



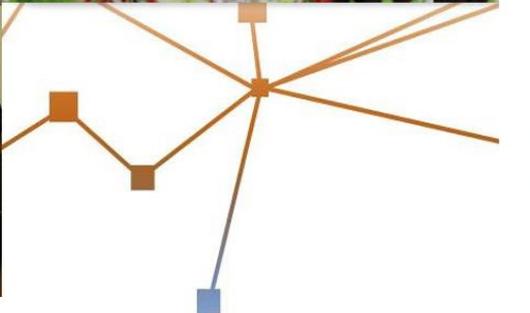
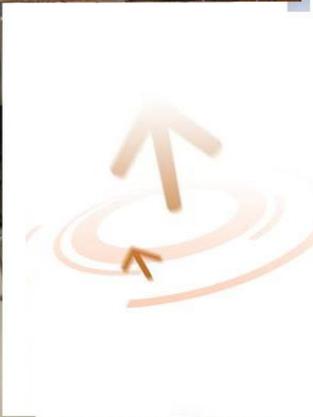
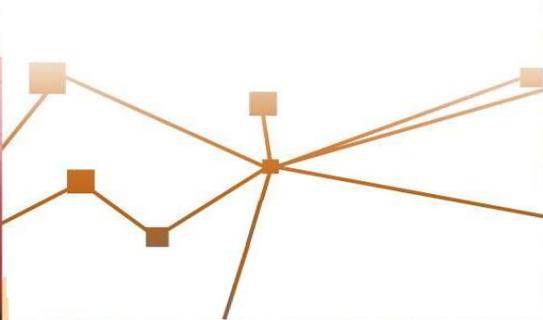
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AFGHANISTAN

FINANCIAL ACCESS FOR INVESTING IN THE DEVELOPMENT OF AFGHANISTAN (FAIDA)

WORKPLAN

OCTOBER 2014 - FEBRUARY 2016



FINANCIAL ACCESS FOR INVESTING IN THE DEVELOPMENT OF AFGHANISTAN

WORKPLAN

OCTOBER 2014 - FEBRUARY 2016

Contract No.: 306-C-00-11-00531-00

Implemented by:

Chemonics International Inc.

In collaboration with:

Connexus Corporation (formerly AZMJ LLC)

Crimson Capital Corp

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ACRONYMS AND ABBREVIATIONS

AB	Azizi Bank
ABA	Afghanistan Banks Association
ABADE	Assistance in Building Afghanistan by Developing Enterprises
ACE	Agriculture Credit Enhancement
ADF	Agriculture Development Fund
AIA	Afghanistan Insurance Authority
AIBF	Afghanistan Institute of Banking and Finance
AIPA	Afghanistan Insurance Personnel Association
AMA	Afghanistan Microfinance Association
APS	Afghan Payment System
ASAP	Accelerating Sustainable Agriculture Program
ATAR	Afghanistan Trade and Revenue Project
A2F	Access to Finance
ATMs	Automatic Teller Machines
AUB	Afghan United Bank
AWBF	Afghanistan Women Business Federation
BDS	Business Development Service
B2B	Business To Business
CHAMP	Commercial Horticulture and Agriculture Marketing Program
DAB	Da Afghanistan Bank
DFID	Department for International Development
DMFIs	Deposit-taking Microfinance Institutions
EMI	Electronic Money Institution
FICCI	Federation of Indian Chamber of Commerce and Industry
FINCA	Foundation for International Community Assistance
GIRoA	Government of Islamic Republic of Afghanistan
IAS	International Accounting Standard
ICT	Information and Communications Technologies
IDEA NEW	Incentives Driving Economic Alternatives for the North, East, and West Program
IFC	International Finance Corporation
IIFC	Islamic Investment and Finance Cooperatives
KCCI	Kabul Chamber of Commerce and Industries
MB	Maiwand Bank
M&E	Monitoring Evaluation
MEU	Monitoring and Evaluation Unit
MFI	Microfinance Institutions
MISFA	Microfinance Investment Support Facility for Afghanistan
MNOs	Mobile Network Operators
MoF	Ministry of Finance
MSMEs	Micro Small and Medium Enterprises
NGOs	Non-Governmental Organizations
NKB	New Kabul Bank
RADP-S	Regional Agricultural Development Program-South
RFA	Request for Applications
SIBOS	Swift International Banking Operation Seminar
SMEs	Small and Medium-sized Enterprises
TCNs	Third Country Nationalities
TOT	Training of Trainers
U.S.	United State
USAID	United States Agency for International Development

1. INTRODUCTION

A. PROGRAM DESCRIPTION

USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project, under Contract Number 306-C-00-11-00531-00, assists the Government of the Islamic Republic of Afghanistan and the private sector in developing the financial sector. FAIDA helps USAID's Afghan partners in building capacity to deliver finance where it can be used most effectively, and in developing a legal framework and market infrastructure in which financial sector institutions and their business partners create value that provides growth and employment opportunities for all Afghans. FAIDA provides technical assistance to Afghanistan's mobile network operators to introduce innovative mobile money products and services. It supports initiatives designed to support a sustainable, commercially viable, agribusiness-based economy as the best way to achieve long-term stability, security and enduring peace in Southern Afghanistan. FAIDA also directly assists Afghan women entrepreneurs by providing specially targeted business development trainings to enable them to gain access to financing and opportunities for economic and professional growth.

- **Enterprises Component:** Works with partner institutions to provide tailored financial solutions where access to capital will complete value chains and increase competitiveness. Links lenders to businesses in need of financing, with a special focus on the agricultural sector and remote areas.
- **Banking Capacity Component:** Enhances the capacity of financial professionals, and infrastructure organizations with assistance to build human and organizational capacity to strengthen Afghanistan's financial sector. Provides Islamic and conventional financial products to lenders and the private sector.
- **Regulatory Component:** Creates an enabling lending environment that reduces risk and increases certainty. Develops new or updated regulations across all financial sectors and key institutions.
- **Branchless Banking and Mobile Money Component:** Provides technical assistance to Afghanistan's mobile network operators to introduce innovative new products and services and expand the use of mobile money.
- **Gender Mainstreaming Unit:** Ensures that women are integrated in financial sector activities and are provided access to finance and opportunities for economic and professional growth.

FAIDA is implemented by a consortium made up of Chemonics, Crimson Capital, and Connexus (formerly AZMJ), and an extensive roster of Afghan counterparts and partners, including the Microfinance Investment Support Facility for Afghanistan (MISFA), Afghanistan Banks Association (ABA), Afghanistan Institute of Banking and Finance (AIBF), Afghanistan Microfinance Association (AMA), microfinance institutions and commercial banks and mobile network operators.

B. REVIEW OF FAIDA CONTRACT TO DATE

The FAIDA contract was signed in February 2011, with an initial 18-month base period through August 2, 2012. In June 2012, USAID exercised FAIDA's 24-month option period, up to August 2, 2014, with a 2 month no cost extension up to October 2, 2014, then USAID extended FAIDA's contract up to February 6, 2016.

FAIDA has contributed significantly towards the regular progress of the financial sector in Afghanistan during the last 3 years and 6 months. To date, some of these achievements include:

- 28,058 families have directly benefited from financial assistance provided.

- \$34.8 million private sector loans facilitated with \$30 million in loan applications in the pipeline.
- 2,410 employees of the financial sector (bank) participated in 258 financial sector trainings.
- 1,200 businesswomen from 34 provinces participated in 22 business and gender workshops called ‘Women’s Access to Business Opportunities and Finance.’
- Assisted banks to offer 33 culturally appropriate and Islamic finance products including Salam, Ijarah, Murabaha, Letter of Guarantee, and Sharia Compliant Current Account.

FAIDA has also supported, assisted, and leveraged the efforts and capacity of its Partners:

- Strengthen the Afghanistan Banks Association (ABA), support in enhancing Corporate Governance in Banks, organize two Access to Finance (A2F) Exhibitions in Kabul and regional events, represented Afghanistan banking sector at the SIBOS 2013 in Dubai. The 2nd A2F Exhibition in Oct 2013 attracted over 3,700 businessmen and women from across Afghanistan. Sixty-two booths representing banks, branchless banking, microfinance, agricultural, insurance sectors and business service providers exhibited their products. Seventeen workshops on a variety of financial sector related subjects were presented attended by around 1,600 exhibition participants.
- Afghanistan Institute of Banking and Finance (AIBF) established microfinance department, developing certificate courses, building training capacity, and creating a distance learning program.
- Transformed the Afghanistan Microfinance Association (AMA) by broadening its membership base, developing regional focus, and supporting institutional systems and processes and

Due to the continuous support to the sector participants and the relevant government agencies, FAIDA has earned a highly respectable position within the financial institution sector. Throughout implementation, FAIDA also paid due importance to developing human capacity both within the project and amongst its project partners. FAIDA has been successful in Afghanizing several key positions in the project and is continuing the process. The project has a healthy balance of local and expat technical professionals who are well acquainted to the needs of the financial sector and the expected socio-economic and political challenges during the upcoming months.

In its 3.5 years of implementation, FAIDA has reached significant milestones in its objectives. Considering the evolution of the needs of the financial sector in Afghanistan, this work plan identifies programmatic priorities for FAIDA’s final contract year, from October 3, 2014 through the contract end date of February 6, 2016.

C. PERFORMANCE MONITORING

FAIDA’s Monitoring and Evaluation Unit (MEU) collects data and verifies and generates reports to measure FAIDA’s results in terms of indicators. FAIDA’s approved PMP indicators track FAIDA’s progress in reaching the main objectives. FAIDA’s MEU organizes the back-up documentation and enters the data into a centralized database and analyzes and reports results. Data generated by the MEU are used in decision-making at the managerial level. The MEU is also responsible for maintaining and uploading FAIDA’s information in the Afghan Info and the TraiNet databases. FAIDA’s MEU is completely staffed by Afghan professionals. M&E and Communications Director Abasin Nawan is an experienced M&E professional, with experience on previous USAID projects such as the ASAP project.

FAIDA has maintained a strong M&E team, and has expanded its team of field monitors to improve the project’s ability to conduct site visits, collect data, and verify results data on a regular basis.

D. THE WORK PLANNING PROCESS

Work plan development began in September 2014 and involved meetings with individual components over several days and a day-long workshop with all of FAIDA's leadership and technical staff, as well as the Home Office Project Director. Prior to the formal work planning sessions, each technical team worked with its partners to develop their priorities and strategies for the year. The central theme of the work planning session was the need to plan wisely to wind down activities and manage resources responsibly between now and the contract end. To accomplish that, each component narrowed its focus on fewer key priorities with the greatest potential for impact in the coming year. The result is a work plan that contemplates continuing FAIDA's work in a focused way, while gradually and deliberately scaling back expatriate staff and implementation of technical activities in order to achieve project objectives within budget prior to the February 6, 2016 contract end date.

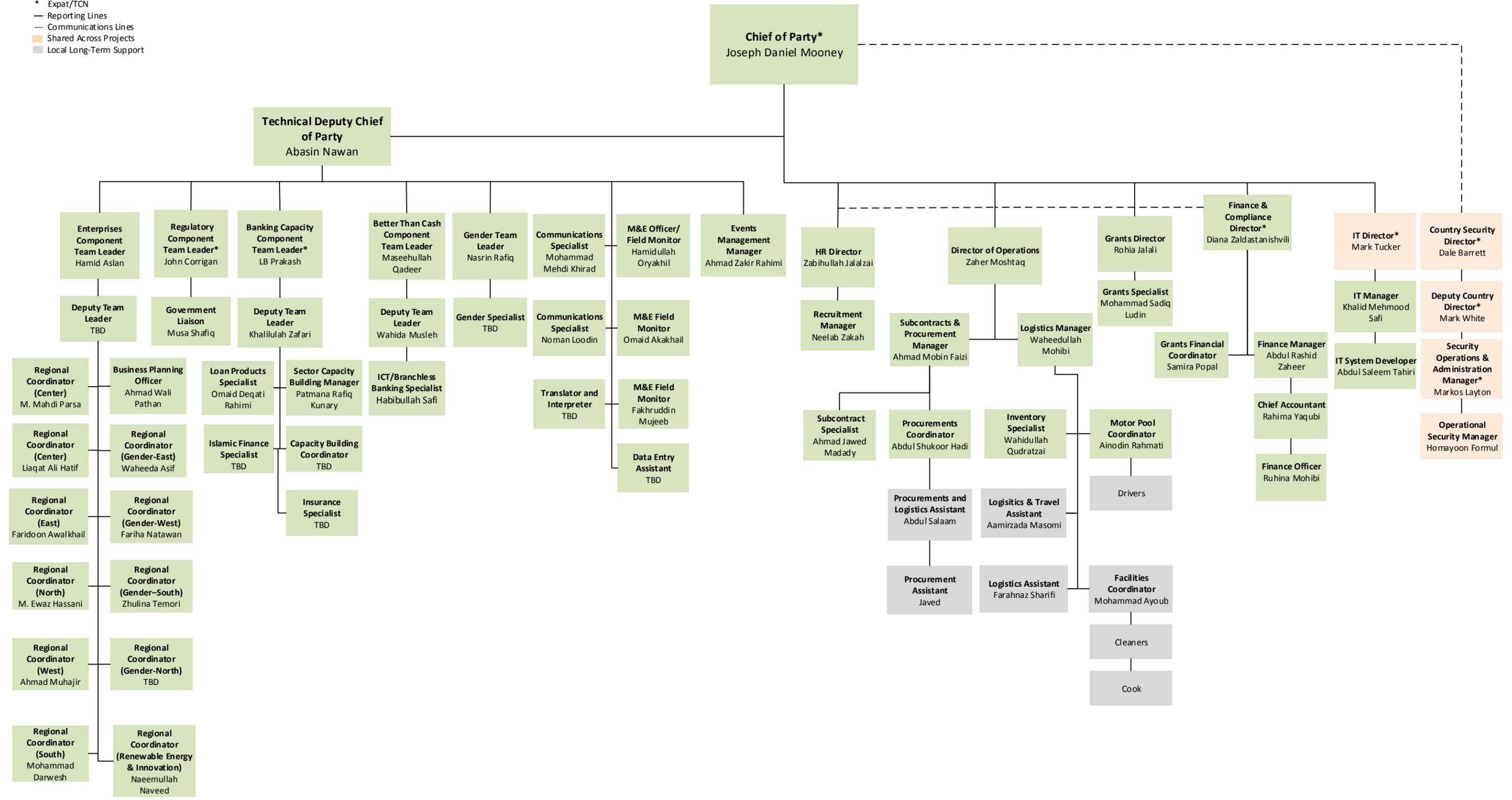
E. MANAGEMENT AND ORGANIZATION

FAIDA's current staffing structure includes four full-time long-term expatriates and TCNs (excluding security and IT personnel who are shared among Chemonics projects), representing five percent of overall programmatic professional and support staff. An updated organizational chart reflecting our reduced staffing structure can be found on the next page.

Afghanization of our work. The Afghanization of FAIDA's work is already well underway. We have phased out ten long-term expat/TCN positions since the fall of 2013, not including the Agribusiness South activity that concluded in October 2013. As a result, a number of FAIDA's technical and administrative teams are fully staffed by Afghan professionals and led by Afghan managers or team leaders, including the Mobile Money Component, Gender Unit, M&E and Communications Unit, Operations Department, Human Resources Department, and Subcontracts and Grants Department. Additionally, FAIDA's Enterprise and Bank Capacity components have promoted and trained capable deputies.

FAIDA Organizational Chart

- LEGEND**
 * Expat/TCN
 — Reporting Lines
 --- Communications Lines
 Shared Across Projects
 Local Long-Term Support



2. WORKPLAN

TECHNICAL ACTIVITIES

FAIDA's technical activities are designed to contribute to developing in Afghanistan "A Developed Business Climate that Enables Private Investment, Job Creation, and Financial Independence," Assistance Objective 4 of the U.S. Mission in Afghanistan's Post Performance Management Plan to achieve "Stable and Effective Afghan-led Development." FAIDA's systems approach to financial sector development at the enterprise, retail banking, financial sector association, and legal and regulatory levels includes the following activities:

A. ENTERPRISE COMPONENT: ENHANCED OUTREACH OF RETAIL FINANCIAL INSTITUTIONS AT THE MICRO LEVEL

FAIDA will continue to expand the market penetration of retail financial institutions by identifying strategic, demand-based opportunities for lending to under-served MSMEs, and by supporting an increased range of client-responsive financial products and delivery mechanisms. FAIDA will also assist retail financial institutions in increasing their technical capacity to evaluate loan applications, assess risk, and divert underutilized liquidity to identified funding opportunities.

SUB-RESULT 1.1: INCREASED DISBURSEMENT OF LENDING CAPITAL TO UNDERSERVED MSMEs

FAIDA's Enterprise Component connects businesses in need of financing with the financial institutions that are able to provide that financing. FAIDA facilitates linkages between providers of financial services and Afghan MSMEs identified through its work with key value chains, anchor companies, business networks including associations, chambers of commerce, and other strategic enterprise development partners. FAIDA will expand these activities to include business planning services, financial planning and financial projections, increasing the involvement of associations, and working closely with other USAID projects.

B2B matchmaking. FAIDA will continue to organize domestic and international business-to-business (B2B) matchmaking events to generate business for Afghan producers, making them more attractive to lenders. FAIDA will work with USAID's Commercial Horticulture and Agricultural Marketing Program (CHAMP) and Afghanistan Trade and Revenue (ATAR) project to send Afghan producers, including women-owned businesses, to Gulfood 2015 in Dubai. Additionally, FAIDA will organize and support up to four trade delegations to countries in the region to promote business and investment opportunities for Afghan enterprises. Finally, FAIDA will continue to work with chambers of commerce, embassies, and trade associations throughout the region to further identify and support opportunities for Afghan enterprises to participate and interact in relevant events.

Access to finance exhibition. FAIDA's Enterprise Component assisted ABA in organizing the first two Access to Finance (A2F) exhibitions in Kabul in 2012 and 2013. These events drew dozens of exhibitors, including financial institutions, mobile network operators, and insurance companies, as well as more than 2,000 visitors. FAIDA will continue to support ABA in organizing A2F exhibitions in 2014 and 2015. To bolster Afghan ownership and ensure sustainability of these events beyond the end of the FAIDA project, we will assist ABA's efforts to generate revenue streams so that it can organize and fund future A2F exhibitions independently.

1.1(a) Support structured strategies to attract private capital.

Promoting innovation. FAIDA organized the first India-Afghanistan Innovation Partnership Fair in Kabul in December 2013, along with the Indian Embassy, Kabul Chamber of Commerce and Industry (KCCI), and the Federation of Indian Chamber of Commerce and Industry (FICCI). A regional innovation partnership fair was then held in March 2014. The goal of these events was to spur innovation by sharing ideas, attracting innovative Indian firms to opportunities in Afghanistan, and ultimately establishing joint ventures between Indian and Afghan firms. FAIDA will organize quarterly innovation partnership fairs in provincial capitals such as Herat, Jalalabad, Kandahar, and Kabul during the first year of the extension period, and will work with Indian and Afghan enterprises to implement selected innovations and joint ventures. FAIDA plans to develop an ICT platform to invite innovative ideas generated by businesses/NGOs that will be implemented in different provinces of Afghanistan.

Promoting Renewable Energy Sector. FAIDA will facilitate finance for renewable energy enterprises during this work plan period and will organize renewable energy summit and exhibition. The main objective of the Renewable Energy Summit and Exhibition is to make Afghan businesses, associations, NGOs and individuals aware about the benefits of renewable energy and how it can impact their lives.

FAIDA will assist Afghanistan Renewable Energy Union (AREU) and the Ministry of Energy and Water's Renewable Energy Department (RED) to organize Renewable Energy Summit and Exhibition in Kabul, Mazar e Sharif and Herat.

Development Credit Authority. If requested by USAID, FAIDA will work with USAID's DCA program to provide the necessary advisory services.

1.1(b) Leverage existing networks as part of a national expansion strategy for MSME finance.

Business-to-bank roundtables. FAIDA's Enterprise Component has organized business-to-bank roundtable events throughout the provinces of Afghanistan to generate awareness about financial products offered by lenders, and to facilitate contact between lenders and potential borrowers. This platform has helped financial institutions better understand the needs of potential borrowers and to design and offer loan products accordingly. For the extension period, FAIDA will assist ABA in organizing up to 15 business-to-bank roundtables throughout Afghanistan, with events aimed at specific sectors such as construction, fresh and dried fruits, carpets, and marble. FAIDA will focus especially on building the capacity of ABA to continue hosting these round tables beyond the life of the project.

1.1(c) Leverage USAID's agricultural and economic growth programs to increase "effective demand" for finance within value chains and network.

To address constraints of financing to rural and agricultural value chains, FAIDA will coordinate with USAID's agricultural and enterprise development projects, such as Agricultural Credit Enhancement Program (ACE), Assistance in Building Afghanistan by Developing Enterprises (ABADE), Regional Agricultural Development Programs (RADP-South, North, West CHAMP) and Incentives Driving Economic Alternatives for the North, East, and West Program (IDEA NEW) as well as local business development service (BDS) firms to leverage their business planning training and technical assistance programs to help MSMEs become creditworthy, demonstrate creditworthiness during the loan application process, and help creditworthy MSMEs successfully secure financing. FAIDA will continue to link qualified MSME borrowers to USAID's ACE/ADF project and will also continue to coordinate and leverage its relationships with other USAID agricultural and economic growth programs to identify MSMEs in need of FAIDA's assistance to apply for loans, demonstrate their creditworthiness to lenders, and secure financing.

1.1(d) Promote Women's Access to Finance.

FAIDA's Enterprise Team and Gender Unit work with various women associations such as Afghan Women Business Federation (AWBF) and provincial women associations to promote women's access to finance and organize workshops on Business Planning, Women's Access to Business Opportunities and Finance and Women's access to Islamic Finance. This effort will be continued during the extension period.

SUB-RESULT 1.2: ENHANCED HUMAN AND INSTITUTIONAL CAPACITY

Despite having significant liquidity, Afghan retail financial institutions have not developed the capacity to ensure stable loans, develop appropriate financial products, and manage risk. To address these issues, FAIDA's Banking Capacity Component works to build the human and institutional capacity of meso-level partner organizations and their retail members, including MFIs and commercial banks. FAIDA assists institutions such as the AIBF to identify and respond to training and capacity building needs of financial sector institutions and professionals. To continue building the human and institutional capacity within the financial sector, FAIDA's interventions will support the following goals:

- Strengthen FAIDA's meso-level partners including AIBF, AIPA, ABA and AMA by building their organizational, human, and financial capacity to deliver financial sector support services such as training, advocacy, and member services. FAIDA activities will help the Banking Capacity Component partners implement strategic plans to emerge as valued service providers for their members.
- Develop a strong, integrated system for educating Afghan professionals in all aspects of the financial sector, including microfinance and commercial banking. Interventions will include expanding and updating financial sector curricula at AIBF, and expanding its distance learning and women's internship programs.

1.2(a) Standardize microfinance and SME finance best practice "toolkits."

FAIDA's Banking Capacity Component will continue to assist AIBF in developing best practice resources including training materials and toolkits to help banks and MFIs meet evolving needs in the financial sector. To date, FAIDA has developed introductory and certificate courses in microfinance and toolkits on risk management, internal control and audit, new product development, operational planning and budgeting. In the area of SME finance, FAIDA has developed templates for SME gap assessments, an SME loan application and appraisal system, and a client scorecard. It also redesigned the SME loan process for FINCA and Oxus Afghanistan, and developed an SME banking manual for Afghanistan International Bank. In the extension period, FAIDA will continue to support ABA, AIBF and AMA in standardizing practices and developing materials, such as an SME operational manual, SME loan officer training toolkit, and financial literacy modules for microfinance clients.

1.2(b) Develop tiered delivery channels for training.

To *Afghanize* the use of best practices and ensure they become part of microfinance and SME lending, FAIDA will work with entities such as AIBF, ABA, AMA, and private sector BDS providers to offer a full range of capacity building services. Through training-of-trainer (ToT) programs and transfer of best practices and internationally certified curricula, FAIDA will work to transfer knowledge and responsibility from international experts to local trainers. FAIDA will also assist AIBF to incorporate fee-for-service structures for training programs that enable cost recovery and secure buy-in. FAIDA will also assist private-sector BDS providers in developing microfinance and SME lending facilitation services. Other activities include:

- *Dedicated assistance for high growth potential partners.* FAIDA will provide advisory services to strategic MFI and bank partners to facilitate targeted expansion efforts, new product roll-outs, and marketing outreach efforts.
- *Industry-level capacity building.* To complement individualized technical assistance and strengthen the capacity of emerging players in microfinance and SME lending, FAIDA will assist AIBF, ABA, and AMA in developing and delivering specialized courses and organizing industry forums and events. To Afghanize capacity building, FAIDA interventions will be conducted through partners such as AIBF, ABA and AMA, and will focus on building and sustaining their capacity to continue fulfilling this capacity building function without donor support.
- *Regional study tours and trainings.* To expose Afghan senior managers to systems and procedures used by full-service commercial banks, SME lending institutions, and MFIs, FAIDA will work with partners such as AIBF, ABA, AMA, Da Afghanistan Bank (DAB), and/or insurance sector entities to organize one or more regional study tours to meet relevant organizations or institutions in Pakistan, India, or other countries in the region.

SUB-RESULT 1.3: INCREASED RANGE OF CLIENT-RESPONSIVE FINANCIAL PRODUCTS AND DELIVERY MECHANISMS

FAIDA’s product design and development team has worked with financial institutions to develop 22 new financial products, including Sharia-compliant loan products and value chain finance products. In the extension period, FAIDA’s focus will shift from the development of new products to expanding the use and roll-out of products developed to date. FAIDA will work through associations such as ABA and AMA to assess the needs of their members in adopting and implementing existing products, and will provide technical support and training to financial institutions to add relevant products to their line of services and to adapt their systems and processes as necessary.

1.3(a) Incentivize demand-driven product development through an innovations grant fund.

As addressed under Sub-Result 1.3 above, FAIDA will place greater emphasis on expanding the use and implementation of products that have already been developed. To the extent that FAIDA continues to support new product development, its efforts will focus primarily on new markets and product areas such as insurance and leasing, as well as factoring and other forms of value chain finance.

1.3(b) Harness and innovate the power of technology – branchless banking and information and communication technologies.

FAIDA’s interventions in the area of branchless banking and information and communication technologies are addressed below under “Result 4: Expanded financial inclusion using a combination of technical assistance, grants, and public-private partnerships to promote system functionality, awareness, and uptake of all forms of electronic payments.”

B. BANKING CAPACITY COMPONENT: ENHANCED CAPACITY OF FINANCIAL SYSTEM SUPPORT SERVICES AND INFRASTRUCTURE AT THE MESO LEVEL (FINANCIAL MARKET INFRASTRUCTURE)

By expanding MSME access to capital, FAIDA will invigorate the economy by helping to build inclusive financial markets that extend into rural areas. At the same time, FAIDA will develop financial infrastructure and a broader range of support services to strengthen the sector. FAIDA’s Banking Capacity Component strengthens financial system support institutions and market infrastructure through interventions that build human and organizational capacity and promote the development of innovative systems.

The Banking Capacity Component is responsible for activities to enhance the capacity of financial system support institutions and market infrastructure. Interventions will build human and organizational capacity, and promote development of innovative systems to support the strengthening and deepening of Afghanistan's financial sector.

The Banking Capacity Component will consist of two units. (i) The Sector Capacity Building Unit, at the meso level, will continue to develop the financial market infrastructure focusing on capacity building of industry level organizations; and (ii) the Financial Institutions Unit, which, at the micro level, will provide technical support to individual financial institutions requiring support in human and organization capacity building.

Partners include the AMA, ABA, AIPA, AIBF and MISFA. As the Banking Capacity Component builds the capacity of our partner organizations to solicit policy priorities from members and FAIDA's Regulatory Component reflects those priorities in the legal framework, the Banking Capacity Component will take on additional responsibility for supporting the development of market infrastructure, subject to regulatory framework.

B.1. SUPPORT IMPLEMENTATION OF MISFA STRATEGIC PLAN AND LONG-TERM STRATEGY

MISFA, the only second-tier lender to MFIs in Afghanistan, is financially strong and is able to source its financial and technical support requirements on its own. Therefore, FAIDA coordinates with MISFA primarily on microfinance sector strengthening, including AIBF and AMA, and does not envisage provision of technical or financial grant support. MISFA had been performing certain roles that were better suited to an association such as AMA. With FAIDA's support, AMA has emerged as a credible microfinance association and, as a result, MISFA has begun transferring selected functions and activities to AMA in a phased manner.

FAIDA facilitated the development of MISFA's Strategic Plan for 2013-2015, which enables it to focus on expanding financial inclusion and to provide leadership to the microfinance sector. The strategic plan also includes certain common priorities of MISFA and the FAIDA project such as branchless banking, support to banks to initiate/increase SME lending, women's enterprise development, new product development and pilots, and depository microfinance institutions (DMFI) regulation to enable micro savings. Thus, as an institution, MISFA can provide sustainability to FAIDA's efforts beyond the life of the project.

B.2. CAPACITY OF FINANCIAL INDUSTRY ASSOCIATIONS STRENGTHENING

Afghanistan Microfinance Association (AMA). Through technical support and financial grant assistance, FAIDA will continue to support AMA in strengthening its institutional capacity to evolve as a strong microfinance association, resulting in enhanced outreach and sustainability. In coordination with MISFA, FAIDA will support AMA to ensure greater receptivity and trust in financial services usage among the communities and their leaders, while gaining increased access to finance.

During the 18-month extension period, FAIDA will continue to support AMA in areas such as member services, networking, information management and communication, advocacy for the microfinance sector, and assisting member MFIs to improve their operations, including in the SME sector. FAIDA will also support AMA in the following new initiatives:

- Implementation of a credit registry
- Financial inclusion and financial literacy-with women and youth, primarily through access to finance (A2F) Exhibition and regional events.
- Coordination between business development services providers and microfinance institutions
- Social performance management

Afghanistan Banks Association. FAIDA is supporting ABA to become a strong, credible, progressive organization that promotes best practices in Afghanistan’s banking sector and sets efficiency and excellence standards. During the extension period, FAIDA will support ABA’s efforts to become a self-regulatory organization that sets and implements standards, especially with regard to strengthening banks’ corporate governance. FAIDA will also continue to support ABA in enhancing its profile through A2F events in Kabul and other provinces, and in implementing the association’s strategic plan objectives. Those objectives include setting standards for efficiency, excellence, and good governance; establishing credibility with the government as a resource on regulatory issues; developing best practice resources for member banks; and improving coordination and compliance among its members.

Building upon the efforts and successes during 2013 and 2014, the key extension period activities include developing best practice resources for member banks to meet evolving needs and improving ABA’s credibility with Afghan government entities and regulators as an effective representative of the Afghan banking sector and a resource for developing policy. FAIDA will also continue to support ABA’s efforts to ensure its sustainability, with improved and sustained profitability through increased contributions from member banks, as a result of high quality and valuable services provided to its members.

B.3. STRENGTHEN PRIVATE MSME SECTOR SUPPORT SERVICES

Customized support to financial institutions. Within the last year FAIDA began providing technical support to the IIFC Group to improve its systems and operations and to the First Microfinance Bank of Afghanistan to develop its SME growth strategy. In the extension period, FAIDA will expand its customized technical support to banks and MFIs, in partnership with ABA and AMA, to address critical gaps identified within those institutions. FAIDA’s technical support will include risk management, credit application streamlining, financial manual review, International Financial Reporting Standards and compliance and strengthening SME lending.

FAIDA will support AMA’s efforts to provide technical support to its member MFIs in areas such as systems and process improvement, risk management, and expanding outreach.

B.4. STRENGTHEN THE CAPACITY OF AIBF AND OTHER FINANCIAL INFRASTRUCTURE

Afghanistan Institute of Banking and Finance (AIBF). FAIDA currently supports AIBF in building its capacity to serve as the training hub of the country’s financial sector. FAIDA will help AIBF to continue offering courses, training programs, seminars, and workshops to commercial banks and microfinance institutions with assistance in revising its curriculum, teaching methods, and deliverables to meet financial sector demand. FAIDA will also work with AIBF to identify options for national and international accreditations and collaborations.

FAIDA will support AIBF’s efforts to develop new curricula and training materials and modules to cater to the emerging needs of the sector, which include building the capacity of DAB, banks, MFIs and insurance sector in areas such as supervision, risk management, branchless banking, Islamic finance, DMFI regulations, housing finance, and infrastructure finance. FAIDA’s assistance will aim to build long-term local capacity to develop, deliver, and update training programs as required by the financial sector.

If AIBF obtains permission from the Ministry of Higher Education to offer degree and diploma programs, as expected, FAIDA will assist in developing the necessary curriculum. Such degree and diploma programs aim to expand the pool of new entrants (both men and women) into the financial sector.

Insurance sector. Afghan businesses, GIRA, and USAID recognize the need for a strong, growing, well-regulated insurance sector that can contribute meaningfully to the growth, size, stability, and diversity of

the financial sector. In 2012 and 2013, FAIDA provided support to the insurance sector to develop new Islamic insurance (takaful) products, and to establish an insurance industry association, the Afghanistan Insurance Personnel Association (AIPA). In the extension period, FAIDA will continue to strengthen and build the capacity of AIPA, and will provide technical support to the Afghanistan Insurance Authority (AIA), the relevant regulatory body within the Ministry of Finance (MOF). FAIDA will utilize local and regional expertise to provide technical assistance and capacity building services.

FAIDA will work to build the human and organizational capacity of AIPA to fulfill its function of promoting the interest of its members, providing input to the AIA, training insurance industry professionals, and taking on an advocacy role for the sector. FAIDA will provide technical support and a financial grant to AIPA to develop and implement its three-year business plan. FAIDA will also work with AIPA and AIBF to address the lack of actuarial expertise in Afghanistan, by assessing the needs of the sector and developing training programs.

FAIDA will also provide technical support to the AIA to strengthen its capacity to regulate the sector more effectively, enhance the quality of supervision and audits, and more fully comply with international standards of insurance supervision.

C. REGULATORY: IMPROVED ENABLING ENVIRONMENT FOR PRIVATE SECTOR-LED FINANCIAL SECTOR DEVELOPMENT AT THE MACRO LEVEL (POLICY ENVIRONMENT)

FAIDA will continue to support development of an improved enabling environment and better regulation through Afghan-led advocacy efforts and promoting policies that support the development of Afghanistan's financial sector. In the last year, FAIDA provided technical expertise to draft more than a dozen laws, regulations, and policies in commercial law areas that directly impact access to finance, including the law on secured transactions, a draft bankruptcy law, the Deposit Insurance Corporation law, the banking law, and the draft accounting law. FAIDA promoted initiatives to improve the lending environment via public-private dialogue events, information exchange events, and assistance regarding the reforms necessary to improve Afghanistan's performance against the World Bank's Doing Business Indicators. FAIDA plays an important role in supporting an enabling environment for policy, legal, and regulatory matters to enhance transparency, promote expansion, and establish the rules of engagement in the financial sector for retail financial institutions. Project activities are tailored to support Afghan-led advocacy for and implementation of effective government policies, laws, and regulations. FAIDA's macro-level regulatory activities aim to achieve two key results: strengthening the financial sector enabling environment in Afghanistan, and strengthening the legal framework and supervisory capacity of the DAB. FAIDA's efforts and ability to achieve the second key result remain limited by the U.S. government's restriction on providing support directly to the DAB.

C.1. CREATE PERFORMANCE STANDARDS

Accountancy laws and regulations. Adoption of international accounting standards (IAS) promotes financial transparency and improves the enabling environment for expanding access to finance. Together with the World Bank, FAIDA has supported the Ministry of Finance's efforts to develop a new IAS-based accountancy law, accountancy regulations, and a program for certification of accountants. During the extension period, FAIDA will work to complete the draft law and regulations and support advocacy efforts to promote the law's passage and enactment. Upon enactment of the new accountancy law, FAIDA will provide interpretive comments, and serve as a policy and law advisory service to address questions and issues that will invariably arise as the law is implemented.

Appraisal standards and professional certification. Afghanistan lacks a formalized system of asset appraisal and valuation, which negatively affects access to finance. At the request of ABA, FAIDA will provide assistance regarding the formalization of the appraisal profession in Afghanistan. FAIDA's assistance in this area will primarily be comprised of targeted, short-term technical assistance provided by

qualified, international experts. The timing of this assistance is dependent on ABA and its capacity to absorb additional assistance.

C.2. ESTABLISH A PLATFORM TO PROMOTE AN ENABLING POLICY ENVIRONMENT.

Correspondent banking support. Afghan banks are losing interbank relationships with money-center banks in the European Union and United States because those banks' domestic regulators perceive Afghanistan as a high-risk jurisdiction. Without correspondent accounts with foreign financial institutions, Afghan banks cannot offer services such as currency exchange or foreign currency denominated deposits, and customers cannot pay for goods or services in currencies other than their own, representing an obstacle to international trade and resulting in reduced liquidity. During the extension period, FAIDA will continue to support Afghan banks in developing and maintaining correspondent banking relations with foreign banks, which requires revision of bank governance guidelines and relevant trainings. FAIDA will prepare a U.S./EU law "checklist" that will enable Afghan bankers to demonstrate that their banks' corporate governance practices are aligned with U.S. and EU regulatory standards.

Deposit Insurance Corporation. Financial regulations, supported by FAIDA in 2011 and 2012, require mobile money operators to purchase deposit insurance to cover electronic money "floats," which represent the time between a payment being deducted from the sender's account and deposited into the recipient's account. Because the nonbank issuance of e-money is a recent development under Afghan law, the Deposit Insurance Corporation has requested FAIDA's assistance to extend deposit insurance beyond bank customers to customers of e-money accounts issued by non-banks. FAIDA will provide short-term technical assistance to the Deposit Insurance Corporation given the highly specialized nature of this intervention.

Leasing. The opening of the new collateral registry has sparked interest among Afghan banks to expand into leasing. The Afghan Banks Association has requested that FAIDA help its member banks create separate leasing companies and in the conduct of the leasing business. FAIDA will deploy a short-term technical expert with experience in bank-related leasing operations to conduct this specialized intervention.

Credit registry. FAIDA proposes to work with its International Finance Corporation (IFC) colleagues, as well as with FAIDA's partners, to ensure that the credit registry entries contain gender-neutral inputs and outputs to mitigate adverse effects on women or men, and to ensure that the system becomes truly participatory. As each Afghan citizen is issued a tasquera number, FAIDA will seek to leverage this tasquera system to eliminate questions regarding the identity and gender of debtors.

Secured transactions registry. At the request of ABA, FAIDA will work to ensure that entries in the registry do not give rise to the presumption of the existence of a male relative's claim against the collateral, thereby making credit less available to women. Also, FAIDA will work with its partners to advocate the supremacy of prior-registered security interests over subsequently registered or non-registered liens. This will create real value for Afghan businesses, as it will make lenders far more inclined to lend.

C.3. INFORM ADVOCACY EFFORTS.

Reviewing draft laws and regulations. FAIDA will continue to review new and revised Afghan laws and regulations, such as the upcoming revision of insurance regulations. Other similar expected involvements include the new deposit-taking microfinance institution regulation, as well as issues that continue to arise in implementation of the Electronic Money Institution law, including related licensure approvals.

Drafting of the Normative Acts Law. The lack of a law on normative acts impacts predictability, thereby causing lenders and investors to refrain from lending and investing. The ABA and individual member banks have expressed their concern about this situation and requested FAIDA's assistance to address it.

Working with locally hired counsel, FAIDA will assist ABA and its member banks to develop a draft law on normative acts.

Foreign investment/arbitration law. Afghanistan ranks at or near the bottom of the World Bank’s Doing Business rankings in the “Protecting Investors” category, meaning that investors in Afghanistan, particularly foreign investors, possess no practical means of recourse in the event of mistreatment, such as expropriation by the government or government agents. During the extension period, FAIDA’s Regulatory Component team will work with and through relevant partners to advocate for changes in Afghan law to ensure that investor rights are protected, thereby improving the investor community’s perception of Afghanistan as an investment friendly state.

C.4. ENGAGE DA AFGHANISTAN BANK (DAB)

Due to the fallout surrounding the collapse of Kabul Bank, the U.S. government restricted its support to DAB, Afghanistan’s central bank. If those restrictions are lifted and USAID permits FAIDA to engage DAB directly (as opposed to a limited case-by-case basis), FAIDA will be able to respond to DAB’s request for assistance in improving its own corporate governance, and hence, its image and that of Afghanistan’s banking sector. FAIDA’s interventions in this area, if permitted by USAID, could include providing the central bank with a corporate governance audit, a gap analysis, and relevant training on corporate governance as requested by DAB. Additional interventions in support of DAB could include bolstering its supervision capacity, particularly in the units responsible for microfinance institutions and SME lenders.

D. BRANCHLESS BANKING & MOBILE MONEY: EXPANDED FINANCIAL INCLUSION USING A COMBINATION OF TECHNICAL ASSISTANCE, GRANTS, AND PUBLIC-PRIVATE PARTNERSHIPS TO PROMOTE SYSTEM FUNCTIONALITY, AWARENESS, AND UPTAKE OF ALL FORMS OF ELECTRONIC PAYMENTS

FAIDA works to harness the power of technology for mobile money, branchless banking and electronic payments as service delivery mechanisms through partnerships with and between commercial banks and mobile network operators (MNOs), MFIs, value-added service providers and IT solutions providers. FAIDA will continue to provide assistance to MNOs and their partner banks to enhance their technical and operational capacity to deliver mobile financial services. At the same time, FAIDA will expand its approach to financial institutions to improve their capacity to adopt branchless banking services for greater financial inclusion of unbanked and under-banked segments of the Afghan population. FAIDA will also continue to provide advice and assistance on regulatory issues, and will coordinate with relevant Afghan and international partners to address infrastructure and interoperability issues to facilitate uptake of mobile money and branchless banking products and services.

D.1 ENHANCEMENT OF THE DELIVERY OF FINANCIAL SERVICES BEYOND CONVENTIONAL BANK BRANCHES, USING AGENTS AND OTHER THIRD-PARTY INTERMEDIARIES, E.G. CARD-READING POINT-OF-SALE TERMINALS AND MOBILE PHONES.

FAIDA will provide technical support and project management support to MNOs to further develop their agent networks, which is critical for expanding access to mobile money to the Afghan population. FAIDA will facilitate connections between MNOs and FAIDA’s partner enterprises and associations to promote the use of mobile money. A number of FAIDA’s partners have existing networks in place to allow them to serve as mobile money agents. FAIDA’s Mobile Money Component will work closely with the Enterprise Component to support MNOs in identifying and recruiting potential mobile money agents. FAIDA will continue support to MNOs to develop and deliver training programs for new agents.

In addition, FAIDA will continue supporting the ongoing payment application activities of FAIDA partners, including utility payments, teacher salary payments, GIROA salary payments, fee payments, and mobile money e-vouchers.

Branchless Banking Initiatives to link bank accounts to mobile wallets of the MNO's mobile money service.

The Branchless Banking and Mobile Money components will coordinate with the banking capacity component in achieving the Branchless Banking initiatives.

The following banks will participate in these branchless banking initiatives:

- Afghan United Bank (AUB)
- Azizi Bank (AB)
- Maiwand Bank (MB)
- New Kabul Bank (NKB)

Four commercial banks (AUB, AB, MB, and NKB) have been selected by the Ministry of Finance to dispense GIROA salary payments to government employees. In order to increase financial inclusion and transparency, FAIDA will work with these banks to link the existing and new bank accounts of GIROA employees to the mobile money services of the three major mobile network operators (MNOs) such as Afghan Wireless (AWCC), Etisalat, and Roshan. Since bank branches are limited, linking these bank accounts to mobile wallets will provide convenience and cost efficiency to government workers to cash-out their salaries through mobile money agents of the MNOs.

D.2. GRASSROOTS, COMMUNITY-DRIVEN EDUCATION AND OUTREACH TO INCREASE CONSUMER UNDERSTANDING AND DEVELOP BROAD SUPPORT OF ELECTRONIC PAYMENTS.

FAIDA will work closely with MNOs and financial institutions and service providers (such as Mutahid MFI, Afghan Payment Company, Ersal, Boloro, and Top Vision) to explore new ways to expand their outreach to the unbanked and under banked, and to assist in launching new pilot projects for e-payments or other mobile financial services. FAIDA will also continue ongoing activities to support MNOs and financial institutions' efforts in public awareness campaigns, agent recruitment, and pilot payment projects.

Marketing Campaign on Branchless Banking and Mobile Money. This activity will also be conducted through a subcontractor such as a marketing agency. This is an awareness campaign on the use and benefits of mobile money.

This campaign is envisioned as a top-line campaign that includes advertising on television, radio, print and billboards as well as social media.

D.3. Integration of financial institutions along with mobile network operators, to include interoperability, for increased use of mobile phones to access financial services and execute financial transactions.

Interoperability is a priority for seamless mobile financial services because of its potential to accelerate financial inclusion, increase transactional efficiency, and reduce reliance on cash payments. At the platform level, FAIDA provides grant assistance to Afghan Payment Systems (APS) to provide a platform for all participating financial institutions, mobile money operators, and other value-added service providers and enterprises to provide seamless funds transfers to all transacting members in that ecosystem. At the agent level, FAIDA will work with MNOs during the extension period to promote the creation of a White Label agent network, which would provide mobile money services and transactions to customers of all MNOs as kind of a one-stop-shop. Non-exclusive White Label agents avoid duplication of effort and resources, and reduce MNOs' costs to establish independent agent networks.

E. GENDER INTEGRATION AND GENDER EQUITY

Gender equity will be integrated into each FAIDA objective, and will be included in all planning, implementation, and monitoring of activities. FAIDA's Gender Unit is tasked with maintaining and implementing the project's overall gender strategy and supporting FAIDA's technical components to ensure gender is integrated meaningfully into all of FAIDA's activities. The Gender Unit supports FAIDA's technical components and staff in integrating gender-sensitive concerns into planning and implementing their activities to promote gender equity by availing women with opportunities at all levels in the financial sector. Following is a list of FAIDA's gender-related priorities.

Following is a list of the Gender Unit's priorities for the coming year, organized by technical component.

Result 1: Enterprise Component

Enhanced access to borrowing. Afghan women face significant challenges in securing loans in large part due to collateral requirements and lack of familiarity with loan products. FAIDA will help expand the use of the newly launched movable asset collateral registry system, which will recognize assets owned by women (the current standard practice recognizes only land as collateral), putting a market value on that asset, and working with the financial institutions to accept that valuation. We will also review the potential for a finance facility/loan guarantee for women, recognizing the inherent potential perils of distorting the market for loans while not targeting women's objectives. FAIDA will coordinate with AMA in promoting such products through ABA A2F business-to-bank roundtables, Women in Finance forum, AMA Women's Access to Business Development Opportunity and Islamic Finance Workshop, ABA A2F Exhibition, and other relevant events.

Capacity building for women entrepreneurship. In collaboration with AMA, FAIDA's Gender Unit will continue to conduct training workshops for women to access business development opportunities and Islamic finance products to help them grow and expand their microenterprises. To date, more than 1,100 women from 34 provinces have participated in 20 FAIDA-sponsored "Women's Access to Business Opportunities and Finance" workshops, and 575 Afghan women received FAIDA assistance to apply for loans totaling more than \$1.86 million. In the extension period, FAIDA will organize 15 additional workshops throughout Afghanistan with the goal of reaching 800 women and linking them to lenders. FAIDA will work with AMA to build its capacity to organize these workshops and continue them beyond the life of FAIDA.

Result 2: Banking Capacity Component

Women's internship programs. FAIDA will expand its women's internship program, which has trained more than 200 female interns to date, to encompass three categories of internships: (i) financial sector internships with Afghan banks and financial institutions, (ii) business management internships with private enterprises, and (iii) public administration internships with government agencies. The project will also work to expand the existing financial training and internships with a goal of training an additional 200 female interns for promising opportunities in the private and public sectors.

FAIDA will also continue to support AIBF in institutionalizing the Women in banking internship program and revive the Women in Finance forum to offer a platform for female financial sector employees to meet, interact, and establish linkages with women entrepreneurs to enhance financial inclusion.

Result 3: Regulatory Component

Gender sensitive laws and regulations. In Afghanistan, laws, policies, and regulations are not gender sensitive as they fail to take into consideration potential impacts on women or men, and often impede the participation of women in the private sector. FAIDA will conduct awareness activities for lawmakers to foster gender awareness and raise the interest of female parliamentarians in improved access to finance for women.

Inclusion, influence, and participation in legal and regulatory matters. The gender perspective is largely absent in Afghanistan's legal and regulatory framework, and this omission affects women in far-reaching ways. Afghan parliamentarians (including women) often lack a complete understanding of financial laws and regulations, such as the new banking code. To positively influence the legal and regulatory environment, parliamentarians must understand the gender impact of current and proposed laws and regulations. FAIDA will also seek opportunities to collaborate with associations of Afghan lawyers to provide training to women attorneys and legal assistants on financial regulations to enhance women's participation in this field and to defend the rights of women in business and finance.

Result 4: Branchless Banking and Mobile Money Component

Women mobile money agents. FAIDA will assist women in the entrepreneurial development and business exploitation of mobile money or other electronic payment methods.

G. GRANTS PROGRAM

FAIDA is in the process of issuing two new grant solicitations in November 2014 and we anticipate awarding up to \$2 million in new grants during FY 2015. Given FAIDA's contract end date of February 6, 2016, we will plan to close out all grants no later than November 30, 2015.

The new grant solicitations to be issued in November 2014 include:

- Annual Program Statement No. 3 – Financial Associations and Enabling Organizations Grant Fund aims to award multiple grants totaling up to \$890,000 to strengthen the capacity of financial institutions, enabling organization such as associations of the financial institutions, and other financial sector organizations and networks in Afghanistan; expand membership of financial sector associations and increase regional coordination and networking; develop and strengthen human capacity in the financial sector through education, training, certificate courses, distance learning programs and enhanced opportunities for information sharing; enhance financial inclusion in Afghanistan to better target and serve the underserved such as women, youth, rural populations and the agriculture sector; and promote sustainability of financial institutions and associations by enhancing support services and financial system infrastructure.
- Annual Program Statement No. 4 – Innovation and Better Than Cash Initiatives Grant Fund aims to award multiple grants totaling up to \$1,035,000 to support the development of a flourishing Better than Cash ecosystem, promote uptake of Better than Cash services among Afghan citizens and businesses, and encourage development and implementation of innovations and Better than Cash Initiatives that expand access to financial services to the unbanked, particularly in rural areas, increase efficiencies in the provision of credit to small and medium sized businesses, reduce transaction costs, and increase transparency in commercial transactions and interactions with government.

The table below contains an illustrative list of potential new grants to be awarded during FY 2015.

Grant Receptient	Grant Activities	Oct - Dec 14	Jan - Oct 15	STTA activities	A2F Activities / Internship	Total
Banking Capacity						
Afghanistan Microfinance Association (AMA)	Continue to support AMA in strengthening its institutional capacity to evolve as a strong microfinance association, resulting in enhanced outreach and sustainability. FAIDA will continue to support AMA in areas such as member services, networking, information management and communication, advocacy for the microfinance sector. Support will also include the following new initiatives: a) Implementation of a credit registry b) Financial inclusion and financial literacy-with women and youth, primarily through access to finance (A2F) Exhibition and regional events. c) <u>Coordination between business development services providers and MFIs</u>	25,380	239,620	from FAIDA Budget	Women Events expenses to come from FAIDA Budget.	265,000
Afghanistan Banks Association (ABA)	Support ABA in enhancing its profile through A2F events in Kabul and other provinces, and in implementing the association's strategic plan objectives - including setting standards for efficiency, excellence, and good governance; establishing credibility with the government as a resource on regulatory issues; developing best practice resources for member banks; and improving coordination and compliance among its members.	115,000	210,000	from FAIDA Budget	A2F Exhibition expenses to come from FAIDA Budget.	325,000
Afghanistan Insurance Personnel Association (AIPA)	Build the human and organizational capacity of AIPA to fulfill its function of promoting the interest of its members, providing input to the AIA, training insurance industry professionals, and taking on an advocacy role for the sector.		100,000	from FAIDA Budget		100,000
Afghanistan Institute of Banking and Finance (AIBF)	Support AIBF's efforts to develop new curricula and training materials and modules to cater to the emerging needs of the sector, which include building the capacity of DAB, banks, MFIs and insurance sector in areas such as supervision, risk management, branchless banking, Islamic finance, DMFI regulations, housing finance, and infrastructure finance.		200,000	from FAIDA Budget	Women Internship expenses to come from FAIDA Budget.	200,000
Subtotal		140,380	749,620	-	-	890,000
Better Than Cash						
Branchless Banking Initiatives to create and link bank accounts to mobile wallets of the MNO's	Four commercial banks (AUB, AB, MB, and NKB) have been selected by the Ministry of Finance to dispense GIROA salary payments to government employees. In order to increase financial inclusion and transparency, FAIDA will work with these banks to create bank account and link the existing and new bank accounts of GIROA employees to the mobile money services of the three major mobile network operators (MNOs) such as Afghan Wireless (AWCC), Etisalat, and Roshan. Since bank branches are limited, linking these bank accounts to mobile wallets will provide convenience and cost efficiency to government workers to cash-out their salaries through mobile money agents of the MNOs or form Point of Sale (POS) machine of banks.		200,000			200,000
Integration of financial institutions along with mobile network operators	FAIDA will continue supporting the Afghan Payment Systems (APS) to provide a platform for all participating financial institutions, mobile money operators, and other value-added service providers and enterprises to provide seamless funds transfers to all transacting members in that ecosystem.		185,000			185,000
White Label agent Network	FAIDA will work with MNOs to promote the creation of a White Label agent network, which would provide mobile money services and transactions to customers of all MNOs as kind of a one-stop-shop. Non-exclusive White Label agents avoid duplication of effort and resources, and reduce MNOs' costs to establish independent agent networks in Kabul.		200,000			200,000
Subtotal			585,000	-	-	585,000
Enterprise						
Afghanistan Renewable Energy Union (AREU)	FAIDA will support AREU to organize events such as Renewable Energy Summit and Exhibition in Kabul and in other provinces. FAIDA will additionally introduce best association practices through technical assistance and build the capacity of AREU to provide services to its members.		75,000			75,000
Total			75,000	-	-	75,000
Innovations and Better than Cash Initiatives Fund						
TBD	Innovations and Better than Cash Initiatives		450,000			450,000
Subtotal			450,000	-	-	450,000
Total Grants		140,380	1,859,620	-	-	2,000,000

ANNEX A

WORK PLAN BUDGET – SUMMARY

Line Item	October (Actual)	November	December	January 2015	February	March	April	May	June	July	August	September	October	November	December	January 2016	February
I. Monthly Recurring Costs		\$842,643	\$840,189	\$845,764	\$840,189	\$840,189	\$840,189	\$840,189	\$840,189	\$985,261	\$840,189	\$840,189	\$840,189	\$741,595	\$691,177	\$570,376	\$406,110
II. STTA (burdened)		\$0	\$0	\$0	\$109,989	\$112,402	\$85,096	\$83,862	\$65,883	\$81,970	\$72,503	\$75,909	\$69,496	\$50,096	\$54,016	\$82,082	\$65,375
III. Innovation/Special Activities Fund		\$65,000	\$0	\$75,000	\$0	\$0	\$80,000	\$0	\$0	\$80,000	\$0	\$0	\$80,000	\$0	\$0	\$0	\$0
Voucher Total (Items I-III)	\$969,772	\$907,643	\$840,189	\$920,764	\$950,178	\$952,591	\$1,005,285	\$924,051	\$906,072	\$1,147,231	\$912,692	\$916,098	\$989,685	\$791,691	\$745,193	\$652,458	\$471,485
IV. Grants		\$100,000	\$100,000	\$100,000	\$125,000	\$142,000	\$150,000	\$150,000	\$175,000	\$150,000	\$150,000	\$150,000	\$150,000	\$125,000	\$125,000	\$0	\$0

WORK PLAN BUDGET – MONTHLY DETAIL

Line Item	October (Actual)	November	December	January 2015	February	March	April	May	June	July	August	September	October	November	December	January 2016	February	TOTAL (Oct 2014 - Feb 2016)
I. Salaries		\$183,687	\$183,687	\$183,687	\$203,525	\$203,759	\$204,979	\$208,421	\$202,551	\$202,551	\$206,701	\$208,301	\$210,649	\$182,721	\$135,081	\$101,619	\$32,910	\$2,854,826
II. Fringe Benefits		\$56,778	\$56,778	\$56,778	\$60,974	\$61,136	\$61,136	\$61,442	\$56,940	\$141,940	\$56,940	\$56,940	\$61,136	\$49,875	\$51,168	\$50,667	\$17,326	\$957,951
III. Overhead		\$129,649	\$129,649	\$129,649	\$144,547	\$144,774	\$145,475	\$147,707	\$140,573	\$190,924	\$142,956	\$143,875	\$148,731	\$126,309	\$101,832	\$83,565	\$23,991	\$2,074,206
IV. Travel and Transportation		\$3,523	\$7,023	\$2,023	\$10,023	\$10,023	\$8,408	\$9,062	\$8,562	\$6,562	\$7,331	\$7,331	\$11,523	\$7,831	\$17,677	\$13,308	\$6,615	\$136,823
V. Allowances		\$43,588	\$41,588	\$41,588	\$53,441	\$53,576	\$53,815	\$55,985	\$51,240	\$51,240	\$53,734	\$54,200	\$57,102	\$40,871	\$45,099	\$46,712	\$16,970	\$760,748
VI. Other Direct Costs		\$181,277	\$186,277	\$186,277	\$186,277	\$186,277	\$191,277	\$191,277	\$196,277	\$196,277	\$196,277	\$196,277	\$196,277	\$186,277	\$202,277	\$185,957	\$225,407	\$3,090,237
VII. Subcontractors		\$124,000	\$124,000	\$124,000	\$164,000	\$164,000	\$124,000	\$124,000	\$124,000	\$124,000	\$124,000	\$124,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$1,894,000
VIII. Grants		\$100,000	\$100,000	\$100,000	\$125,000	\$142,000	\$150,000	\$150,000	\$175,000	\$150,000	\$150,000	\$150,000	\$150,000	\$125,000	\$125,000	\$0	\$0	\$1,892,000
IX. Innovation/Special Activities Fund		\$65,000	\$0	\$75,000	\$0	\$0	\$80,000	\$0	\$0	\$80,000	\$0	\$0	\$80,000	\$0	\$0	\$0	\$0	\$380,000
Subtotal, Items I-IX		\$887,501	\$829,001	\$899,001	\$947,786	\$965,544	\$1,019,088	\$947,893	\$955,142	\$1,143,493	\$937,938	\$940,923	\$1,005,417	\$808,884	\$768,132	\$571,828	\$413,219	\$14,040,790
X. General and Administrative		\$54,493	\$50,594	\$55,199	\$58,194	\$59,284	\$62,572	\$58,201	\$58,646	\$70,210	\$57,589	\$57,773	\$61,733	\$49,665	\$47,163	\$35,110	\$25,372	\$861,797
Subtotal, Items I-X		\$941,993	\$879,595	\$954,199	\$1,005,980	\$1,024,829	\$1,081,660	\$1,006,094	\$1,013,788	\$1,213,703	\$995,527	\$998,696	\$1,067,149	\$858,550	\$815,296	\$606,938	\$438,591	\$14,902,588
XI. Fixed Fee		\$65,649	\$60,595	\$66,565	\$69,198	\$69,762	\$73,625	\$67,957	\$67,284	\$83,528	\$67,165	\$67,402	\$72,536	\$58,141	\$54,897	\$45,520	\$32,894	\$1,022,719
Grand Total	\$969,772	\$1,007,643	\$940,189	\$1,020,764	\$1,075,178	\$1,094,591	\$1,155,285	\$1,074,051	\$1,081,072	\$1,297,231	\$1,062,692	\$1,066,098	\$1,139,685	\$916,691	\$870,193	\$652,458	\$471,485	\$16,895,079

ANNEX B – INDICATORS AND PERFORMANCE TARGETS

CODE	Result	Outcome/ Output	Indicator	FY 2015 Target
A	1,2,3,4	Output	Number of Full-Time Equivalent (FTE) Jobs Created (4a)	800
1.1	1,2,4	Output	Number of families benefitted	8,200
1.2	1	Output	Amount of private financing mobilized	8,000,000
1.3	1,2,4	Output	Number of businesses supported by U.S. government assistance (4.3.2a)	4,700
1.4	1	Output	Number of new financial products developed by U.S. government-assisted financial institutions	4
1.5	1	Output	Number of SMEs that have received loans from financial institutions	93
1.6	1	Output	Total number of clients (households and/or microenterprises) benefiting from financial services provided through USG – assisted financial intermediaries, including non-financial institutions or actors	8,200
2.1	2	Output	Number of financial sector training/and or certification programs established or supported that meet international standards	14
2.2	2	Output	Number of financial sector employees trained with U.S. government assistance	100
2.3	1,2,3,4	Output	Number of financial sector professionals/ supervisors trained with U.S. government assistance	40
2.4	2	Output	Number of financial institutions with enhanced capacity as a result of U.S. government assistance	12
3.1	3	Output	Number of public-private dialogue mechanisms utilized as a result of USG assistance	8
3.2	3	Output	Number of working groups established to address financial sector development issues as a result of USG assistance	3
3.3	3	Output	Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance	6
4.1	4	Output	Users of electronic payments	5,000
4.2	4	Output	Number of participating merchants	80
EG-1	1	Output	Number of microfinance institutions supported by USG financial or technical assistance	13

ANNEX C – PROPOSED STTA

Component	Consultancy	Days
Banking Capacity		
	Microfinance sector expert	60
	Commercial banking expert	40
	Insurance sector expert, M. Carr (Crimson Capital)	25
	Insurance supervision and regulation expert, Steven Rossiter (Crimson Capital)	40
	Senior insurance sector advisor	78
	Islamic finance specialist	40
Regulatory		
	Appraisal standards and certification specialist	30
	Deposit insurance specialist	30
	Registry systems expert	35
Branchless Banking and Mobile Money (Better Than Cash)		
	Agent network development specialist	40
Short-term Home Office Labor		
	Grants/grantee capacity development specialist	60
	Gender specialist (for gender assessment deliverable)	25
	Final report writer	35
	Annual financial/compliance review	21
	Closeout financial review	18
	Administrative closeout support - associate	52
	Administrative closeout support - manager	52
	Supervisory visit/acting chief of party - J. Gutzwiller	25

ANNEX D – IMPLEMENTATION PLAN

INTERMEDIATE RESULT	ACTIVITY DESCRIPTION	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	
Result 1: Enhanced Outreach of Retail Financial Institutions at the Micro Level																			
Sub-Result 1.1: Increased disbursement of Lending Capital to undeserved MSMEs																			
	1.1.1: Association lending: Support, strengthen and facilitate financing through industry associations(Afghan Builders' Association, Dried Fruit and Nut Associations, Agriculture Association, etc).																		
	1.1.2: Women Access to Finance program in different provinces																		
	1.1.3: Agriculture value chain finance: Identify and catalyze business/financing opportunities for agricultural enterprises																		
	1.1.4: Youth Access to Finance through AMA																		
	1.1.5: Enterprise based lending program																		
	1.1.6: Access to Finance Fair with 50 exhibitors (Banks, MFIs, Insurance companies, other financial institutions) and over 2000 business visitors																		
	1.1.7: Agribusinesses' access to finance																		
	1.1.8: Women Access to Finance - Training and technical support																		
	1.1.9: Business Planning for Afghan Enterprises																		
	1.1.10: Participating in four Trade Shows/ B2B matchmaking event																		
	1.1.11: Support KCCI, BCCI, HCCI to promote innovation																		
	1.1.12: Build Capacity of women businesses to promote lending																		
	1.1.13: Support Women owned Businesses in Business Planning																		
	1.1.14: Workshops and round tables for enterprises for applying to loan application																		
	1.1.15: Renewable Energy Exhibition and Summit																		
	1.1.16: Work with Business Consulting Service Providers to facilitate loan application for Banks																		
Sub-Result 1.2: Enhanced Human and Institutional Capacity																			
	1.2.1: Provide advisory services to strategic and high growth potential MFI and bank partners.																		
	1.2.2: Assist AIBF, ABA, and AMA in developing and delivering specialized courses and organizing industry forums and events.																		
	1.2.3: Regular interaction between AMA, ABA and AIBF to set standards for employee certification and curriculum design.																		
	1.2.4: Assist AIBF to revise existing curricula and training materials for banks and MFIs, to ensure relevance for financial sector.																		
	1.2.5: Support AIBF in developing new curricula and training materials to address the emerging needs of banks and MFIs																		
	1.2.6: Support AMA and ABA in standardizing practices and developing materials.																		
	1.2.7: Arrange in-country study tours for MFIs and/or CSPs.																		
	1.2.8: Arrange regional study tours for member financial institutions of partners such as AIBF, ABA, AMA, DAB, and insurance sector entities.																		
Sub-Result 1.3: Increased Range of Client-Responsive Financial Products and Delivery Mechanism																			
	1.3.1: Expand the use and roll-out of the new-financial products developed to date																		
	1.3.2: Provide technical support and trainings to financial institutions to add relevant products to their line of services.																		

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		Result 2: Enhanced Capacity of Financial System Support Services and Infrastructure at the Meso Level (Financial Market Infrastructure)																
Sub-Result 2.1: Support implementation of MISFA Strategic Plan and long-term strategy																		
2.1.1: Coordinate with MISFA to strengthen microfinance sector, including AMA and AIBF.																		
2.1.2: Coordinate with MISFA on transitioning regional coordination, communication and advocacy roles activities to AMA.																		
2.1.3: Monitor funds leveraged by OXUS - MISFA's partner MFI.																		
Sub-Result 2.2: Strengthen capacity of AMA and other industry associations																		
2.2.1: Afghanistan Microfinance Association (AMA)																		
2.2.1.1: Strengthen AMA institutional capacity through financial grant assistance to implement the AMA grant activities.																		
2.2.1.2: Strengthen AMA institutional capacity through technical support to implement AMA grant activities.																		
2.2.1.3: Support AMA ongoing activities - member services, networking, knowledge management and advocacy.																		
2.2.1.4: Assist AMA member MFIs to improve their operations, including the SME sector.																		
2.2.1.5: Implementation of Credit Registry for MFIs in coordination with MISFA and DAB.																		
2.2.1.6: Implement Code of Conduct for Afghanistan's Development Finance Sector.																		
2.2.1.7: Implement Social Performance Management framework for Afghanistan Development Finance sector.																		
2.2.1.8: Implement Financial Inclusion and Financial Literacy initiatives - with women and youth, through Access to Finance (A2F) Exhibition and A2F Regional Events.																		
2.2.1.9: Coordinate between business development / livelihood service providers and microfinance institutions.																		
2.2.2 Afghanistan Banks Association (ABA)																		
2.2.2.1: Strengthen ABA institutional capacity through financial grant assistance to implement the ABA Strategic Plan objectives.																		
2.2.2.2: Strengthen ABA institutional capacity through technical support to implement ABA Strategic Plan objectives.																		
2.2.2.3: Support ABA's efforts to ensure its sustainability with improved and sustained profitability.																		
2.2.2.4: Support ABA in enhancing ABA's profile in organizing A2F Exhibition and A2F Regional Events.																		
2.2.2.5: Advocacy & Research agenda developed and implemented including Tracking Laws, Policies and One Page Policy Briefs.																		
2.2.2.6: Quarterly Commercial Banks Consultative Group (CBCG) meetings with DAB to establish credibility and coordination.																		
2.2.2.7: Support ABA to develop best practice resources to enhance commercial banks' capacity in liquidity management and forecasting, and related risk management.																		
2.2.2.8: Support ABA ongoing activities - member services, networking, knowledge management, communication and advocacy.																		
Sub-Result 2.3: Strengthen private MSME sector support services																		
2.3.1: Customized support to financial institutions in areas including risk management, credit application streamlining, financial manual review, International Financial Reporting Standards (IFRS) and compliance, and strengthening SME lending.																		
2.3.2: Support AMA to launch pilot programs between BDS providers and MFIs in two regions of Afghanistan and create models.																		
Sub-Result 2.4: Strengthen the capacity of AIBF and other Financial Infrastructure																		
2.4.1: Afghanistan Institute of Bank and Finance (AIBF)																		
2.4.1.1: Strengthen AIBF institutional capacity through financial grant assistance to implement the AIBF grant activities.																		
2.4.1.2: Strengthen AIBF institutional capacity through technical support to implement AIBF grant activities.																		
2.4.1.3: Support AIBF in adding to its curriculum such as financial supervision, risk management, housing finance, and infrastructure finance to cater to the emerging needs of the financial sector.																		
2.4.1.4: Support AIBF in revising its curriculum and teaching methods in response to financial sector demand.																		
2.4.1.5: Support AIBF in identifying options for national / international accreditation and implement accreditation.																		
2.4.1.6: Support AIBF to strengthen its management and training capabilities.																		
2.4.1.7: Regular operational review, including path to financial sustainability.																		
2.4.2: Insurance Sector																		
2.4.2.1: Strengthen Afghanistan Insurance Personnel Association (AIPA) institutional capacity through financial grant assistance to implement the AIPA grant activities.																		
2.4.2.2: Strengthen AIPA institutional capacity through technical support to implement AIPA grant activities.																		
2.4.2.3: Provide technical support to Afghanistan Insurance Authority (AIA).																		
Sub-Result 2.5: Support effective communication and knowledge sharing																		
2.5.1: Monitor local and international media and industry sources to share relevant information with project staff and partners.																		
2.5.2: Facilitate networking between project partners and relevant international organizations.																		
2.5.3: Support the capacity of associations to issue periodic newsletters to facilitate information and knowledge sharing.																		

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Regulatory	IMPROVED ENABLING ENVIRONMENT FOR PRIVATE SECTOR-LED FINANCIAL SECTOR DEVELOPMENT AT THE MACRO LEVEL (POLICY ENVIRONMENT)																		
	Sub-Result 3.1: CREATE PERFORMANCE STANDARDS																		
	3.1.1: Deposit Insurance Corporation is organized according to a "best practice" model, and insurance coverage for mobile money and branchless banking "float" is commercially available.																		
	3.1.2: Deposit insurer possesses local capability to establish its own premia, and insureds participate in premium-setting decisions. Also, claims are "capped."																		
	3.1.3: Mobile Money supervision and oversight is improved via improvement of on-site inspection capabilities of Financial Supervision Division																		
	3.1.4: Central Bank personnel understand basic concepts, re: the present 1942 bankruptcy law, the new draft, and relevant provisions (in the world) on bank insolv.																		
	3.1.5: Relevant collateral registry and credit registry personnel ensure that entries in the registries are "gender neutral," and that only registerable notices are filed.																		
	Sub-Result 3.2: Financial Sector Enabling Environment is Strengthened																		
	3.2.1: Draft law on "Normative Acts" to ensure predictability of application of laws in the context of financing.																		
	3.2.2: Leasing: resolve gaps in IFC's leasing intervention.																		
	3.2.3: Create a US/EU law "checklist" regarding bank corporate governance for those banks that desire EU or US correspondent accounts.																		
	3.2.4: Afghan Payment System; regulatory assistance as and where needed.																		
	3.2.5: Mortgage reforms, as and where directed by USAID.																		
	3.2.6: Accounting Rules and Accountancy Organization: Write rules, establish organization, related research, writing, and advocacy.																		
	3.2.7: Secured transactions training with IFC.																		
	Branchless Banking and Mobile Money																		
	Sub-Result 4.1: Enhancement of the delivery of financial services beyond conventional bank branches, using agents and other third-party intermediaries, e.g. card-reading point-of-sale terminals and mobile phones																		
	4.1.1: Etisalat Electricity Payments Door-to-door Registration and Payments via mHawala in Kabul																		
	4.1.2: AWCC Electricity Payments DABS Customer Registration and Payments via M-Paisa in Kabul																		
	4.1.3: Branchless Banking Initiatives with Afghan United Bank (AUB) on linking bank accounts with m-wallets of GIROA employees																		
	4.1.4: Branchless Banking Initiatives with Azizi Bank on linking bank accounts with m-wallets of GIROA employees																		
	4.1.5: Branchless Banking Initiatives with New Kabul Bank on linking bank accounts with m-wallets of GIROA employees																		
	4.1.6: Teacher Salary Payments via AWCC Mobile Money and New Kabul bank																		
	4.1.7: GIROA Salary Payments via AWCC and Maiwand Bank																		
	4.1.8: White Label Agents for ALL MNOs Mobile Money Service																		
	Sub-Result 4.2: Grassroots, community-driven education and outreach to increase consumer understanding and develop broad support of electronic payments																		
	4.2.1: Marketing Campaign on Mobile Money																		
	Sub-Result 4.3: Integration of financial institutions along with mobile network operators, to include interoperability, for increased use of mobile phones to access financial services and execute financial transactions																		
	4.3.1: Afghan Payment System Deploy the Interoperability for all MNOs and Commercial Banks																		

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Regulatory	IMPROVED ENABLING ENVIRONMENT FOR PRIVATE SECTOR-LED FINANCIAL SECTOR DEVELOPMENT AT THE MACRO LEVEL (POLICY ENVIRONMENT)																		
	Sub-Result 3.1: CREATE PERFORMANCE STANDARDS																		
	GENDER																		
	Sub-Result: Enterprise																		
	Activity 1: Conduct Access to Finance and Business Opportunity workshops for women per a pre-planned schedule																		
	Activity 2: Conduct Financial literacy and Business Planning workshops for women per a pre planned schedule																		
	Activity 3: Ensuring adequate representation of women at the A2F events, regional exhibitions such as the innovation fairs and other events																		
	Activity 4: Collect and conduct a gender analysis of gender-related data during market research and after loan facilitation to determine gender constraints in accessing financial products, the impact financial products have on women's empowerment, and the follow-up																		
	Sub-Result: Banking Capacity																		
	Activity 1: Support the successful implementation of the Afghan Women Internship Program at the Afghan Institute of Banking and Finance, AMA and ABA																		
	Activity 2: Support growth of the Women in Finance Forum																		
	Sub-Result: Regulatory																		
	Activity 1: Apply a gender-sensitive lens in the drafting and development of laws and regulations by creating a checklist of gender considera																		
	Sub-Result: Mobile Money and Branchless Banking																		
	Activity 1: Ensure increased number of women are aware of mobile money technology and utilize it for their transactions																		
	Activity 2: Support MNOs , gender -related efforts to increasewomen's awareness of and access to mobile money , branchless banking, financial products, and other female empowerment activities																		
	Administration and Management																		
	Activity 1 Pre-close out compliance and files review by home office PMU team member																		
	Activity 2 Demobilization plan submitted																		
	Activity 3 Gender Assessment (contract deliverable)																		
	Activity 4 Final report preparation																		
	Activity 5 Closing ceremony																		
	Activity 6 Administrative closeout (home office manager and associate)																		