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# AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

QUARTERLY REPORT Q3 FY 2013

APRIL I –JUNE 30, 2013



THIS YEAR 44 POTATO COOPERATIVES FROM BAMYAN RECEIVED A LOAN OF \$2.07 MILLION USD FROM THE ADF TO FINANCE THE PROCUREMENT OF FERTILIZERS AND SEEDS TO DISTRIBUTE TO THEIR MEMBERS ON CREDIT. THE COOPERATIVES SUCCESSFULLY DISTRIBUTED HIGH QUALITY FERTILIZERS TO 1,280 FARMER MEMBERS

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.

# QUARTERLY REPORT

## QUARTER 3, FISCAL YEAR 2013

Program Title: Agricultural Credit Enhancement Program

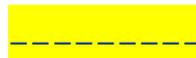
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## ACE MISSION STATEMENT

*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.*



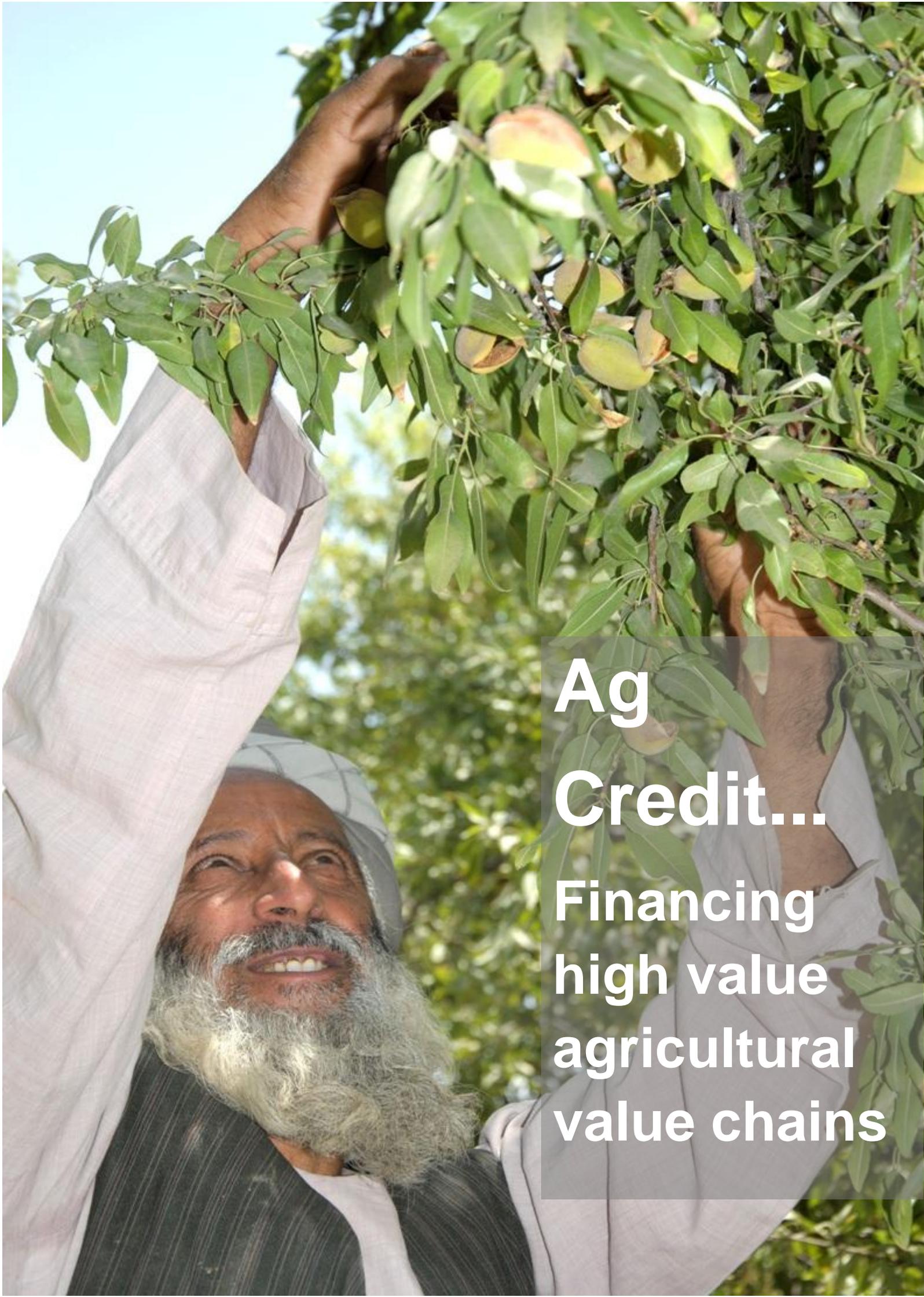
# CONTENTS

- LIST OF ACRONYMS..... 5
- EXECUTIVE SUMMARY..... 7
- Component 1: Delivery of Credit Services ..... 9
- Component 2: Agricultural Modernization and Value Chain Development ..... 23
- Component 3: Coordination and Knowledge Management ..... 28
- Performance Management - ACE Progress against Targets ..... 30
- Communication and Outreach ..... 47
- Administrative and Human Resources..... 48
- ACTIVITIES FOR THE NEXT QUARTER ..... 49
- ANNEX I – Percentage of Loan Losses Resulting from ACE Lending Recommendations ..... 51

# LIST OF ACRONYMS

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AAIDO	Afghanistan Almond Industry Development Organization
ACCI	Afghanistan Chamber of Commerce and Industry
ACE	Agricultural Credit Enhancement
ADF	Agricultural Development Fund
AISA	Afghanistan Investment Support Agency
ANSOR	Afghanistan National Seed Organization
AKDN	Aga Khan Development Network
CC	Credit Committee (for the ADF)
CMU	Credit Management Unit
DAB	Da Afghanistan Bank
EPPA	Export Promotion Agency of Afghanistan
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
IIFCG	Islamic Investment Finance and Cooperative Group
GDA	Global Development Alliances
GIRoA	Government of the Islamic Republic of Afghanistan
GIS	Geographic Information System
IDEA-NEW	Incentives Driving Economic Alternatives Project
HiH	Hand in Hand Afghanistan
HLP	Horticulture and Livestock Project
QMC	Quality Management Construction Company
LPF	Loan Performer
KMF	Knowledge Management Facility
MAIL	Ministry of Agriculture, Irrigation and Livestock
MoU	Memorandum of Understanding
NFI	Non-financial Intermediary
NSDP	National Skill Development Program
PHDP	Perennial Horticulture Development Project
PMP	Performance Management Plan
SAB	Sharia Advisory Board
TO	Task Order
TRC	Technical Review Committee



**Ag  
Credit...  
Financing  
high value  
agricultural  
value chains**

## EXECUTIVE SUMMARY

Established with an initial grant of \$100million USD from the USAID to GIRoA, the ADF is now a fully operational non-bank financial institution owned by the Afghan government which operates under the leadership of MAIL. The ACE project which is managing the ADF until the transition to the GIRoA is successfully achieving its three-fold objective of 1) building the governance structure of the institution; 2) formulating and enforcing airtight policies and procedures; and 3) investing in human resources for the ADF.

The ADF enables agricultural investments through provision of agricultural credit to farmer and agribusiness entrepreneurs with the ultimate objectives of income generation and job creation for the agricultural sector. Through facilitating investments in agricultural production, agro-processing, markets, exports, priority value chains and small commercial farms (1-30 Ha) the agricultural credit is acting as the catalyzing agent of economic growth.

During the last quarter the project achieved \$74.2million USD in approved loans, disbursed \$34.5million USD, benefiting directly 20,231 farmers in 31 of the 34 provinces of Afghanistan. Agribusiness clients created 496 full-time jobs through U.S. government-supported activities, in the past quarter only. Far exceeding expectation, the ADF continues to lend through 79 financial and non-financial intermediaries, which have proven to be reliable business partners and have enabled ACE to reach out to farmers across the country. Despite the significant portfolio growth, ACE has been able to successfully maintain a default rate of approximately 4 percent. Prudent lending practices such as detailed review of personal references, mortgage registration, requests for additional guarantees, and monitoring of financial intermediaries have all contributed towards keeping the default rate under control.

Due to the financially viable model the ADF has proven, the results in generating income and the overall transformational effect of credit in the agricultural sector, MAIL and ACE are looking in the capitalization of the ADF. In the next quarter, MAIL will invite the donor community to learn about the ADF achievements and approach and to

## ACHIEVEMENTS

APRIL – JUNE 2013

- THE ADF HAS A LOAN PORTFOLIO OF US\$74.2 MILLION USD, OF WHICH US\$34.5 MILLION HAVE ALREADY BEEN DISBURSED.
- ONLY IN THE LAST QUARTER ACE APPROVED 20 NEW LOANS WORTH OF \$9.5 MILLION AND DISBURSED 24 ADDITIONAL LOANS WORTH OF \$7.6 MILLION.
- 20,231 FARMERS IN 31 OF AFGHANISTAN'S 34 PROVINCES HAVE ACCESSED CREDIT. THIS NUMBER IS EXPECTED TO REACH 40,000 IN THE NEXT 3-4 MONTHS.
- THE ADF CONTINUES MAINTAINING A DEFAULT RATE OF 4 PERCENT, BELOW THE 5 PERCENT BENCHMARK. THIS IS A REMARKABLE ACHIEVEMENT IN A CONTEXT DOMINATED BY FOREIGN ASSISTANCE.
- CONSOLIDATED THE ADF FINANCE DEPARTMENT WITH WELL DEFINED AND SEGREGATED ROLES AND RESPONSIBILITIES FROM THE LOAN OPERATION AND CREDIT ADMINISTRATION UNIT.
- ACE IN COLLABORATION WITH OXUS AFGHANISTAN OPENED THE BAMYAN PROVINCIAL OFFICE OF THE ADF. THIS WILL ALLOW THOUSANDS OF FARMERS TO ACCESS AGRICULTURAL CREDIT.
- THE ADF'S FEMALE CLIENTELE CONTINUES TO GROW. AT THE END OF THE REPORTING QUARTER, ACE HAS EIGHT LOANS TO WOMEN WITH A TOTAL OF \$1.37 MILLION.
- APPROVED THREE NEW ADF CHALLENGE GRANTS FOR A TOTAL OF \$4403,681 USD.
- ORGANIZED FIVE AGRICULTURAL CREDIT SHURA EVENTS IN HEART, PARWAN, KAPISA, WARDAK AND KANDAHAR.

present a donor guideline which will allow other international development agencies to commit additional funds to the ADF. On the basis of an ad-hoc analysis, the ADF can achieve sustainability with an additional \$60 million USD in funds.

To consolidate its lending operations during the past quarter, ACE undertook a series of activities and investments which resulted in the establishments of the ADF Finance and Loan Operation as two new additional units. These units have segregated roles and responsibilities, different from the ones performed by the existing Credit Administration Unit. The ADF has now a fully functional lending credit operations safeguarded by highly effective policies and procedures and internal control mechanisms to ensure the integrity of the fund. The proactive approach in reaching out to agribusiness entrepreneurs across the country accompanied with a robust governance structure, integrity in credit decisions, and strict internal control mechanisms have contributed to the overall success of the fund.

To strengthen and update the Micro Banker financial software used by the ADF, ACE engaged two consultants from the Micro Banker Pvt. Ltd. Nepal, who not only modified the system according to the ADF needs, but also provided training for eight ACE staff, both Afghan nationals and expatriate. The training course focused on financial software operation and maintenance, configuring cash-in and cash-out transactions and updating loan rescheduling and restructuring. This constitutes the final step for the consolidation of the ADF finance and loan operation.

Towards the completion of the third year of project implementation, ACE expanded with the establishment of a new regional office in Bamyan to serve to the over 2,000 beneficiaries of this province. The ADF provincial office in Bamyan was opened in collaboration with OXUS Afghanistan, a new financial intermediary of the ADF. In the past three years ACE has provided three loans to Bamyan cooperatives: the first one in 2011 of \$269,910 USD which allowed 382 farmers to gain access to credit; the second one in 2012 for an amount of \$1.32million USD which benefitted 525 farmers, and finally in 2013 ACE provided a loan of \$2.07million USD which supported 944 new farmers. In addition, the ADF is assisting Ghulghula Agricultural and Livestock Cooperative in Bamyan with a loan of \$200,000 to provide cash advances and raw materials for 1,500 women weavers. Given the increasing volume of the ADF loans in Bamyan, an ADF provincial office was deemed necessary to effectively serve to the current ADF clients and to continue investing in the region.

During the past quarter, ACE achieved the approval of three new ADF Challenge grants worth of \$403,681 USD to support 1) the establishment of a Credit Management Unit for AAIDO which will be used to manage their current line of credit of \$800,000 USD; 2) the Farm Talk Program broadcasted by Salam Watandar Afghanistan Organization, a local radio and NGO invested in providing leading news to an audience of over 10 million Afghans; and 3) the implementation of the ADF loan of \$500,000 USD to OXUS Afghanistan. The client will invest in training human resources, developing new rural financial products and opening of new branch offices.

ACE remains invested in ensuring that Afghan women have access to agricultural credit. The project in collaboration with OXUS Afghanistan is ready to launch the Zahra lending mechanism to women. In addition, the team continues to identify and pursue potential clients as well as assisting the current ADF women clients to succeed. During the reporting quarter, the team completed a grant concept note for the Herat Capable Women Association for an agricultural modernization grant to assist the food processing centers of the association with technical assistance in food processing and food safety. In the next quarter, ACE will hold the second Gender Working Group Meeting with the implementing partners of USAID's Office of Agriculture.

## Component I: Delivery of Credit Services

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

### ACTIVITIES UNDER THIS COMPONENT INCLUDE:

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

### CONSOLIDATION OF THE ADF

The ADF is the direct result of an effective partnership between the USAID, GIRA under the leadership of MAIL, and ACE the technical assistance project awarded to DAI with the purpose of establishing and managing the ADF till December 2014. Almost three years into the project implementation, the ADF is a financially viable business model which complements the agricultural know-how and technical assistance provided in the last 10 years of development assistance, through direct investments. Over \$34.5 million USD invested so far in the agricultural sector through the ADF, are progressively resulting in higher productivity, improvements in quality, job creation and therefore leading to higher household incomes.

The ADF has now a solid governance structure comprised of: 1) the High Council, which is the highest decision making body of the ADF; 2) the Credit Committee which assist the High Council in fulfilling its oversight responsibilities related to credit activities and the quality of loan portfolio; 3) the Audit Committee which ensures the integrity of the financial statements and any disclosures compliance with legal and regulatory requirements and internal controls; and 4) the Governance and Compensation Committee which assists the High Council in strengthening and enforcing good corporate governance principles for the ADF. As of the end of June, the ADF has a highly trained human capital and a very effective governance structure. In the next quarter, the ADF High Council will meet to discuss strategic matters of the Fund. Among this, the most important is the potential to attract additional capital and ensure the sustainability of the fund in the medium term. A donor conference sponsored by MAIL and hosted by H.E. Mohammad Asif Rahimi, Minister of MAIL and Chairman of the High Council of the ADF will take place in mid July to present the ADF donor guidelines and initiate communication with the international donors interested to invest in the ADF.

### CREDIT OPERATIONS AND SERVICES

In the past quarter, ACE focused on consolidating the ADF Finance and Loan Operations units, training human resources, draft internal control policies as well as separate roles and responsibilities for the three units including credit administration. An ADF finance manager, a financial assistant and a loan operation officer joined the team in June. The clear segregation of responsibilities between the lending, credit administrations, ADF finance and loan operation allows for a robust credit operation system. Below are some of the main responsibilities of each of the unit:

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

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

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

**Loan Operation:** review the loan agreement, decision sheet, term sheet, Sharia agreement and bank confirmations. Book the loan in the MicroBanker financial system.

To upgrade the FAO-GIZ Micro Banking financial software system, integrate the new ADF Chart of Account (COA) in the system, migrate the existing data into the new COA, train eight ADF staff on financial software usage and maintenance, and change the MB system from a cash to an accrual basis, ACE engaged the Micro Banker Pvt. Ltd. Nepal consultants for the second time. The 17.5 hours training program for the local and international lending advisors focused on how to configure cash-in and cash out transactions in the system, manage transaction reversals and adjustments, update loan rescheduling and restructuring, change interest rates, generate standard and customized reports from the system as well as trouble shooting any system errors. The upgraded financial software is fully functional as of the first week of July.

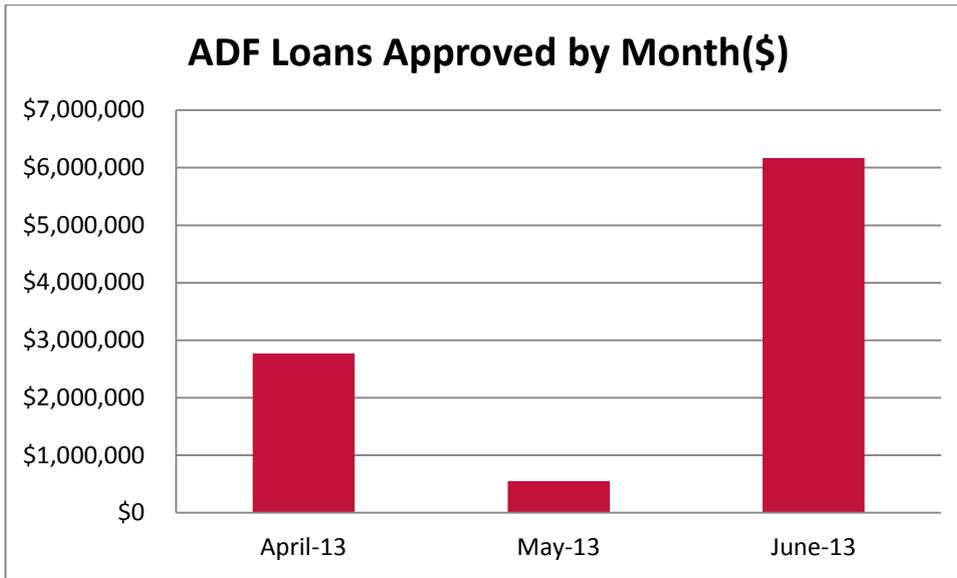
## ADF LENDING

During the quarter<sup>1</sup> ACE achieved ADF Credit Committee approvals for 20 new loans worth of \$9.5 million USD and disbursed over \$7.6 million. Currently ACE stands at US\$74.2 million in approved loans, US\$34.5 million in disbursements and, US\$15.8 million in repayments. The ADF loan approvals increased by **15 percent** in the last quarter only whereas the disbursements increased by **28 percent**. The ADF has a default rate at 3.99 percent, which is within the accepted international banking standards. Graphs 1 and 2 below show the monthly trend in ADF approvals, as well as approvals and disbursement trends for the past eight quarters, respectively. As shown in Graph 1, ACE accomplished the approval of \$6.2million USD in ADF loans in the month of June alone.

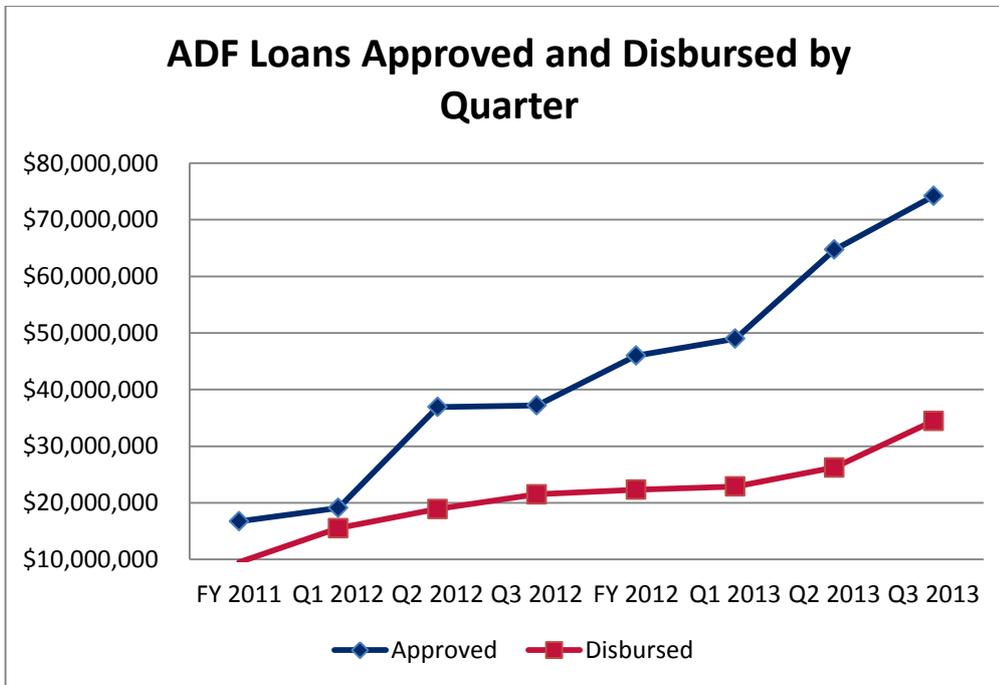
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<sup>1</sup> Loan approvals and disbursements shown here are as of July 13<sup>th</sup>, 2013.

*Graph 1: Net ADF loans approved per month*



*Graph 2: ADF loans approved and disbursed by Quarter*



Below is a list with the loans approved in the last quarter:

*Table 1: ADF loans approved during the reporting quarter*

No	Company/Entity	\$Loan Amount
<b>Clients Sensitive Information</b>		

The project executed 24 loan disbursements during the period of April – July 2013 for a total of \$7.6million USD.



**View from the disbursement of the third ADF loan of \$2.07 million USD to potato growers of 44 Bamyan cooperatives.**

*Table 2: ADF loans approved during the reporting quarter*

No	Company/Entity	\$ disbursed
<b>Clients Sensitive Information</b>		

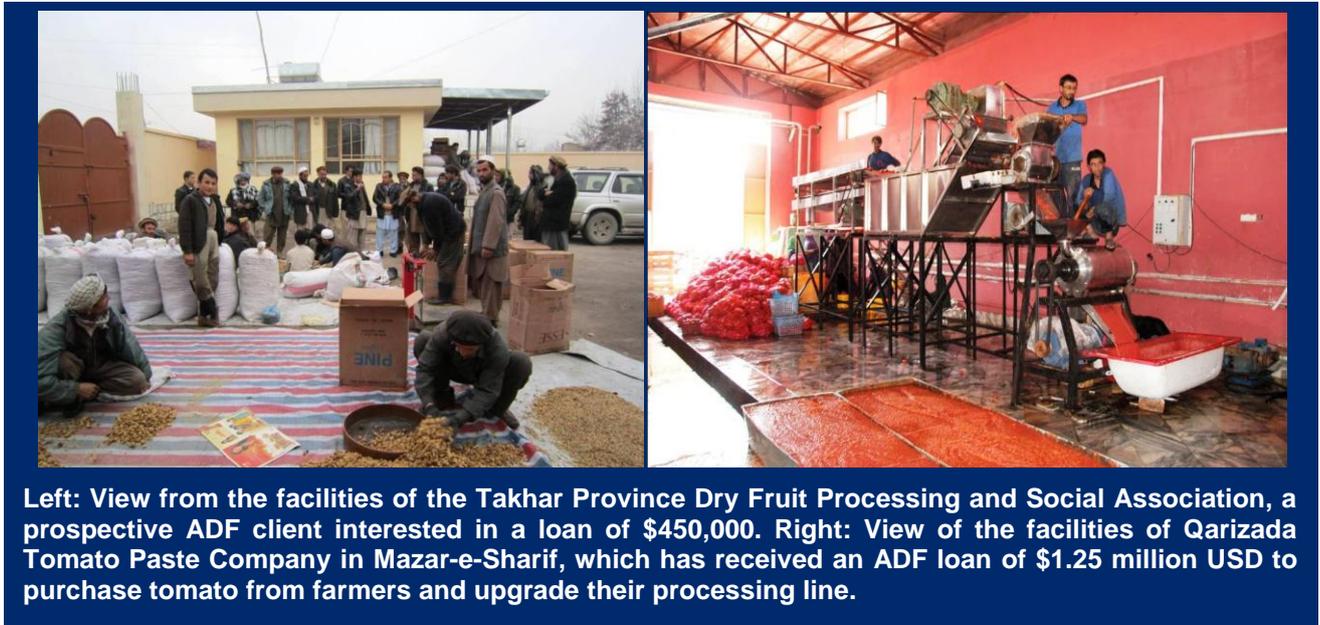
ACE in collaboration with OXUS Afghanistan inaugurated the ADF office in Bamyan in June. The Bamyan cooperatives received the third ADF loan of \$2.07 million USD which has already enabled 1,280 farmers to receive potato seeds and fertilizers on credit. Without the ADF, these farmers would have not been able to afford the fertilizer prices and would have no control over the quality of the inputs. In early 2011, the ADF supported Bamyan potato growers with a loan of \$269,910 which benefited 382 farmers. In the spring of 2012, 525 potato growers (members of 27 cooperatives) accessed loans for agricultural inputs for a total of \$1.3 million USD. In addition, ACE made use of this event to recognize the ADF outstanding clients; those cooperatives that have complied with their commitment to pay their loans on time during the 2012-2013 season.

The ADF also supports the carpet industry in Bamyan with a loan of \$200,000 to Ghulghula Agricultural and Livestock Cooperative which continues to provide advance salaries and raw materials to women carpet weavers in the region. OXUS Afghanistan, a new financial intermediary of the ADF, will design and launch new financial products for women and the livestock sector in Bamyan.

**ADF Business Volume:**

- Loans Approved by ADF CC: Twenty Eight (28) loans approved by the ADF CC are pending initial disbursement. Most of these are new loans approved by the ADF CC in the last three months (April, May and June), and haven't been disbursed yet due to delays in the registration of collateral. All twenty eight loans are expected to be disbursed in the next two months.
- Loans approved by TRC, Pending ADF CC Approval: Six (6) loans worth a total of approximately \$3,820,000 are pending review at the ADF CC. These loans will be presented at the first ADF CC meeting in July.
- Loans to be reviewed by Technical Review Committee (TRC): Three (3) loans are in their final stage to be presented at the TRC, worth a total of \$850,000.
- Loans in the pipeline: Currently there are 23 loans in the pipeline, worth of \$8.6 million.

In May, USAID's Office of Agriculture together with several ADF conducted a field trip to Herat province to visit several clients. During this two-day event, the team signed an ADF loan contract with Herat Capable Women Association for a loan of \$187,000; disbursed \$167,742 out of the total loan of \$250,000 to Afghan Women Saffron Growers' Association, a second time client; and visited the Towfiq Women Cooperative a prospective client,. On the second day, the team met with Heri Biscuit to sign ADF loan agreement for a loan of \$700,000 and to visit their food processing facilities. The team paid a visit to Herat Ice Cream, an ADF borrower with a US\$1.3 million loan to purchase equipments and fresh milk from farmers. Until now, Herat Ice Cream has provided advance payments to 615 farmers in several districts of Herat.



## INNOVATION

In order to respond to the challenges posed by the unwillingness of the financial institutions to participate, and to find a quick way to work with farmers across the country, ACE became a center of innovation in rural finance through several complementary mechanisms:

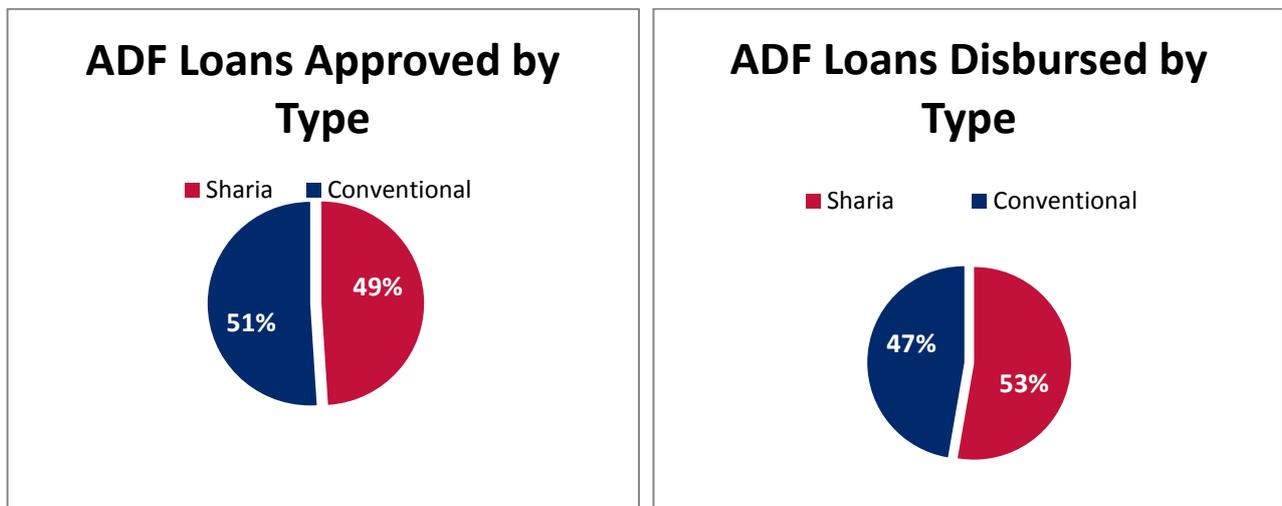
- Islamic Finance
- Credit Management Units
- Credit Delivery Systems
- Agricultural Credit Shura events

## ISLAMIC FINANCE

While in the first year of project implementation most of the ADF agribusiness clients accepted conventional loans, ADF clients, especially commercial farmers started demanding Sharia compliant products. Given the very limited or inexistent experience in the country and banks' reluctance to actively engage in developing Islamic financial products, ACE mobilized an expatriate Islamic finance advisor who drafted the ADF policies and procedures for Islamic Finance which describes the Sharia compliance financial products, general principles in pricing, disbursement and accounting as well as the risk sharing provisions. In the last year, ACE with the participation of Sharia scholars, and a representative from the Ministry of Hajj and Religious Affairs established the ADF Sharia Advisory Board (SAB). The SAB is an important part of the governance structure and its role is to ensure the integrity of all Islamic financial transactions as well as the related processes and procedures. The SAB is independent from the ADF and acts in compliance with the principles of Sharia for all Islamic lending. The advisory board reviewed and approved the ADF policies and procedures for Islamic Finance and the Sharia Audit Manual. According to the ADF policies, the internal audit team is responsible to conduct an annual review of the Sharia lending portfolio and share their reports with the ACE Islamic Finance team and the SAB. As of now, the ADF has designed and applied nine Islamic financial products which have been frequently used. This is shown in the tremendous increase in the

Sharia loan share of the overall ADF loan portfolio. As of June 30<sup>th</sup>, the ratio between the Conventional loans to Sharia loans has changed from 56:44 to 51:49 percent.

*Graph 3 and 4. Loan approved by loan type (Sharia and Conventional)*



*Table 3: ADF Portfolio by Type of Product*

Type of Loan	Loans Approved	Loans Disbursed
Conventional	\$ 37,867,424	\$ 16,299,066
Sharia	\$ 36,347,031	\$ 18,165,187
<b>TOTAL</b>	<b>\$ 74,214,455</b>	<b>\$ 34,464,253</b>



**In June, the ACE team visited the Herat Empowered Woman Social Association to discuss the establishment of the CMU for the association.**

#### CREDIT MANAGEMENT UNITS

In a similar fashion, despite numerous efforts by the ADF early in the project implementation, banks were in general unwilling to provide financial services to the agricultural sector. This issue had the potential to render the ADF program unable to reach the farming community and promote the growth of Afghan agriculture. To address this, ACE developed and introduced the concept of Credit Management Units (CMUs), which are small functional units operating within non-financial intermediaries, including farmer associations, cooperatives and agribusinesses. The program covers part of the operating

costs of the CMUs, which have three fundamental objectives: a) processing individual loan applications, b) disbursing loans, and c) ensuring timely collection. 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.

As of June 30<sup>th</sup>, ACE has established six CMUs within the ADF non-financial intermediaries which have enabled the disbursement of \$10.8 million USD directly to 9,900 farmer borrowers. Till the end of the next year at least \$20million will be disbursed through the CMUs. In late June 2013, ACE established a CMU for Herat Empowered Woman Social Association (HEWSA) to manage an ADF loan of \$187,000. The client will on-lend to 20 food processing centers managed by women, to purchase raw and packing materials.

## CREDIT DELIVERY SYSTEMS

One of the innovations designed to facilitate credit disbursements from the intermediaries to the end-borrowers (farmers) is the credit card for farmers. In Afghanistan, 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 year ACE provided loans to four farm stores to build on this system as a way to expand the number of farmers receiving trade credit. Previous loans to farm service centers showed that credit has a positive impact on sales of agricultural inputs as well as on the fertilizer application at the right time increases farm outputs. To assist the farm stores (ADF clients) formalize the relationship with the farmer borrowers, to improve the accuracy of the accounts and to facilitate the credit access to farmers, ACE introduced the farmers' credit card system. These credit cards allow farmers to purchase their inputs on credit up to a pre-defined limit determined by the store owner. 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 ADF will implement the Smart Card program with farmers of the Afghanistan Almond Industry Development Program (AAIDO) in Kunduz, Balkh, Samangan and Takhar Provinces to collect repayments. The farmers will repay AAIDO at the end of the harvest time by crediting the card.

## AGRICULTURAL CREDIT SHURA EVENTS

The Agricultural Credit Shura, an instrument of awareness on ADF lending, continued to make inroads and travel to remote provinces across the country. During the past quarter, ACE in collaboration with MAIL organized three Agricultural Credit Shura events in Parwan, Kapisa and Wardak on May 22, 27, and 29, respectively. In addition, the team organized two more Agricultural Credit Shura events in Herat (in April) and in Kandahar (in June). These events are intended to reach-out to larger numbers of potential clients and raise awareness of ADF lending opportunities across Afghanistan. Over twenty farmers, members of cooperatives, and agribusinesses attended each event. The ACE team introduced the ADF lending possibilities, the Sharia compliant Islamic lending products, and the value chain assistance through which ACE/ADF seeks to strengthen their clients' operations as a mechanism to succeed. The project will organize two more Shura, one in Logar and one in Ghazni for the month of July and Daykundi, Nuristan, Nimroz and Urozgan in August after the holy month of Ramadan.



**Left and Right: View from Agricultural Credit Shura event in Parwan attended by over twenty farmers, members of cooperatives, and agribusinesses.**

## ACE GENDER PROGRAM

Women are drivers of economic growth, and it is essential that they are included in all economic aspects of the society. They invest up to 90 percent of their earnings in their families and communities, which is twice

the rate that men do. International development experience shows that women nearly always have less access to assets, credit, services, markets, information on new technologies, consumer preferences and export trade requirements than men. Overall, this reduces their chances of entering into contract farming agreements. ACE is making every possible effort to ensure that both men and women entrepreneurs and commercial farmers in Afghanistan can benefit from ADF finance. As of now, ACE has approved seven new loans to women, worth US\$1.37 million.

OXUS Afghanistan, which is a new ADF client, will also explore the opportunity to provide microfinance loans to women. ACE has approved a loan of US\$500,000 to OXUS (and conditional approval for a total of \$2million USD) of which \$150,000 will benefit women. Through the ADF loan, OXUS Afghanistan will provide small microfinance loans to farmers, women and men throughout Afghanistan. The project will also support OXUS with an ADF grant of \$300,000 to expand their business into a new market, develop new products to serve the communities they currently work in, and to build the capacities of the local national staff. The client will develop several financial products, such as a specific product for livestock. In addition, OXUS will launch the ADF Zahra program designed for women entrepreneurs who are not able to provide collateral and demand smaller loans than the regular ADF criteria of minimum \$100,000.

*Table 4: ADF Loans to Women*

No	Client	Type	Province	Loan Amount
<b>Clients Sensitive Information</b>				

During the reporting quarter, ACE resubmitted two new grant proposals targeting women, which needed some modification, for USAID approval. The grants involves the development of Afghan Women organizations that ACE is seeking to engage to address commercial and social aspects of carpets weavers in Takhar and Bamyán Provinces who recently received and ADF loans. Afghan carpet weavers face two major challenges:

- a) A number of serious occupational safety and health hazards including inhalation of wool particles and dust leading to respiratory diseases, exposure to toxic dyes and adhesives, and ergonomic inadequacies leading to skeletal ailments. Unhealthy working conditions further aggravate the situation and include insufficient rest periods, no temperature control and poor lighting. However, young children take the greatest toll as they are in the majority of cases not properly looked after, are exposed to chemicals and in extreme cases are kept asleep with the use of narcotics.
- b) The conditions outlined above are increasingly affecting the image of Afghan carpets, conveying the notion that carpet weaving is cruel industry with significant social externalities, and thereby affecting market demand.



**View from the Agricultural Credit Shura event in Kandahar. Over 50 women farmers, entrepreneurs and representatives of development projects and DAIL participated in this event.**

The proposed grants seeks to address both of these challenges by enabling clients to introduce a series of improvements in the workplace, with the assistance of a NGO with experience in the matter, and underscoring those actions as part of a marketing strategy aimed at promoting socially responsible carpets.

This approach constitutes a combination of the remediation of workplace hazards, and the adoption of socially responsible manufacturing practices with a smart marketing strategy based on product differentiation. As part of this, all the carpets produced by this ADF client will bear a label stating that they are "socially responsible" products by developing marketing strategy, branding and website.

The team completed the concept notes of ACE Agricultural Modernization Grants for two additional women clients, Fine Food Processing Company and the Herat Capable Women Association. The former will benefit from developing a new marketing strategy, food safety and hygiene training, whereas the latter will be able to afford hiring a new food processing specialist to train members of the association on standardization measures required in food processing. ACE visited one of the food processing centers of the association in Guzara district of Herat province, which was in the phase of purchasing raw materials. Based on field observations, the processing centers need technical assistance such as technical training on food processing, food safety and personal hygiene. The team will propose to conduct three-day basic financial management training to the association's accountant on the Quick Book software management program.



**View from the first Implementing Partners' Gender Working Group hosted and co-chaired by ACE. This activity took place on May 9<sup>th</sup>, 2013.**

In the context of exploring lending opportunity for women, during the past quarter, the project met with two women cooperatives in Bamyan province to brief them on ADF lending procedures and criteria. Zanaan-Muafaq Cooperative has 40 women members and is located in Waras district. The cooperative is involved in poultry business, bee keeping and dairy production. The Etehat Zanan Panjab Cooperative has 103 women members and is located in Panjab district of Bamyan province. The cooperative is involved in potato chips production, livestock and dairy production. Both cooperatives are interested in applying for ADF loans.

By the end of June, ACE conducted an Agricultural Credit Shura event with women in Kandahar. Fifty women and representatives from

USAID, DAIL and DOWA participated in the event. The USAID representative welcomed the participants, whereas the ADF team presented the ADF financial services which could help women farmers and entrepreneurs to increase their productivity and improve the quality of their crops. The team also presented the Zahra product, a financial product designed specifically for women.

On May 9th, ACE, in collaboration with the Office of Agriculture (OAG), organized and co-chaired the first Implementing Partners Gender Working Group meeting. The main purpose of the meeting was to discuss and strengthen the terms of reference for the Working Group and to identify how each partner could contribute to its success. In addition, Sayara Strategies, contracted in mid-2012 by the Office of Agriculture to assess the inclusion of women in ACE project's activities, provided an overview of its findings. The assessment focused on ways to meaningfully include women in project activities and methods for advancing women's role in agriculture and agribusiness. The group primarily shared information and identified ways to strengthen coordination among OAG and implementing partners on gender equity and empowerment of women along the agricultural value chains. The next Gender Working Group is scheduled to take place in late July 2013.

### ACE and ADF GRANTS:

Over the past quarter, the team achieved approval for three new ADF challenge grants and developed several new grant concept notes that were submitted to the USAID.

*TABLE 5: ACE/ADF Grants approved during quarter Q3 FY 2013*

No	Grant	Type of Grant	Purpose	Total Approved
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**Clients Sensitive Information**

First, the Farm Financial Support Program within AAIDO will enable the farmers to adopt new techniques, use certified agricultural inputs and high quality tools and materials to increase their production. The agricultural tools and inputs on credit will help the farmers to improve the quality and quantity of their produce and increase their revenues as well. The CMU will assess the farmer’s ability to take in a loan and repay it. The CMU will keep records on the loan utilization, quantity, and the value of the input distributed as well as monitoring the use of the inputs. During the harvest season, the CMU will ensure the repayment of the loan from farmers and will subsequently repay the ADF.

Second, Salam Watandar is a national radio service providing leading news, information and entertainment to a network of 53 Afghan-owned and operated radio stations across Afghanistan. Salam Watandar was established in 2003 by Internews, with support from USAID’s Office of Transition Initiatives. Today, USAID’s Afghanistan Media Development and Empowerment Project (AMDEP) is helping Salam Watandar expand its role as an independent, non-profit Afghan media production and distribution service. The Farmer’s Talk program is a weekly program which combines commentary between a farmer and an agronomist with audience call-in. With the help of the ADF grant, the radio will continue to broadcast the Farmers’ Talk program, including messages to the farmers from the ADF and inviting guest speakers. Salam Watandar will also include Islamic lending in its “The Right Path” program to raise awareness around Islamic lending and its products. Through this grant, the ADF will support implementation of Farmers’ Talk Show program for a period of 12 months, aiming to increase awareness of the Afghan farmers on ADF lending opportunities, Islamic finance and other topics explored by ACE/ADF.

*TABLE 6: ACE/ADF Grants disbursed during quarter Q3 FY 2013*

No	Grant	Type of Grant	Total Approved	Disbursed in Q3 Fy’13	Total US\$ Disbursed
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**Clients Sensitive Information**

Third, OXUS Afghanistan will benefit from an ADF challenge grant of \$300,000 to expand their business into a new market, develop new products to serve the communities that OXUS currently works in, and to build the capacity of the local national staff. OXUS has a strong position in the community as a catalyst for a positive impact on the livelihood of its clients. As a result of the grant, OXUS and ACE already opened a joint branch office in Bamyán province. The client’s staff will be trained by the Frankfurt School of Finance and Management.

In terms of grant disbursement, the project processed US\$2,827 for the Afghanistan National Seeds Organization (ANSOR) Credit Management Unit (CMU) for staff salaries and a loan performer software license renewal. ADF supported the establishment of a CMU within ANSOR to manage the ADF loan to the association, and the CMU works within the association to disburse small loans to the eligible members of the association and complete timely loan collection.

In addition, under the ADF Challenge grant to Farm Service Center Association of Afghanistan (FSCAA), the project disbursed US\$3,400 to Soft Net International Ltd to purchase required IT equipment for the newly established Credit Management Unit of FSCAA. The project also disbursed US\$1,258 to the Ghoryan Women’s Saffron Association (GWSA) for staff salaries and operational expenses. Through an agricultural modernization grant, ACE supports the Association with the provision of a saffron packing unit and other operational support to address demand of local and international saffron buyers and enhance its profitability.

**Internal Audit and Compliance**

During the reporting period, the internal audit and compliance unit verified the reconciliation of ADF loan records in the MicroBanker financial system. To assess the loan utilization by the ADF borrowers, ACE

completed audit assessments for several ADF clients such as: Afghanistan Almond Industry Development Organization (AAIDO), Ghulam Dastagir Food Production Company, Sayed Ahmad Khushkyar Logistic Limited Company, Ghulghula Agriculture and Livestock Cooperative, Sudais Saud Company, Taj e Telayee Poultry Cooperative, Javed Afghan Agricultural Equipments Manufacturing Company and Takhar Trader Women Social Organization. ACE visited the clients in the field to assess the repayment process, reviewed the credit files and discussed all these matters with the clients. The team is currently updating the Internal Audit Manual.

*Table 7: Audit reports undertaken during Quarter 3 FY'13*

<b>Audit Assessments conducted in Q1 FY'13</b>		
<b>No</b>	<b>Client</b>	<b>Status of the Loan</b>
1	Verification and Reconciliation of the ADF profit and Loan Records	All ADF Loans
2	Audit of Ghulam Dastagir Food Production Company	Disbursed
3	Audit of Sayed Ahmad Khushkyar Logistic Limited Company	Disbursed
4	Investigation on Disbursement of the loan to Sudais Saud Company	Disbursed
5	Audit of Ghulghula Agriculture and Livestock Cooperative	Disbursed
6	Audit of Taj e Telayee Poultry Cooperative	Disbursed
7	Audit of Javed Afghan Agricultural Equipments Manufacturing Company	Disbursed
8	Audit of Nangrahar Nursery Growers Association	Disbursed
9	Audit of Afghanistan Almond Industry Development Organization (2013)	Disbursed
10	Audit of Takhar Trader Women Social Organization	Disbursed



## SNAPSHOT Fledgling Herat Business Takes Wing

**Though Afghanistan imported most of its chicken, it was not easy for a local company to take over the market**



*Now, Toyoran-e-Ayobi is the largest poultry supplier in Herat province*

***It took a loan from USAID's Agricultural Development Fund in order for the new poultry business to expand production and establish itself***

U.S. Agency for International Development  
[www.usaid.gov](http://www.usaid.gov)

Nematullah Ayobi decided to start a chicken business in 2007, never imagining that six years on, he would be the largest poultry supplier in Herat province. Today, Toyoran-e-Ayobi has a thriving trade selling whole chickens, quarters and breasts through a network of retailers and supplying wedding halls and restaurants as well.

But Mr Ayobi's success was by no means guaranteed. Even though 85 per cent of the chicken consumed in Afghanistan was imported from as far away as Brazil, the new business struggled to be profitable.

Initially, Mr Ayobi was forced to rely on supplies from small farmers and three broiler farms owned by his family. This left the new company's 250,000-bird slaughterhouse and freezer plant grossly underutilized. This continued even after he set up his own breeding farm and hatchery because the broiler farms could not keep up and the fledgling company had to resort to selling day-old chicks.

A loan from USAID's Agricultural Development Fund (ADF) changed all that. Production at the family farms increased by 47 per cent or 59,000 broilers per month and the company was, at last, able to use the slaughterhouse to the full. Mr Ayobi hired 22 new workers for his growing business.

Mr Ayobi says he could not have done it without the loan from ADF, which aims to strengthen value chains in Afghanistan.

"It complied with my religious and cultural principles, while helping me grow my business," he says of his experience as one of more than 16,000 farmers and agribusiness entrepreneurs helped by ADF.

Table 8: ACE/ADF Grants

No	Business Name	Province	Grant Purpose	Grant Type			Grant Period		Total \$Approved	Disbursed \$ value	% Paid
				ADF		ACE	Start Date	End Date			
				Challenge	Innovation	Ag Modernization					
				ADF		ACE	Start Date	End Date			
Challenge	Innovation	Ag Modernization									

Clients Sensitive Information

TABLE 9: 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
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Clients Sensitive Information

TABLE 10: ADF PIPELINE

Loan Pipeline Tracker Report						
<u>Borrower</u>	<u>Loan Type FI, Direct, NFI</u>	<u>Loan amount requested</u>	<u>Province</u>	<u>Category</u>	<u>Loan Application Stage</u>	<u>Notes and Comments</u>

Clients Sensitive Information

Introduction to farm mechanization leads to overall enhancement of productivity and production with the lowest cost of production.



## Component 2: Agricultural Modernization and Value Chain Development

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

In the past quarter, the agricultural value chain strengthening unit supported the overall objectives of the program through three complementary activities:

- 1) Provision of technical assistance to the ADF clients, through ACE agricultural modernization grants, to help the Afghan entrepreneurs succeed in their business;
- 2) Conduct of value chain technical reviews for the loan packages;
- 3) Coordination with other stakeholders and actors in the agricultural sector.

### I. Technical Assistance to the ADF clients

Provision of technical assistance and support to the ADF clients is an integral part of ACE's value chain strengthening unit. Over the past quarter, the team focused on assisting the following companies on marketing efforts and overall technical improvements of their facilities and processing lines:



- The Javed Afghan Thresher Company successfully conducted a total of 51 field demonstrations of agricultural machinery and equipments in over 23 provinces, such as Paktya, Balkh, Jawzjan, Sare-Pul, Faryab, Kunar and Laghman and 58 districts of Afghanistan. Given the high agricultural production of wheat and rice, predominantly in the Northern Afghanistan, the demand for threshers has increased significantly. Through the agricultural modernization grant, the client successfully managed to raise the

number of its dealers from 11 to 18. Due to this ACE grant, the Javed Afghan Thresher Company achieved a series of successes:

### SUCCESSSES:

- Hired a marketing manager, three field technician and two administration staff;
- Sold 310 wheat threshers and 95 trolleys out of 400 threshers and 170 trolleys manufactured with the ADF loan;
- Initially operating only in the eastern region, the company now has successfully expanded their market to other provinces such as Kandahar, Kabul, Balkh, Baghlan, Herat, Laghman, Logar and Kapisa;
- Consolidated their marketing strategy; the company designed and printed promotional materials, broadcasted TV advertisements and installed over 10 billboards across the country. This integrated effort will help the company to consolidate their position in the agricultural machinery market and compete with the imported machinery.



**Left: View from Field demonstration of wheat threshers organized by Javid Afghan Thresher Company in Balkh province. April 2013. Right: View from one of the cucumber greenhouses operated by Salahe Daikundiwal Brothers Agro-Production and Service Company, an ADF client. ACE is assisting the client to maximize their production and improving post-harvest practices.**

- Salahe Dekundiwal Brothers Agricultural Company – ACE continued to provide technical assistance to the client to improve their current packaging and grading process. The team supported the company to apply for an ACE Agricultural Modernization Grant to establish six packing stations, improve the current hygienic and sanitation conditions as well as the post-harvest management practices. ACE is assisting the client to build two permanent restroom facilities with running water for female and male workers, to install hand-washers, cement floor, and shade screen in the packing stations. In addition, equipment is provided to improve the packing process such as a stationary table for grading and packing, equipped with scales. The company will also benefit from branded packing materials and technical assistance in terms of fertilizer management and irrigation, implementation of varieties trials and pest and disease management. Until now, the team has purchased 1,000 carton boxes, plastic buckets, protective cloths, liquid chlorine and wooden pallets to improve the grading and packaging process of the company.

The team conducted a baseline study for Salahe Daikundiwal Brothers Agro-Production and Service Company and started the establishment of a pilot packing station which will serve as a reference to improve the remaining five stations, currently in use by the company. ACE will revise the fertilization and irrigation program in the greenhouses of the company, to maximize the output. ACE is also conducting a baseline study to assess the current situation of the processing line of Qarizada Tomato Paste Company and the organization of the farmers supplying fresh tomato to the company. Also, the

team is planning a training session for the ADF on cucumber production in the greenhouse and post-harvest practices which will take place at the beginning of next quarter.

- Sanaizada Edible Oil Processing Company – The project provided technical assistance and marketing support to Sanaizada Edible Oil Processing Company under the ACE Agricultural Modernization Grant to improve the production, marketing activities and direct assistance to purchase lockers and protective cloths for the staff. In the past cover, the project covered the costs for the machinery installation, salaries of the newly hired finance officer, marketing specialist and female workers.
- Afghan Rice Mill –Hamdard Printing Press was contracted to design and install three billboards for the company, as part of the marketing support. The billboards were installed in visible areas in the eastern region. Meanwhile, ACE is supporting the Afghan Rice Mill Company to launch their new brand. A branding ceremony will take place in Jalalabad by the beginning of August, 2013. The project signed a contract with Sharq Radio, Eslah Radio and Afghan National TV to broadcast the TV and Radio promotions and advertisements for the client. The broadcasting will start by the beginning of August 2013 according to the plan drafted by ACE and the clients.
- Sayel Food Processing Company- The Multi Tech Engineering Company was contracted to supply an automatic potato chip packing machine, potato slice washer and blancher machine, and is currently installing the complete processing line in the new facilities of the company. The contractor will also train the staff of Sayel Food Processing Company on operating the machinery.
- Shamshad Noodles (Ghulam Dastagir Agricultural Company) - The project visited the company to check the suitability of the new land for the installation of plastic houses. With coordination and technical advice from the ACE team, they contracted Sky Blue Company for the establishment of plastic houses. During the reporting quarter, the ACE project revisited the company to view the construction of two plastic houses. The contractor has successfully completed the installation of the iron rod pillars inside the houses.



**Left: View from the processing center of the Ghulham Dastagir Food Production Company in Nangarhar. Right: View from one of the packing houses of Salahe Daikundiwal Brothers Agro-Production and Service Company in Kabul. Both clients are recipients of ADF loans and ACE Agricultural Modernization Grants.**

- Qarizada Tomato Paste Company - Under the ACE value chain modernization grant agreement, the company will benefit from technical assistance and marketing support. To achieve this, the team visited the company at the beginning of the reporting of the quarter to revise the grant activity plan as well as

discuss the transportation of the tin can labeling machine from China, which is part of the grant package. In addition, the company will design and print 50,000 labels for their output. However, due to the recent inability of the company to repay the ADF loan, ACE suspended the grant activities until the repayment is collected.

- The team revised the ACE grant for Habib Omid Company in Herat. The revised version will include the training and travel costs for an expatriate technician to train the staff on operating the new wool spinning machinery which was financed under an ACE Agricultural Modernization Grant.

To improve the agricultural production volume and the supply of crops to the processors for several clients, in the past quarter ACE engaged Mr. Alvaro Pacheco, a senior agricultural value chain advisor. The consultant will assist a few of ADF clients to improve the quality and quantity of their fresh vegetables production and assist with food processors. The focus of this assignment will be on the following clients: Salahe Daikundiwal Brothers Agro-Production and Service Company, based in Kabul; Qarizada Tomato Paste Company, based in Mazar-Sharif; and Morvarid Food Industries and Tanin Herat Industrial Food Company, based in Herat.

## **2. Technical reviews for the ADF borrowers**

Over the reporting quarter, ACE completed several technical reviews for the ADF loan applications, among which:

- The Khoshbakht & Brothers Ltd. applied for an ADF loan of US\$1 million to purchase sprayers, water pumps and motors for water pumps from China and India;
- The Yaran Ice Cream Company in Kandahar is interested in an ADF loan of US\$2 million to purchase raw materials for ice cream;
- The Takhar Dried Fruit Processors' Association applied for an ADF loan of US\$3 million to increase the purchase of dried fruits. The team worked with the association to review their business plan.
- The Zamarai Rasouli Dried Fruits Processing and Export Company applied for an ADF loan of US\$1 million to purchase dried fruits such as walnuts, almonds, dried apricots and mulberry from local and wholesale traders in Herat, Mazar-e-Sharif and Kandahar provinces;
- The Tizball Company requested an ADF loan of US\$1 million to purchase raw materials to increase the production of their poultry feed;
- The Agriculture Training Center and Livestock Company requested an ADF a loan of US\$170,000 to purchase dairy cows and young calves to expand their livestock business;
- The Azimyan Company applied for an ADF loan of 15 million Afghani to purchase 1000 Mt of wheat grain from 220 wheat growers (farmers) through five agricultural cooperatives in the west region;
- The Navi Henna Company applied for an ADF loan of \$100,000 USD to improve and expand their Henna business;
- The Mohammad Khoshbakht Company applied for an ADF loan of US\$1 million USD to purchase agricultural equipment ;
- The Frangis Food and Non-Alcoholic Beverage Processing Company requested a loan of US\$315,647 to purchase an automated layer cake and a Swiss roll machine production line;
- The Takana Sefla Brother Company requested a loan of US\$100,000 to purchase apricot and apples from farmers in Wardak province;
- The Mawlana Yaqob Charkhi Brothers Company requested an ADF loan of US\$500,000 to purchase agricultural inputs. The company is involved in importing and trading various agricultural inputs;
- The Mehran Guzargah Cold Storage Services Company requested an ADF loan of US\$350,000 to purchase fruits and vegetables from local farmers;

## **3. Coordination**

In the past quarter, ACE made every possible endeavor to coordinate activities with MAIL and other development projects. Highlights of activities by regional command are presented here:

## EAST

The project met with the newly appointed DAIL Director and the Head of Extension Services in Kunar Province to provide them with information regarding ACE/ADF lending activities. In addition, the team discussed the repayment issue of the EFGA members in Kunar Province. The Director of DAIL/Kunar and the Head of the Extension Unit promised to extend their help to recover the loan repayments from the EFGA farmers located in Kunar province.

The Nangarhar DAIL Department organized two Technical Working Group meetings with partner organizations involved in the agricultural sector in the Eastern region. The Nangarhar Research Farm Director briefed the participants on the release of 9,000 Kg of certified rice seed (PB3, IR64 and Silla Punjabi), and recommended these three varieties for planting and multiplication. The Executive Director of ANSOR stated that the production of certified wheat seed is estimated to be 22,000 Mt for the upcoming growing season. The ACE team presented the volume of the ADF loans according to sub-sector categories.

## CENTER

In Herat, the team attended the 3rd Afghan-Turk Exhibition which focused on food ingredients, generators and packaging materials for manufacturing companies. During this event, the project identified several companies involved in the manufacturing of packaging material as possible business partners. Also, the team attended the Herat Industrial and Conference Exhibition which presented an excellent opportunity to introduce the ADF program and its financial services to several agribusinesses. The team visited the booths of several companies involved in the processing, exporting or importing of agricultural products, and discussed the ADF financial opportunities.

## WEST

The team attended the Herat Industrial and Conference Exhibition which presented a significant opportunity to introduce the ADF program and its financial services to several agribusinesses. The team visited the booths of several companies involved in the processing, exporting or importing of agricultural products, and discussed the ADF financial opportunities available. The team participated in the monthly coordination meetings organized by DAIL in Herat to provide an overview of ACE activities.

## SOUTH

ACE attended the "Transition Roundtable Discussion" organized by the Kandahar PRT in Kandahar City. Representatives from the Kandahar Economic Department, DAIL Department, the Municipality of Kandahar and international organizations and development projects such as UNAMA, FAIDA, CHAMP, ADA, ARD, CRC, AGREED, farmers and agribusinesses attended the activity. The main goal of the discussion was to assess the status of the agricultural economic growth in Kandahar. Representatives from all the participating organizations explained their progress, and made suggestions and recommendations pertinent to the subject matter such as access to market, transportation, climate change impacts, and agriculture practices among others. The ACE/ADF team explained the ACE Value Chain Financing Approach of the loan program.

Over the same period, ACE organized a round table meeting with the Heads of Agricultural Cooperatives operating in Shawali Kot District of Kandahar province including Chelgazi Baba, Shahed Haji Abdul Latif, Khuwjazo Dana, Sakhi Jan, Babrano Sozni, and Markazi Bandi Dahla Cooperatives. The cooperatives, which were introduced to ACE by FAIDA South Office, produce pomegranate, grapes, apricot, melon, wheat, corn and caraway. The purpose of the meeting was to present the ADF lending opportunities and the application process.

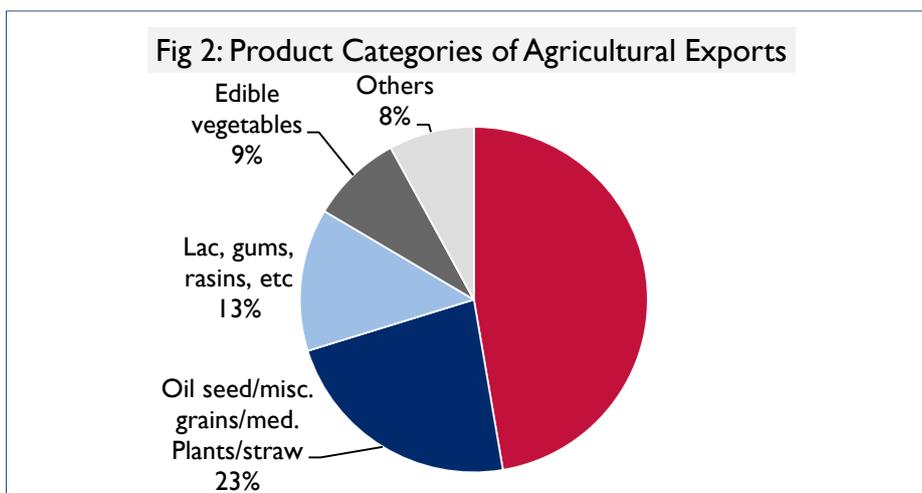
## Component 3: Coordination and Knowledge Management

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

Task 10 from the Task Order, i.e. "establishing a knowledge management facility that builds an accessible repository of information regarding Afghanistan's agricultural sector" was successfully completed in the last year. Nonetheless ACE continues producing new tools and information pieces in support of the agricultural sector. During the reporting quarter, ACE finalized and published the second quarter Trade Report for 1391 covering the period between of June 21, 2012 to September 20, 2012. The agriculture trade report, the 7th in a series, attempts to bridge the trade information gap that agriculture actors might face. The report includes information on agriculture trade flows by commodity, customs house and partner countries. It also provides insight into: 1) the major agricultural commodities exported as well as export destinations; 2) the major agricultural commodities imported and countries of origin; and 3) the main characteristics of the agricultural trade.

The report shows that the agricultural exports decreased by 3 percent during the second quarter of 1391 experiencing a decrease from the same quarter of periods 1385-1391. Agricultural exports valued at 2.037 Billion AFN (39.4 million USD), represent a smaller share compared to the imports, and their share have decreased by 3 percentage points to 8 percent compared to the same period in 1390. The agricultural imports reached at 23.7 Billion AFN (460.1 million USD) during the second quarter of 1391, by almost doubling the value from that of the same quarter in 1390, having increased by 99.8 percent of their AFN value and 83.6 percent of their USD value. Quarterly agricultural imports represent the highest values of the period 1385 – 1391. Agricultural imports are less concentrated than exports, and are represented by additional categories, such as cereals, milling industry products and animal and vegetable oils. The figure below shows the composition of agricultural exports by category.

Graph 5: Product Categories of Agricultural Exports





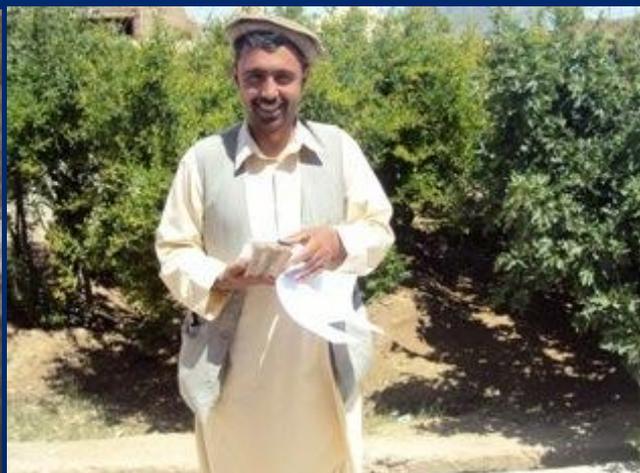
Ag Credit is supporting 20,231 commercial farms to grow and compete...

## Performance Management - ACE Progress against Targets

During the past quarter, ACE focused on assisting the financial and non-financial intermediaries with policies and training on disbursements to the end borrowers, as well as provision of required documentation to prove the disbursements. ACE has three full time M&E officers stationed in Herat, Mazar-e-Sharif and Jalalabad which till now have been covering the monitoring of the loan disbursements to farmers across the country. The team communicates with the ADF clients through the loan relationship managers which notify the M&E officer on the upcoming disbursements. ACE monitors the process of disbursement, ensuring that the loan agreements between the intermediary and farmers are in compliance with the loan purpose. This model has proven to very effective and has enabled the team to monitor the on-going disbursements of several clients in the past quarter only. The table below shows the disbursements to end-borrowers carried out in the last quarter.

*Table 11: ADF Loans to farmers achieved in Quarter 3 FY13*

No.	Company	Direct beneficiaries
1	AAIDO	165
2	Aziz Farid Cotton Processing Company	49
3	Bamyan Cooperative2013	944
4	Ghulghula Ag. and Livestock Co-op	150
5	Herat Ice Cream	516
6	IIFC 2013	414
7	Momen Khan Ag Input	197
8	Nangarhar Edible Oil Processing Cooperative	198
9	Sayed Ahmad Khushakyar	424
10	Sodais Saud Trading Co	59



**Left: One of the beneficiaries of Heart Ice Cream in Injil district of Heart province.. Herat Ice Cream is an ADF client currently benefitting from a \$1.3 million USD Loan to purchase equipment and fresh milk from farmers. With this loan, the client will provide cash advances to 800 farmers in Herat province. Right: Haji Mohammad, one of the 414 farmer beneficiaries who received cash on credit from IIFC, an ADF client. Until now, IFFC has on-lent to 1,451 farmers in total.**

**TOTAL**

**3,116**

The M&E database houses ACE's 15 performance indicator, which is updated and maintained periodically. While direct beneficiary data is reviewed and updated on a weekly and monthly basis, the rest of the indicators are updated and reviewed quarterly.

### Quarterly Results for Q3 FY'13

This section presents ACE's achievements against targets from April<sup>st</sup> to June 30th 2013.

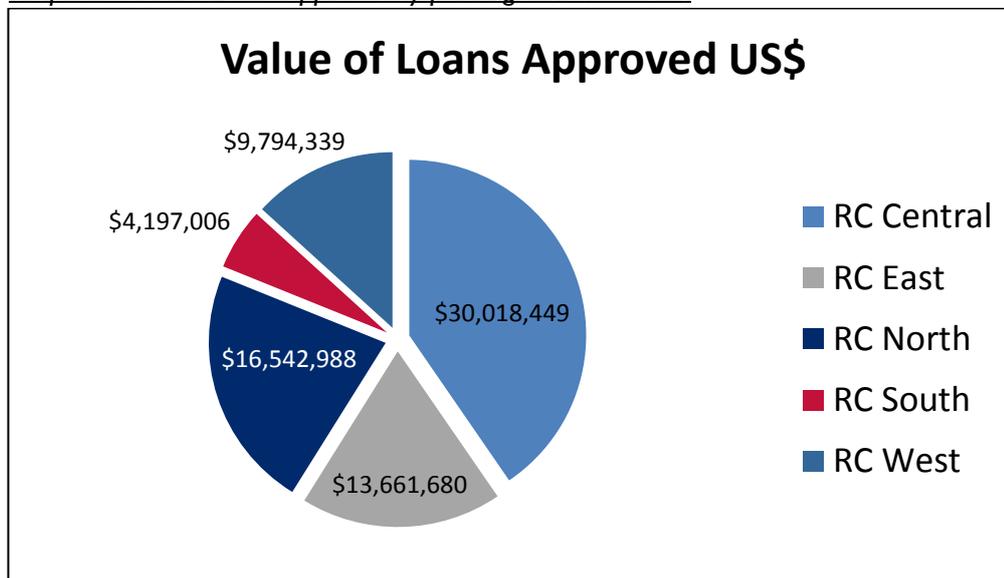
**Indicator #1.1-** As of July 13<sup>th</sup>, ACE achieved a net total of \$74,214,455 USD in approved loans, achieving 93 percent of the quarterly target and continuing to close the gap between actual and target of the past quarter. During the last quarter only, ACE approved an additional \$9.5 million USD in loans.

*Table 12: Net amount of ADF loans approved and disbursed per Quarter*

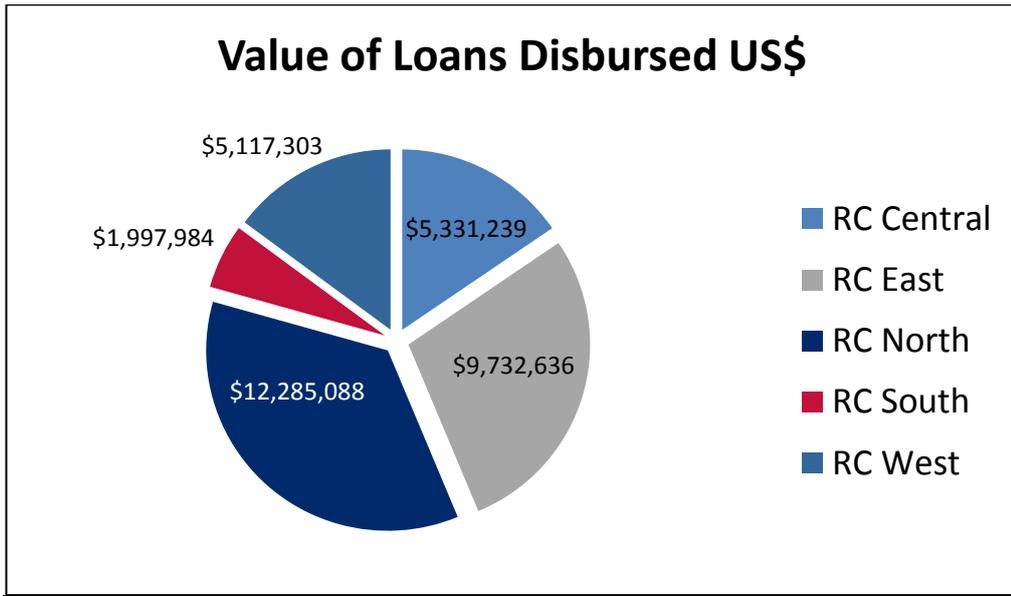
Quarter	Approved (Cum)	Disbursed (Cum)
FY 2011	\$16,746,562	\$9,515,771
Q1 2012	\$19,104,562	\$15,530,721
Q2 2012	\$36,943,562	\$18,917,799
Q3 2012	\$37,212,970	\$21,505,726
FY 2012	\$46,010,957	\$22,319,454
Q1 2013	\$49,010,957	\$22,878,054
Q2 2013	\$64,723,195	\$26,234,451
<b>Q3 2013</b>	<b>\$74,214,455</b>	<b>\$34,464,253</b>

During the same time period, ACE successfully disbursed a total net of \$7.6 million USD to the ADF clients. As of the end of the quarter, ACE has managed to disburse a total of \$34.5 million USD (cumulative) achieving the disbursement target by 82 percent. Graph 6 below shows the distribution of ADF loans approved by regional command, whereas Graph 7 indicates the loans disbursed according to the regional command.

*Graph No 6: ADF Loans Approved by per Regional Command*



*Graph No 7: ADF Loans Disbursed by per Regional Command*



**Table 13: Performance Data Q3 FY 2013**

Indicator Name and Number	Baseline (date collected)	FY 2011	FY 2012	Q1 FY 2013 (total for this quarter only)*	Q2 FY 2013 (total for this quarter only)*	Q3 FY 2013 (total for this quarter only)*	TOTAL Cumulative figures Q3 2013	Targets for Q3 FY 2013	%	Target for FY 2013	Target for FY 2014
		Actual	Actual	Actual	Actual		Actual	Target			
1.1 Value of finance accessed through lending	0	\$16,746,562	\$46,010,957	\$49,010,957	\$68,041,603	\$74,214,455	\$74,214,455	\$80,000,000	93%	\$85,000,000	\$85,000,000
Male	0	-	\$45,325,957	\$48,325,957	\$66,819,603	\$72,842,455	\$72,842,455				
Female	0	-	\$685,000	\$685,000	\$1,222,000	\$1,372,000	\$1,372,000				
1.1- a Values of Loans Disbursed	0	\$9,515,771	\$22,319,454	\$22,978,054	\$31,688,219	\$34,464,248	\$34,464,248	\$42,000,000	82%	\$50,000,000	85,000,000
Male	0	-	\$22,021,458	\$22,500,058	\$30,807,392	\$33,184,495	\$33,184,495				
Female	0	-	\$297,996	\$477,996	\$880,827	\$1,279,753	\$1,279,753				
1.2 Number of individuals benefiting from financial agreement	0	8,720	15,233	639	1,269	3,124	20,265	36,000	56%	40,000	60,000
Male	0	8,717	15,089	639	1,123	3,110	19,961	35,200		39,000	
Female	0	3	144	0	146	14	304	800		1,000	
1.2 –a Number of individuals benefitting from ACE or ADF financial agreements/ Indirect	0	94,162	101,711	1,280	13,020	7,200	123,211	80,000	154%	80,000	120,000
1.3 Percent annual increase in household income by assisted direct beneficiaries	Average \$580 per Household. (Oct,2011)	-	56%	N/A	N/A		N/A	10%	560%	10%	10%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities	0	171	856	89	262	496	1,703	900	189%	1,000	2,000
Male	0	171	749	54	244	395	1,442	728	198%	800	
Female	0	0	107	35	18	101	261	172	152%	200	
2.1 Value of challenge/ innovation and agriculture modernization grants app	0	\$737,683	\$1,756,296	\$312,251	\$32,380	\$403,681	2,504,609	\$8,200,000	31%	\$10,000,000	\$20,000,000
Male	0		\$1,592,475	\$165,532	\$32,380	\$403,681	\$2,194,069				
Female	0		\$163,821	\$146,719	\$0	\$0	\$310,540				
2.1- a Value of Challenge/Innovation (ADF) Grants	0	\$607,970	\$783,099	-	-	\$403,681	\$1,186,780	\$5,000,000	24%	\$6,000,000	1500000
Male	0	-	\$759,108	-	-	\$403,681	\$1,162,789				
Female	0	-	\$23,991	-	-	\$0	\$23,991				
2.1 -b Value of Agricultural Modernization (ACE) grants approved	0	\$129,713	\$973,197	\$312,251	\$32,380	-	\$1,317,828	\$3,200,000	41%	\$4,000,000	\$5,000,000
Male	0	-	\$833,367	\$165,532	\$32,380	-	\$1,031,279				
Female	0	-	\$139,830	\$146,719	-	-	\$286,549				

2.2 Number of participating Financial Intermediaries and Private Intermediaries on-lending funds	0	14	50	0	-1	30	79	22	359%	22	25
Male	0	-	47	0	-1	30	76				
Female	0	-	03	0	0	0	3				
2.3 Number of innovative lending products established by Private Intermediaries (IRs) and Financial Intermediaries (IRs)	0	3	9	0	0	-	9	5	225%	5	6
2.4 Percentage of loan losses resulting from ACE lending recommendations	0	-	1.32%	3.09%	4.00%	3.92%	3.92%	<5%	100%	<5%	<5%
3.1 Percentage change in value of exports of Afghanistan agricultural products for firms supported by ACE	\$3,048,355 (Oct,2011)	-	61%	N/A	N/A	N/A	N/A	10%	610%	10%	10%
3.2 : Number of loans approved under USAID's Development Credit Authority (DCA) mechanism	0	0	0	0	0	-	0	3	-	3	4
3.3 Number of public-private partnerships formed as a result of USG assistance (including GDAs)	0	-	-	-	-	-	-	1	N/A	2	4
4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information sys	0	15	189	40	15	6	250	85	294%	90	120
Male	0	15	175	27	13	4	219	64	342%	63	
Female	0	0	14	13	2	2	31	21	148%	27	
4.2 Number of person hours of training; including formal and practical training and technical visits	0	74	525	196	74	17.5	812.5	450	181%	520	700
5.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector while addressing the value chain constraints	0	5	9	1	1	-	11	14	79%	15	20
5.2 Number of market information and market intelligence products created and disseminated by the established Knowledge Management	0	13	25	5	1	1	32	37	87%	38	50

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

Table 14: ADF Direct and Indirect Beneficiaries

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
1	Advance Building System	-	-	-	300	300	300
2	Javed Afghan Wheat Thresher Company	-	-	-	8,000	8,000	8,000
3	Sanaizada Edible Oil Extraction	-	-	-	600	600	500
4	Hamid Flour Mill	-	-	-	125	125	125
5	Kunar Farm Service Store	625	625	625	-	-	-
6	Helmand Farm Service Store	1,364	1,364	1,364	-	-	-
7	Osiyo Hamkorlik	-	-	-	250	250	250
8	Season Honey	-	-	-	300	300	300
9	Dr. Abdul Wakil Farmers Association	-	-	-	52	52	52
10	Sayed Jamal Flour Mill	2,000	2,000	1,625	-	-	-
11	Samsoor Ban	-	-	-	4,500	4500	-
12	Javed Afghan Wheat Thresher (2nd)	570	570	109	8,170	8,170	1,800
13	Yaqoobzada	-	-	-	250	250	-
14	Advance Building System (2nd)	-	-	-	230	230	-
15	RANA Seeds Company	-	-	-	177	177	177
16	Hariwa Habibzadah Company	-	-	-	110	110	110
17	Habib Omid	600	600	600	-	-	-
18	Tyoran Ayobi	-	-	-	2,500	2,500	2,500
19	Ghoryan Women Saffron Association	117	117	117	-	-	-
20	Kunar Farm Service Store (2nd loan)	688	688	688	-	-	-
21	Logar Farm Service Store	-	-	-	-	-	-
22	Qarizadah Tomato Paste	800	800	780	1,000	1,000	1,000
23	Salahe Dekundiwal Brothers Agro Productions and Services Company	-	-	-	10	10	10
24	Helmand FSC (2nd Loan)	-	-	-	-	-	-
25	Laghman FSC	645	645	438	-	-	-

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
26	Afghan Rice Mill	219	219	219	500	500	500
27	Apple Association	-	-	-	-	-	-
28	Ghulam Dastagir Food Production Company	-	-	-	-	-	-
29	Sayel Food Processing Company	-	-	-	50	50	50
30	Taje Telayee Development Poultry Farm Cooperative	8	8	2	-	-	-
31	Nangarhar Nursery Growers' Association (NNGA)	20	20	18	40	40	40
32	Rabia Mariam Handicraft Company	-	-	-	2,000	2,000	2,000
33	Dr. Abdul Wakil Farmers Association (2nd	-	-	-	-	-	-
34	Kapisa Farm Service Center	200	200	160	-	-	-
35	Tanin Herat Industrial Food Company	70	70	53	-	-	-
36	Takhar Trader Women Social Organization	150	150	145	-	-	-
37	Ghulghula Ag. and Livestock Co-op	1,500	1,500	150	-	-	-
38	Sayed Ahmad Khushakyar	600	600	569	-	-	-
39	Dehqan Roz	200	200	-	-	-	-
40	Herat Ice Cream	800	800	615	1,200	1,200	1200
41	Heri Biscuit	200	-	-	-	-	-
42	Sodais Saud Trading Co	400	59	59	500	-	-
43	Tokhe Oil Producing Co.	-	-	-	100	-	-
44	Hafiz Ebad Wool Mill and Carpet Production Company	-	-	-	1,050	1,050	1,050
45	Fine Food Factory	-	-	-	30	-	-
46	Momen Khan Ag Input Company	250	250	197	1,500	1,500	1,500
47	Afghanistan Social Poultry and Animal Farmer Association	20	-	-	45	45	45

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
48	Shoib Faisal Rice Processing Company	600	-	-	1,500	-	-
49	Nangarhar Edible Oil Processing	2,000	198	198	1,100	-	-
50	Hussianzada Ltd	3,100	-	-	-	-	-
51	Jawid Kohnawardan Company Limited	-	-	-	80	80	80
52	Sadiq Mateen Afghan Company Ltd	-	-	-	-	-	-
53	Jawid Afghan Wheat Threshers Manufacturing Company	-	-	-	12,000	12,000	12,000
54	Motmaheen Agricultural and Livestock Retailing Association	837	-	-	4,400	-	-
55	Hirat Capable Women Association	20	-	-	1,255	1,255	1,255
56	Rawnaq Agricultural and Livestock Cooperative	-	-	-	25	-	-
57	Uddin Wardak Wool Washing and Carpet Company	10	-	-	2,000	2,000	2,000
58	Mustafa Jamal Flour Mill	214	-	-	-	-	-
59	Farah Gostar Ltd	200	-	-	-	-	-
60	HameshaBahar Company	30	-	-	100	-	-
61	Amin Karim Carton Manufacturing Factory	-	-	-	-	-	-
62	Stan Gul Poultry Farm	15	-	-	-	-	-
63	Raqib Plastic Packaging Complex	-	-	-	6	-	-
64	Hirat Delta Industrial Packaging Company	20	-	-	-	-	-
65	Aziz Farid Cotton Processing Company	900	49	49	5,000	-	-
66	Attae Export and Import Ltd	100	-	-	70	-	-
67	Hikmat Feed Factory	-	-	-	70	-	-
68	Paktika Urgon Pine Nuts Association	25	-	-	850	-	-
69	KoshkakTalokan Cooperative	58	-	-	60	-	-
70	Takhar Province Dry Fruit Processing	-	-	-	1,952	-	-

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
	and Social Association						
71	AzmiyanMacroni, Biscut and Salty Snack Production Company	220	-	-	-	-	-
72	Baghlan Dairy Company	-	-	-	-	-	-
73	Al Faqeer Cotton Oil company	-	-	-	70	-	-
74	Frangis Food and Beverages Company	-	-	-	40	-	-
75	NawiHena Production Company	-	-	-	300	-	-
76	Sama Poultry Farm	-	-	-	50	-	-
77	Morwarid Food Industry	-	-	-	500	-	-
	<b>SUB-TOTAL Agribusinesses</b>	<b>20,395</b>	<b>11,732</b>	<b>8,780</b>	<b>65,017</b>	<b>48,294</b>	<b>36,844</b>
78	Afghanistan Almond Industry Development Organization	212	212	212	-	-	-
79	Eastern Region Fruit Growers Association	1,845	1,845	1,845	-	-	-
80	Durukhshan Bamyam Co-op	15	15	15	-	-	-
81	Kawe Tajik Bamyam Co-op	47	47	47	-	-	-
82	Koh-e-Baba Bamyam Co-op	10	10	10	-	-	-
83	Shahemardan Bamyam Co-op	59	59	59	-	-	-
84	Katway Bamyam Co-op	155	155	155	-	-	-
85	Shanbul Bamyam Co-op	74	74	74	-	-	-
86	Khwaja Sabz Posh Bamyam Co-op	22	22	22	-	-	-
87	Afghanistan National Seed Organization	4,140	4,140	4,140	86,087	86,087	86,087
88	Exporters' Loan (AAIDO)	5	5	-	400	280	280
89	Afghanistan Almond Industry Development Organization	1,852	1,852	1,852	-	-	-
90	Bamyam cooperatives	700	525	525	-	-	-
91	ANSOR, Afghanistan National Seed Organization – 2012	4,351	-	-	-	-	-

ADF LOANS		Direct Beneficiaries			Indirect Beneficiaries		
No	BORROWER	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
92	Farm Service Center Association of Afghanistan (FSCAA)	1,400	-	-	-	-	-
93	Khalifa Sahib Agricultural and Livestock Cooperative	137	-	-	-	-	-
94	Afghan Women Saffron Growers' Association	70	-	-	950	-	-
95	Bamyan Cooperatives 2013 ( Third loan)	1,236	944	944	-	-	-
<b>SUB-TOTAL NFI</b>		<b>16,330</b>	<b>9,905</b>	<b>9,900</b>	<b>87,437</b>	<b>86,367</b>	<b>86,367</b>
96	Islamic Investment and Finance Cooperative Group	1,137	1,137	1,137	-	-	-
97	BRAC Bank	-	-	-	-	-	-
98	Afghan Growth Finance (AGF)/SEAF	181	-	-	34,200	-	-
99	Islamic Investment and Finance Cooperative Group	3000	414	414	-	-	-
100	Oxus Afghanistan	500	-	-	-	-	-
<b>SUB-TOTAL FI</b>		<b>4,818</b>	<b>1,551</b>	<b>1,551</b>	<b>34,200</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>		<b>41,543</b>	<b>23,188</b>	<b>20,231</b>	<b>186,654</b>	<b>134,661</b>	<b>123,211</b>

**Indicator #1.2** – In the last quarter, ACE monitored disbursement of ten intermediaries to 3,116 farmers (see Table no. 15 below). The disbursements were handled correctly by the ADF clients. In the case of Bamyan cooperatives, 1,280 farmers benefited for the third Bamyan loans, however only 944 were first-time ADF borrowers. As per indicator definition stipulated in the ACE PMP, ‘one farmer borrower can be counted only once’ therefore only the new farmers are counted towards the data for this quarter. All the 20,231 ADF direct beneficiaries are unique farmers, counted only once.

*Table 15: New Direct beneficiaries achieved in Q3 FY'13*

No .	Company	Direct beneficiaries	Male	Female
1	AAIDO	165	165	0
2	Aziz Farid Cotton Processing Company	49	49	0
3	Bamyan Cooperative2013	944	944	0
4	Ghulghula Ag. and Livestock Co-op	150	150	0
5	Herat Ice Cream	516	502	14
6	IIFC 2013	414	414	0
7	Momen Khan Ag Input	197	197	0
8	Nangarhar Edible Oil Processing Cooperative	198	198	0
9	Sayed Ahmad Khushakyar	424	424	0
10	Sodais Saud Trading Co	59	59	0
	<b>TOTAL</b>	<b>3,116</b>	<b>3,102</b>	<b>14</b>

*Table 16: New agribusinesses counted towards indicator #1.2 in Q3 FY'13*

No.	Agribusiness Name	Quarter
1	Morwarid Food Industry	Quarter 3 FY 2013
2	Sama Poultry Farm	Quarter 3 FY 2013
3	Nawi Hena Production Company	Quarter 3 FY 2013
4	Frangis Food and Beverages Company	Quarter 3 FY 2013
5	Al Faqeer Cotton Oil company	Quarter 3 FY 2013
6	Baghlan Dairy Company	Quarter 3 FY 2013
7	Takhar Province Dry Fruit Processing and Social Association	Quarter 3 FY 2013
8	Hikmat Feed Factory	Quarter 3 FY 2013

The total number of beneficiaries (cumulative) consists of 20,231 farmers and 34 agribusinesses. This brings the total number of individuals benefiting from ACE financial agreements to 20,265.

*Table 17: Direct Beneficiaries per Regional Command (cumulative from the beginning of the project)*

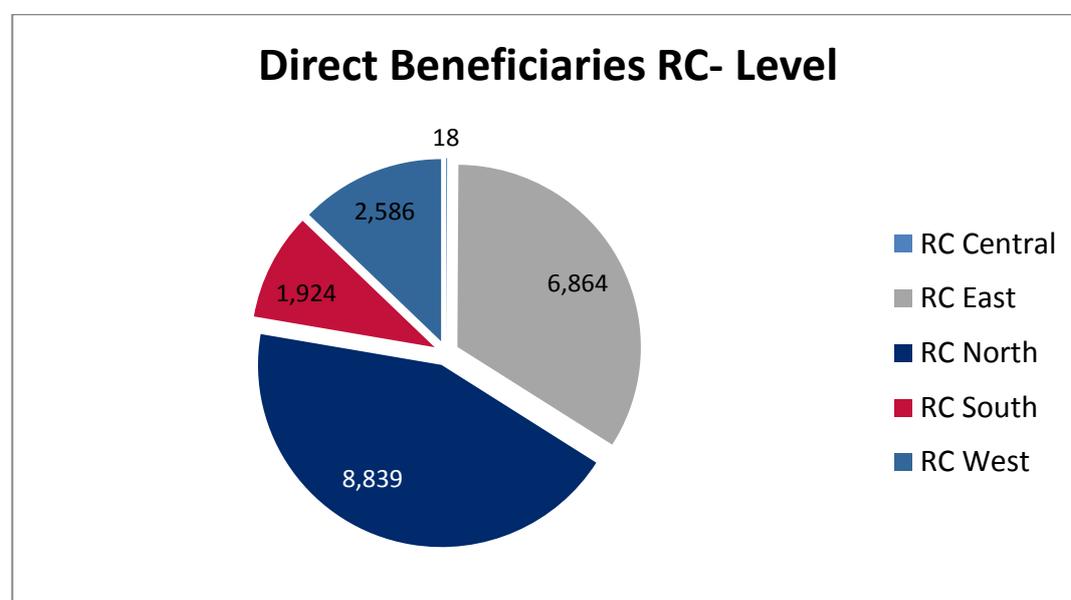
Region	Direct Beneficiaries	Male	Female
RC - Central	18	18	0
RC - East	6,864	6,846	18
RC - North	8,839	8,686	153
RC - South	1,924	1,924	0
RC - West	2,586	2,455	131
<b>TOTAL</b>	<b>20,231</b>	<b>19,929</b>	<b>302</b>

As shown in the graph below, the majority of the direct beneficiaries are located in the northern and eastern regions, which are very active in wheat and rice production as well as fresh and dried fruit. In the next quarter, ACE expects to catch up with the number of direct beneficiaries in the southern and western region through several new loans.

*Table 18: ACE/ADF approved and disbursed loans per Regional Command*

Region	Loan Approved (\$)	Loan Disbursed (\$)	Beneficiaries
RC Central	\$30,018,449	\$5,331,239	18
RC East	\$13,661,680	\$9,732,636	6,864
RC North	\$16,542,988	\$12,285,088	8,839
RC South	\$4,197,006	\$1,997,984	1,924
RC West	\$9,794,339	\$5,117,303	2,586
<b>Total</b>	<b>\$74,214,462</b>	<b>\$34,464,250</b>	<b>20,231</b>

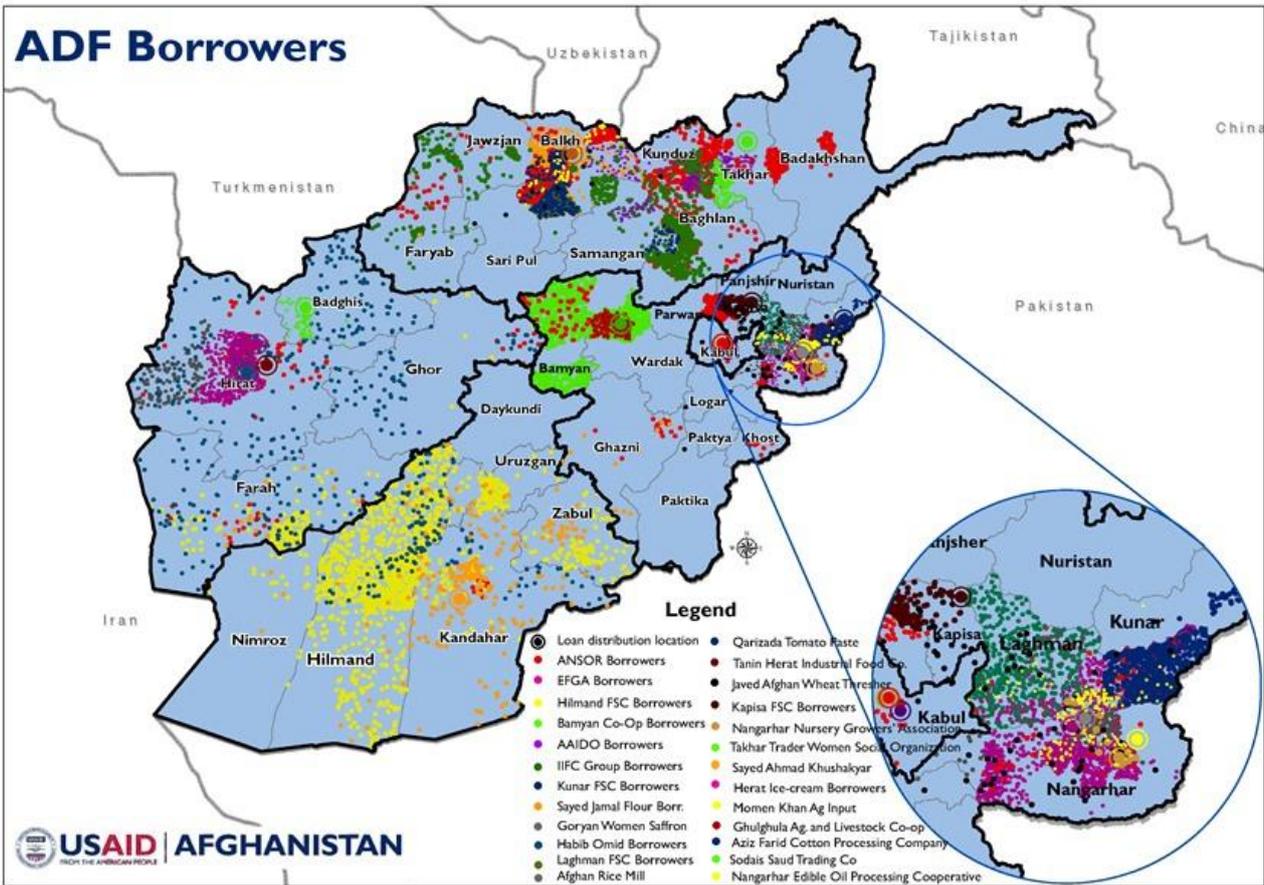
*Graph No 8: ACE Direct beneficiaries by Regional Command*



The Performance Indicator Data Sheet (Table No.13) shows the ACE quarterly accomplishments and the current cumulative actual performance against quarterly and annual targets. Below are some of the reasons ACE could not fully achieve the quarterly targets for indicators #1.1; #1.2 and #2.1.

- There are two fundamental reasons behind the actual gap between the ADF loan approvals and disbursements. First, not all the ADF clients need the entire loan amount in one single disbursements, but the ADF experience has shown that mostly the clients require multiple disbursements to meet their business investment needs. Second, as of June 30<sup>th</sup> there are 28 loans approved by the ADF CC are pending initial disbursement. Most of these are new loans approved by the ADF CC in the last three months (April, May and June), and haven't been disbursed yet due to delays in the registration of collateral. This has delayed the completion of the loan documentation, a prerequisite to the loan disbursement and the team is seeking for ways to expedite the process, in agreement with the Provincial Courts.

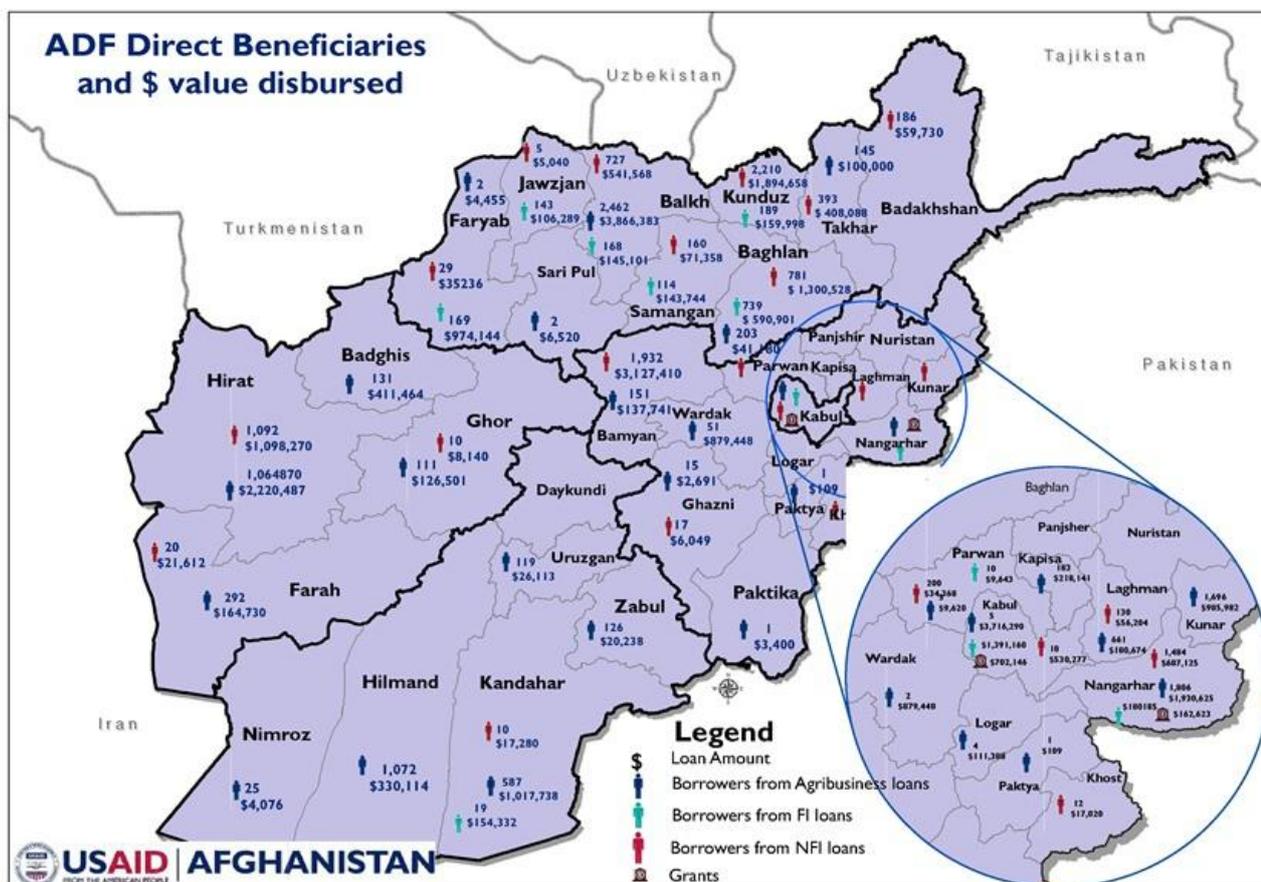
**Map 1: ADF Direct Beneficiaries per Province**



- In the past quarter, ACE achieved 3,124 new direct beneficiaries, a significant number taking into account two facts: First, ACE only counts one farmer once, no matter how many times they benefit from the ADF on-lending program; and second considering that there are over 28 loans pending disbursement, this is no small achievement.
- In the last quarter ACE approved three new ADF challenge grant to support two new clients and sponsor a farmers' program on radio. The team continues to work on processing new ACE Agricultural Modernization grants to assist the ADF clients in their business ventures; however the project is adopting a very prudent approach with grants.

**Indicator #1.3** - Percentage increase in income by assisted farms and agribusinesses is an annual indicator which, as per PMP and the Annual Work Plan 2, will be next reported in FY 2013.

**Map 2: ADF Direct Beneficiaries and Loan Amount per RC**



**Indicator #1.4** - During this quarter, the number of new jobs created expressed in Full-Time Equivalent is 496. This increase counts for the new jobs created comprising full time, part time and seasonal jobs, of which 15 percent target women. This is a significant increase in comparison to previous quarter.

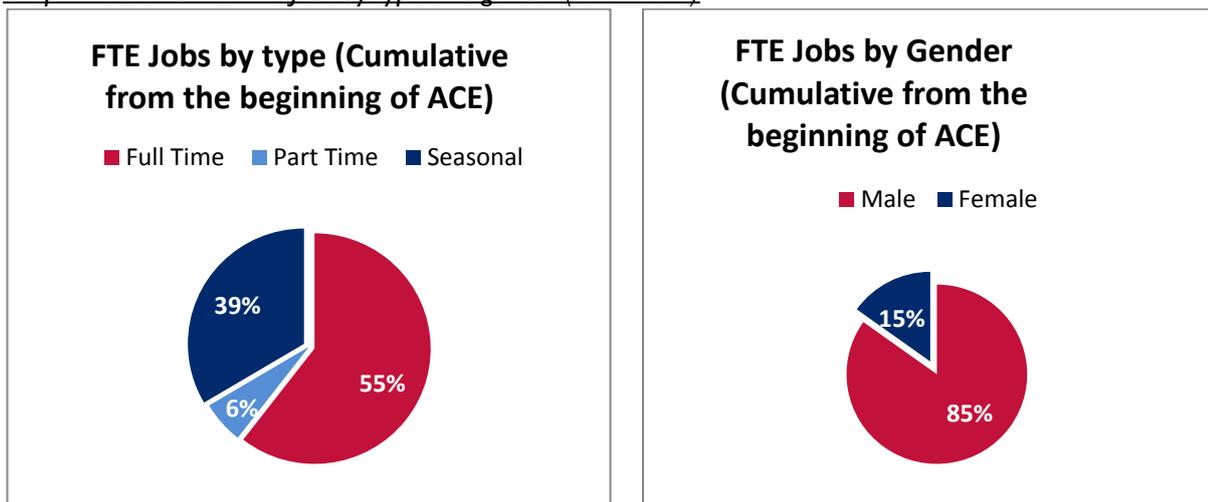
*Table 19: New FTE Jobs Created in Q3 FY 2013*

No	Type of FTE Jobs	Male	Female	TOTAL
1	Full Time Jobs	350	74	424
2	Part Time Jobs	28	0	28
3	Seasonal Jobs	17	27	44
<b>TOTAL</b>		<b>395</b>	<b>101</b>	<b>496</b>

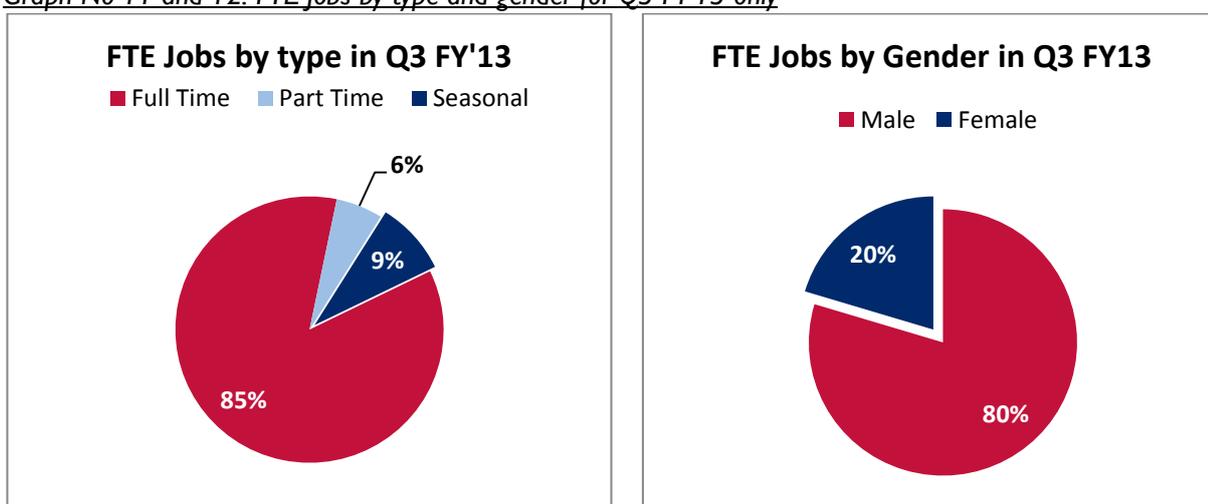
*Table 20: FTE Jobs Created by ACE (cumulative)*

No	Type of FTE Jobs	Male	Female	TOTAL
1	Full Time Jobs	878	166	1,044
2	Part Time Jobs	103	0	103
3	Seasonal Jobs	483	95	578
<b>TOTAL</b>		<b>1,464</b>	<b>261</b>	<b>1,725</b>

*Graph No 9 and 10: FTE Jobs by type and gender (cumulative)*



*Graph No 11 and 12: FTE Jobs by type and gender for Q3 FY'13 only*



**Indicator #2.1**– In quarter 3 FY'13 ACE approved three new ADF Challenge Grants worth of \$403,681 USD. See Table No. 5 in Grants Section (page 19).

**Indicator #2.2** – Number of participating FIs and PIs on-lending funds: For this quarter, ACE has thirty new participating intermediaries, of which 27 are new Bamyar cooperatives. Momen Khan Ag Input, Nangarhar Edible Oil Processing Cooperative, Sodais Saud Trading Co benefited respectively 197, 198 and 59 farmers. AS of June 30<sup>th</sup>, ACE has been on-lending through 79 financial and non-financial intermediaries.

*Table 21: New Participating Intermediaries (Q3 FY'13)*

No.	Intermediary	Beneficiaries
1	Momen Khan Ag Input	197
2	Nangarhar Edible Oil Processing Cooperative	198
3	Sodais Saud Trading Co	59
4	Adalat-e-Duwoom Cooperative	4
5	Anbur Cooperative	48
6	Atlas Cooperative	19
7	Azizi Cooperative	30
8	Chahar Burja Cooperative	12

9	Chaman Takhat Cooperative	18
10	Chandar Gul Cooperative	21
11	Deyanat Cooperative	36
12	Erfaaq Dokani Cooperative	31
13	Ethihad Cooperative	11
14	Ethihad Waras Cooperative	18
15	Etihadi Sokhtagi Olyia Cooperative	30
16	Falah Cooperative	52
15	Jawanani Siya Kha Cooperative rak	38
17	Mawla Ali Cooperative	10
15	Meli Cooperative	49
18	Nahzat Cooperative	27
19	Naik Cooperative	12
20	Naween - Haidair Abad Cooperative	24
21	Sahar Cooperative	22
22	Saqab Cooperative	20
23	Shamshad Cooperative	42
24	Taban Cooperative	16
25	Tawsiyai Naween Cooperative	53
26	Tosai Zarat Cooperative	61
27	Umid Sabz Cooperative	46
28	Unbar Shahidan Cooperative	40
29	Adalat-e-Duwoom Cooperative	4
30	Anbur Cooperative	48

**Indicator # 2.4** – Currently the ADF default rate is at 3.99 percent, with all the loans being repaid on schedule except for few of them. (See Annex I for detailed information).

**Indicator # 3.1** – As per the approved PMP and Annual Work Plan 2, the percentage change in export sales for firms supported by ACE will be reported next in FY2013.

**Indicator #4.1** – In the last quarter, ACE trained a total of 6 participants from ADF borrowers and ACE staff including two women.

*Table No 22: Training provided by ACE in Quarter 3FY13*

No	TOPIC	# of Participants	Location	Start	End	Hours
I	Advance Micro banking System Software (MBWin) Training	6	ACE, Kabul Office	26-Jun-13	04-Jul-13	17.5
<b>TOTAL</b>		<b>6</b>				<b>17.5</b>

**Indicator # 4.2** –ACE provided one training course with a total of 17.5 hours of training in Micro Banking Financial Software. As in any financial institution, the financial system is the very backbone of the ADF.

**Indicator #5.1** – During the past quarter, there were no workshops aimed at removing the value chain growth constrains.

**Indicator # 5.2** – The ACE MIS unit published the Agricultural trade report Q2, 1391-English. The product will be disseminated through [www.paywand.mail.gov.af](http://www.paywand.mail.gov.af).

*Table 23: List of the marketing information products launched in the reporting quarter*

No.	Product	Type of Market Information Product	Type of Dissemination	Date of launching
I	Agricultural trade report Q2, 1391-English	Agricultural Trade Brief	ACE / MAIL	Jun 02, 2013

### **Sex-disaggregated Data: Actual versus Targets**

As laid out in the previous quarterly reports, as of the last year ACE set self-imposed targets for male and female beneficiaries moving forward for three indicators. Below are the indicators on direct beneficiaries, jobs creation (in FTEs) and number of people trained disaggregated by sex. These targets are presented in the Annual Work Plan for option year 2.

*Table No 24: Sex-segregated Indicators with self-imposed targets*

ACE Performance Indicators	Actual Q3 FY2013 (Cum.)	Target Q3 FY2013 (Cum.)	Percentage % Achieved
<b>1.2 Number of individuals benefitting from ACE or ADF financial agreements</b>	20,265	36,000	56%
<b>Male</b>	19,961	35,200	57%
<b>Female</b>	304	800	38%
<b>1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities</b>	1,703	900	189%
<b>Male</b>	1,442	728	198%
<b>Female</b>	261	172	152%
<b>4.1 Number of individuals trained by ACE in credit policy and operations, value chain strengthening, and market information system.</b>	250	85	294%
<b>Male</b>	219	64	342%
<b>Female</b>	31	21	148%

ACE met and exceeded the gender-based targets on the number of jobs created, and # of individuals trained, delivering excellent results in creating new jobs for women through the ADF lending opportunities and providing training opportunities for its female staff. However, ACE did not meet the target set for female direct beneficiaries due to the delays in disbursements cause by new policies and procedures which aim to consolidate the ADF credit administration unit, such as collateral transfer to the ADF, etc. These factors delayed several disbursements to the ADF borrowers, which subsequently led to delays in on-lending to farmers. This impacted the ratio between male/female beneficiaries.

In accordance with the request of the COR, ACE reports gender-disaggregated data on three additional indicators, starting in Quarter 3, FY2012. The table below shows the gender-segregated data the three additional indicators.

Table No 25: Sex-segregated Indicators without targets Q3 FY 2013

ACE Performance Indicators	Q2 FY 2013	Q3 FY 2013
<b>1.1 Value of Finance Accessed</b>	\$64,723,195	<b>\$74,214,455</b>
<b>Male</b>	\$63,501,195	<b>\$72,842,455</b>
<b>Female</b>	\$1,222,000	<b>\$1,372,000</b>
<b>2.1 Value of Challenge/Innovation and Agriculture modernization grants approved.</b>	\$2,100,928	<b>\$2,504,609</b>
<b>Male</b>	\$1,790,388	<b>\$2,194,069</b>
<b>Female</b>	\$310,540	<b>\$310,540</b>
<b>2.2 Number of participating financial intermediaries and private intermediaries on lending funds from ADF</b>	49	<b>79</b>
<b>Male</b>	46	<b>76</b>
<b>Female</b>	3	<b>3</b>

## Communication and Outreach

**Credit is revolutionizing Afghan agriculture**

[www.adf.af.org](http://www.adf.af.org)

The ADF is currently serving over 17,000 farmers and agribusinesses in 30 of Afghanistan's 34 provinces. Are you our next client?

**DO YOU HAVE A BUSINESS IDEA? WE CAN HELP YOU GROW IT!**

The Agricultural Development Fund (ADF) is an initiative of the Ministry of Agriculture, Irrigation and Livestock (MAIL). ADF provides agricultural credit using agribusinesses, farmer associations and cooperatives as channels to ensure that commercial farmers have access to finance.

The purpose of the ADF is to support the growth of the agricultural sector by providing credit to commercial farmers and agribusinesses engaged in the distribution of agricultural inputs, producers of high-value crops, processors and exporters of agricultural products. This under the recognition that supporting the growth of the agricultural sector requires balanced investments at the production, as well as at the processing and market levels of the agricultural value chains.

The ADF has its headquarters in Kabul and operates 5 regional branches in Jalalabad, Mazar-e-Sharif, Bamyan, Herat and Kandahar.

**MAIN OFFICE - KABUL**  
Ministry of Agriculture, Irrigation and Livestock (MAIL), Jamal Meena, District# 22, Kabul  
Phone: +93 20 250 48 35

During the past quarter, ACE published a two-page ADF advert (in English & Dari) in the upcoming June/July/August Safi Airline In-flight magazine. Safi Airlines is one of Afghanistan's major airlines and its in-flight magazine is read by donors, business persons and other partners. During the months of circulation over 8,000 magazines will be printed and 60,000 passengers will have access to the magazine. The magazine will not only be placed in all seat pockets of every aircraft but also, on average, five magazines will also be distributed to major embassies and businesses in Kabul city.

ACE signed a grant agreement with Radio Salam Watandar to launch a series of radio and TV interviews to present the ADF lending opportunities and application procedures. ACE will support the Farmers' Talk Show program for 12 months which will provide an excellent opportunity to raise general awareness on the ADF lending opportunities.



**NEWS BRIEF**  
JUNE 2013

**AGRICULTURAL CREDIT; TRANSFORMING AGRICULTURE OF AN ANCIENT CIVILIZATION**



On June 20, 2013 the Agricultural Development Fund (ADF), celebrated the grand opening of its Provincial office in Bamyan. While since 2011 the ADF kept a small office within the Provincial Delegation of MAIL to serve a small number of clients, the increase in the number of loans provided in the province required of a stronger presence. Therefore the event celebrated two main milestones:

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

Bamyan agricultural cooperatives now received ADF loans for the third year. The first one was in the spring of 2011 in which 438 potato growers members of 7 cooperatives were provided with loans for seed and fertilizer; later, in the spring 2012, 700 potato growers members of 27 cooperatives accessed loans for agricultural inputs; and just a few weeks ago 1280 potato growers members of 44 cooperatives from Bamyan province received over AFN 112,000,000 Million in loans.

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

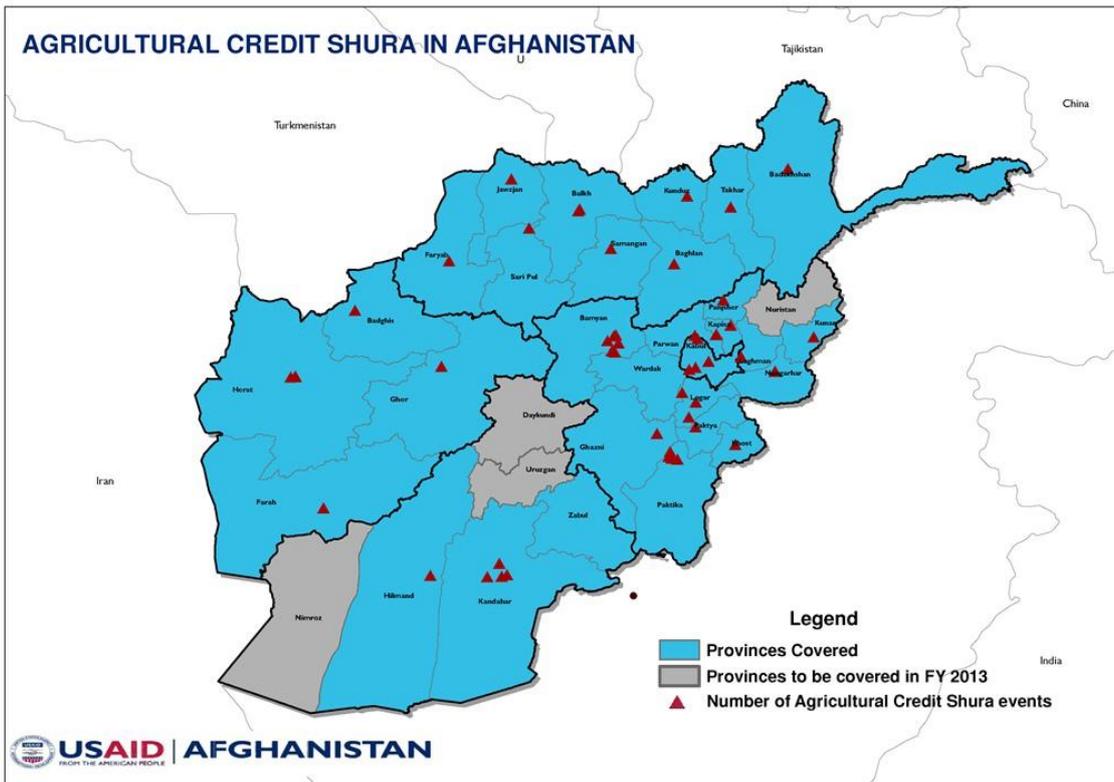
Potato production is a mainstay in Bamyan, however productivity was low due to two fundamental factors: the high price and questionable quality of fertilizers available in the province, and the use of recycled and low quality seed.

To date ADF has approved loans for over US\$69million. These loans are directly benefiting some 20,000 farmers in 30 provinces. The work carried out with potato growing cooperatives in Bamyan province is one of several examples of how credit is supporting the growth of agriculture.

The ACE team, in collaboration with MAIL, organized five Agricultural Credit Shura events in Parwan, Kapisa and Wardak, Herat and Kandahar, to promote the ADF as a non-bank financial institution owned by the Government of Afghanistan and attract prospect clients. In July, MAIL and ACE will hold an event with the participation of multiple international donors to attract additional capital to achieve the sustainability of the fund.

ACE and ADF were visible in the local media in Bamyan and elsewhere with the opening of the new provincial office in collaboration with OXUS Afghanistan. H.E. Mohammad Asif Mobaligh, Deputy Governor of Bamyan stated: *"People are shifting from the classic ways of farming to modern ways, the main product in Bamyan is potatoes, but due to bad roads and lack of storage and agricultural credits they couldn't sell for a good price. Now we have Ag credit, more than 1,000 potato storage units, and good roads."*

Map No3 : Agricultural Credit Shura events organized by ACE



**Administrative and Human Resources**

In the last quarter, ACE mobilized new human resources for some very crucial technical and administrative positions. Ahmad Qais will lead the newly established ADF Finance Unit. He received training on the Micro Banker financial software from the Micro Banker Nepal consultants and will work in coordination with the loan operation and credit administration team. An internal auditor and procurement assistant also joined ACE in the past month. The team is looking into hiring an HR manager and assistant, a procurement manager and a lending advisor in the next month.

In June ACE mobilized a new Director of Operations, Keith Nelson who arrived in country on June 8th to fill in for the Operations Director position. Robert Dressen joined the project as Acting Chief of Party and to present the preliminary findings on the feasibility study for the agricultural development bank. Alvaro Pacheco and Barney Popkin were deployed on the field on short-term assignments to assist the value chain team crop production, post-harvest handling and environmental compliance, respectively.

*Table 26: Afghan National personnel deployed during Quarter 3 FY2013*

No.	Name	Position	Start Date
1	Nazanin Masood	Procurement Specialist	01-May-13
2	Hamdulah Tokhi	Senior Value Chain Manager	07-May-13
3	Abdul Hakeem Hakeemi	Value Chain Technical Officer	08-May-13
4	Atiqullah Babaji	Procurement Assistant	2-Jun-13
5	Ahmad Qais	Sr. Finance and Accounting Specialist	15-Jun-13
6	Obaidullah Shahzad	Internal Auditor	10-Jun-13

*Table 27: Expatriate personnel deployed during Quarter 3 FY2013*

No.	Name	Position	Start Date
1	Keith Nelson	ACE Operations Director	8- June-13
2	Robert Dressen	Senior Vice President	23-June-13
3	Alvaro Pacheco	Agricultural Value Chain Advisor	24-June-13
4	Barney Popkin	Sr. Environmental Compliance Manager	29-June-13

## ACTIVITIES FOR THE NEXT QUARTER

In the next quarter, ACE aims to focus several areas:

- 1) Continuation on the institutional consolidation of the ADF – this not only consists of supporting the strengthening the roles and responsibilities of the ADF High Council, initiating the transition between ACE and ADF, but also attracting highly trained human capital.
- 2) In partnership with MAIL host a donor event on the capitalization of the ADF with the participation of multi international development agencies. The meeting will be hosted by H.E. Mohammad Asif Rahimi, Minister of MAIL and Chairman of the High Council of the ADF, will host the event whereas the ACE team will present an overview of the ADF achievements as well as the donor guidelines.

- 3) Controlling the repayments through following the credit administration procedures, maintaining a close relationship with the client, conducting field visits and sending frequent reminders on the upcoming ADF repayments.
- 4) ACE will hold the next ADF High Council meeting to discuss engaging new human capital and host the second gender working group with the implementing partners of the Office of Agriculture (OoA).
- 5) ACE will continue investing in human capital through a new series of professional training courses for the ADF staff.



**VIEW DURING  
THE AG INPUT  
DISTRIBUTION  
FOR FARMERS  
OF AAIDO IN  
KUNDUZ  
PROVINCE.  
AAIDO HAS  
AN ADF LINE  
OF CREDIT OF  
\$800,000  
WHICH HAS SO  
FAR BENEFITED  
1,852 FARMERS.**

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

SN	Name of Business	Province	District	Amount (\$)	Type of Business	Start Date	End Date	Actual Amount Disbursed	Expected Value (\$) to date	Actual Value (\$) to date	% repaid for individual loan	\$ Value late by 180 days or more
<b>Clients Sensitive Information</b>												
Total Loan Approved								\$74,214,455.00				
Total Loan Disbursed								\$34,464,253.00				
Total Loan Repaid								\$15,827,692.00				
Total Value of Loans late by 180 days or more								\$743,189.42				

$$\text{Portfolio loan losses} = \frac{\text{Total Value of loans late by 180 days or more}}{\text{Outstanding*}} \% = \frac{743,189.42}{34,464,253 - 15,827,692} \% = \frac{743,189.42}{\$18,636,561} \% = 3.99\%$$

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