial institutions; since the CMUs are initially established through grants to the host organizations, the staff of the CMU are in fact their employees. The latter allows for the borrowing organization to assume the liability in case of mismanagement.

The CMUs have three fundamental functions: a) credit appraisal, b) disbursement, and c) collection. The “CMU package” provided by ACE includes trained personnel, basic equipment, credit administration software and close supervision. While the grants cover the majority of the operation costs of the CMUs during the term of loan, it is expected that a large proportion of borrowers will assimilate the CMUs within their structures, which will enable them to apply for loans from other financial institutions.

The typical CMU includes 3-4 employees from the same communities in which the intermediary institution operates, thereby banking on social capital and local knowledge. Until now, ACE has been effectively using the ADF Challenge grants to partially fund the CMUs for non-financial intermediaries such as the Afghanistan National Seed Organization (ANSOR),

the Eastern Region Fruit Growers Association (ERFGA), and the Afghanistan Almond Industry Development Organization (AAIDO). A variant of the CMU operates in Bamyan province, managing the loans provided to 28 cooperatives and soon ACE will establish another at the Farm Service Center Association of Afghanistan (FSCAA). To date, CMUs have allowed ACE to provide credit to 9,500 farmers, which makes of this innovation a key determinant in the success of the project and the ADF.

## **LENDING TO WOMEN**

In most countries lending to women is not only possible but preferable; there are numerous success stories supporting the notion that women are more responsible borrowers. There is also evidence that credit provided to women have greater impact at the household level. Unfortunately from inception ACE was confronted with 2 compounding challenges; by design, the ACE program has the mandate to lend to small commercial farmers (with farm holdings between 1 and 30 hectares), which de facto excluded the majority of Afghan women from applying for ACE/ADF loans. The other challenging factor was that it is highly unusual from Afghan women to own assets that could be used to guarantee a loan. Furthermore cultural norms typically prevent women from working outside the household, which limits their ability to engage in income generating activities related to agriculture.

For the team implementing the ACE program, incorporating women to its pool of clients constitutes much more than a contractual requirement. It is a uncompromising commitment to enable women to participate in and benefit from economic development; this is consistent with their their constitutional rights and the moral imperative of giving women access to opportunities.

On these premises ACE followed a dual approach looking at the immediate and the medium term:

Designed and launched Zahra, a Sharia compliant financial product to cater specifically to women farmers and agribusiness entrepreneurs. Adapted from the name of Prophet Muhammad's daughter, Saidatina Fatima Az Zahra, Zahra means "the shining one". This financial product caters specifically for female agribusiness entrepreneurs, already operating medium-scale enterprises, individually or in groups. This will ensure the provision of support to strengthen already existing agribusinesses, rather than investing in start ups. The main subsectors of focus are annual and perennial horticulture, livestock husbandry and agro-processing. The loans will be managed by a financial institution under a special set of incentives and under a risk-sharing agreement not known to the borrowers. ACE piloted this product with 2 intermediaries on-lend to 135 women and by supporting agribusinesses are also providing market for produce of and additional 2000 women.

### **INNOVATION – CREDIT CARDS FOR AFGHAN FARMERS**

Farm stores have traditionally provided trade credit to farmers based on a system largely grounded on social capital; this is a scheme that has proven effective supplying farmers with agricultural inputs and collecting payment at the end of the harvest season. In the last 2 years ACE provided loans to 4 farm stores to build on this system as a way to expand the number of farmers receiving trade credit. These loans fully guaranteed by the farm stores have had a positive impact on sales of agricultural inputs,

as well as on farm output as farmers are able to apply fertilizers and agro-chemicals in the right amounts and at the right times. However, farm store owners keep the accounts in books, which not only provide limited accuracy, but become increasingly labor intensive as new farmers are added to the scheme.

As a way to 'formalize' the credit relationship between farmers and farm stores, upgrade the management of their credit portfolio and brand the system, ACE introduced and is currently piloting a credit card system that would allow farmers to purchase their inputs on credit up to a pre-established limit determined by the store owner. This is similar to the store cards issued by large retailers in western countries, which with time evolved into major credit cards.

The system uses smart cards, equipped with chips that only require to be inserted into a card reader at the time of the transaction, allowing for credits, debits and balance to be kept in both the card's chip and the computer at the store. By not requiring internet connectivity the system is easy to operate, has low cost and allows the farm stores to keep accurate records.

The pilot phase with 400 farmers will take place between November 2012 and February 2013, allowing ACE to identify and address any operational issues before the formal rollout of the "farmer Card" at the end of February. By April 2013 4,000 farmers will be using credit cards to purchase their inputs. This will have a direct and positive impact on the sales volumes of farm stores, while also providing farmers with a simple and reliable system to access credit.

## GENDER ACTIVITIES

Integrating women to economic development is a particularly challenging proposition in Afghanistan, where a mix of cultural and religious factors have prevented women from having access to education, and from working outside the household. On the other hand this vicious circle will only be broken when women have access to opportunities in the form of education, jobs and income generating activities.

ACE is serious about ensuring that women have access to well paying jobs within the organization, and also have access to credit. However, rather than providing women with token benefits, the project seeks for ways to recruit the brightest and provides them with world class training, mentorship and provides them with opportunities to thrive. From the business perspective, the project developed ways to lend to women which are already having a positive impact.

Within this context, ACE's Gender Program has three fundamental objectives: a) ensuring that ACE and consequently the ADF provide equal professional development opportunities to men and women, b) finding ways to provide credit to women, and c) encouraging clients to adhere to basic principles of gender equality.

ACE has around 20 female staff, most of which serve in support roles, however during the last year the project made substantial progress incorporating women in technical roles within the organization. As expected, this is a challenging undertaking as very few women have the technical skills required, cultural norms often prevent them from interacting with male clients and they are typically not allowed to travel outside the city. The latter a key requirement to conduct loan appraisals.

Even within these constraints, in the last few months ACE filled 7 mid-level and senior level positions with female professionals.

### Women in technical positions

Number	Position
2	Lending Officer
1	Customer Service Officer
1	Value Chain Specialist
1	IT Specialist
1	Gender Manager
1	Finance Specialist

In addition to this, ACE has a women professional development program that is currently providing support to female employees in the pursuit of educational opportunities. As a result of this, an employee applied to the Fulbright Scholars' program, three applied for admission at the American University and three are enrolled in continuing education training.

In the business side, ACE program is continually engaged in finding ways to make agricultural credit accessible to women across Afghanistan. Despite the difficulties ACE succeeded in providing ADF loans to four women-owned enterprises during 2012 in Herat, Balkh, Takhar and Bamyan worth over \$685,000. Another example of ACE's commitment is 'Zahra' an Islamic financial product for women, which is being piloted and will soon be adopted by a financial intermediary.

Through field visits and Agricultural Credits Shuras for women entrepreneurs, the team has identified several female borrower prospects for the following year which include:

- The Herat Capable Women Association is interested in an \$187,000 loan to expand their food processing business.
- The Fine Food Factory is owned by two female Afghan entrepreneurs, located in Dashte Barchi of Kabul province. The company produces a large selection of breads, pastries and other baked goods for local grocery stores and restaurants. The company is requesting \$120,000 to purchase modern equipment necessary for the expansion of the business.
- The Azadah Saffron Association requested an ADF loan of \$166,000; Afghan Women Saffron Association--a returning client--\$198,000; Ghowhar Shad - \$253,000.

The three associations are members of the larger Bastan Saffron Shura, and are interested in expanding their businesses through ADF loans.

- The Afghan Worker Women Association which operates in Daikundi, Bamyan and Uruzgan and represents beekeepers is interested in an ADF loan next year. The expression of interest is in its early stages.
- Firdous Bareen Food Production Company in Jalalabad is requesting a loan of \$100,000 to purchase raw materials from local producers. The company produces porridge from wheat and is run by a group of women.

In addition, the team continues providing support to its existing female clients with technical assistance and small grants. In July 2012, ACE organized a three-day study tour for the Rabia Maryam Handicraft Company, which is involved in producing silk garments and cloths such as scarves, shawls and turbans, to the silk capital of Bangalore in India. The purpose of the trip was to assist the company in the identification and procurement of silk processing machinery.

ACE is organizing a training program on gender for 100 ADF clients in Herat, Mazar-e-Sharif, Jalalabad, and Kabul Provinces, with the purpose of increasing gender awareness and encouraging the incorporation of women as workers and suppliers of raw material. This activity will be subcontracted to a local company. Also, the team designed a Capacity Building Program for women cooperatives which will be supported through a grant to Hand in Hand Afghanistan (HiH-AF). The purpose of the activity is to facilitate a mentoring program, which includes a visit to women cooperatives in India.



*I always dreamed with an important job that would allow me to do things that really mattered for my country. I feel, and I am a successful professional!*

Eng. Nilab Akrami graduated with a Bachelor in Computer Science from University of Pune, in India in 2010. In 2011 she joined ACE as Market Information Systems Specialist, assisting in the implementation of PAYWAND, a repository of agricultural data recently handed over to the Ministry of Agriculture, Irrigation and Livestock.

In 2012 Eng. Akrami was promoted to IT Specialist; as such she is the person responsible for the operation and maintenance of over 100 personal computers, 2 email servers, a long-distance wireless connectivity system and VOIP communications.

Different from the traditional project IT manager, Nilab is responsible for giving maintenance to the ADF Credit Administration system, which constitutes the “brain” of the ADF centralizing all accounting records, and is also leading groundbreaking projects, such as the credit card program which will revolutionize the delivery of credit to Afghan farmers.

Once the participants return to their respected provinces, they will receive periodic on-site mentoring and guidance from the host agency in India. The expected outcome is to upgrade women cooperatives to a level in which they can become ADF clients.

## **INTERNAL AUDIT AND COMPLIANCE**

The Audit and Compliance unit plays a crucial role in ensuring the transparency and integrity of ADF lending operations while guaranteeing compliance with current policies and procedures and reducing probabilities of corruption.

As the ACE/ADF operations consolidate, the Audit Unit continues to have a stronger focus on the post-disbursement audits for ADF clients.

The purpose of these assessments is to ensure that the utilization of the loan proceeds is in line with the business plans on which the loans were approved. During the past year, the team produced 23 post-disbursement audit reports.

Given the increasing importance of Islamic Finance within the context of the ADF, the Internal Audit Unit was tasked with drafting the Internal Audit Manual for Sharia Compliant products. The manual summarizes the operations of the internal audit functions of ADF related to Sharia Compliant Audit and defines the policies, and standard operating procedures which will govern the internal audit function. The audit reports of Islamic loans will be presented to ACE management and to the ADF Sharia Advisory Board for further action.

## COMPONENT 2:

# AGRICULTURAL MODERNIZATION AND VALUE CHAIN DEVELOPMENT

The Agricultural Modernization and Value Chain Development component fulfills a dual and crucial role in the provision of agricultural credit. On the one hand it assesses the technical feasibility of business plans and on the other it provides technical assistance to borrowers, improving the likelihood of success of their business operations.

### **TECHNICAL ASSESSMENT OF LOAN APPLICATIONS**

Lending to the agricultural sector in the context of Afghanistan where productivity is typically low, price of inputs is higher than in neighboring countries and agricultural markets are not fully mature, requires strong agricultural expertise when processing loan applications. The ADF approach is incrementally showing the commercial banking sector that despite the risk related to agriculture, agricultural credit is promising, continuing to grow, and can be a responsible financial market.

To achieve this, ACE relied heavily on sound and meticulous assessment of the technical feasibility of loan applications, while providing technical assistance in production, processing, sales and marketing to ADF borrowers.

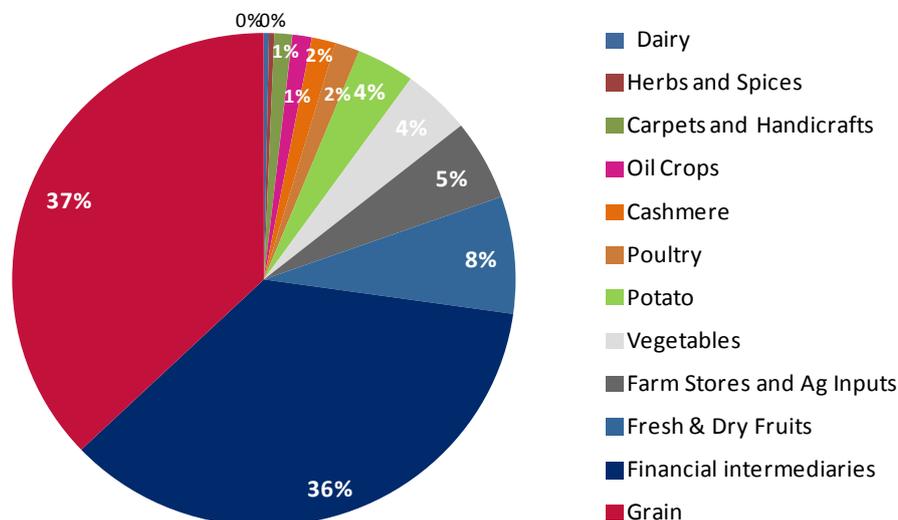
During FY2012, the Value Chain Unit reviewed over 70 credit cases and provided technical input while ensuring compliance with environmental management requirements stipulated by USAID. For this and for other purposes, ACE coordinates with other USAID-funded projects such as IDEA-NEW, CHAMP, FAIDA, as well as with development initiatives funded by other donors.

ACE mobilizes agricultural credit through agribusinesses, as well as financial and non-financial intermediaries. In terms of value chain categories, at this point, the largest credit volume has gone towards 1) the grain sector (US \$17,071,047), 2) financial intermediaries such as AGF and IIFC for agricultural leasing and crop production (US \$16,414,027), 3)

fresh and dry fruit (US \$3,525,865), a good amount of which goes to export and 4) agricultural inputs, primarily through farm stores (US \$2,423,790).

Chart 2: ADF loans by VC category

### \$ Loans Approved by Category



A recent internal impact evaluation confirmed the impact of the loans made through farm stores, CMUs and farmers' organization in terms of diminishing reliance on informal money lending sources and increasing scale in production and creating opportunities for processors and traders to meet national and regional markets with a stronger business approach in quality and volume. Without ADF loans to the dry fruit and nuts industry, the market opportunities in India, the Gulf region, Turkey and Russia would have been outside the radius of action of Afghan companies. These facts underscore the importance of looking at the provision of finance from the value chain perspective, identifying the value chains and the nodes in which credit can result in maximum output. Essentially this is what is enabling the ACE program to make the best possible use of USG resources, produce tangible outcomes and effectively contribute to economic growth and stability in Afghanistan.

### TRADE PROMOTION

Participation in trade promotion activities is one of several ways in which ACE supports its clients, based on the premise that developing new products, establishing new trade relationships and expanding domestic and exports sales will help their businesses grow. This also has proven to have a direct and positive effect on the repayment ability of borrowers.

By the end of fiscal year 2012, ACE had facilitated the participation of ACE clients in 10 trade facilitation events, out of which 4 were national and 6 international. The project sponsored the participation of 60 clients and potential clients in agricultural trade fairs in India, UAE, Russia, Azerbaijan and Turkey, and sponsored the design and construction of Afghanistan themed booths in all the exhibitions. In FY2012, ACE clients participated in the Indian International Trade Fair (IITF) 2011, the Moscow 15th International Exhibition, the World Food Azerbaijan

Exhibition, and the Ingredients Turkey Exhibition organized in Istanbul. These events provided excellent opportunities for Afghan companies to showcase their products, discuss potential deals, and make new business contacts. In addition, the participants had an excellent opportunity to see how other international companies do business, how they exhibit and promote their products and gain better understanding of grades and standards, as well as import-export procedures.

In addition, since the beginning of the project, ACE has supported four national agricultural trade fairs on farmer's day in Jalalabad and Kabul, and for two consecutive years, the Business Fair in Mazar. All these events were organized in coordination with MAIL and other governmental bodies such as the Afghanistan Chamber of Commerce and Industry in Mazar-e-Sharif. These events were attended by thousands of farmers and contributed to the promotion of excellence in Afghan agriculture.

Table 1: International Trade Fairs supported by ACE during FY 2012

No.	Trade Fair	City /Country	# of Afghan Participants
1	Indian International Trade Fair (IITF) 2011	New Delhi, India	28
2	Moscow 15th International Exhibition	Moscow, Russia	8
3	World Food Azerbaijan	Baku, Azerbaijan	10
4	Ingredients Turkey Exhibition	Istanbul, Turkey	14

The Agricultural Fair organized by MAIL on Farmers' Day is one of the largest and most important agricultural trade events in the country. In preparation for this event, ACE launched a nationwide campaign to identify and reward farmers, agro processors and traders that exemplify innovation in different value chains. The selection committee included other USAID-funded agricultural projects.

Seventeen commercial scale farmers received the Best Commercial Farmer Award for their progressive approach to agricultural production, the use of advanced production practices and for inspiring their communities.

Four companies from Herat, Balkh, Nangarhar and the Central Region received the 'Best Value-Adding Company' Award. All the awards were delivered by the Minister of MAIL, H.E. Mohammad Asif Rahimi. The winners received prizes, certificates and a package of agricultural tools, seeds and fertilizers.

Through activities like this, ACE rewards innovation in agriculture at different levels, capitalizing on the power of public recognition and striving to motivate other farmers and agribusinesses.



*“We’re proud to honor these entrepreneurs through ADF’s Best Performance in Agriculture Awards that pay tribute to their determination, creativity, and success not only in their own business but also to the development of Afghan Agriculture.”*

Muhammad Asif Rahimi  
Minister of Agriculture, Irrigation and Livestock

*“This prize, handed over by a representative of my government is a source of pride and satisfaction”*

**Abdul Qadir**  
Commercial farmer from  
Herat province

ACE is working closely with MAIL to support the organization of the Kabul Ag-Fair that will take place on November 7-9, 2012. ACE afghan specialists will deliver presentations on value chain interventions to agribusiness entrepreneurs and MAIL/DAIL officials. The project is also assisting MAIL to produce a list of international businesses that will be invited to attend the Kabul Ag-Fair and will participate in business roundtables.

### **BUILDING THE CAPACITY OF MAIL IN VALUE CHAIN ANALYSIS**

Instead of mobilizing a team of expatriate consultants to conduct

West: Saffron, Raisins, and Pistachio  
North: Yellow Melons, Cotton, Wheat, and Almonds;  
East: Onions, Rice, Citrus Fruits, and Honey;  
Central: Fresh Grapes, Potatoes, Apples, and Pomegranates

The participants received a customized Value Chain Analysis and Development Toolkit in Dari, which contains an analytical framework and checklists to assist the MAIL officials to conduct their respective value chain studies in the field. The toolkit also included a proposed outline of the value chain reports to ensure standardization and comparability.

After the formal classroom training of one week, the MAIL trainees went to conduct field research on individual value chains. The trainees traveled to various districts and conducted hundreds of interviews with input suppliers, producers, traders, processors, wholesalers, retailers and providers of support services.

To assist with reviewing and providing feedback on the first draft of the value chain studies in the national language,

value chain analyses of priority crops, ACE made the strategic decision to strengthen the capacity of MAIL officials to progressively play a greater role in the agricultural policy making process. To achieve this, the project designed a three-month training and mentorship program on Value Chain Analysis which started on April 8 and was completed on July 1st with the graduation of 14 value chain specialists from regional DAIL offices. The course curriculum covered value chain selection, data collection, and analysis to produce descriptive and prescriptive knowledge to improve the efficiency and competitiveness of agricultural value chains.

and also to build Afghan ownership on the final products, ACE established a Value Chain Review Advisory Group comprised of agricultural economics and marketing professors from Afghan universities, as well as representatives of private sector and civil society. The advisory group met with the trainees in two occasions to provide feedback and strengthen the reports.

By early July, the 14 value chain analysis reports were completed and presented during the graduation ceremony. The value chain studies are already uploaded in PAYWAND website at: <http://paywand.mail.gov.af/en/page/7485>. This development constitutes an important milestone of ACE/ADF in building the capacity of MAIL officials and progressively reduce the need for international advisors.

## VALUE CHAIN WORKSHOPS; GENERATING INPUT FOR BUSINESS AND POLICY DECISIONS

To identify the key issues and constraints which hinder the growth and competitiveness of key various value chains, ACE since its inception has conducted crop-specific value chain workshops and meetings, conducted in several regions. Since 2010 ACE has had carried out nine of such events, 4 of which took place during the reporting period. They include: The value chain workshops have proven to be an effective method of addressing the needs of the value

chain actors operating in different industries and to include small scale agribusiness companies and farmers in the rural areas. The outcomes include the identification of intrinsic issues limiting the competitiveness and consequently the growth of the value chains, and the prioritization of prescriptive measures, which include technological, organizational and policy actions. The reports are later shared with the participants in the workshops and with MAIL and other development projects, as a way to produce crop-specific action plans.

Table 2: Value Chain Workshops organized by ACE in FY 2012

Province	Value Chain	Activity Title
Herat	Saffron	Saffron Value Chain and Policy Workshop
Balkh	Edible Oil	Edible Oil Value Chain Workshop
Nangarhar	Agricultural Machinery	Marketing workshop for wheat threshers and ag machinery
Kandahar	Pomegranate	Pomegranate Value Chain and Market Information Workshop

## ACE AGRICULTURAL MODERNIZATION GRANTS

The technical support that ACE provides to clients often includes “Value Chain Modernization Grants” to address specific constraints that prevent the borrowers from realizing their growth potential. The use of grants include the introduction of technological innovations, including food safety systems, as well as market development activities. Of the Agricultural modernization grants approved in the last year, four grants were used to support the participation of ADF clients in the international exhibitions, whereas the grant to Hand In Hand Afghanistan aims at upgrading the capacity of women cooperatives to enable them to eventually become ADF clients. Seven grants have been awarded to current ADF borrowers to assist

them to penetrate new markets, develop and support their marketing strategies, improve the efficiency of their operations and increase productivity. Grants also allow for the modernization of processing facilities through the introduction of high-tech equipment. ACE has made and will continue making every possible effort to manage USG funds efficiently; project management has strict criteria for the determination of the specific nodes of the value chain in which grants funds are necessary and can result in positive returns for the recipients, but most importantly for the value chain as a whole. This has resulted in lower than expected outflow of Value Chain Modernization grants, which will allow ACE to benefit a larger number of companies and value chains, while providing continued support to ADF clients throughout the life of the project.

Table 3: Agricultural Modernization Grants approved in FY2012

No	Company	Province/ Country	Grant Purpose	Approved Amount \$	Disbursed Amount \$
1	PACE Group Client sensitive information	Kabul & New Delhi, India	31st India International Trade Fair (IITF) participation	\$124,160.00	\$124,160.00
2		Uzbekistan & Azerbaijan	7th Uzbekistan International Exhibi- tion & 18th Azerbaijan International Foods Exhibition Participation	\$149,824.30	\$80,845.00
3		Kabul	15th Annual Ingredients Russia Exhi- bition Participation	\$46,220.00	\$38,507.27
4		Nangarhar	Extend the market of Javid Afghan Threshers to reach out new prov- inces in Afghanistan.	\$120,100.00	\$35,100.00
5		Herat	To support marketing activities of the association.	\$45,800.00	\$2,800.00
6		Kabul & Istanbul	Ingredient Turkey exhibition partici- pation.	\$92,540.00	\$83,286.00
7		Nangarhar	To improve the efficiency and safety of their processing line.	\$35,850.00	0.00
8		Kabul	To install and test a high tech green- house model, establish a grading and packing facility and introduce food safety standards.	\$22,810.00	0.00
9		Nangarhar	Increase the productive capacity of the processing line and put in place a series of food safety measures.	\$27,400.00	0.00
10		Kabul/India	Exposure Visit and Training of Afghan Women Cooperatives	\$94,030.00	0.00
11		Kabul	Provision of Training and Technical Assistance in Support of Soybean program.	\$50,750.00	0.00
12		Nangarhar	Provision of modern processing equipment and marketing assistance.	\$34,000.00	0.00
<b>TOTAL</b>				<b>\$ 843,484</b>	<b>\$ 364,698</b>



### COMPONENT 3:

# COORDINATION AND KNOWLEDGE MANAGEMENT

The Knowledge Management Component has 4 key components: a) the establishment of a knowledge management facility within MAIL, b) Communications and outreach regarding ADF financial services, c) Capacity building, and d) Monitoring and Evaluation

In November 2011, ACE in close collaboration with MAIL launched PAYWAND, the Agricultural Knowledge Management Facility. The purpose of the facility is threefold: 1) establish a repository of a variety of agriculture data collected by various agencies and organizations; 2) produce periodic publications and ad-hoc reports; and 3) disseminate agricultural information as market intelligence in formats usable and accessible to different audiences. Since November 2011, PAYWAND is accessible online where users can customize data, download reports, studies and a variety of agricultural publications. The website operates under the umbrella of the Afghanistan National Data Center and is available at [www.paywand.mail.gov.af](http://www.paywand.mail.gov.af).

In 2012, ACE published four Quarterly Agricultural Trade Reports for Afghanistan, aiming at closing the information gap that has limited the ability of policy makers and agribusiness entrepreneurs to make informed decisions.

Each report integrates thorough analysis of Afghanistan's import and export statistics. The reports focus on the quarterly and annual trends of trade values for agricultural commodities, comparing them to the country's overall trade.

Since the launch of the Knowledge Management Facility, ACE worked closely with the MIS department at MAIL drafting a transition plan for PAYWAND. On April 8, 2012, ACE and MAIL signed a Memorandum of Understanding for the transition of PAYWAND to MAIL which constituted an important milestone in the history of the project, which delivers on Task 10 of the ACE contract. During the reporting year, ACE also finalized the production of crop calendars for wheat, corn and rice. The wheat calendar contains information about wheat stages, from land preparation to harvesting, at the provincial level. These calendars constitute a 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 output of this activity will consist of 21 provincial calendars for wheat, six provincial calendars for corn and five for rice. Each calendar represents the growth stages for most micro climates found in the area as well as for irrigated and rain fed production systems. The raw data was collected by data collectors of the Agromet project following a bi-monthly schedule. To ensure the sustainability of Knowledge Management Facility, ACE trained the MAIL/MIS staff on database management and maintenance focusing on Relational Database Management Systems and MS Access database operations. The project also organized a study tour to Ghana for three MAIL/MIS key personnel who would take over the PAYWAND operations. The team visited two successful market information systems, the Mfarms and ESOKO, which are initiatives similar to PAYWAND. The Afghan team gained experience on the operation of market information systems, raising donor and private sector funds, and using mobile technology applications.

In addition, ACE held a four week training course on Data Analysis and Economic Writing for two groups with participants from MAIL, ACE and the Agromet project. 17 participants successfully graduated from the training course, acquiring knowledge on data analysis using SPSS and STATA, data interpretation and presentation of the findings in structured economic reports and PowerPoint presentations.

This package of comprehensive and well-thought through capacity building activities paved the way towards a smooth transition for PAYWAND from ACE to the MAIL/MIS Department. This led to a final hand over of the PAYWAND database to MAIL on September 23, as envisioned in the transition plan agreed upon in 2011. The PAYWAND database is by far the largest repository of agricultural data for Afghanistan, with data accessible through several media, including an interactive website which will be fully operated by the MAIL, MIS department in the future.

### **From the ACE Task Order...**

Task Ten: Knowledge Management – The Contractor will establish a knowledge management facility that builds an accessible repository of information regarding Afghanistan’s agricultural sector, specific value chains, market opportunities, sources of agricultural credit and other related topics.



## COMMUNICATIONS AND OUTREACH

ACE has a comprehensive communications strategy that aims at: a) raising awareness of potential clients regarding the financial services available from ACE/ADF, b) liaising with MAIL to communicate the achievements of ADF, and c) managing the expectations of development organizations with regards to the commercial nature of ADF loans.

ACE's main communication and outreach tool to generate public awareness of ADF opportunities among the agricultural entrepreneurs, farmer organizations and governmental institutions is the agricultural credit Shuras. In 2012, ACE held 28 agricultural credit Shuras in collaboration with PRTs, USAID and provincial DAILs, with the participation of over 700 representatives of farmer associations and agribusiness entrepreneurs.

While expanding into a nation-wide program, ACE is currently taking prudent steps to expand its operations and lending activities in the remote regions and provinces where the security conditions are less stable. Within this context, ACE organized three agricultural credit Shuras in Kandahar on February 1, March 17 and March 24, 2012; three in Paktika on November 26, 2011, March 12, June 28; one in Kunduz on April 9; one in Helmand on September 4 and others in Farah, Faryab, Samangan, Takhar, Badakshan, Zabul and Ghazni. During these events several entrepreneurs expressed their interest in applying for ADF loans, some of which were already processed.

ACE also participated in a capacity building training session for female

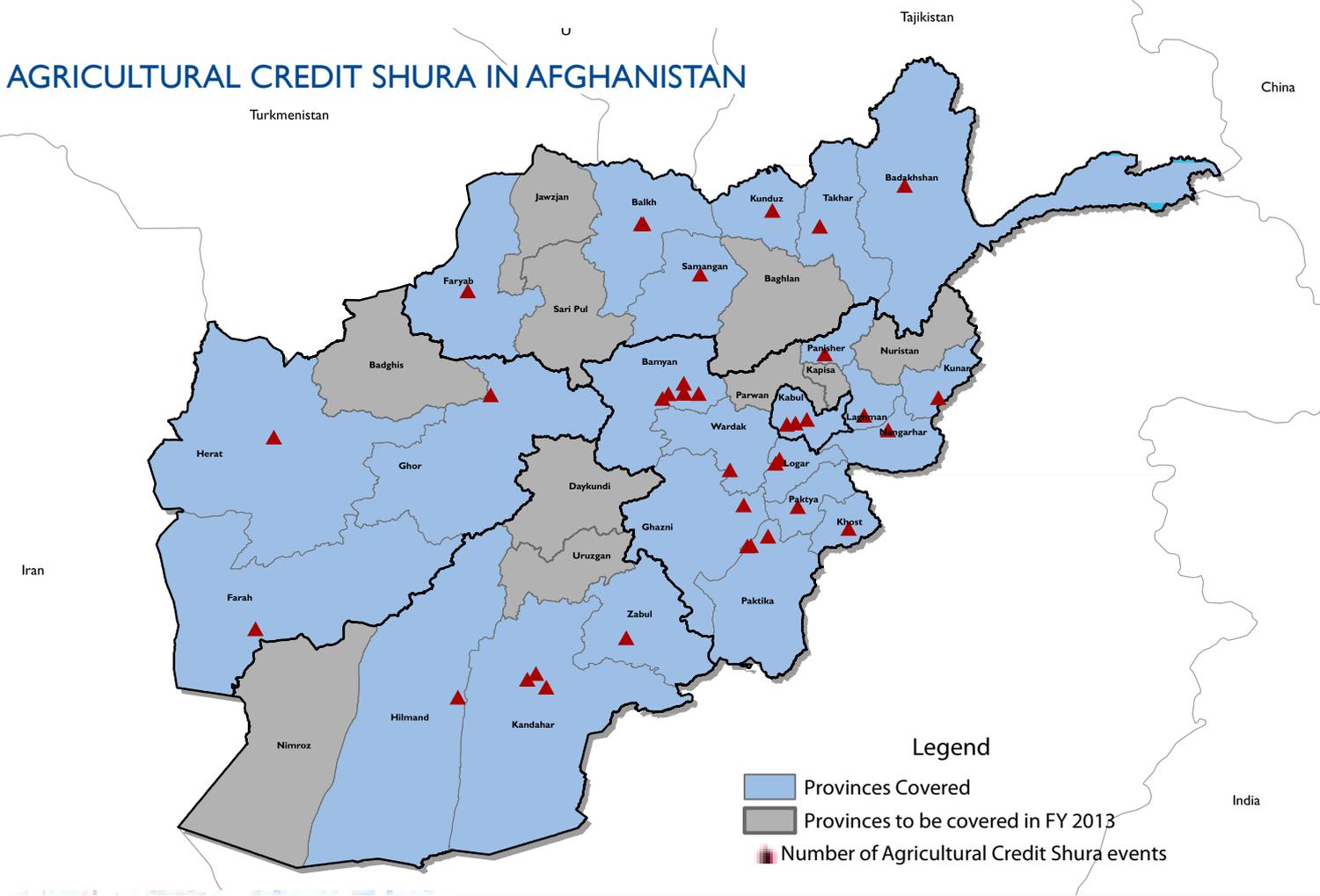
personnel organized by MAIL/Home Economics Department on June 27th to introduce the ADF and the lending opportunities for women. The purpose of the ADF presentation was to engage MAIL personnel in the identification of women owned businesses that could be eligible for ADF loans. Regional and national agricultural and business fairs also present excellent opportunities to generate awareness on the ADF. ACE sponsored the Mazar Business Fair which took place on April 15th. The activity provided an opportunity for the ADF and its clients to promote their businesses, as well as for the ADF to promote its lending products for the agricultural sector.

Throughout the year, ACE produced ADF monthly news briefs focusing on Sharia lending, specific client success stories, ADF loan disbursements, which surpassed 1 Billion Afghanis, the PAYWAND knowledge management facility, and Value Chain analysis training for MAIL among many others.

In addition the program prepared two promotional videos and conducted several photo sessions with a broad number of clients. This included client testimonies under the initiative, "A Word from our clients," in addition to a series of promotional posters distributed to MAIL and DAILs.

To reach out to larger audiences, ACE also published an advertisement on the ADF lending opportunities in the SAFI Airways in-flight magazine in the November-December 2012 issue. Additionally, the team printed large format ADF posters which are displayed at the new Embassy Air Terminal.

# AGRICULTURAL CREDIT SHURA IN AFGHANISTAN



## COMMUNICATIONS AND OUTREACH

ACE believes that investing in people is one of the crucial conditions for the sustainability of the ADF, for it will provide the future managers of the fund with the managerial and ethical principles to operate a high performing institution with integrity. Based on this premise, program is actively implementing a comprehensive training plan to ensure that the Afghan national team acquires the skills needed to manage the institution following the transition from ACE. As of early 2012, the local staff is progressively at the forefront of daily operations, assuming increasing responsibilities from expatriate advisors. However, within the context of the ADF, the project looks at the capacity

building needs from three perspectives: a) ADF staff, b) MAIL counterparts and c) partner organization staff (CMUs, etc). The second is particularly crucial as having competent MAIL counterparts is imperative for the proper management of the Fund. Rather than having ACE employees attend traditional training workshops, they take part in carefully designed training modules with practical components and strict evaluations.

To achieve this, during FY 2012, the project organized 18 training courses and one study tour for ACE, MAIL and its partner organizations. 174 participants attended and successfully graduated from these activities. Several members of the team participated in two or more training courses focused on different subjects. The main training topics included the following:

- 1) Credit Training and Islamic Finance (4 courses)
- 2) Credit Administration (Financial System-MicroBanker)
- 3) QuickBooks training for Credit Management Unit staff
- 4) Value Chain analysis (1)
- 5) Database development and management (2)
- 6) Dale Carnegie human relations training (5 courses)
- 7) Data Analysis and Economic Writing

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**Pallavi Jha**, Managing Director, Dale Carnegie Training India said:

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“We commend ADF for acknowledging the importance of people in building long-term success for institutions. Their priority in building a team of world-class professionals is truly long-sighted. Dale Carnegie Training India is proud to partner ADF in this journey towards building successful teams and long-term sustainability.”

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On August 15, 2012 the Agricultural Development Fund, celebrated the graduation of the first class of Dale Carnegie trainees in Afghanistan. The 10 day intensive training covered skills required by today’s executives, especially Communication Skills for Managers; Building Great Teams; and Creating an Executive Image that Wins Friends and Influences People, among others. The training program was delivered by Dale Carnegie India, the subsidiary of world renowned Dale Carnegie, founded in 1912. Dale Carnegie has evolved from one man’s belief in the power of personal development to a global workplace learning and performance organization with offices in over 80 countries, being recognized as one of the world’s most effective methods to improve the performance of teams and companies. The new graduates include eighteen members of the executive and technical teams of the ADF, including five female professionals. In December, ACE organized two training sessions in Dubai; a 6.5-day Credit Program and a two-day ADF Credit Committee Executive Program. The former was attended by eleven ADF lending officers and two MAIL officials and covered topics such

Financial Credit Analysis, cash flow analysis and projections, negotiations and loan work-out strategies. The purpose of the training was to enhance the skills of the ADF lending advisors to analyze the financial standing and business eligibility of the potential borrowers. The participants engaged in hands-on exercises and case studies tailored to their work domain in addition to learning generally accepted rules of lending and finance. The two-day executive training was attended by two MAIL officials, both members of the ADF Credit Committee. Since credit is the core of ACE’s technical operations, a second “Advanced Credit Training” for lending officers was held in July 2012. The course was designed to develop the capacities of the ADF lending advisors while actively building the loan portfolio. The training consisted of a combination of capacity assessment of individual trainees, classroom work, coaching, and on-the-job training. The on-the-job training ensured that theoretical knowledge and skills learned during classroom work are sustainable and appropriately applied in everyday situations. Eleven ACE lending officers attended and successfully graduated from this course.



# MONITORING & EVALUATION - ACE PROGRESS AGAINST TARGETS

Notwithstanding the political and legal obstacles that are currently preventing ACE from achieving the ADF registration and accessing the lending funds provided by the USG through on-budget assistance, ACE is showing remarkable impact. Even though the challenges hindered the project from delivering agricultural credit at the desired scale in terms of number of farmers, ACE is performing very well in all the other indicators, showing results through increased income for farm households, jobs created and increased export sales.

The M&E team continues to revamp monitoring activities by constantly improving the reported indicators and their verification process.

Overall, this has created a stronger, more rigorous set of impact data. Systematic data collection and analysis according to a pre-determined timeline is implemented rigorously and the PMP is updated periodically in coordination with USAID.

The Indicator Data Sheet in the next page portrays ACE's achievements against project targets. GIRoA's delays in registering the ADF as a standalone institution which caused the subsequent lack of funds for the ADF lending impaired the ability of the project to deliver in: 1) loans approved; 2) number of direct beneficiaries; and 3) ADF grants.

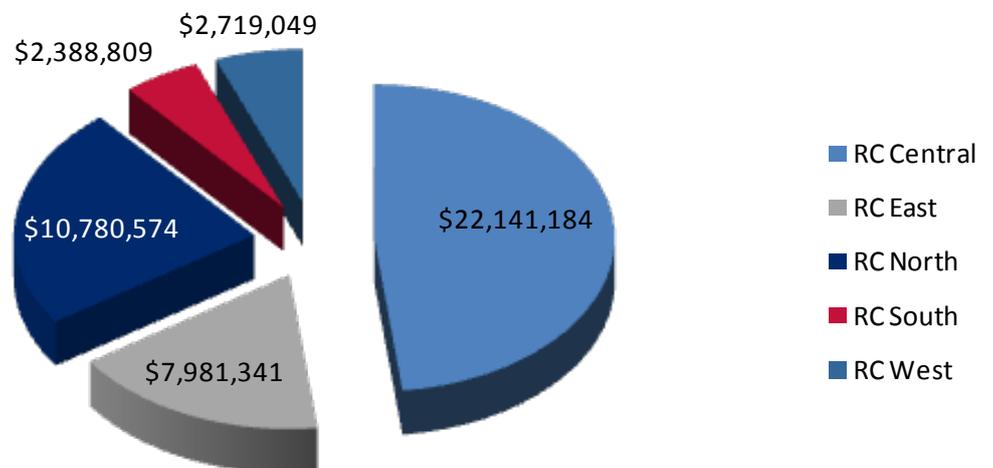
Table 4: ADF loans approved and disbursed by regional command

Region	Loan Approved (\$)	Loan Disbursed (\$)	Beneficiaries
RC Central	\$22,141,184	\$3,886,079	18
RC East	\$7,981,341	\$6,183,948	6,040
RC North	\$10,780,574	\$8,841,569	6,579
RC South	\$2,388,809	\$888,809	1,355
RC West	\$2,719,049	\$2,519,049	1,870
<b>Total</b>	<b>\$46,010,957</b>	<b>\$22,319,454</b>	<b>15,862</b>



Chart 3: Value of loans approved per Regional Command

### Value of Loans Approved US\$

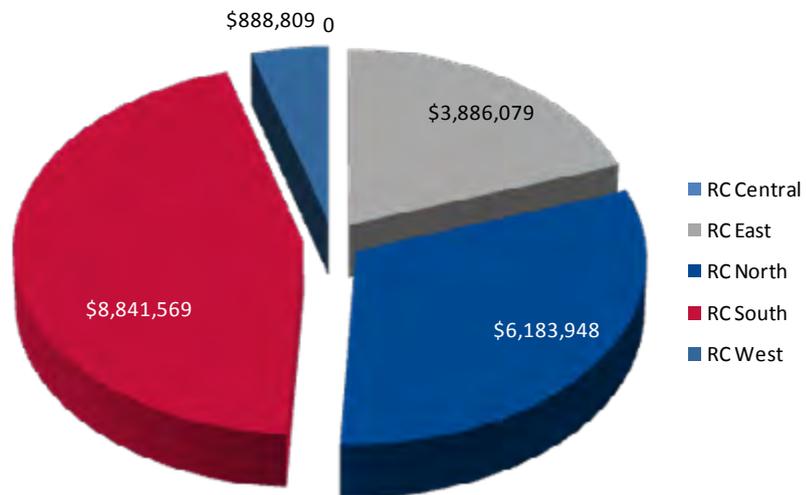


**Table 5: PERFORMANCE DATA FY2012**

<b>PMP INDICATOR</b>	<b>FY2011</b>	<b>Q1 FY2012</b>	<b>Q2 FY2012</b>	<b>Q3 FY2012</b>	<b>Q4 FY2012</b>	<b>Actual FY 2012</b>	<b>TARGET FY2012</b>	<b>%</b>	<b>Male</b>	<b>Female</b>
<b>1.1 Value of finance accessed through lending</b>	\$16,746,562	\$19,104,562	\$36,943,562	\$37,212,970	\$46,010,957	\$46,010,957	\$65,000,000	71%	\$45,325,957	\$685,000
<b>1.1- a Values of Loans Disbursed</b>	\$9,515,771	\$15,530,721	\$18,917,799	\$21,505,726	\$22,319,454	\$22,319,454	\$25,000,000	89%	\$22,164,454	\$297,996
<b>1.2 Number of individuals benefiting from financial agreement</b>	8,720	447	1,744	3,620	1,348	15,879	24,000	66%	15,733	146
<b>1.2 –a Number of individuals benefitting from ACE or ADF financial agreements/ Indirect</b>	94,162	3,362	277	3,410	500	101,711	48,000	212%	-	-
<b>1.3 Percent annual increase in household income by assisted direct beneficiaries</b>	-	-	-	-	56%	56%	10%	560%	-	-
<b>1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities</b>	171	242	180	122	140	856	500	171%	749	107
<b>2.1 Value of challenge/ innovation and agriculture modernization grants approved</b>	\$737,683	\$136,457	\$259,076	\$265,700	\$357,380	\$1,756,296	\$9,500,000	18%	\$1,592,475	\$163,821
<b>2.1- a Value of Challenge/Innovation (ADF) Grants</b>	\$4607,970	\$12,297	\$63,032	\$99,800	-	\$783,099	\$7,000,000	11%	\$759,108	\$23,991
<b>2.1 -b Value of Agricultural Modernization (ACE) grants approved</b>	\$129,713	\$124,160	\$196,044	\$165,900	\$357,380	\$973,197	\$2,500,000	39%	\$833,367	\$139,830
<b>2.2 Number of participating Financial Intermediaries and Private Intermediaries on-lending funds from ADF</b>	14	2	27	2	5	50	19	242%	47	3
<b>2.3 Number of innovative lending products established by Private Intermediaries (IRs) and Financial Intermediaries (IRs)</b>	3	1	1	4	-	9	4	225%	-	-
<b>2.4 Percentage of loan losses resulting from ACE lending recommendations</b>	-	-	-	-	-	1.32%	<5%	100%	-	-
<b>3.1 Percentage change in value of exports of Afghanistan agricultural products for firms supported by ACE</b>	-	-	-	-	61%	61%	10%	610%	-	-
<b>3.2 : Number of loans approved under USAID's Development Credit Authority (DCA) mechanism</b>	-	-	-	-	-	-	1	-	-	-
<b>3.3 Number of public-private partnerships formed as a result of USG assistance (including GDAs)</b>	-	-	-	-	-	0	0	-	-	-
<b>4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information systems</b>	15	19	1	55	99	189	60	315%	175	14
<b>4.2 Number of person hours of training; including formal and practical training and technical visits</b>	74	127	20	173	131	525	320	164%	-	-
<b>5.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector while addressing the value chain constraints</b>	5	1	1	1	1	9	10	90%	-	-
<b>5.2 Number of market information and market intelligence products created and disseminated by the established Knowledge Management Unit</b>	13	3	3	1	5	25	25	100%	-	-

Chart 4: ADF loans disbursed per Regional Command.

### Value of Loans Disbursed US\$

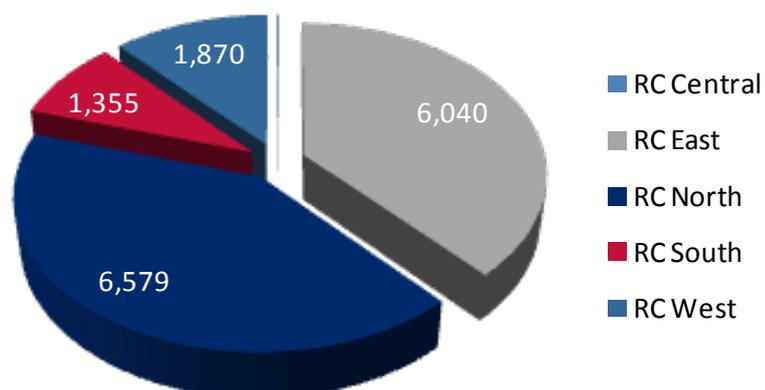


**Indicator 1.2** - Number of individuals benefiting from financial agreement.

As shown in the table No. 4, the total number of direct beneficiaries is 15,862 farmers. By indicator definition, ACE counts the agribusinesses (a total of 17) not engaged in on-lending towards this indicator. Therefore, the total number of direct beneficiaries is 15,879. Taking into consideration the loans awaiting disbursement and the ones in the pipeline, ACE could reach as many as 30,000 direct beneficiaries across the country in the next quarter if ADF funds are available for lending.

Chart 5: ADF farmer beneficiaries per Regional Command.

### Direct Beneficiaries per Regional Command



In FY 2011, ACE reported 8,708 direct farmer beneficiaries of which 5,950 benefited from advance payment arrangements with their non-financial intermediaries, particularly ANSOR seed enterprises and farm service centers. For this reason, ACE focused on conducting baseline assessments for the farmers who directly benefited from cash or an in-kind loan from the ADF. These intermediaries are: Eastern Region Fruit Growers' Association (EFGA) (1,845 beneficiaries), AAIDO (212 beneficiaries); Bamyán Cooperatives (382 beneficiaries); and the IFC Group (319 beneficiaries in 2011; 1,137 beneficiaries in 2012). For both baselines and impact surveys, to achieve a normal distribution, ACE randomly selected a district level-stratified sample of 5-10 percent.

ACE adopted the following approach to measuring household income for farmer direct beneficiaries:

In this case % changes in income =  $[(52\% * 73) + (72\% * 163) + (42\% * 49) + (37\% * 91)] / 376$ . The weighted average is 56%.

Intermediary / ADF Client	Size of Sample (# farmers)	% change in income
Bamyán	73	52%
EFGA	163	72%
AAIDO	49	42%
IIFC Group	91	37%
<b>Total no of farmers</b>	<b>376</b>	

In general, ADF financing is expanding the rate at which higher and better access to soil fertility and pest control technology is being spread to increase the productivity of major crops. Around the world the effect of increased inputs on productivity has been documented from 10% to up to 200% for similar crops and under special conditions.

Income = Revenues – Cost of Production. While potato farmers in Bamyán used the fertilizers on ADF credit for potato cultivation only, members of the IIFC Group and EFGA in the Eastern Region used it for the cultivation of as many as 25 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:

% change in income =  $[(\% \text{ change in income for Bamyán cooperatives} * \text{no of farmers}) + (\% \text{ change in income for EFGA farmers} * \text{no of farmers}) + (\% \text{ change in income for AAIDO farmers} * \text{no of farmers}) + (\% \text{ change in income for IIFC farmers} * \text{no of farmers})] / \text{total number of farmers}$ .

This increase in productivity and the opportunity to sell is leading to an average 56 percent increase in household income. This gain is remarkable and above the target set by the PMP of 10%.

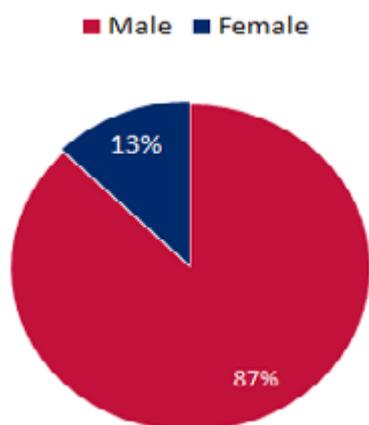
**Indicator I.4** Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities.

Only in the last quarter, the project created 140 jobs (in FTEs) of which 75.6 full time, 3 part-time jobs and 61.7 seasonal jobs.

Up until now, ACE has created 856 jobs, 107 of which employ women. The chart below shows the percentage of jobs created for women and men; as well as jobs per category.

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

### Gender-based Jobs



### Jobs in FTE created

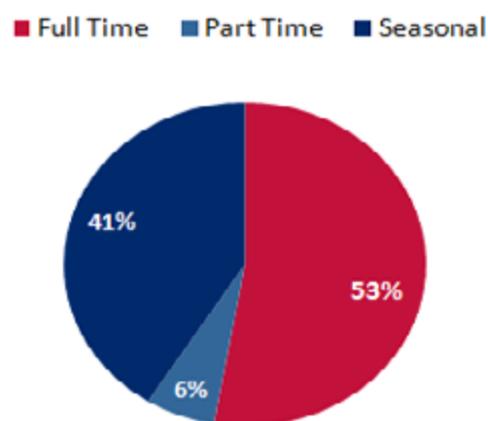


Table 7: ACE and ADF grants approved and disbursed since inception

Grants	Approved	Disbursed
ACE Agricultural Modernization Grants	\$ 973,197	\$ 483,973
ADF Challenge Grants	\$ 747,973	\$ 303,531
ADF Innovation Grants	\$ 35,126	\$ 27,926
ADF Challenge & Innovation	\$ 783,099	\$ 331,457
<b>TOTAL GRANTS</b>	<b>\$ 1,756,297</b>	<b>\$ 815,431</b>

**Indicator 2.1** - Value of challenge/innovation and agriculture modernization grants approved. In 2012, to support the ADF clients with value chain technical assistance and due to the unavailability of ADF funds, ACE approved 14 ACE modernization grants against only two ADF Challenge grants.

**Indicator 2.2** - Number of participating Financial Intermediaries and Private Intermediaries on-lending funds from ADF. In the last quarter, ACE added five new non-financial participating intermediaries, two of

which, Ghulghula Agricultural and Livestock Cooperative in Bamyan and Takhar Trader Women Social Organization, will provide on-lending to women farmers. The Kapisa Farm Service Center, Sayed Ahmad Khushakyar and Dehqan Roz will also be involved in on-lending to benefit directly approximately 1,000 farmers. At this point, the total number of participating intermediaries is 50, over two-fold above the target.

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

No.	Company	Province	Type of Product	Description
1	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.
2	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.
3	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.
4	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.
5	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.
6	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.

In 2012 ACE designed and used six new innovative lending products, based on Sharia principles. From the beginning of the project until now, ACE designed innovative lending products, well above the target of 4.

**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 1.32%, 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 2011, ACE has four agribusiness clients involved in the exports of agricultural commodities such as dried fruits and nuts, saffron and cashmere. The baseline consisted of US \$3,048,355. In 2012, only during the first nine months, the companies have achieved exports sales worth US \$3,593,274.

Table 9: Exports for companies supported by ACE

Client	ADF Loan \$	Commodity	Export Sales – Baseline (2011)	Export Sales- Impact (2012)
GWSA	155,000	Saffron	\$ 75,000	\$ 112,120
Habib Omid	700,000	Cashmere	\$ 2,023,277	\$ 2,195,600
Hariwa Habibzada	273,000	Dried Fruit	\$ 588,000	\$ 696,024
Yaqoobzada Co.	715,000	Dried Fruit	\$ 362,078	\$ 589,530
<b>TOTAL</b>			<b>\$ 3,048,355</b>	<b>\$ 3,593,274</b>

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 2012 (impact).

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

231 participants attended and successfully graduated from the 19 different training courses organized in FY 2012 by ACE. Based on indicator definition, participants attending similar courses (e.g. Credit Training) can be counted only once. According to this definition, in 2012 only, 174 participants (ACE, MAIL and partner organization staff) successfully graduated from ACE Capacity Building activities. This brings the total number of trained staff in credit policy and operations, value chain strengthening, and market information systems to 189.

Table 10: Exports for companies supported by ACE – Weighted Average

Client	Percentage change (impact vs baseline)	% of individual export sales vs total sales of 2012	Weighted Average
GWSA	99%	0.03	0.03
Habib Omid	45%	0.61	0.27
Hariwa Habibzadah	58%	0.19	0.11
Yaqoobzada	117%	0.16	0.19
Weighted Average			<b>61%</b>

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

231 participants attended and successfully graduated from the 19 different training courses organized in FY 2012 by ACE.

Based on indicator definition, participants attending similar courses (e.g. Credit Training) can be counted only once. According to this definition, in 2012 only, 174 participants (ACE, MAIL and partner organization staff) successfully graduated from ACE Capacity Building activities.

Quarter	# Hours Training	# of Participants	Training Name
Quarter 1 FY 2012	127	34	Grants Management and Report Writing Training
			Sharia Lending Training
			Basic Accounting and QuickBooks Training
			ADF Credit Program Training
			ADF Credit Committee Executive Seminar
Quarter 2 FY 2012	20	6	QuickBooks Training
Quarter 3 FY 2012	173	70	ACE Value Chain Training Workshop
			Islamic Finance Training for Lending Team
			Paywand-Agromet training
			Micro Banker training
			MS Access Database Development Training for MAIL/MIS Kabul
			MIS Study Tour to Ghana
Quarter 4 FY 2012	131	121	Communication Skills for Managers
			Creating a Professional Demeanor: How to look, act and sound like a professional
			Building Great Teams
			Creating an executive image that wins friends and influences people
			How to deliver sales presentations that win business
			Data Analysis and Economic Writing
			Advance Credit Training II
<b>Total</b>	<b>451</b>	<b>231</b>	<b>19</b>

This brings the total number of trained staff in credit policy and operations, value chain strengthening, and market information systems to 189.

**Indicator 4.2** - Number of person hours of training; including formal and practical training and technical visits.

The 19 training courses and study tours consisted of 451 hours of training, provided by ACE in 2012 only.

**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.

**Indicator 5.2** – Number of market information and market intelligence products created and disseminated by the established Knowledge Management Unit.

In the last quarter ACE developed five market information products: The Agriculture Trade Report for Q1 1391, Wheat production Calendar, Corn Production Calendar, Rice Production Calendar and Pomegranate market information leaflet presented during the Value Chain workshop in Kandahar. Since inception, the project has developed 25 market information products, taking pride in meeting the challenging target.

## SEX-DISAGGREGATED DATA:ACTUAL VERSUS TARGETS

ACE is determined to reflect gender issues in project activities and more

specifically in performance indicators. This was expressed in the last revisions to the Annual Work Plan 2 and AW3. As of Quarter 3 FY12, ACE set self-imposed targets for male and female beneficiaries moving forward for two indicators.

Table 12: Sex-segregated Indicators with self-imposed targets

ACE Performance Indicators	Actual Q3 FY 2012 (Cum.)	Actual FY 2012 (Cum.)	Targets FY 2012	% achieved
1.2 Number of individuals benefitting from ACE or ADF financial agreements/ Direct	14,531	15,879	24,000	66%
<b>Male</b>	14,390	15,733	23,800	66%
<b>Female</b>	141	146	200	73%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	715	856	500	171%
<b>Male</b>	648	749	400	187%
<b>Female</b>	67	107	100	107%

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

impeded ACE from meeting the target of 24,000 direct beneficiaries. This impacted the ratio between male/female beneficiaries.

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

Table 12: Sex-segregated Indicators with self-imposed targets

ACE Performance Indicators	Q3 FY2012	FY 2012
1.1 Value of Finance Accessed	\$37,212,970	\$46,010,957
<b>Male</b>	\$36,827,970	\$45,325,957
<b>Female</b>	\$385,000	\$685,000
2.1 Value of Challenge/Innovation and Agriculture modernization grants approved.	\$1,398,916	\$1,756,296
<b>Male</b>	\$1,370,345	\$1,592,475
<b>Female</b>	\$28,571	\$163,821
2.2 Number of participating financial intermediaries and private intermediaries on lending funds from ADF	45	50
<b>Male</b>	44	47
<b>Female</b>	1	3
4.3 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information system.	90	189
<b>Male</b>	90	175
<b>Female</b>	0	14

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

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Approved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Beneficiaries	Status
1	Client sensitive information	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	\$ 48,727	-	Active
4		Agribusiness	Yes	Kabul	\$ 1,970,000	\$ 1,280,000	\$ 540,931	-	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	\$ 84,614	-	Active
9		Agribusiness	Yes	Wardak	\$ 230,000	\$ 230,000	\$ 240,652	-	Active
10		Agribusiness	Yes	Balkh	\$ 1,977,597	\$ 1,977,597	\$ -	1,625	Active
11		Agribusiness	Yes	Wardak	\$ 224,000	\$ 224,000	\$ -	-	Active
12		Agribusiness	Yes	Nangarhar	\$ 900,000	\$ 900,000	\$ 30,440	109	Active
13		Agribusiness	Yes	Kabul	\$ 715,000	\$ 715,000	\$ 20,367	-	Active
14		Agribusiness	Yes	Kabul	\$ 250,000	\$ 250,000	\$ 263,836	-	Active
15		Agribusiness	Yes	Kabul	\$ 375,000	\$ 375,000	\$ 19,852	-	Active
16		Agribusiness	Yes	Hirat	\$ 273,000	\$ 273,000	\$ 132,383	-	Active
17		Agribusiness	Yes	Hirat	\$ 700,000	\$ 700,000	\$ 21,125	600	Active
18		Agribusiness	Yes	Hirat	\$ 425,000	\$ 425,000	\$ 9,500	-	Active
19		Agribusiness	Yes	Hirat	\$ 155,000	\$ 155,000	\$ -	117	Active
20		Agribusiness	Yes	Kunar	\$ 538,579	\$ 538,579	\$ -	688	Active
21		Agribusiness	Yes	Logar	\$ 99,568	\$ 99,568	\$ -	270	Active
22		Agribusiness	Yes	Balkh	\$ 1,250,000	\$ 800,000	\$ 40,455	392	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	
23	Client sensitive information	Agribusiness	Yes	Kabul	\$ 101,317	\$ 101,317	\$ -	-	Active	
24		Agribusiness	Yes	Helmand	\$ 435,298	\$ 435,298	\$ -	-	Active	
25		Agribusiness	Yes	Laghman	\$ 150,004	\$ 150,004	\$ -	438	Active	
26		Agribusiness	Yes	Nangarhar	\$ 200,000	\$ 200,000	\$ -	219	Active	
27		Agribusiness	Yes	Wardak	\$ 195,018	\$ 195,018	\$ -	176	Active	
28		Agribusiness	Yes	Nangarhar	\$ 130,000	\$ -	\$ -	-	Active	
29		Agribusiness	Yes	Nangarhar	\$ 125,000	\$ -	\$ -	-	Active	
30		Agribusiness	Yes	Balkh	\$ 302,000	\$ -	\$ -	-	Active	
31		Agribusiness	Yes	Nangarhar	\$ 100,000	\$ -	\$ -	-	Active	
32		Agribusiness	Yes	Balkh	\$ 230,000	\$ 142,996	\$ -	-	Active	
33		Agribusiness	Yes	Wardak	\$ 224,390	\$ 224,390	\$ -	-	Active	
34		Agribusiness	Yes	Kapisa	\$ 146,341	\$ 146,341	\$ -	-	Active	
35		Agribusiness	Yes	Herat	\$ 400,000	\$ 200,000	\$ 2,718	-	Active	
36		Agribusiness	Yes	Takhar	\$ 100,000	\$ -	\$ -	-	Active	
37		Agribusiness	Yes	Bamyan	\$ 200,000	\$ -	\$ -	-	Active	
38		Agribusiness	Yes	Kandahar	\$ 500,000	\$ -	\$ -	-	Active	
39		Agribusiness	Yes	Kabul	\$ 150,000	\$ -	\$ -	-	Active	
<b>SUB-TOTAL Agribusinesses</b>					<b>\$ 15,167,112</b>	<b>\$ 12,133,108</b>	<b>\$ 2,592,940</b>	<b>6,623</b>		
40			NFI	Yes	Balk, Kunduz, Samangan	\$ 92,652	\$ 92,652	\$ 92,652	212	Complete

SN	Borrower	Loan Type - NFI, FI, or Agribusiness	Approved	Province	\$ Loans Ap- proved by MAIL & USAID*	Disbursed Loan Amount	Repaid Loan Amount (with interest)	Direct Benefi- ciaries	Status
41	Client sensitive information	NFI	Yes	Nangarhar, Lagman, Kunar	\$ 500,000	\$ 500,000	\$ 362,259	1,845	Active
42		NFI	Yes	Bamyan	\$ 46,600	\$ 46,600	\$ 47,965	15	Active
43		NFI	Yes	Bamyan	\$ 53,543	\$ 53,543	\$ 55,114	47	Active
44		NFI	Yes	Bamyan	\$ 25,469	\$ 25,469	\$ 26,692	10	Complete
45		NFI	Yes	Bamyan	\$ 31,265	\$ 31,265	\$ 32,176	59	Complete
46		NFI	Yes	Bamyan	\$ 76,993	\$ 76,993	\$ 75,851	155	Active
47		NFI	Yes	Bamyan	\$ 21,561	\$ 21,561	\$ 22,086	74	Complete
48		NFI	Yes	Bamyan	\$ 14,479	\$ 14,479	\$ 15,091	22	Complete
49		NFI	Yes	ALL	\$ 4,757,345	\$ 4,757,345	\$ 4,595,322	4,140	Active
50		NFI	Yes	Kabul	\$ 300,000	\$ -	\$ -	-	Active
51		NFI	Yes	Balkh, Kunduz, Samangan	\$ 474,805	\$ 474,805	\$ -	787	Active
52		NFI	Yes	Bamyan	\$ 1,320,000	\$ 1,307,607	\$ -	700	Active
53		NFI	Yes	Kabul	\$ 6,715,105	\$ -	\$ -	-	Active
		<b>TOTAL NFI</b>				<b>\$ 14,429,817</b>	<b>\$ 7,402,319</b>	<b>\$ 5,325,208</b>	<b>8,066</b>
54	FI	Yes	Balk, Jawzjan, Faryab, Saman- gan, Baghlan	\$ 1,784,027	\$ 1,784,027	\$ 64,587	1,137	Active	
55	FI	Yes	Kabul Province	\$ 1,000,000	\$ 1,000,000	\$ 1,018,521	-	Complete	
56	FI	Yes	All	\$ 10,000,000	\$ -	\$ -	-	Active	
57	FI	Yes	All	\$ 3,630,000	\$ -	\$ -	-	Active	
	<b>SUB-TOTAL FI</b>				<b>\$ 16,414,027</b>	<b>\$ 2,784,027</b>	<b>\$ 1,083,108</b>	<b>1,137</b>	
	<b>TOTAL ADF LOANS</b>				<b>\$ 46,010,957</b>	<b>\$ 22,319,454</b>	<b>\$ 9,001,255</b>	<b>15,826</b>	

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

No.	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Repayments schedule (m/d/y)	Expected Value (\$) to date	Actual Value (\$) to date	Percentage Loss
1	Advance Building	Kabul	Kabul	\$120,000	Agribusiness	10/5/10	12/7/10	\$120,000	Fully Repaid	\$122,484	\$122,484	0%
2		Nangarhar	Nangarhar	\$300,000	Agribusiness	10/31/10	10/31/11	\$300,000	Fully Repaid	\$315,000	\$315,000	0%
3		Balk	Balk	\$200,000	Agribusiness	5/24/11	4/24/14	\$200,000	On the 24th of every month starting 5.24.11 and ending 4.24.11.	\$48,727	\$48,727	0%
4		Kabul	Kabul	\$1,000,000	FI	11/30/10	5/21/11	\$1,000,000	Fully Repaid	\$1,018,521	\$1,018,521	0%
5		Balk, Kunduz, Samangan	Balk, Kunduz, Samangan	\$92,652	NFI	3/9/11	12/31/11	\$92,652	Fully Repaid	\$92,652	\$92,652	0%
6		Kabul	Balk, Samangan, Baghlan, Takhar, Jawzjan, Kunduz	\$1,970,000	Agribusiness	12/20/10	4/5/14	\$1,280,000	Principal payments quarterly starting on 7.5.2011 and ending 4.11.2014. Interest paid monthly on the 5th of every month starting 4.5.2011 and ending 4.11.2014. 12.31.2013 for principal and monthly interest payments on the 30th of every month starting 4.30, 2011.	\$540,931	\$540,931	0%
7		Balk, Jawzjan, Faryab, Samangan, Baghlan	Balk, Jawzjan, Faryab, Samangan, Baghlan	\$1,784,027	FI	12/19/10	12/31/14	\$1,784,027	April 25, 2011 - July 25, 2011 - Oct. 25, 2011 - Dec. 25, 2011. April 25, 2012 - July 25, 2012 - Oct. 25, 2012 - Dec. 31, 2012. March 31, 2013 - June 30, 2013 - Sept. 30, 2013 - Dec. 31, 2013. March 31, 2014 - June 30, 2014 - Sept. 30, 2014 - Dec. 31, 2014.	\$64,587	\$64,587	0%
8		Helmand	Helmand	\$242,000	Agribusiness	12/19/10	1/1/12	\$242,000	Fully Repaid	\$251,050	\$251,050	0%
9		Kunar	Kunar	\$312,000	Agribusiness	12/20/10	12/15/11	\$312,000	Fully Repaid	\$323,669	\$323,669	0%
10		Nangarhar, Laghman, Kunar	Nangarhar	\$500,000	NFI	3/31/11	6/30/12	\$500,000	6/30/2012	\$500,000	\$362,259	28%

Client sensitive information

No.	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Repayments schedule (m/d/y)	Expected Value (\$) to date	Actual Value (\$) to date	Percentage Loss
11	Client sensitive information	Balkh	Balkh	\$121,000	Agribusiness	3/28/11	10/28/11	\$121,000	Fully Repaid	\$125,137.19	\$125,137	0%
12		Bamyan	Bamyan	\$46,600	NFI	4/11/11	11/11/11	\$46,600	Fully Repaid	\$47,965	\$47,965	0%
13		Bamyan	Bamyan	\$53,543	NFI	4/11/11	11/11/11	\$53,543	Fully Repaid	\$55,114	\$55,114	0%
14		Bamyan	Bamyan	\$25,469	NFI	4/11/11	11/11/11	\$25,469	Fully Repaid	\$26,692	\$26,692	0%
15		Bamyan	Bamyan	\$31,265	NFI	4/11/11	11/11/11	\$31,265	Fully Repaid	\$32,176	\$32,176	0%
16		Bamyan	Bamyan	\$76,993	NFI	4/11/11	11/11/11	\$76,993	10/16/2011 , seven months after signature of HoTs, except for K. Sabz Posh due 11.11.11, and Katway, due 11.18.11	\$79,951	\$75,851	5%
17		Bamyan	Bamyan	\$21,561	NFI	4/11/11	11/11/11	\$21,561	Fully Repaid	\$22,086	\$22,086	0%
18		Bamyan	Bamyan	\$14,479	NFI	4/11/11	11/11/11	\$14,479	Fully Repaid	\$15,091	\$15,091	0%
19		ALL	ALL	\$4,757,345	NFI	6/23/11	6/23/12	\$4,757,345	6/23/2012	\$4,757,345	\$4,595,322	0%
20		Nangarhar	Nangarhar	\$100,000	Agribusiness	5/11/11	5/11/12	\$100,000	10/31/2012	\$84,614	\$84,614	0%
21		Wardak		\$230,000	Agribusiness	9/19/2011	6/19/12	\$230,000	Fully Repaid	\$240,652	\$240,652	0%
22		Mazar		\$1,977,597	Agribusiness	9/29/2011	9/29/2014	\$1,977,597	9/29/2011	\$0	\$0	0%

No.	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Repayments schedule (m/d/y)	Expected Value (\$) to date	Actual Value (\$) to date	Percentage Loss
23	Client sensitive information	Wardak		\$224,000	Agribusiness	9.28.11	3.28.13 for tools and 5.28.12 for fertilizers and pesticides	\$224,000	9.28.12	\$0	\$0	0%
24		Nangarhar	Nangarhar	\$900,000	Agribusiness	10/22/11	4/30/2013	\$900,000	10/22/11	\$86,592	\$86,592	0%
25		Kabul	Kabul	\$715,000	Agribusiness	12/27/2011	9/27/2012	\$715,000	12/27/2012	\$306,611.89	\$34,623	0%
26		Kabul	Kabul	\$300,000	NFI	Pending	Pending	\$0	Pending	\$0	\$0	0%
27		Kabul	Kabul	\$250,000	Agribusiness	11/30/2011	11/30/2012	\$250,000	11/30/2012	\$263,836	\$263,836	0%
28		Kabul	Kabul	\$375,000	Agribusiness	12/28/2011	2/28/2013	\$375,000	Repayments due the 29th of every month starting on March 29th, 2012 through Feb. 27th, 2013.	\$19,852	\$19,852	0%
29		Herat	Herat	\$273,000	Agribusiness	12/27/2011	5/31/2012	\$273,000	5/31/2011	\$273,000	\$132,383	0%
30		Herat	Herat	\$700,000	Agribusiness	1/2/2012	1/9/2014	\$700,000	1/9/2014	\$21,125	\$21,125	0%
31		Herat	Herat	\$425,000	Agribusiness	1.27.2012	2.27.2013	\$425,000	Payments are due monthly after a 3 month grace period. The final payment will be due 13 months after the date of full disbursement. - Repayment begins on 7.13.2012.	\$9,500	\$9,500	0%
32		Herat	Herat	\$155,000	Agribusiness	1/27/2012	1/27/2013	\$155,000	1/27/2013	\$0.00	\$0.00	0%
33		ALL	ALL	\$10,000,000	FI	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
34		Mazar	Mazar	\$1,250,000	Agribusiness	4/2/2012	4/2/2015	\$800,000	Pending	\$40,455	\$40,455	0%

No.	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Repayments schedule (m/d/y)	Expected Value (\$) to date	Actual Value (\$) to date	Percentage Loss
3	Client sensitive information	Kunar	Kunar	\$538,579	Agribusiness	2/14/2012	2/14/2013	\$538,579	November 14, 2012 - December 14, 2012 - January 14, 2013	\$0.00	\$0.00	0%
3		Logar	Logar	\$99,568	Agribusiness	3/27/2012	3/27/2013	\$99,568	10/31/2012 - 11/30/2012 - 12/31/2012 - 1/31/2013 - 2/28/2013	\$0.00	\$0.00	0%
3		Balk, Kunduz, Samangan	Balk, Kunduz, Samangan	\$474,805	NFI	3/28/2012	12/31/2012	\$474,805	12/31/2012	\$0.00	\$0.00	0%
3		Kabul	Kabul	\$101,317	Agribusiness	3/25/2012	11/25/2012	\$101,317	10/2012, 10/2013	\$0.00	\$0.00	0%
3		Helmand	Helmand	\$435,298	Agribusiness	4/12/2012	4/12/2013	\$435,298	2/2/2013, 3/2/2013, 4/2/2013	\$0.00	\$0.00	0%
4		Laghman	Laghman	\$150,004	Agribusiness	3/15/2012	3/15/2013	\$150,004	3/15/2013	\$0.00	\$0.00	0%
4 6		Bamyan	Bamyan	\$1,320,000	NFI	3/15/2012	12/14/2012 or 3/14/2012	\$1,307,607	December 2012 (approximate), but co-ops have option to extend repayment time for an additional 3 months with approval of the ADF.	\$0.00	\$0.00	0%
6		Herat	Herat	-	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
6		Jalalabad	Jalalabad	\$200,000	Agribusiness	5/16/2012	11/16/2013	\$200,000	Feb. 28th, 2013 - May 31, 2013- Feb 28th 2014 - May 31, 2014	\$0.00	\$0.00	0%
7		Wardak	Wardak	\$195,018	Agribusiness	5/12/2012	5/12/2013	\$195,018	10/31/2012 - 3/31/2014	\$0.00	\$0.00	0%
7	Jalalabad	Jalalabad	\$130,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%	

No.	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Repayments schedule (m/d/y)	Expected Value (\$) to date	Actual Value (\$) to date	Percentage Loss
72	Client sensitive information	Jalalabad	Jalalabad	\$125,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
73		Mazar	Mazar	\$302,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
74		Jalalabad	Jalalabad	\$100,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
75		Mazar	Mazar	\$230,000	Agribusiness	7/3/2012	7/3/2015	\$142,996	Jan. 3, 2013 - April 3, 2013, July 3, 2013	\$0.00	\$0.00	0%
76		Wardak	Wardak	\$ 224,390	Agribusiness	7/10/12	6/10/13	\$224,390	Pending	\$0.00	\$0.00	0%
77		Kapisa	Kapisa	\$ 146,341	Agribusiness	7/28/12	7/28/13	\$146,341	Pending	\$0.00	\$0.00	0%
78		Herat	Herat	\$ 400,000	Agribusiness	7/25/12	7/25/13	\$200,000	Aug 25, 2012, Sep 25, 2012, Oct 25, 2012 Dec 25,2012	\$2,718	\$2,718	0%
79		Mazar	Mazar	\$ 100,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
80		Bamyan	Bamyan	\$ 200,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
81		Kandahar	Kandahar	\$ 500,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
82		Kabul	Kabul	\$ 150,000	Agribusiness	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
83		All	All	\$6,715,105	NFI	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%
84	Various	Various	\$3,630,000	FI	Pending	Pending	\$0	Pending	\$0.00	\$0.00	0%	

No.	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Repayments schedule (m/d/y)	Expected Value (\$) to date	Actual Value (\$) to date	Percentage Loss
Total Loan Approved								46,010,956.00				
Total Loan Disbursed								22,319,453.31				
Total Loan Repaid								9,071,664.00				
Total Value of Loans late by 180 days or more								\$175,141.00				

$$\text{Portfolio loan losses} = \frac{\text{Total Value of loans late by 180 days or more}}{\text{Outstanding*}} \% = \frac{175,141.00}{22,319,453.31 - 9,071,664.00} \% = \frac{175,141.00}{13,247,789.31} \% = 1.322\%$$

\*Outstanding = Disbursed amount – Repaid amount

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**AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM**  
USAID AFGHANISTAN

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