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AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

QUARTERLY REPORT Q1 FY 2011

OCTOBER 1 – DECEMBER 31, 2010



Photo: View from the Afghanistan Pavilion at the India International Trade Fair 2010 (IITF) organized in New Delhi. ACE supported AAIDO and 30 other companies through an ACE grant and support from the ASAP project. The Afghanistan Pavilion won the Gold Prize.

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QUARTERLY REPORT

QUARTER 1, FISCAL YEAR 2011

Program Title: Agricultural Credit Enhancement Program

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

Contractor: Development Alternatives, Inc.

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EXECUTIVE SUMMARY

The first quarter of Fiscal Year 2011 was a very intense and productive period for the ACE program. The project team focused its efforts and succeeded meeting the ambitious targets set for December 31st 2010; the MAIL-USAID-ACE Credit Committee approved loans worth \$ 18.4 million, reaching 5,800 direct beneficiaries, i.e. farmers that benefited from on-lending.

The quarter began with a pipeline of 29 loan applications which increased on a monthly basis as ACE deployed its lending team to the western, northern and eastern regions of the country. By the end of December the Credit Committee approved 13 loans worth \$18.4 million, three of which are pending as the program awaits the Minister's (MAIL) approval.

The project has established a true partnership with the Ministry of Agriculture, Irrigation and Livestock (MAIL) and assisted the ministry in the design of Agricultural Development Fund (ADF).

Over the course of Quarter 1, the strategy of using farmer associations and agribusinesses linked to producer networks, as entry points into the value chain was proven to be the superior strategy to reach the goals of the ACE project.

Lending through the Afghanistan Almond Industry Development Organization (AAIDO), Eastern Region Fruit Grower Association and Kunar and Helmand Farm Stores helped the project reach out to farmers in the northern, eastern and Southern regions of the country and expand the influence of ACE throughout Afghanistan.

In December, ACE finalized the ACE and ADF grants manuals, which were approved by USAID. The project also produced the last draft of the ADF policies and procedures, which is currently undergoing review. The project processed the first ACE grant to AAIDO to make possible its participation in the Indian International Trade Fair in New Delhi. The grant also covered a substantial portion of the cost of the Afghanistan Pavilion at this international fair. The Afghan Pavilion was eventually awarded the Gold Prize for the most visited booth/attraction.

ACHIEVEMENTS

OCTOBER - DECEMBER 2010

- APPROVED LOANS THROUGH FINANCIAL AND NON-FINANCIAL INTERMEDIARIES WORTH US\$18.4 MILLION
- LOANS APPROVED WILL DIRECTLY BENEFIT 5,800 FARMERS IN THE PROVINCES OF KUNAR, NANGARHAR, HELMAND, LAGHMAN, BALKH, SAMANGAN, KANDAHAR AND FARAH
- LOANS APPROVED WILL INDIRECTLY BENEFIT 5,600 FARMERS AND WILL CREATE 466 JOBS
- ASSISTED MAIL TO ESTABLISH THE BASIS FOR THE REGISTRATION OF THE AGRICULTURAL DEVELOPMENT FUND (ADF)
- LAUNCHED FACTORING AS THE FIRST INNOVATIVE FINANCIAL PRODUCT, IN PARTNERSHIP WITH FARM SERVICE CENTERS
- LAUNCHED THE AGRICULTURAL CREDIT TECHNICAL WORKING GROUP, A FORUM FOR POLICY DIALOGUE TO ADDRESS LENDING ISSUES
- ESTABLISHED CLOSE COLLABORATION WITH A VARIETY OF DEVELOPMENT PROGRAMS SUPPORTING THE AGRICULTURE SECTOR IN

The project launched the Agriculture Credit Technical Working Group as a platform to discuss the limitations within agricultural lending in Afghanistan and identify policy issues to address in collaboration with MAIL.

In the area of Knowledge Management, ACE published its first two products, market briefs on raisin and grapes, and the perspective of export growth. The market briefs will be disseminated in the next quarter and shared with other agricultural development programs and MAIL statistical and market information departments. ACE staff is currently working on developing an integrated strategy to transform market information, which comes from different uncoordinated development programs and various MAIL departments, into market intelligence and then disseminate it to inform the business decisions of agri-input suppliers, farmers, processors and traders.

Component 1: Delivery of Credit Services

The delivery of credit services constitutes the core activity of the ACE project. For this purpose, the project team partners with financial and non-financial institutions that seek innovative models to provide farmers with credit, while managing the risks inherent to a weak institutional environment and security challenges.

By December 31st 2010, the ACE program had obtained ACE/MAIL/USAID Technical Committee approval for \$18.4 million in agricultural loans through financial and non-financial intermediaries. The loans are to be used to purchase agricultural inputs such as fertilizers, seeds, pesticides, agricultural tools and machinery to boost agricultural production, reduce post-harvest losses and access new markets. Through the Afghanistan Almond Industry Development Organization (AAIDO), the Eastern Region Fruit Grower Association and Kunar and Helmand Farm Stores, the project reached out to 5,800 farmers who will benefit directly from ADF lending. The M&E team is verifying farmers' data in the field which might lead to minor revisions and changes.

By the beginning of October, ACE had 29 potential business opportunities in its pipeline. The project deployed local and expatriate lending advisors in the provinces of Herat, Mazar-e-Sharif and Nangarhar to gain first-hand knowledge about prospective borrowers. The project's experience from 2010 proved that lending through non-financial intermediaries such as farmer associations and producer networks proved to be a more effective avenue to reach small commercial farmers. The latter is especially true in the context of the lack of incentives for commercial banks to engage in agricultural lending.

Some of the main lessons learned over the past quarter by the ACE project:

- Reliance in financial institutions has a poor impact in terms of the number of farm households benefited.
- Farmer groups and agribusinesses linked to producer networks should constitute the starting point for loans.
- Farmer associations "with support mechanisms" constitute effective conduits to channel credit.

Thus, based on these lessons, the following constitute the strategic pillars of ACE lending activities for 2011:

- Identification of farmer groups and agribusinesses working in strategic value chains, which include fresh fruit and vegetable, dried fruit and nuts, and commercial livestock operations.
- Identification of credit needs.
- Assessment of technical and financial feasibility of loan applications
- Facilitation of links to financial intermediaries.
- Grants support and collaboration with other development programs.
- Use of financial intermediaries as the starting point only when presented with a realistic pipeline

- Maximizing the impact of financial resources by targeting the largest possible number of households



Regarding the establishment of the ADF, the project provided assistance to the MAIL in the design of the organizational structure, and developed the policies and procedures. Both of these products are currently being discussed by USAID and MAIL. ACE also produced and obtained approval for the ACE Value Chain and ADF Challenge and Innovation grants modules.

ACE convened 6 Credit Committee meetings during October-December time period and presented 18 loan packages. The joint Credit Committee approved 13 of the loan packages presented, deferred one of them and rejected four applications.

ACE has been able to establish strong partnerships and work closely with other development programs supporting agriculture in Afghanistan. Close collaboration with IDEA-NEW, ASAP and CHAMP has resulted in an updated pipeline of approximately \$19 million in potential loans for the next quarter.

Some of the companies with potential prospects for ADF loans over the next quarter are:

- Afghan National Seed Organization (ANSOR) is an association of 32 wheat seed wholesalers who work closely with the MAIL supplying certified wheat seed. ANSOR is interested in borrowing approximately \$5 million from the ADF. ACE lending advisors are reviewing the lending mechanism, as in this case it needs to be Sharia compliant. By encouraging its members to establish bank relationships, ANSOR will also provide the basic foundation on which their members can grow their businesses when their borrowing needs are different from this particular transaction.
- Basir Ahmad Spice Processing Company is a medium scale company based in Mazar-e Sharif which submitted a loan application to upgrade their production process. The company has applied for a loan of \$150,000.
- Pashtany Bank constitutes a suitable partner for the ACE program and together are developing a model for collaboration that could be replicated with other banks.

- ACE conducted a pre-audit of the bank and drafted a Memorandum of Understanding with Pashtany Bank in which both parties agreed to collaborate to enable Pashtany Bank to establish and operate an Agricultural Credit Department. The credit department will enable farmers throughout the country to have direct access to credit. The ACE Program will provide the bank with technical assistance for the design of an Agricultural Credit Department. Within this context ACE will:
 1. Provide the services of an international consultant to work with Pashtany Bank for up to 90 days. The outcome of the consultancy will be the design of the Agricultural Credit Department, and a phased strategy for the provision of financial services to farmers.
 2. Following the presentation of results from the consultancy, ACE will consider the possibility of providing Pashtany Bank with an ACE/ADF Challenge grant to cover up to fifty percent of the costs of establishing and operating the department, for up to one year.
 3. Following the establishment of the Agricultural Credit Department, ACE will entertain a loan application from Pashtany Bank for a line of credit to extend credit to farmers, as per an agreed upon action plan.

Parwan Women Culture and Agriculture Association (PWCA) is a registered association which was established to introduce sustainable income and business opportunities to rural women residents of Charikar and its surrounding districts of Parwan province.



Photo at the Left: ACE team with Eastern Region Fruit Growers Association in Jalalabad, Nangarhar province. Photo at the right: View from the ACE/ADF presentation with IIFCG/WOCCU.

PWCA submitted a loan application for \$491,892 to work with over 1,000 women farmers in Parwan province to produce sun dried tomatoes to be used in the preparation of soup and Mixed Vegetables food packs for Development Works.

Bagrami Boxing Company has submitted a loan application for \$400,000 to purchase new equipment. Specifically, the loan was requested for the expansion of business operations which includes purchase of a new truck and generator, the opening a new branch office in Kunduz, and the construction of a factory building in Kabul. The company is one of the largest packaging companies that support Afghan exports with boxes and other packaging materials.

ADF LOAN MATRIX – QUARTER 1, FY 2011

Borrower

**Loan Type NFI,
FI, or Direct ***

Approved

Province

Loan \$

**Loans to farmers
by Dec 31, 2010**

**Indirect
beneficiaries by
Dec 31, 2010**

Clients Sensitive Information

Loan Pipeline Tracker Report

Borrower

**Loan Type FI,
Direct, NFI,
NFI**

Region

**Loan
amount
requested \$**

1st Visit

**Other
Visits**

Next Mtg

**Days
Elapsed**

**Loan
Officer**

**Priority
HIGH,
MEDIUM,
LOW**

Notes and Comments

Clients Sensitive Information

Component 2: Agricultural Modernization and Value Chain Development

Value Chain Strengthening

The objectives of ACE's Value-Chain strengthening component are to identify viable value chains that can be upgraded through the provision of financial services, while providing technical assistance to ACE/ADF beneficiaries as a way to increase their prospects for success. The Agricultural Modernization and Value Chain Development team also provides input in the lending process by assessing the technical feasibility of agricultural enterprises applying for loans.

Value Chain Development

During the last quarter, ACE supported the participation of the Afghanistan Almond Industry Development Organization (AAIDO) with a \$80,000 grant to participate in the India International Trade Fair 2010 (IITF) aimed at promoting Afghan agricultural products and finding new markets. The 30th India International Trade Fair opened on November 14 at Pragati Maidan in New Delhi, India. The Afghanistan Pavilion occupied 200 square meters of space and contained 22 booths of 31 different Afghan producers and exporters specializing in industries such as dried fruits and nuts, pomegranates, apples and other fresh fruits. The pavilion also included producers and exporters of carpets, garments and handicrafts.

The Afghanistan Pavilion at the India International Trade Fair (IITF) was inaugurated on November 14th by Mr. Munir Khan Yousofazai, Commercial Counselor of the Embassy of Afghanistan in India. From Nov. 14-18, IITF was open only to businesses; Afghan producers used this opportunity to explore future business prospects. After these four days, the fair was opened to the public and Afghan participants were able to sell their products. In cooperation with USAID's Accelerated Sustainable Agriculture Program (ASAP), ACE briefed and guided 31 Afghan dried and fresh fruits exporting companies on the organization and operation of their stalls, communication techniques, and business relations with Indian firms and businesses.

The project briefed Afghan exporters, including the CEO of AAIDO, on how to give interviews to the Indian Media in order to market Afghan products and increase the presence of Afghanistan in the Indian market. ACE lending advisors facilitated and supported the interaction of Afghan exporters with India traders as well.

The Afghanistan Pavilion was visited by many high ranking Indian officials, including the Minister of Health, the Minister of Tourism, the General Manager of India Trade Promotion Organization (ITPO) and the Afghanistan Ambassador to India. In addition, the Afghanistan Pavilion gained a lot of media coverage, drawing at least five media interviews per day. Mr. Javid Hamidzada, CEO of AAIDO, was interviewed many times for national and local Indian television stations. The Afghanistan Pavilion was voted as the "must visit" pavilion by the public as per the NDTV news channel. The same was corroborated by the Times of India which stated in a headline,

"Afghanistan pavilion draws crowd". Another Hindi newspaper praising the Afghan products wrote an article under the headline: "One Pomegranate One Kg One Almond One Inch."

Contracts made between Afghans and Indian traders included 14,110 Metric Tons of fresh fruit such as pomegranate, melon, apples and apricots and 2,592 MT of dried fruits including almonds, walnuts, figs, raisin, pistachio, mulberry and dried apricots. Besides, Afghan carpet companies signed to initially provide 200 carpets to several hotels in India.



Photos from the India International Trade Fair 2010 (IITF). Left: View from the opening of IITF. Middle: Afghanistan Ambassador visiting the Pavilion. Right: Afghan handicraft business women being interviewed.

Technical Assistance on Food Safety to Processors

In addition to the loan opportunities for food processors, the ACE team provided technical assistance on food safety, personal hygiene and good manufacturing practices. This technical assistance is aimed at building the capacity of the processors to improve their facilities and implement the basic food safety standards to meet the requirements of international markets.

In this context, the value chain team audited the Hamid Flour Mill and Tabasom Raisin Processing Factories and prepared a basic report on each. The Value Chain team identified the potential areas of nonconformance and provided suggestions to comply with the basic standards.

In addition to food safety, ACE also continues to provide technical assistance on the identification and selection of appropriate machines for those companies interested on expanding their business by introducing new processes. AAIDO, a receiver of an ADF loan, is planning to expand their business and bring in almond processing machines. For this purpose ACE conducted a comprehensive analysis of their needs and provided suggestions as to the types of machinery to import.

Building the Value Chain

ACE's Value Chain component is working closely with selected processors to build supplier networks, seeking to enhance the coordination and increase the efficiency of high-value agriculture.

Within this context, ACE's regional offices are identifying players in strategic value chains, which ACE could support through the provision of credit to establish vertically coordinated production and distribution systems. During the reporting period the value chain team referred the businesses listed below to the lending team:

- Eastern Region Fruit Growers Association in Jalalabad (Service providers)
- Kamal Agriculture Company (Seed multiplication in Jalalabad)
- Agriculture Seed Producers Association (Seed production in Jalalabad)
- Osman Ghafury Company (Exporters of fresh and dried fruits in Mazar)
- PWCAA and DW, a dehydrate processing plant in Parwan

Policy Framework

During the last quarter, ACE organized two sessions of the Agricultural Credit Technical Working Group. The first roundtable took place on October 5th, 2010 at the Intercontinental Hotel and constituted the official launching of the Agriculture Credit Technical Working Group focused on the identification of major internal policy constraints to effective Afghan agricultural credit development.

ACE held the second roundtable on November 11, 2010. Participants focused on constraints identified during the first working session, followed by four break-out group discussions to proposed solutions to major constraints. The break-out groups were tasked with proposing solutions to four major constraints:

- a. Need for customized loan products for agricultural credit.
- b. Issues related to the Ministry of Agriculture.
- c. Financial Institutions Criteria and Classification Issues.
- d. Collateral Issues.



Photos at left and center: Participants, ACE and MAIL representatives at the Launching Ceremony and First Roundtable of the Agricultural Credit Working Group held on October 5, 2010. Photo at right: Mr. Abdul Grhani, Board Member of ANSOR, discussing barriers to agriculture credit for small and medium farms.

ACE also conducted a rapid survey on agricultural credit in 13 central banks as recommended by Da Afghanistan Bank. The purpose of the survey was to identify policy models used in other countries, seeking for models that could be implemented in Afghanistan to address some of the challenges limiting the expansion of agricultural credit. The research is still ongoing and the findings will constitute an important step towards shaping DAB's policy to engage private financial institutions in agricultural credit. The countries surveyed included Indonesia, Nepal, China, Philippines, Pakistan, India, Tajikistan, Bangladesh, Turkey, Malaysia, Thailand, Cambodia and Guatemala. The findings will be published in the next monthly report.

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 by diverse audiences within the agriculture sector, while building the capacity of MAIL staff to manage the system.

Over the course of the last quarter, ACE's knowledge management team held several meetings with other agricultural projects such as IDEA-NEW and ASAP, as well as governmental bodies, such as the Micro Investment Support Facility for Afghanistan (MISFA) to discuss future possibilities for collaboration in the field of Market Information Systems and Market Intelligence. ACE is negotiating access to MALOMAT data for multiple purposes such as the production of market analysis briefs for dissemination through different platforms, in support to MAIL's Market Information System.

Similarly, ACE is seeking to integrate other information systems developed by implementing partners. Two partners of particular interest are NAIS and AGNet. The National Agriculture Information System (NAIS) launched in 2007 is a wider umbrella which collects an array of data related to agriculture. AGNet (Agricultural Network) has been an integral part of the system since the beginning. The key elements of AGNet are: daily provincial weather reports, market price reports, district to district road condition, district profiles, crop calendars, livestock calendars, agricultural product calendars, MAIL extension profiles, veterinary field unit profiles and activity reports, farm store (AgDepot) profiles, and activity reports. Until now, the Ministry has not been properly using the assets of AGNet and their incorporation in GIS systems.

ACE KM team held several meetings with representatives of MAIL, such as with Mr. Fahrid Mateen, the Director of the Planning and Policy Sector where the Management Information System (MIS) is embedded. This sector is particularly interested in collaborating with ACE aiming to improve the overall MIS system by concentrating all efforts under this initiative.

MAIL's Marketing and Statistics Division is another department that provides input in five different areas, including Agricultural Statistics and analysis of satellite images; Agriculture Surveys, a task performed by NAIS; Market Information System, which is partially under the Statistics division and partially under the Planning Directory; Faham – Knowledge: data collection platform of prices under which MAIL collects daily prices of wheat and 5 other commodities, producing weekly and monthly prices of 34 other commodities. This system covers the 34 provinces and the main wholesale markets in the areas; and The Management Information System - which is under the Planning and Policy Division.

While the efforts to coordinate with MAIL department come to fruition, ACE began the production of market information and intelligence products, including:

1. "Raisins: The perspective of export potential"
2. "Grapes: The perspective of export growth"

The first brief provides an overview of the raisin market focusing on the analysis of data on production, consumption, trade flows and prices at the national and international levels to answer

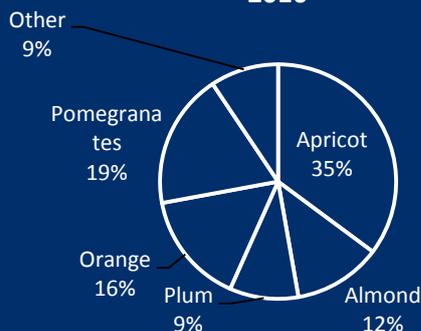
key questions such as: Can Afghan raisins compete in the regional and international markets?; if so 2) which countries could be the targeted markets?; 3) what is the market window? The answer to these questions can assist entrepreneurs and businesses engaged in the raisin value chain to make informed marketing decisions and pursue profit maximizing market opportunities.

The Grape Brief is a sample of how data from different sources can be aggregated into market information products addressing specific issues to the benefit of a wide range of actors operating in a specific subsector. The data from the Grape Brief can also be useful for the Industry/Subsector profile section of business plans for loan applications of clients operating in the subsector.

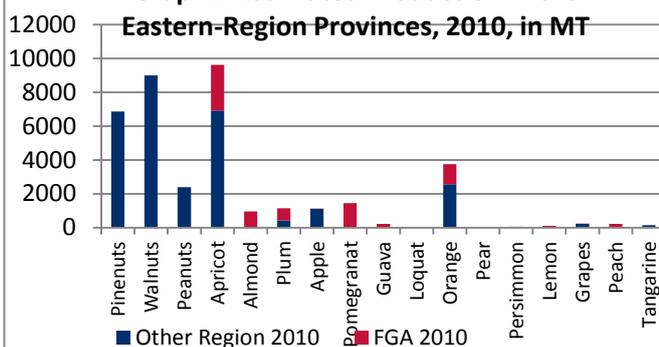
This market brief explores the export potential of grapes by evaluating different factors such as domestic and international production and supply, trade flows and prices; all aiming to answer following key questions: 1) Can grape exports be price competitive?; 2) which countries should constitute target markets?; and 3) when and where are the markets windows? The analysis has the potential to assist companies engaged in exports of grapes make better business decisions by integrating the outcome of the analysis in the decision making process. The subsector data can in this case also be used to assist in the analysis and validation of loan applications of companies engaged in raisin exports.

The Knowledge Management component is also providing input for the lending team, validating data and assessing the economic impact of loans under consideration. Below is a brief overview of the relative importance of the Eastern Region Fruit Growers Association in the context of regional fruit production.

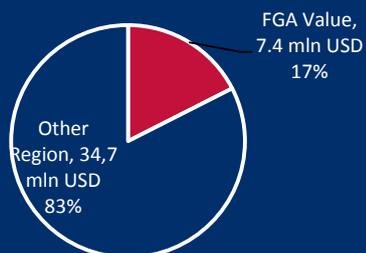
Graph 1: FGA Production by commodity, 2010



Graph2: Estimated Production in the Eastern-Region Provinces, 2010, in MT



Graph 3: Production value estimate in the East Region Area and FGA share 2010



Eastern Region Fruit Growers Association – EFGA; 3,100 members in 2010.

Members are located in the provinces of Nangarhar, Kunar and Laghman, a region with 341,781 households and 1.735 million inhabitants.

Members of the Eastern Fruit Region Fruit Growers Association manage around 800 ha of tree-fruits with an average of 0.3ha or 1.6 jeribs per member.

Figure 1. shows the distribution of crops among members of EFGA. The most common fruits grown in 2010 were apricots (2,700 MT), pomegranates (1,421 MT), oranges (1,180 MT) and almonds (920 MT).

The value of output generated by EFGA in 2010 was estimated at 7.4 million USD.

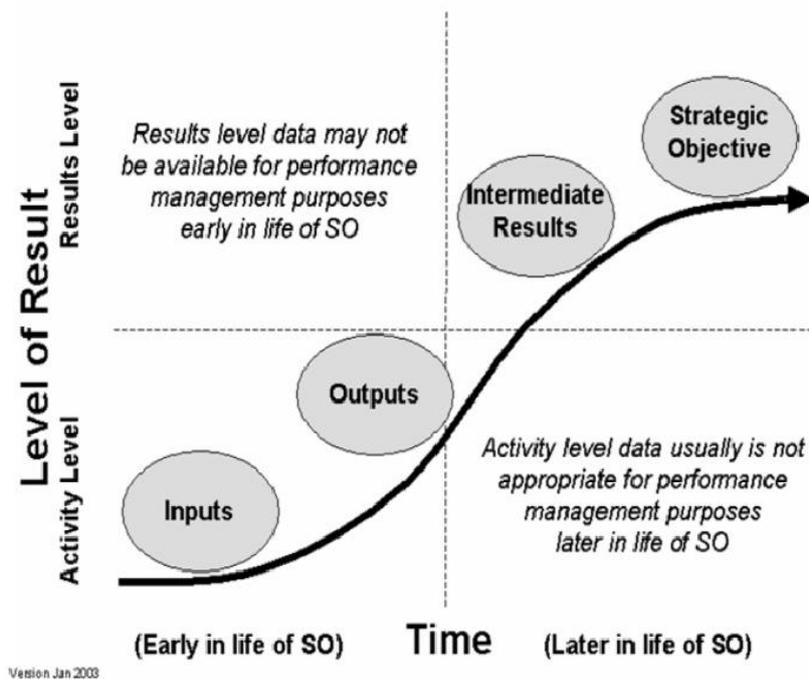
Figure 2 shows the relative proportion of crops grown by members of the association, compared to total production of the region, showing the important role that EFGA members play in the economy of the tri-province area.

Overall fruit production of Laghman, Kunar and Nangarhar provinces amounts to 37,257 MT, with a value of 42.1 million USD (2010).

Monitoring and Evaluation

ACE Quarterly Performance Reporting structure is based on ADS 203.3.2.1.c which recognizes that “USAID Missions/Offices usually have varying information needs for decision-making depending on the implementation stage of an Assistance Objective (AO). The basis for decision-making by AO Teams will vary according to the implementation stage of the program. Early in the implementation of an AO, AO Teams are likely to base their decisions largely on input and output data. As implementation proceeds and outputs become more substantial, AO Teams will still need to consider the input and output data sources, but will also focus their program management decisions more on whether intended results are being achieved.

ACE’s first quarterly reports focused on program’s start up and development of leading documents such as the Annual Work Plan, Performance Management Plan and putting procedures and manuals in place for processing loan applications and establishing ADF. During the reporting quarter since the ACE program is in the early stages of implementations, project’s PMP has been completed and approved by the USAID and the first performance results are collected and reported (See Table No.3 on Performance Indicator Results). Therefore at this stage, ACE will report merely on project inputs.



Following the completion of loan agreements and a partial disbursement schedule with AAIDO, Eastern Region Fruit Growers Association and Kunar & Helmand Farm Stores, the M&E team focused its resources towards loan proofs for the individual loan agreements to farmers. To achieve this, the M&E officers worked with the associations to design and implement individual loans agreements according to the needs of the farmers, i.e. in Dari, Pashto and English languages. By December 30, 2010 the team had collected and entered into the Access Database over 5,800 individual loan agreement forms from participating farmers. The data is currently under quality control mechanisms, i.e. data cleaning and analysis. The graph below shows project targets as of December 31, 2010 and the actual performance of ACE. The map below shows the distribution of loans through non-financial institutions across provinces and the number of direct beneficiaries.

survey of famers assisted through AAIDO and Eastern Region Fruit Growers Association aiming at gathering household-level data on production, sales, and other variables, while also tracking changes in employment. The baseline will not be applied in the case of Helmand and Kunar farm stores due to security limitations. An impact evaluation survey will be administered in September to assess the overall impact of ADF loans to farmers.

TABLE 1: ACE PERFORMANCE INDICATOR DATA QUARTER 1 FY2011

ACE PERFORMANCE INDICATORS	ACTUAL Q1 FY2011	TARGET FY2011
1.1 Value of Finance Accessed	18,392,050 approved by Credit Committee	41,000,000
1.2 Number of individuals benefitting from ACE or ADF financial agreements	5,800 (data undergoing cleaning)	12,000
1.3 Percent Increase in income by assisted farms and agribusinesses	-	10%
1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities*	25.5	250
2.1 Value of Challenge/Innovation and Agriculture modernization grants disbursed	\$ 80,623	up to \$6 million
2.2 Number of participating financial intermediaries and private intermediaries on-lending funds from ADF	6	15
2.3 Number of innovative lending products established by PIs and FIs	1	2
2.4 Percentage of loan losses resulting from ACE lending recommendations	0%	<5%
3.1 Total Value of domestic and export sales of Afghanistan agriculture products for firms supported by ACE	-	10%
3.2 Number of loans approved under USAID's Development Credit Authority (DCA) mechanism	0	2
3.3 Number of public private partnerships formed as a result of USG assistance (including GDAs)	0	1
4.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector carried out through the Agricultural Credit Working Group	2	5
4.2 Number of market information and market intelligence products created and disseminated by the established knowledge management unit	2	12

A detailed Excel spreadsheet attached to this document as Annex A will provide evidence for the data presented in the Performance Indicators Table.

*1 For indicator #1.4 the ACE team will capture only the increase in FTE jobs for agribusiness. During Quarter 1 FY2011 the increase is generated by increasing the working capital of Javid Thresher Company in Jalalabad.

Administrative and Human Resources

The Year 1 Annual Work Plan draft was submitted on September 30, 2010. The document portrays the specific activities that will be carried out by the ACE team along the three project components and the operations side as well. The ACE Annual Work Plan was approved by USAID in December.

During last quarter, the ACE program deployed six expatriate key personnel to the field:

No	Name, Surname	Position	Start Date
1	Gathoni Mungai	Sr. Grant Start-up Specialist	4-Oct-10
2	Lawrence Christopher Blatnik	Credit Administration Officer	22-Nov-10
3	Benjamin Turnbull	Senior Banking Advisor	3-Oct-10
4	Robert Dressen	Acting COP	31-Oct-10
5	Matt Buzby	Acting Director of Operations	30-Nov-10
6	Denalda Kuzumi	Market Information System Advisor	29-Oct-10

By the end of reporting period, all the expatriate lending advisors were hired and had joined the team in the field, working intensively, to reach the end of year targets. During the reporting period the ACE program hired 13 host country (Afghan) professional staff and three logistics personnel.

No	Name, Surname	Position	Start Date
1	Hameedullah Hamid	Food Processing Advisor	17-Oct-10
2	Murtaza Amiryar	Lending Advisor	11-Oct-10
3	Hadayatullah Abed	Procurement Assistant	31-Oct-10
4	Khadija Safi	Cashier	1-Nov-10
5	Munir Ahmad Sidiqee	M & E Officer	11-Nov-10
6	Mohammad Sami Dost	Lending Advisor (HER Office)	23-Nov-10
7	Atiqullah Halim	Senior M & E Manager	1-Dec-10
8	Zabiullah Hayat	Policy Analyst	1-Dec-10
9	Zabiullah Dayan Ibrahim	Grants Manager	10-Dec-10
10	Nasratullah Sarabi	Lending Advisor	12-Dec-10
11	Nisar Ahamd Hussainzada	Data Base & GIS Specialist	5-Dec-10
12	Abdul Naeem Latify	IT Specialist	2-Dec-10
13	Sad Sherzad Malook	Regional Director (Jalalabad Office)	4-Dec-10

Key Administrative Challenges and Lessons Learned

- Operating from MAIL has proved to be very challenging due to limited office space, lack of reliable internet connection, the unreliable nature of city power, and poor heating. The project staff is currently located in two different offices spaces. These are the basement and third floor of the Human Resources Building at MAIL which lacks basic amenities like running water, functioning bathrooms, and enough space for a large and diverse staff to operate.
- Hiring of local Afghan staff moved slower than predicted due to all key positions contingent on MAIL review and approval.