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AFGHANISTAN

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

ANNUAL WORKPLAN

AUGUST 2013 - JULY 2014



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

Implemented by:

Chemonics International Inc.

In collaboration with:

AZMJ LLC

Crimson Capital Corp.

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ACRONYMS AND ABBREVIATIONS

A2F	Access to Finance
ABA	Afghanistan Banks Association
ACE	Agriculture Credit Enhancement Program
ACSP	Afghanistan Credit Support Program
ADF	Agricultural Development fund
ADIC	Afghan Deposit Insurance Corporation
AIBF	Afghanistan Institute of Banking and Finance
AMA	Afghanistan Microfinance Association
ARFC	Afghanistan Rural Finance Company
ASAP	Accelerating Sustainable Agriculture Program
AVIPA	Afghanistan Vouchers for Increase Production in Agriculture
AWBF	Afghan Women Business Federation
DAB	Da Afghanistan Bank
DABS	Da Breshna Sherkat
DCA	Development Credit Authority
FAIDA	Financial Access for Investing in the Development of Afghanistan
FMFB	First Microfinance Bank
FSC	Farm Service Center
GIRoA	Government of the Islamic Republic of Afghanistan
KCCI	Kabul Chamber of Commerce and Industries
M&E	Monitoring & Evaluation
MEU	Monitoring and Evaluation Unit
MFI	Microfinance Institution
MISFA	Microfinance Investment Support Facility for Afghanistan
MNO	Mobile Network Operator
MOU	Memorandum of Understanding
MSME	Micro, Small & Medium Enterprise
PMP	Performance Management Plan
POF	Purchase Order Finance

1. INTRODUCTION

A. PROGRAM DESCRIPTION

USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project, under Contract Number 306-C-11-00531, 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. Provides Islamic and conventional financial products to lenders and the private sector.
- **Financial Institutions Component:** Engages financial institutions directly, providing them with targeted assistance that enhances their capacity to lend, to be profitable, and to extend their services throughout the country.
- **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.
- **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 and financial institutions to introduce innovative new products and services and expand the use of mobile money.
- **Agribusiness South Component:** Focuses efforts on assisting buyers to obtain a reliable supply of high quality agricultural produce and also gain access to larger and higher end markets through improving input supply, harvest and post-harvest management and market information and linkages in selected districts of Kandahar, Helmand, and Zabul provinces.
- **Gender Mainstreaming Unit:** Ensures that women are integrated in financial sector activities and are provided access to financing and opportunities for economic and professional growth.

FAIDA is being implemented by a team including Chemonics, Crimson Capital Corp and 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), The American University of Afghanistan (AUAF), 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, extending the contract until August 2, 2014.

FAIDA has contributed significantly towards the regular progress of the financial sector in Afghanistan during the last 2.5 years. To date, some of these achievements include:

- 14,697 families have directly benefited from financial assistance provided.
- \$24.9 million private sector loans facilitated with \$22 million in loan applications in the pipeline.
- 2,013 employees of the financial sector (bank) participated in 188 financial sector trainings.
- 863 businesswomen from 28 provinces participated in 17 business and gender workshops called 'Women's Access to Business Opportunities and Finance.' 72 concept notes, totaling \$914,500, submitted to banks and financing institutions on behalf of women entrepreneurs.
- Assisted banks to offer 31 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:

- Afghanistan Banks Association (ABA) organized the first Access to Finance (A2F) Exhibition attracting over 2,700 businessmen and women from across Afghanistan. Thirty-seven booths representing banks, financial, agricultural, and insurance sectors exhibited their products. Nine workshops on a variety of finance related subjects were presented attended by more than 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
- Established a \$5 million Mobile Money Innovation Grant fund and approved grants to Mobile Network Operators (MNOs) and currently reviewing three grant applications (worth \$900,928) to promote innovative applications for Mobile Money.

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 the 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 2.5 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 August 2013 through the contract end date of August 2, 2014.

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 TrainNet databases. FAIDA's MEU is completely staffed by Afghan professionals. M&E Manager 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.

Recently, FAIDA reviewed its Performance Monitoring Plan (PMP) to ensure that the new components such as the Agribusiness South activity were contemplated and properly incorporated. As a result, some indicator definitions and data collection methods required tweaking to ensure they allowed for capturing and reporting results from the Agribusiness South component. No other material or substantive changes to the PMP were deemed necessary.

D. THE WORK PLANNING PROCESS

Work plan development began in June 2013 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 August 2, 2014 contract end date.

E. MANAGEMENT AND ORGANIZATION

Administration and Management: FAIDA is preparing to enter its final contract year. There are a number of challenges expected between now and the current contract end date of August 2, 2014. The anticipated withdrawal of U.S. and NATO forces casts uncertainty about the security situation in the country going forward. Similarly, the presidential election scheduled for April 2014 means that the political outlook is also uncertain. Internally, resource management will be critical for FAIDA as we approach the contract end date.

FAIDA will begin scaling back international and Afghan staff in a deliberate and measured way at the end of FY 2013 in order to be able to maintain steady implementation levels for the remainder of the project. As part of this process, more management positions will be assumed by Afghan professionals who have developed and honed their skills over the past two years under the leadership and mentorship of our experienced and capable expatriate staff.

FAIDA's contractual deliverables include a gender assessment to examine the extent to which FAIDA successfully addressed or removed barriers to access to finance for women, promoted economic opportunities for women, and ensured that both men and women benefitted from the project's

interventions. We plan to field a home office gender specialist for a short-term assignment in March – April 2014 to support our Afghan Gender Unit Director and her staff in producing a meaningful gender assessment. Ideally, we hope to field a gender specialist who was involved in drafting FAIDA’s gender strategy, to ensure familiarity with the project and truly useful deliverable.

In preparation for the contract end date, Chemonics plans to field a home office finance or project management specialist to conduct a pre-closeout file and compliance review in January 2014. By early February 2014 we will submit a demobilization plan to USAID for review. Between March – May 2014, we plan to field an experienced home office writer/editor to produce a high quality final report to capture FAIDA’s success, impact, challenges and lessons learned. We anticipate up to 35 days of LOE for final report preparation, with approximately half that time spent in country and the other half remotely. We plan to submit the completed final report in July 2014, prior to the contract end date. We have also planned for an end of project ceremony to take place in June or July, with participation of USAID and key Afghan stakeholders from the public and private sectors. To support administrative closeout of a contract this size, we have budgeted for a home office manager and associate to oversee and conduct closeout activities throughout June and July, along with FAIDA’s finance director, DCOP for operations and compliance, and key Afghan staff.

Financial Institutions Component: With COR approval to launch a new component focused on engaging lenders directly, FAIDA named former Strategic Value Creation team leader Matt Weber as team leader for the new Financial Institutions component in Fall 2012. Mr. Weber quickly developed a work plan for the new component and trained up a small team to focus on engaging lenders, MFIs and ABA. To date, one of the component’s greatest successes has been its support and technical assistance to the Islamic Investment and Finance Cooperative (IIFC) network’s senior leadership which has resulted in significant and quantifiably improved operations and financial management. More recently, however, USAID has indicated it is no longer comfortable providing assistance directly to individual lenders. Therefore, since the Financial Institutions component was expressly intended to engage lenders directly and because resources for the final contract year are limited, FAIDA plans to phase out the component by the end of year and merge its remaining initiatives to support First Microfinance Bank (FMFB) and ABA under the banner of FAIDA’s Banking Capacity component.

Product Design and Development Team (PDD): PDD team leader Sahel Annabi will wrap up his assignment and depart Afghanistan in late November 2013, and the subcontract with Crimson Capital under which he is employed will end soon thereafter. After that, the remaining PDD staff will merge with FAIDA’s Banking Capacity component, and will focus on implementing and replicating the products and services developed to date, rather than continuing to develop new products.

Agribusiness South component: In 2012, USAID modified the FAIDA contract to add the Agribusiness South activity, a limited duration activity meant as a bridge project between the recently ended AVIPA and SRAD projects and USAID’s forthcoming new regional agricultural development program. Progress to date and the work plan for this new component are included later in this document. In coordination with USAID, FAIDA plans to conclude implementation of the Agribusiness South in Fall 2013.

2. ANNUAL 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: OUTREACH OF RETAIL FINANCIAL INSTITUTIONS ENHANCED

The Enterprise component currently consists of two operating units: The Strategic Value Creation (SVC) team and the Product Design and Development (PDD) team. The SVC team works to facilitate business loans for Afghan enterprises while the PDD team assists banks in developing, designing and rolling out loan and other financial products. As of July 2013, the SVC team has successfully facilitated \$24.9 million in loans to more than 1,500 enterprises in districts around the country. The PDD Team has worked with financial institutions to develop and introduce 26 new products including conventional and Islamic finance products, agricultural and value chain finance, insurance and leasing, among others.

Over the past year, the SVC team focused on lending through associations such as the Farm Service Center Association whose member networks magnify the number of businesses FAIDA can reach. Association-based lending will continue to be a major focus for FAIDA going forward. FAIDA has also begun focusing on priority sectors such as agriculture, construction, and carpets, considering the supply base available in the country, domestic resource costs, market demand and need for commercial credit. FAIDA will also continue to promote contract farming arrangements as an alternative financing mechanism for the agricultural sector.

A.1 DISBURSEMENT OF LENDING CAPITAL TO UNDERSERVED MSMES INCREASED

Access to Finance Exhibition: In October 2012, FAIDA assisted the Afghanistan Banks Association (ABA) in organizing the first ever Access to Finance Exhibition in Kabul. An estimated 2600 visitors attended the event, which allowed banks and MFIs to market themselves to potential customers and gave Afghan businesses the opportunity to meet with lenders one on one. The second annual Access to Finance Exhibition is scheduled for October 2013. This time, the ABA will take on more of the planning and bear more of the costs. FAIDA has been working to strengthen the capacity of ABA to be able to organize and sponsor this annual event and other B2B matchmaking events around the country on its own with reduced, and eventually no, outside assistance or funding.

Association-based Lending: The Agricultural Development Fund (ADF), managed by USAID's Agriculture Credit Enhancement (ACE) project has provided a \$3 million line of credit to the Farm Service Center Association (FSCA) for on-lending to its members. The association is working with its members to develop loan applications and is helping members to market their agricultural inputs to farmers and smaller input retailers in different provinces of Afghanistan. FAIDA has provided a grant aimed at strengthening the Farm service Center Association's organizational capacity. The Enterprise team will provide technical assistance to FSCA to further increase utilization by its members of the credit line from ACE/ADF. The Strategic Value Creation team will also continue working with the Almond and Seed Associations and their members to facilitate financing via the ACE/ADF facility.

FAIDA will also continue to support and facilitate financing from ACE/ADF to other agricultural associations, such as the dried fruit and nut association, carpet association, Afghan National seed

Organization, etc. As of July 2013, FAIDA had facilitated more than \$5 million in financing through ACE/ADF. Currently, 38 FAIDA-supported businesses have loan applications pending with ACE/ADF, valued at \$8.9 million. USAID

Contract Farming and Value Chain Finance: FAIDA will continue to identify and catalyze business and financing opportunities for agricultural enterprises. FAIDA began promoting contract farming in 2012 as an alternative financing mechanism aimed at organizing the commercial agricultural production of both large-scale and small-scale farmers. It provides linkages between farmers, traders, processors and exporters to improve or guarantee the reliable and safe supply of products to various local and international markets. Contract farming will continue to be a major focus of FAIDA’s Enterprise component during the coming year.

FAIDA has assisted large traders and exporters in developing the following contract farming agreements that have been signed to date:

CROP	VOLUME	VALUE
Fresh Fruits	8,220 MT	\$3,970,000
Vegetables	450 MT	\$180,000
Dried Fruits	151 MT	\$455,500

During 2013 -14, Contract Farming team will continue to organize workshops and facilitate contract farming agreements, exports and will link traders, exporters and farmers with financial institutions.

Business to Bank Roundtables:

FAIDA supports ABA in organizing Business to Bank Roundtables throughout the country to link Afghan businesses with banks. To date, the Enterprise team has assisted ABA in organizing 15 Business to Bank Roundtables in different provinces of Afghanistan. The 2-day roundtables allow enterprises from different provinces to share information and identify challenges and opportunities to improving production, linking to markets and obtaining financing. Participants include public and private sector representatives engaged in multi-sector trading, production, export and financing activities.

The objectives of the Business to Bank Roundtables are:

- To improve access to finance for the enterprises in Bamyan and Daikundi provinces through facilitation of targeted discussions and meetings between relevant stakeholders
- To link enterprises to financial institutions
- To develop enterprises' technical skills.

This platform has helped financial institutions understand the borrowing needs of businesses and design loan products accordingly. With the help of this outreach event, the Enterprise team facilitated loans for businesses in different provinces of Afghanistan. The Enterprise team will continue organizing these events to promote Afghan businesses’ access to finance. Future roundtables will be organized in partnership with Afghan Banks Association (ABA), other business and agriculture associations, and banks. The Enterprise team will support ABA to organize at a minimum one Business to Bank Roundtable each month throughout Afghanistan.

Women's Access to Finance:

FAIDA's Enterprise team and Gender Unit work closely with various women's associations such as Afghan Women Business Federation (AWBF) and provincial women's 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. The Enterprise team assists women-owned businesses to gain access markets and to participate in trade shows such as Gulfood 2013, where women-owned businesses secured export orders of more than \$4 million. Thirteen women-owned businesses participated in the Delhi Summit and B2B matchmaking in India in 2012. During 2013 – 2014, FAIDA's Enterprise team will undertake a series of activities to promote access to finance and access to markets for women-owned businesses.

Business to Business Matchmaking and Trade Show Participation:

The Enterprise team organized five business-to-business matchmaking events in the last year and will organize several such events in the coming year. FAIDA assisted Afghan fresh fruits and dry fruits producers and processors to participate in the Gulfood 2013 exhibition in Dubai, which generated potential deals worth \$11 million. In coordination with the Indian Embassy in Afghanistan and the Confederation of Indian Industries (CII), FAIDA organized a business-to-business meeting where 13 businesses from India and 180 businesses from Afghanistan participated. This event generated potential deals worth more than \$20 million. Another business-to-business meeting was organized in Kandahar city where 12 businesses from Kabul and over 150 businesses from the south of Afghanistan participated. This event generated potential deals of more than \$10 million.

FAIDA plans to participate in the Gulfood 2014 exhibition to give approximately 20 Afghan producers of fresh fruits and dry fruits and nuts an opportunity to market their products in the international market. Several B2B matchmaking events and road shows will be organized in coordination with other implementing partners and the associations supported by FAIDA. FAIDA will help the Afghan Builders Association organize a B2B event in India in January 2014. FAIDA will jointly organize a B2B event with USAID's Kazakhstan-based Regional Economic Cooperation Project in February to promote trade, investment and finance between the two countries. The Enterprise team is working with the Indian Embassy in Afghanistan and the Federation of Indian Chamber of Commerce and Industries (FICCI) to organize a B2B event in India in mid-January where more than 35 Afghan businesses, including eight women-owned businesses, will participate. FAIDA will organize other B2B events in Afghanistan and abroad in coordination with Indian Embassy, others business associations and USAID implementing partners during 2013 – 14.

Innovative Partnership Fair:

Innovation refers to novel business or organizational models; operational or production processes; or products or services that lead to substantial improvements in executing against development challenges. Innovations help produce development outcomes more effectively more cheaply, that reach more beneficiaries and in a shorter period of time.

USAID / FAIDA intends to promote innovative partnerships together with the Kabul Chamber of Commerce and Industries (KCCI) and other local business chambers. USAID / FAIDA proposed the idea of an Innovation Fair with KCCI leadership and the Indian Embassy in Afghanistan and they fully support this initiative. The Kabul Chamber believes that showcasing successful innovative business ideas from India can be replicated in Afghanistan.

USAID/Afghanistan and the Indian Embassy in Afghanistan are planning a Business-to-Business (B2B) event to be held December 4 and 5 in Kabul, with approximately 150 potential Afghan partners. The 2-day Innovative Partnerships Fair will focus on showcasing successful Indian innovations, establishing contacts,

and sharing information on financing and the establishment of private and public-private alliances. This event looks to capitalize on a growing wave of interest among the Afghan business community in developing regional economic partnerships. The event will utilize FAIDA's broad network of relationships within the Afghan private sector. Similar events will be organized in Hirat and Mazar. These events will be tailored to bring together the individuals and organizations that are best positioned to forge meaningful business partnerships with our Indian invitees and create opportunities within the local marketplace. The Indian Embassy has agreed to partner with us for similar events in Mazar and Hirat sometime during April – May 2014. An evaluation committee will select winners in the following categories at each event: 1) Partnership that reaches most Afghans; 2) Partnership that create most jobs; and 3) Partnership that leverages most resources.

FAIDA plans to develop a web portal in collaboration with KCCI and other local business chambers in Hirat and Mazar to capture innovative business ideas throughout the year. Innovative business ideas will be evaluated every month by a committee comprised of representatives from FAIDA, USAID, the Indian Embassy, local chambers and ABA. Shortlisted organizations will have an opportunity to present their business ideas. FAIDA will help prepare business plans for the winning innovative business ideas. FAIDA will coordinate with individual businesses, local chambers, business associations and NGOs to generate good business ideas. Innovative partnerships will be implemented in line with that of USAID India. FAIDA will partner with ABA to finance innovative businesses.

Global Development Alliances (GDA):

FAIDA plans to identify successful GDA projects (particularly Indian-Afghan joint ventures), in coordination with the Indian Embassy, that have good visibility and considerable impact on the Afghan economy. GDA opportunities will be identified through the enterprises FAIDA works with, via proposals from businesses and FAIDA's outreach through the business associations. Because FAIDA works all over Afghanistan, we hope to identify potential GDA opportunities in multiple provinces of Afghanistan.

FAIDA is currently working with four Afghan enterprises that are potential GDA partners. These four organizations have relationships and enjoy technical collaboration with Indian firms, and three of them have already formed joint ventures with Indian companies. FAIDA is currently evaluating their business plans and working to determine how they can benefit from GDA arrangements to help improve their long term sustainability and potential.

A.2. HUMAN AND INSTITUTIONAL CAPACITY INCREASED

Training and Access to Finance for Women Entrepreneurs: The Enterprise team will continue organizing workshops, trainings and engagement with women entrepreneurs. The SVC team's Regional Gender Coordinator will continue to engage women owned and managed enterprises via Business to Bank Roundtables and trainings. The SVC team will add regional gender coordinators in regional centers to expand efforts to increase access to finance for women throughout Afghanistan. The Enterprise/SVC team will work directly with FAIDA's Gender Unit to engage women through outreach events and training, and linkages with women's organizations.

Study tours: FAIDA's PDD team will continue to conduct study tours as a way to introduce Afghan financial institutions to new ideas and successful case studies and to build their capacity. For the coming year, FAIDA plans to conduct additional study tours focused on insurance as well as agricultural and rural finance.

Conferences and Training Workshops: FAIDA’s Enterprise PDD team will continue to organize and conduct periodic conferences and workshops on priority topics such as business planning, insurance, Islamic finance, value chain finance, and SME finance, among others.

A.3. RANGE OF CLIENT-RESPONSIVE FINANCIAL PRODUCTS INCREASED

Insurance Sector Development: Based on FAIDA’s progress over the last year, the insurance sector will continue to be a major area of focus. The PDD team has provided technical assistance to the insurance sector to develop and implement a *Takaful* (Islamic Finance) Operating Model. In the coming year, FAIDA will continue its support to establish and strengthen an Afghan insurance association and will work to introduce products such as trade insurance and transportation and freight insurance. FAIDA will also prioritize assistance to the Afghanistan Insurance Authority to develop the necessary regulations to govern the insurance sector. We have planned for 60 days LOE for an insurance supervision specialist to provide technical assistance to the insurance authority aimed at developing and maintaining fair, safe, and stable insurance markets for the benefit and protection of policy holders.

Agricultural and Rural Finance: The PDD team will continue to focus on implementing and rolling out products and credit schemes to enhance access to finance in the agricultural sector and within various value chains. Going forward, FAIDA will focus especially on helping lenders and other institutions implement and roll out newly designed products, utilizing short-term technical assistance when necessary, to help lenders recognize and capitalize on profitable opportunities.

Trade Finance:

FAIDA assisted AZIZI Bank in developing and implementing a Purchase Order Finance (POF) product. POF can be used for export finance and FAIDA will work with different banks and financial institutions to roll out export credit to fresh fruits and dry fruits exporters. AZIZI Bank expressed interest in providing factoring service to its borrowers, mainly exporters. FAIDA will work with AZIZI Bank, AIB and other banks in this regard. FAIDA will continue to work with different fresh fruits and dry fruits and nuts associations to facilitate trade finance.

AIB Consumer and SME Lending:

A short-term consultant has been embedded within Afghanistan International Bank for the past few months to re-engineer the bank’s retail banking activity, including the development and launch of risk asset-based products and services for the SME markets in Afghanistan.

Market surveys have been conducted by the bank to determine and orientate the development of products and services, which would meet the needs of customers. Training of bank personnel has taken place and full operational procedures have been established.

Six products have been developed and are currently undergoing testing internally. In the absence of reliable data relating to the SME market in Afghanistan, the SMEs to be targeted will be those with annual sales turnover not exceeding \$1 million (AFN equivalent), whose borrowing requirements are likely to be in the range of \$35,000 to \$75,000 (AFN equivalent). This category of SME is sometimes referred to as the “missing middle” where the enterprises are too large to attract the attention of MFIs and yet too small and unstructured to be taken seriously by most commercial banks. As a participant in USAID’s partial guarantee program, the bank expects to register its borrowing SME with this facility.

The six new products, labeled as “Banking for Small Business”, include:

- Short term loans (up to 12 months maximum)
- Medium term loans (up to 24 months initially, then up to 36 months upon full roll-out)
- Invoice discounting

- Documentary collections and export credit finance
- Import customs guarantees
- Tender & Performance bonds, Advance Payment & Retention guarantees (for SME seeking to bid for contract work in connection with large “donor” funded infrastructural projects)

The first three of these products are to be launched on a pilot basis in November 2013. Two applications have already been received, and are to be processed shortly. We will roll it out to other banks with the help of ABA.

FAIDA’s Product Design and Development activities will be transitioned to the Banking Capacity Component in November 2013 as part of a planned organizational restructuring within the project.

B. BANKING CAPACITY COMPONENT: CAPACITY OF FINANCIAL SYSTEM SUPPORT SERVICES AND INFRASTRUCTURE ENHANCED

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 has two operating units:

- The **Sector Capacity Building Team** will support FAIDA’s meso-level financial sector partners in building their organizational and human capacity to provide supporting services such as training, advocacy, and member services. Partners include Afghanistan Institute of Banking and Finance (AIBF), Microfinance Investment Support Facility for Afghanistan (MISFA), Afghanistan Microfinance Association (AMA) and Afghanistan Bank Association (ABA).
- The **Training Team** will lead delivery of FAIDA’s own trainings and build the training capacity of FAIDA partners.

As the Financial Sector Capacity team 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 Financial Sector Capacity team will take on additional responsibility for supporting the development of market infrastructure, subject to regulatory framework.

B.1. STRENGTHEN INSTITUTIONAL CAPACITY OF MESO-LEVEL FINANCIAL SECTOR ORGANIZATIONS

MISFA, the only second-tier lender to microfinance institutions (MFIs) in Afghanistan, is a financially strong partner of FAIDA, and is able to source its financial and technical support requirements on its own. Therefore, FAIDA works with MISFA closely primarily on microfinance sector coordination, providing advisory support services and acting as a sounding board to MISFA, and does not envisage provision of future financial grant. As of April 2013, the combined portfolio of MISFA’s partner-MFIs stands at \$ 93 million in outstanding loans to almost 83,000 borrowers, of whom almost 23% are women. In the absence of a strong microfinance association, MISFA has been performing certain functions and activities which ideally an association should be performing. FAIDA is working with MISFA and AMA to transfer identified functions and activities of MISFA to AMA, in a phased manner.

FAIDA facilitated in developing MISFA’s Strategic Plan: 2013-15, and this was approved by MISFA’s Board in May 2013. The MISFA strategic plan enables it to focus on expanding financial inclusion and provide leadership to the financial sector, especially in microfinance. In consultation with MISFA, FAIDA ensured that certain common priorities of MISFA and the FAIDA project are included in the MISFA’s

strategic plan such as branchless banking, supporting banks to initiate/increase SME lending, women enterprise development, assisting young entrepreneurs, developing new products – sharia compliant products, agriculture lending, rural value chain financing, deposit-taking microfinance institutions (DMFI) regulation enabling micro savings.

Thus, MISFA will provide sustainability to FAIDA's efforts even beyond the FAIDA project duration. While MISFA is financially capable, and is also providing financial grant assistance to AMA, FAIDA's experience indicates that in the future, MISFA should also be able to offer the technical support that the Banking Capacity Component has been providing to strengthen the financial industry associations and financial infrastructure. During the year, FAIDA's Banking Capacity component and MISFA will continue to cooperate with each other and work closely for a strong financial sector in Afghanistan, enhancing the operational and human capacity of key meso-level financial sector organizations like AIBF, AMA, and ABA. Subsequently, MISFA is expected to also provide some technical support to the sector, albeit not at the same scale of FAIDA. Together with FAIDA's Regulatory Component, the Banking Capacity Component will support MISFA in modifying and implementing the Deposit-taking Microfinance Institution regulations.

In consultation with MISFA, FAIDA provided financial grant support to OXUS MFI, a partner of MISFA in 2012 to increase access to finance by expanding the funds available for microfinance lending. With grant funds, OXUS was able to leverage more funds from MISFA to lend to clients. FAIDA will continue to monitor the funds leveraged by OXUS from MISFA and other sources, and the additional loans disbursed from the leveraged funds.

B.2. CAPACITY OF FINANCIAL INDUSTRY ASSOCIATIONS STRENGTHENING

Afghanistan Microfinance Association (AMA). FAIDA is continuing to support AMA in its rejuvenation, and strengthening the microfinance in Afghanistan. FAIDA facilitated AMA not to limit its membership to MISFA partner MFIs only, but expand its outreach to include other MFIs and Community-based Savings Promoting Institutions (CSPIs) in Afghanistan. As of March 2013, the combined portfolio of 11 AMA member institutions stands at \$122 million in outstanding loans to over 150,000 borrowers, of whom almost 38% are women. *

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/or sustainability, supporting AMA's representation at national events and the upcoming international microfinance and related events.

The main focus of FAIDA with AMA during 2013-14 will be on Coordination & Networking, and, Public Information & Communication. FAIDA will work with AMA to increase AMA's presence in the provinces by organizing different coordination events such as program and legal awareness meetings, MFIs regional coordination meetings and CSPIs regional coordination meetings.

The new networking and coordination initiatives proposed by FAIDA for AMA include coordination with ABA and Banks through ABA, meeting with relevant officials of the government and judiciary in the provinces, program and legal awareness meetings for District Development Assembly (DDAs). AMA's new initiatives in sector strengthening include establishing functional Working Groups on Credit Registry and Microfinance Reputation Risk Management, and, developing the Code of Conduct and Social Performance Framework for Afghanistan.

FAIDA will ensure that AMA continues to focus on enhanced networking opportunities for the microfinance staff by creating opportunities for them to meet, interact and communicate through different channels such as CEO coordination meetings, regional coordination meetings, scholarship to select microfinance staff to access international training and study tours, newsletters, and status reports.

FAIDA will also work with AMA on implementing the communication's strategy for AMA developed in February 2013 with support from FAIDA. In addition to current activities, new initiatives through AMA in public information and communications include developing Afghanistan's first state of the sector report for the development finance sector, implementation of the MicroView application, and, purchase and implementation of the advanced software application from Pakistan Microfinance Network (PMN).

With AMA's increased activity level and output facilitated by FAIDA, MISFA has initiated transfer of identified functions and activities to AMA, with a corresponding increase in financial grant to AMA. In the MISFA's new strategic plan for 2013-15 facilitated by FAIDA, MISFA's continued commitment to financially support AMA during 2013-15 is clearly stated. FAIDA is expecting a financial grant for AMA, from the World Bank to be routed through MISFA in the latter half of 2014, which will enable AMA to continue its activities after FAIDA project. MISFA received approval from Da Afghanistan Bank to setup a Credit Registry for MFIs. MISFA is to initiate incubation of the Credit Registry and once confident on the functioning and integrity of the Credit Registry, it is expected to be transferred to AMA – which will be an income generating source for AMA resulting in its financial sustainability. FAIDA will facilitate AMA in establishing a Credit Registry Working Group within AMA, to work closely with MISFA during the incubation stage, and subsequently work for the transfer of the Credit Registry to AMA.

Afghanistan Banks Association (ABA). FAIDA began supporting ABA's rejuvenation in 2012 by facilitating the development of ABA's its Strategic Plan for 2012-2015 and its implementation. FAIDA's Banking Capacity Component is supporting ABA's vision of being a strong, credible, progressive organization that promotes best practices in the Afghanistan financial industry and set standards for efficiency and excellence in the sector through financial, technical support and infrastructure assistance. As of March 2013, the 16 ABA member banks represent portfolio of over \$ 800 million in outstanding loans to over 67,000 borrowers, and deposits of almost \$ 3.7 billion from over 2.7 million depositors.

FAIDA's main focus for ABA during 2013-14 will be on ABA evolving as a self-regulatory organization (SRO) in setting standards and implementing them – especially in strengthening the corporate governance in banks, and, enhancing ABA's profile through Access to Finance (A2F) events in Kabul and other provinces, and, implementing ABA's communication strategy developed in June 2013 with FAIDA's support.

FAIDA will also focus on developing ABA's Research and Advocacy agenda and initiating its implementation. With professional staff recruited in ABA, ABA is expected to demonstrate value creation through acquired expertise, while building on ABA's existing relationship with Ministry of Finance (MoF) and Da Afghanistan Bank (DAB) through regular interaction, participation in events and quarterly Commercial Banks Consultative Group (CBCG) meetings. FAIDA will support ABA in developing one-page policy briefs, half-yearly banking bulletins, conduct research either on its own or in partnership with other sector organizations like AIBF, offer networking opportunities for banks and enhance awareness through various communications channels, conferences and study tours.

FAIDA will work with ABA to focus on the principles of Value Creation; Enhancing Profile and Expertise; Seeking Common Interests and Building Coordination; and Prioritizing Issues, to achieve its vision. While it would take time for ABA to achieve its ambitious vision, 2013-14 is expected to be the year of foundational activities for ABA.

FAIDA will also focus on supporting ABA to evolve as an institution with internal policies and systems established for effective functioning and acquiring the necessary infrastructure to function effectively.

As outlined in the ABA's strategic plan, FAIDA anticipates ABA continuing its level of activities and working toward achieving its vision through increased contributions from its members, even after the FAIDA project. Access to Finance Exhibition is expected to be an additional source of income for ABA.

B.3. CAPACITY OF FINANCIAL INFRASTRUCTURE STRENGTHENED

Despite significant liquidity, Afghan retail financial institutions have not developed the capacity to ensure good loans, develop appropriate financial products, and manage risk. To address these issues, FAIDA's Banking Capacity Component will operate at the meso-level to improve organizational and human capacity development of sector institutions and their retail members, including MFIs and commercial banks. The Banking Capacity Component will coordinate with the Enterprise Component members in identifying training and capacity building needs, and assisting institutions like AIBF and ABA in responding to these needs.

In expanding MSME access to capital, FAIDA will simultaneously help build the financial infrastructure and support services needed to strengthen the financial sector. The work plan incorporates targeted activities in two areas in order to achieve this result:

- Strengthen FAIDA's meso-level partners like AIBF, ABA, AMA and MISFA by building their organizational, human and financial capacity to provide financial sector support services like training, advocacy and member services. FAIDA activities will help the Banking Capacity Component partners to implement strategic plans to progress in achieving sustainability and 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, introducing specialized certificate programs relevant for banking and microfinance, distance learning and women internship program.

With FAIDA's support AIBF is evolving into a center of excellence for banking and finance in Afghanistan. FAIDA will support AIBF to continue offering an array of courses, training programs, seminars and workshops to commercial banks and microfinance institutions. FAIDA is supporting AIBF to regularly update its courses and increase its range of course offerings, and identifying options for national and international accreditations and collaborations.

Currently, the only donor to AIBF, FAIDA continues to support the Institute through provision of financial, technical and infrastructure development assistance in order to strengthen AIBF's management and training capabilities and enhance its outreach in Afghanistan, thus making AIBF a fully sustainable institution. FAIDA will work with AIBF in developing a five year (2013-18) Strategic Plan, to define the way forward for AIBF.

With FAIDA's support, AIBF exceeded its income projections during 2012, and expects to be close to its financial projections during 2013 as well. The AIBF income in 2013 is expected to be less than the projections, due to the Afghanistan Workforce Development Program (AWDP) partners offering free training to financial institutions, adversely affecting AIBF. FAIDA will conduct regular operational reviews, to monitor the path of the Institute's financial sustainability and strengthen its internal systems and processes.

C. REGULATORY: ENABLING ENVIRONMENT FOR PRIVATE SECTOR-LED FINANCIAL SECTOR DEVELOPMENT IMPROVED

FAIDA seeks to improve private-sector-led financial sector development by building upon the relationships and the resultant insights that FAIDA nurtured in FAIDA's base period and first option year. As such, FAIDA has prioritized the activities set forth below.

C.1. DAB'S LEGAL FRAMEWORK AND SUPERVISORY CAPACITY STRENGTHENED

Throughout the last year, FAIDA worked effectively to ensure that its ability to support to DAB remained intact and produced impact, despite the USG's instruction that USAID projects refrain from direct assistance to DAB. FAIDA has (and continues to), at the instruction and with the imprimatur of USAID, supported the DAB on specific regulatory issues, and it provides specific training through AIBF, as requested. In this period, long-term technical assistance shall include support to the new Deposit Insurance Corporation (particularly in the area of mobile money and branchless banking); support to the Financial Supervision Department ("FSD") regarding on-site inspection of mobile money operators and "branchless" bank agents; training for FSD and General Counsel personnel regarding bankruptcy and insolvency; and training and technical undertakings as to the operation of the new collateral registry and the new credit information registry.

The foregoing interventions can be implemented despite the aforesaid USG general (but not prophylactic) ban on direct assistance to DAB. Moreover, when and where appropriate, FAIDA's Regulatory team will work through the Afghan Banks Association, as well as other relevant local professional associations with which FAIDA has, in the course of the past two years, engendered relationships. FAIDA is assisting ABA to act as an interface between Banks and DAB. Indeed, these interventions will permit FAIDA to respond rapidly and effectively in the event that, at some point, US Government policy is modified so as to permit more robust support to DAB.

C.2. FINANCIAL SECTOR ENABLING ENVIRONMENT STRENGTHENED

Draft law on "normative acts": In Afghanistan, despite the length and detail of the Constitution, there does not exist a practical device by which the judiciary and the bar may devent the myriad of overlapping and inconsistent legal regimes that have resulted from rise and fall of several forms of government in a relatively short period of time. Because this situation denudes lenders and investors of the predictability that they require, it significantly limits Afghans' access to finance. FAIDA will support ABA to work with GIROA counterparts and with partners to draft a law that sets forth a hierarchy of application, addresses conflicts of laws, and affirmatively sets forth the role of "traditional" practices. ABA will then, in concert with said counterparts and partners, perform legislative advocacy regarding the said draft law.

Resolve gaps in leasing interventions: The IFC has produced a draft leasing law that has yet to garner support from the finance community. Given that IFC resources regarding leasing in Afghanistan are now limited, FAIDA will co-operate with IFC to determine the legislative advocacy interventions that might prove most effective, and FAIDA will endeavor to implement them. FAIDA anticipates that FAIDA's relationships with its partners will prove valuable in the course of this effort.

Correspondent accounts and other interbank agreements: FAIDA has already provided interventions regarding the bank corporate governance reforms that Afghan banks must undertake in order to make themselves attractive to US and EU money center banks as correspondent banks. ABA will be assisted to continue this work by advocating regulatory changes (which changes FAIDA has already drafted), and contract interpretation and drafting advice regarding interbank agreements.

Afghan Payment System: Invariably, the new Afghan Payment System will produce regulatory questions and conflicts. FAIDA's Regulatory Component is prepared to respond thereto, as and when directed by USAID.

Enhancing the capacity of commercial lawyers:

Bankers and other finance professionals repeatedly complain that there are too few lawyers in Afghanistan who are able to competently handle loan documentation and debtor-creditor matters. While there are those who argue that the lack of competent commercial lawyers is merely the product of an underdeveloped legal

infrastructure, FAIDA notes that, without lawyers versed in commercial law, certain key reforms will never materialize. These reforms include, inter alia, enforcement of judgments, accommodation of “power of sale” and “self-help” clauses, and the cultivation of an understanding among the judiciary regarding the legality of “conventional” loans. FAIDA will work with existing lawyers’ association(s) (or catalyze the creation of a commercial law association) to (i.) advocate reforms identified herein; and (ii.) train lawyers such that they possess the skills critical to the handling of commercial matters. Initially, FAIDA will approach the Afghanistan Independent Bar Association, and FAIDA will work to ensure that the afore-described interventions benefit women lawyers.

Arbitration and investors’ rights: The underdevelopment and non-independence of the judiciary in Afghanistan is a serious impediment to lending and investing there. Whilst laudable efforts are ongoing to help create a professional, independent judiciary, progress remains slow, and it cannot be expected to keep pace with Afghanistan’s need for finance and need for dispute resolution in the foreseeable future. As such, an arbitration law was drafted and enacted in 2009, but it does not appear to ever have been implemented, as Afghanistan, despite the existence of the law, still lacks an arbitration body, and it lacks related rules. In the next year, FAIDA will aim to eliminate those gaps. FAIDA will also endeavor to eliminate provisions of law regarding investor protection that operate to deny a foreign investor’s right to arbitrate against the Afghan state.

Accounting rules and accountancy association: There exists ample evidence that the lack of an accountancy association and the implementation and enforcement of accountancy rules in Afghanistan negatively affect access to finance. FAIDA (pursuant to an agreement between World Bank and USAID/Afghanistan) will post, beginning in August 2013, an expert who will work with relevant players to draft rules and to form the association.

D. BRANCHLESS BANKING & MOBILE MONEY: CAPACITY OF MOBILE BANKING SERVICES AND INFRASTRUCTURE ENHANCED

FAIDA works to harness the power of mobile money and branchless banking as a delivery mechanism for services through partnerships with and between commercial banks and mobile network operators (MNOs), MFIs, value-added service providers and IT solutions providers. FAIDA is already providing technical assistance to Afghan MNOs in developing mobile money products, and is funding a \$5 million Mobile Money Innovation Grant Fund to foster introduction of new mMoney products and services. FAIDA has worked with MNOs to organize an industry association that can speak with a united voice on regulatory issues and consider development of industry standards that increase interoperability and speed uptake of mobile money and branchless banking goods and services.

For the coming year, FAIDA’s Mobile Money and Branchless Banking component has prioritized the following activities:

D.1 Increase Capacity of MNOs to Develop New Products and Services

Activity 1: Etisalat Electricity Registration and Payment via mHawala in Kabul. This activity is to continue the registration of households in Kabul for the mHawala mobile money bill payment service. This registration includes the linking of mobile wallets to Da Breshna Sherkat (DABS) electricity accounts so households can pay their electricity bills directly using mHawala service. This is the second phase of registration where Etisalat earlier registered 100,000 households. This second phase targets to have a registration of up to 200,000 more households in Kabul.

Activity 2: Branchless Banking Initiatives to link bank accounts to mobile wallets. The following banks will participate in these branchless banking initiatives:

- Afghan United Bank (AUB)
- Azizi Bank (AB)
- Maiwand Bank (MB)
- New Kabul Bank (NKB)
- Afghan International Bank (AIB)
- Pashtany Bank (PB)

Four commercial banks (AUB, AB, MB, 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 four major mobile network operators (MNOs) such as Afghan Wireless (AWCC), Etisalat, MTN-A 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.

FAIDA also plans to engage AIB and Pashtany Bank in its branchless banking initiatives. AIB is one of the leading and most innovative banks in the country and it is open to expand branchless banking activities. Pashtany Bank, for its part, has integrated its core banking system with Etisalat’s mobile money platform in order to offer electricity bill payment using the mHawala service.

Activity 3: Ministry of Women’s Affairs and Etisalat, Business Development Training Program and Mobile Money Agent Training. This activity is a partnership between the Ministry of Women’s Affairs (MOWA) and Etisalat for the training of women on business fundamentals so they can have a chance to put up their own business venture after graduation. This is an 18-hour training program on business fundamentals such as Accounting & Finance, Marketing, Distribution, Product Pricing, among others. This training is spread out over two weeks where women will be tested after the course in order to graduate. Once they have successfully completed this course, they can either apply for a micro-loan from Mutahid Microfinance Institution or continue to have a separate 2-day training with Etisalat to become mHawala mobile money agents. *

Activity 4: GIROA G2P Salary and Benefits Payments (particularly government pensioners) Using Mobile Wallets linked to Bank Accounts. This is a pilot program that will involve a partnership between a mobile money operator and a bank. Possible partnerships include:

- Azizi Bank and Roshan M-Paisa
- Afghan United Bank and Etisalat mHawala
- Maiwand Bank and Afghan Wireless (AWCC)
- New Kabul Bank and Afghan Wireless (AWCC)

This activity entails the registration of GIROA employees to the mobile money service of the MNOs and will be linked seamlessly to bank accounts of these participating commercial banks. Thus, the flow of salary payments will be from the Ministry of Finance to the commercial bank to the individual bank accounts of the teachers. Once their salaries are deposited in their bank accounts, the teachers can do a “pull” transaction from the bank account into their mobile wallet so they can cash-out their salary from the authorized mobile money agent of the MNOs. This service will make it convenient for GIROA employees to access their salaries through a mobile agent, without traveling great distances just to get their salaries from bank branches.

D.2. Develop Industry Efforts to Accelerate the Uptake Branchless Banking and Mobile Money Goods and Services.

Activity 1: Market Research Study on Mobile Money Awareness. This activity will be conducted through a subcontractor who will perform quantitative and qualitative research on mobile money awareness

across 34 provinces in Afghanistan. This research study will involve 1,097 participants as part of the sample size across urban and rural areas of the country. The study will also involve eight Focus Group Discussion (FGD) sessions amongst men and women participants, including business owners. The duration of this research will be a period of 3 months. A final recommendation on the findings of this research will be sent to all stakeholders thereafter.

Activity 2: Marketing Campaign on Mobile Money and Branchless Banking. This activity will also be conducted through a subcontractor such as an Advertising Agency. This is an awareness campaign on the use and benefits of mobile money to an Afghan's everyday life. This campaign will be divided into three parts:

- What are Branchless Banking and Mobile Money?
- The utility and benefits of Branchless Banking and Mobile Money
- How to become an Agent for financial services

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

Activity 3: Afghanistan Payment System (APS) Deployment to Commercial Banks and MNOs. This activity will support the implementation of a national payment switch through a private consortium named Afghanistan Payment System (APS). This national switch will provide seamless integration of various mobile money platforms and core banking systems. This will enable the integration of automated teller machines (ATMs), point-of-sale terminals, credit/debit card systems, near-field communication (NFC) systems as well as mobile money services of various operators and value-added service providers.

D.3. Develop Policies and Regulations

Activity 1: Develop Deposit Insurance to cover E-money float by MNOs. This activity will have to be a partnership with the central bank as well as leading insurance companies in Afghanistan. Deposit insurance will cover the e-money float generated by the MNOs through their mobile money service. The objective is to provide consumer protection on the e-money float that is deposited in the banking system, in case of bank failure or insolvency of the MNOs. As part of this effort, FAIDA may provide technical assistance to the Deposit Insurance Corporation.

Activity 2: Partner with AIBF for Training and Certification of MNO Compliance Officers. This activity will involve a partnership with Da Afghanistan Bank and Afghanistan Institute of Banking Federation (AIBF) in order to develop a training curriculum for compliance officers of the MNOs who will be dedicated in the oversight of mobile money operations. After the course, there will be a certification process in order to determine the fit and proper test of compliance officers in so far as performing their audit duties and responsibilities in the conduct of mobile money operations of the MNOs.

Activity 3: Exchange Program between Da Afghanistan Bank (DAB) and the Philippine Central Bank. This activity will involve a technical exchange program between personnel and officers of both countries' central bank institutions. This exchange program will involve sharing of best practices in the monitoring and oversight of field operations of mobile money services as well as the implementation of branchless banking services. It may also involve a residency program where different officers and staff of the two central banks will be embedded for a definite period of time in order to transfer technical skills in the oversight operations of these mobile money services.

Activity 4. Develop Branchless Banking Regulations for Commercial Banks.

This activity will involve the development of DAB policies and regulations for commercial banks and financial institutions to conduct branchless banking. These regulations will include the mechanisms on how authorized agents can perform banking transactions for and in behalf of the partner banks. This mechanism

will include the proper Know-Your-Customer (KYC) procedures, types of banking transactions allowed per agent, per customer, threshold amount per transaction, bank-grade security controls and procedures, consumer protection and counter-measures, among others.

E. AGRIBUSINESS SOUTH: SUSTAINABLE, COMMERCIALY VIABLE AGRICULTURE-BASED ECONOMY SUPPORTED IN SOUTHERN AFGHANISTAN

Since modification no. 7 was signed in December 2012, FAIDA has scaled-up activities 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. Given the South region's competitive advantages in agriculture, the best opportunity for increasing economic growth in the near and medium-term is to focus on the high end production, processing, and marketing of targeted high value agricultural produce. In this regard, FAIDA is implementing strategic interventions that identify and help mitigate critical gaps in the agribusiness value chain.

The FAIDA Agribusiness South component has four important pillars which each address its primary objective. They are expanding input supply distribution systems, market development, post-harvest handling, and cross cutting activities. These pillars, described below, are essential elements for accomplishing the transition from stabilization to long-term agribusiness development activities. For example, the focus on improving the agriculture input distribution system supports increased production and supporting improved produce handling reduces postharvest losses, increases product quality and strengthens market options. Strengthening the role of women in mainstream agribusiness and developing agribusiness and association planning and management skills are important cross cutting activities for preparing entrepreneurs to scale up their agribusinesses.

FAIDA is working with existing agribusinesses and lead firms to expand demand and pull supply from farmer producers. The approach is to deliver training and technical assistance to build the capacity of these agribusinesses. Geographic focus is on 12 target districts of Kandahar, Helmand and Zabul Provinces. Priority is given to high-value crops including pomegranates, grapes, almonds, stone fruits, melons and some key vegetables including cucumbers and sweet peppers, the latter especially for the Helmand winter greenhouse production. FAIDA utilizes a local implementing partner, Green agriculture and Livestock Organization (GAALO) to facilitate access to target districts through its field coordinators, however, training and technical assistance is conducted by FAIDA direct hire personnel.

As of May 29, the Agribusiness South component had conducted 38 trainings for 674 participants. These were composed of three distinct input supply training courses, five different types of postharvest training, an agribusiness planning training and an association development and management training course. On-going technical assistances included facilitating business planning and pack house design for a major fresh fruit association, developing a specialized pack house and cold store design for a large-scale logistics company, assisting the owner of an existing pack house facility to initiate operations, providing a generic guideline for pack house design and operation, assessment of the Indian Cold Store facility at Shurandam Industrial Park in Kandahar City, and advising the Helmand Wholesale Produce Market Committee on optional business structures and management.

We anticipate that FAIDA's Agribusiness South component will conclude implementation by December 2013.

E.1. INPUT SUPPLY DISTRIBUTION SYSTEM EXPANDED

The objectives of this pillar are to: expand the size and reach of input suppliers; increase the efficiency of suppliers; improve sourcing of quality products and increase the range of products offered. To accomplish

these objectives, four training modules have been developed and implemented and specialized technical assistances are being planned. The training modules are the following:

Module 1. An Introduction to Ag-input Sales in Afghanistan: This training introduces owners and technical and sales personnel of agriculture input distributorships to holistic information on how to expand agriculture input businesses and to technical concepts related to the follow-on training modules. Through the end of May, 2013, this training was administered 9 times for 118 ag-input business owners and their sales and technical personnel.

Module 2. Technical Information to Expand the Ag-input business: Integrated Pest Management and Good Agriculture Practices. This module informs trainees regarding these important practices because combined, they are the most effective, economic and safe approaches for controlling pests and diseases. This training also encourages the trainees to convey this information to their customers during the sales and farm extension service processes. This training was provided three times for a total of 58 agribusiness participants through the end of May, 2013.

Module 3. Pesticide and Fertilizer Handling and Storage. This module provides trainees with necessary information regarding safe pesticide and fertilizer use and handling and storage requirements and encourages them to convey this information to their customers during the sales process and when extension services are being provided. This training was provided three times to a total of 58 agribusiness participants by the end of May, 2013.

Module 4: Suitable Agriculture Packages – stone fruits, grapes, pomegranates, melon, almond onion and garlic, tomato and cucumber. This module improves the ability of agro input suppliers to offer and sell appropriate, optimum quality products, in a timely manner based on the growth cycle and production knowledge of each of these target crops. This series of trainings is scheduled to commence on June 11.

During the next six months, specialized technical assistances will be developed and delivered for selected agriculture input distributors in each of the three provinces covered by the program. These are likely to involve helping the distributors to more competently address particular needs of their respective customer bases. Cross-cutting training, including for improving inventory control, is being developed to assist input suppliers to strengthen their management skills and practices.

E.2. MARKET DEVELOPMENT: MARKET LINKAGES AND INTEGRATION AND MARKET INFORMATION SYSTEMS STRENGTHENED

The objectives of this pillar are to increase and improve market information flows, strengthen buyer-seller linkages and increase buyer – producer cooperation such as through promotion of contract farming and on-lending. To accomplish these objectives, FAIDA will be provisioning market information, hosting buyer-seller matchmaking events, presenting market opportunities, advising on structuring and operating a wholesale produce market and carrying out technical assistance to improve air and land transportation of refrigerated cargo.

Business to business roundtables were held for traders and large-scale producers from Zabul, Helmand and Kandahar Provinces and plans are to host them approximately every two months during the next six months. These round tables explain and offer program services including technical training and loan facilitation and introduce sellers to buyers. The last of these events was conducted in Kandahar City on June 9-10. Some results of this event were to identify approximately 25 new agribusiness customers to be profiled, invitations to technical trainings, and screening these new customers for technical assistance needs. FAIDA also hosted events in the region to educate buyers and sellers about how contract farming can help them sell/source products demanded by the market to their mutual benefit.

Other market development events and technical assistances which are being considered and or planned include:

- Strengthening of associations to enable them to more effectively market their members' products, explained under the Part 5.2., Crosscutting Activities, below;
- Preparing for and hosting dried and fresh fruit and nut market roundtables to describe markets, identify and present buyers and facilitate product refinement and development and sales for specific producer-trader market segments;
- Streamlining steps and procedures for successful utilization of cargo services from the Kandahar International Airport commercial terminal and advising sellers accordingly
- Determining markets and buyers for processed food products that can potentially be met by local food processors, especially women owned businesses, as a precursor to assisting with product development
- Advising the Helmand Wholesale Produce Market Committee on ownership and structuring options which could include sponsorship of a study tour
- Specialized assistance to demonstrate effective utilization of existing cold chain assets to successfully field cool, transport and air cargo table grapes to Dubai.

E.3. POST HARVEST PRACTICES IMPROVED

The objectives of this pillar are to increase the quality of products to buyers; decrease postharvest losses and increase product quality differentiation. To accomplish these objectives, four basic training modules have been developed and are being implemented and specialized technical assistances are on-going and being planned. The first three modules are an Introduction to Food Safety, Introduction to Post Harvest, and Hazard Analysis and Critical Control Points. The fourth module will consist of a series of Crop Specific, Postharvest Training modules for the targeted, high value crops - stone fruits, grapes, melons, pomegranates, winter vegetables and almonds. As of the end of May, 16 of these trainings were conducted for 197 participants. More detailed information about this training and technical assistance includes the following.

Introduction to food safety. The objective of this training is to introduce large-scale traders to food safety and international standards including Global G.A.P and Local G.A.P. This training was conducted three times for 44 participants as of the end of May.

Introduction to postharvest handling. The objective of this training is to develop the capacity of large-scale traders for postharvest handling including an understanding of the factors that influence post-harvest performance and key elements of pack house design and management. This training was conducted 4 times for 57 participants before the end of May.

Hazard Analysis and Critical Control Points. The objective of this training is to orient food processors to the 7 principles of HACCP; teach them how do hazard analysis of their process and create a hazard analysis chart; train them in development of a monitoring system for control and critical control points and show them through basic steps for drafting a HACCP plan for their operation. As of the end of May, this training was conducted 5 times for 53 participants and 38 of them were women.

Crop Specific Postharvest Training - Stone Fruit Postharvest Handling. The objective of this training is to prepare large-scale traders and businessmen to handle plums and apricots from field to market; advise on methods of extending shelf life of these products; and teach better methods to further process these two fruits. The training was carried out three times for 32 participants as of the end of May.

Crop Specific Postharvest Training - Grape and Melon Postharvest Handling. The objective of this training is to prepare large-scale traders and businessmen to handle grapes and melons from field to market; advise

on methods of extending shelf life of these products; and teach better methods to further process these two fruits. As of the end of May, this training was implemented once for 11 people.

Plans are underway to complete crop specific, postharvest training for the remainder of the target, high value crops, and provide cold chain management training and cold chain equipment operation and maintenance training,

Technical assistances involving establishment and operation of postharvest handling and cold chain facilities are on-going for several lead firms and being planned for others. This includes pack house design, layout and operation assistance. An assessment of the Kandahar Indian Cold Store facility was completed. A mobile, forced air, pre-cooling unit was designed and will be tested and demonstrated. Specialized packing and shipping advice for Helmand winter vegetable producers/traders is being planned. A layout and cost estimate for a 1,000 MT cold storage facility is being developed. Plans are being made to assist at least one food processor to develop a product line based upon the market and buyers which are being identified.

E.4. CROSS-CUTTING ACTIVITIES

FAIDA is preparing entrepreneurs to scale up their agribusinesses by strengthening the role of women in mainstream agribusiness and developing agribusiness and association planning and management skills. Emphasis has been placed on integrating women more fully into agribusiness, working with lead agribusinesses to expand their markets and to pull supply and on coordinating closely with FAIDA Enterprise component to conduct business planning activities and facilitate finance opportunities.

The Agribusiness South Integrated Gender Manager has been very successful in recruiting, at the district level, female agribusiness owners and managers to attend technical trainings, especially for food safety, HACCP and agribusiness planning trainings. These women are primarily engaged in food processing and value adding activities and will also receive support for market and product development.

The Agribusiness South component works closely with FAIDA's Enterprise component to deliver agribusiness association development and management training. Two of these trainings were conducted for 55 participants prior to the end of May and plans are to deliver these trainings on a monthly basis.

As of the end of May, five, four day duration, Agribusiness Planning Trainings have been conducted for 85 participants. A new, two day version of this training called Introduction to Agribusiness Management and Marketing, has been developed for smaller-scale agribusinesses whose owners generally lack the level of education required to benefit from the financial analysis sections of the four day training. Training programs to help agribusinesses improve their basic accounting skills and practices and for input supply companies to develop inventory control systems, are being developed. Plans are to conduct these trainings twice monthly. Additionally, specialized technical assistances will be delivered to lead agribusinesses that require more in-depth support to establish, for example, accounting and or inventory control systems.

FAIDA's Agribusiness South and Enterprise components will continue their close collaboration to identify and facilitate lending opportunities for their agribusiness customers.

F. GENDER INTEGRATION

FAIDA's Gender Unit is led by director Ms. Durukhshan Esmati, with strategic input from DCOP Mina Sherzoy. Its capable staff includes gender manager Nasrin Rafiq and gender advisor Marzia Meena, among other gender coordinators. The Gender Unit is tasked with maintaining and implementing FAIDA's overall

gender strategy and supporting FAIDA's technical components in their efforts to ensure gender is integrated meaningfully into all of FAIDA's activities. FAIDA proposes to hire 4 additional regional gender coordinators by late Q3 – early Q4 2013, to support and enhance the work of FAIDA's technical components particularly in provinces outside of Kabul under the enterprise team.

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

Enterprise Component:

- Ensure adequate representation of women entrepreneurs in ABA's Access to Finance Exhibition and business to bank roundtables, and other access to finance events and trainings. Hold women-only workshops for women who face barriers in attending mixed workshops through Women's Access to Business Opportunity and Finance, Business Planning Workshops, Etisalat/Women's Garden grant, AIBF's "center of excellence", and trainings for women in Islamic Banking.
- Engage Goldman Sachs' 10,000 women program of American University in A2F exhibitions to promote and help secure access to finance.
- Oversee implementation of grants with AWBF, AFAD, ADWSO and work with the grants department to prepare additional solicitations in areas that will enhance women's business capacity and access to finance.
- Support women's participation at the project's national and international events that can enhance their business capacity.
- Collect and analyze 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 services needed. This can be done through MISFA and/or the AMA.
- Develop interventions, activities, or services to mitigate or eliminate the gender constraints identified in the analysis described above.

Bank Capacity Component:

- Continue support to AIBF Women in Banking internship program, including recruitment, maximizing completion rates, and job placement.
- Assess the capacity of female bank employees, to create a capacity development plan for them. Should include an understanding of challenges for women to break into mid-level and high level management positions, and recommendations for overcoming these challenges.
- Support training opportunities and strategic activities to develop the capacity of women employed in the financial sector (i.e. distance learning, scholarships, mentorships, linkages with banks overseas and incentives for nominating female participants).
- Support training for women, particularly female loan officers, through AIBF..
- Support growth of AIBF's Women in Finance Forum (i.e. assist in the creation of an online forum with e-conference capability blog, etc).
- Incorporate gender into AIBF training and AMA peer learning workshops (targeting female loan officers)
- Implement plans to establish gender-sensitive HR policies for ABA.
- Develop and support tailored training for high potential women employees in the financial sector.

Financial Institutions and Product Design and Development:

- Promote women's lending products, such as group loans, microfinance, and loans utilizing gold as collateral. Ensure that expressed bank interest is reflected by opportunities to enact an optimally inclusive menu of lending options for women borrowers.
- Marketing and outreach to increase borrowing by women, outreach is required.

Regulatory Component:

- Conduct a gender analysis of regulations to ensure that they are not prohibitive or adversely affect women (or men).
- Encourage gender balance amongst private/public stakeholders reviewing financial legislation.
- Ensure gender sensitive considerations are taken into consideration in the drafting of laws and regulations. Create a checklist of gender sensitive considerations.
- Support the implementation of the movable property collateral law in the system.

Mobile Money and Branchless Banking:

- Promote women's access to mobile phones.
- Coordinate with MNOs to launch a mobile money information campaigns which includes gender-sensitive messaging.
- Engage husbands and family members when training female mobile money agents. Include culturally-sensitive messaging about safety and communication with family in order to encourage women's access to mobile technology.
- Support Etisalat, gender-related efforts to increase women's awareness of and access to mobile money, branchless banking, financial products, and other female empowerment activities.
- Conduct gender sensitive market research (i.e. ensure women surveyors to collect data from women) and analyze sex-disaggregated data to determine gender constraints related to money and branchless banking.
- Develop and implement activities which mitigate or eliminate gender constraints related to mobile money and branchless banking. Concentrate efforts with partner banks in developing financial services for women through branchless banking programs – not only with banks but with MFI institutions.

Agribusiness South:

- Prioritize support to agricultural value chains with high prevalence of female involvement as well as women's agriculture associations and women's farm service centers.
- Help women fill labor gaps in agricultural services like printing and packaging as well as in areas where they have a comparative advantage. Provide training as needed.
- Support transportation and daycare services for women in the agriculture sector.
- Provide and/or link women to product pricing and technical information through training and mobile phone applications.
- Link women in agriculture to buyers and alternate financing opportunities.
- Help the recipients of MAIL land and supplies gain access to finance to further grow their businesses.

Women's Internship Program: FAIDA will expand its internship program to three groups of internships: 1) Financial Sector internship; 2) Business Management internship; and 3) Public Administration internship. There will be efforts to expand the existing financial sector internship to cities outside of Kabul, offer a similar internship program for business management skills and adapt the successful efforts of the Economic Growth and Governance Initiative (EGGI) project's Women in Government (WIG) internship program, though at a smaller scale.

Internships are a tested method of providing the initial exposure to women with potential of joining the work force. Through the internship program the young women interns will:

- a) Gain valuable work experience
- b) Have an edge in the job market
- c) Transition into a job
- d) Decide if this is the right career
- e) Networking opportunities
- f) Apply classroom knowledge
- g) Gain confidence

FAIDA's Current Internship Program: In December, 2012, in an attempt to strengthen Afghan women's capacity, FAIDA launched a financial sector internship program for Afghan women through its grantee, the Afghanistan Institute of Banking and Finance (AIBF). Aside from basic financial sector skills, the interns were likewise provided training to improve their English language skills.

The purpose of this program is to train 300 recent women graduates preferably from Economics, Finance and Commerce faculties, by offering an internship program for six months in three cycles, with 100 graduates going through each cycle. The expected outcome of this internship program is to produce a group of well trained and certified women young professionals to be ready to be embedded in the financial sector of Afghanistan.

The program focuses on classroom training. During the training phase, the interns are separated into four groups. Each group is trained in the following specialized areas:

- a) Human Resource Management
- b) Banking
- c) Microfinance Management
- d) Finance

Each internship program is 6 months long. The classroom sessions are scheduled at least twice per week. A comprehensive training curriculum has been developed. All classes are offered at the AIBF campus in Kabul by the institution's staff.

Proposed Expansion of Financial Sector Internship Program: FAIDA will continue the implementation of the financial sector internship program in Kabul with its grantee AIBF. This internship will need expansion to other cities such as Herat, Mazar-e-Sharif and Jalalabad.

AIBF does not have the capacity to increase its presence in these cities due to which a hybrid model will be applied. The FAIDA project will provide the already developed curriculum to a selected contractor, a qualified Business Development Services (BDS) firm, who will provide the training to one batch of at least 60 interns in all three cities. The BDS firm selected will be responsible for the delivery of the training services and Placement Services outside Kabul (similar to the complete responsibility of AIBF in Kabul). FAIDA's Gender staff will monitor the delivery of the services and will provide support to the BDS in building relationships with the financial institutions willing to offer opportunities for Practical Training to the intern graduates.

In addition, FAIDA will request support from Afghanistan Banks Association (ABA) and Afghanistan Microfinance Association (AMA) to provide support in the placement for the Practical Training of the intern graduates outside of Kabul.

This will result in an additional 180 interns trained outside Kabul, providing opportunities to these young women in other cities to participate in the financial sector.

Business Management Internship Program: Similar to the financial sector internship, the primary objective of the business management internship program is to provide an opportunity to at least 240 recent women graduates, by offering an internship program for six months. The expected outcome of this internship program is to produce a group of well trained and certified women young professionals to be ready to be embedded in the business enterprises of Afghanistan.

Scope: The women participants in the business management internship will be provided training to develop essential skills, experience, and working relationships to increase their work opportunities and enable them to succeed in the private sector in Afghan cities.

The program will focus on classroom training. During the training phase, the interns will be separated into three groups. Each group will be trained in the following specialized areas:

- a) Human Resource Management
- b) Marketing
- c) Business Operations

Each of these groups will receive training in all areas but will specialize in one. This will increase the possibilities of the intern graduates being offered jobs. The interns will also receive training in communication and presentation skills, IT skills as well as courses in the English language.

Similar to the Financial Sector Internship Program, at the end of the classroom training, the interns will be provided an opportunity to receive Practical Training at business enterprises willing to participate in the program. FAIDA (or its partner) will offer placement services to facilitate this process. At the end of Practical Training, the intern graduates will have greater acceptance by potential employers when applying for jobs.

Structure: FAIDA plans to offer the Business Management Internship in partnership with a private Business Development Services (BDS) enterprise. The partner has yet to be selected; the selected entity will be required to demonstrate its capability of offering the proposed internship program in at least four cities, Kabul, Herat, Mazar-e-Sharif and Jalalabad.

The internship program will be designed to last 6 months. FAIDA will work closely with the potential partner that will implement the program in the program design. The potential implementing partner will offer the placement service at the end of the 6 months training to the interns, offering them opportunities to receive ‘Practical Training’ prior to applying for jobs. FAIDA will also use its existing relationships with Afghan business enterprises to encourage them to absorb the intern graduates at the end of the program for Practical Training.

Upon selection of the implementing partner, FAIDA will work closely in designing the training curriculum, developing relationships with the private sector employers and in monitoring the program implementation and placement service.

Public Administration Internship Program: The objective of the Public Administration internship program is to provide an opportunity to recent female university graduates to be transitioned into career positions in the public sector. The internship aims to build women’s capacity to participate fully in Afghan society, building their confidence, develop leadership skills plus providing an opportunity to prove their ability to play significant roles in the Afghan public sector. This internship program will borrow from the experiences of USAID Economic Growth and Governance Initiative (EGGI) project’s Women in Government (WIG) internship program.

Scope: The women participants in the internship will develop essential skills, experience, and working relationships that will provide work opportunities and enable them to succeed in the public sector as they start their professional lives.

The program will focus on on-the-job training and will assign mentors to each intern. To supplement on-the-job training, the program will offer relevant skills-building workshops to help the interns gain effectiveness and become more marketable for full-time employment.

A formal syllabus will be developed that covers computer and IT skills, communication and interview skills, and topics specific to government. The skill building workshops will be offered on Thursdays (when the government offices are closed) and on an as per need basis throughout the program. In addition, all interns will be offered English language classes.

Structure: The internship program will be designed to be 6 months long. FAIDA will work closely with potential partner government ministries and organizations, (e.g., Ministry of Finance, Da Afghanistan Bank, Afghanistan Insurance Authority, Afghanistan Investment Support Agency) to conduct a rapid needs assessment and identify available opportunities in each agency. The internship applicant will be interviewed to match their interests with the internship opportunities and will be assigned a mentor from within the government agency for the next 6 months. The mentors will be responsible to coach the intern and delegate assignments and follow-up on their completion. A maximum of 5 interns will be assigned to any willing mentor with preference for lower number of interns per mentor.

FAIDA will negotiate with the government agencies to provide a workspace, training space, and substantive work for the interns during the internship period. FAIDA will provide technical assistance in the selection, monitoring and training of the interns as well as develop a skills training curriculum to be delivered by appointed technical staff.

At the end of the 6 months, the agency will be expected to interview, test, and place the interns once they finish the program. This will benefit the agencies by achieving their goals of greater gender integration by employing better 'groomed' applicants than fresh university graduates.

The total internship batch will be up to 120 interns. Of these 60 will be placed in Kabul and 20 in each of the cities of Mazar-e-Sharif, Herat and Jalalabad. The interns outside Kabul will be provided opportunities to work with relevant provincial and local agencies.

Gender Assessment. Among FAIDA's contractual deliverables is a gender assessment, meant to measure the extent to which FAIDA integrated gender into its work, addressed or removed barriers to women's access to finance, promoted economic opportunities for women, and ensured that both men and women benefitted from FAIDA's interventions. FAIDA plans to complete the gender assessment deliverable in late Spring 2013 toward the end of FAIDA's period of performance. In order to create a vision or road map of what the project hopes to achieve, FAIDA produced a project-specific gender strategy in 2012 that identified gender constraints relevant to FAIDA's scope of work and recommended interventions for each of technical component aimed at alleviating or eliminating those constraints.

FAIDA plans to field a home office gender specialist for a short-term assignment in March-April 2014 to support our Afghan staff on the ground in their efforts to produce a meaningful gender assessment that captures successes and valuable lessons learned.

G. GRANTS PROGRAM

FAIDA issued 2 Annual Program Statements (APS) and one Request for Applications (RFA) from 2011 – 2012. Based on the current contract end date of August 2, 2014, FAIDA plans to close out all active grants no later than May 31, 2014.

FAIDA anticipates the possibility of awarding a limited number of new grants in the coming year:

- Up to six potential grants under the Mobile Money and Branchless Banking Component for banks to link m-wallets with bank accounts, generate new accounts and expand ATM networks. (up to \$150,000 total)
- A potential grant to Afghanistan's nascent Insurance Association (up to \$250,00 total)

The table below lists all currently active grants issued under the FAIDA contract, including the value and expected completion date.

Solicitation	Grantee Name	Grant Number	Estimated End Date	Grant Amount in USD
APS 1	Afghan Wireless Communication Company (AWCC)	SPG-12-014-AWCC	31-Dec-13	\$ 939,803.44
	Afghanistan Payments System	SPG-13-017-APS	31-May-14	\$ 269,873.97
	Etisalat Afghanistan	SPG-11-002-Etisalat	31-Dec-13	\$ 944,996.56
	Etisalat Afghanistan	SPG-13-015-Etisalat	19-Mar-14	\$ 274,340.20
APS 2	Afghanistan Banks Association	SPG-13-016-ABA	31-May-14	\$ 596,893.00
	Afghanistan Institute of Banking and Finance (AIBF)	SPG-12-007-AIBF	31-Dec-13	\$ 906,337.18
	Afghanistan Microfinance Association (AMA)	SPG-12-009-AMA	31-Mar-14	\$ 441,591.08
RFA 1	Afghan Women Business Federation (AWBF)	FOG-12-011-AWBF	31-Oct-13	\$ 126,379.70
Unsolicited	Farm Service Center Association of Afghanistan	SIG-12-015-FSCAA	14-Mar-14	\$ 140,580.42
			Grand Total	\$ 4,640,795.55

ANNEX A

WORK PLAN BUDGET – MONTHLY DETAIL

		2014											
Line Item	September	October	November	December	January	February	March	April	May	June	July	August	
I. Salaries	\$550,275	\$449,028	\$389,329	\$358,645	\$347,991	\$345,003	\$336,291	\$351,757	\$385,034	\$148,239	\$93,339	\$ 608.07	
II. Fringe Benefits	\$180,746	\$200,619	\$135,397	\$119,005	\$107,091	\$97,649	\$104,811	\$106,059	\$117,536	\$53,953	\$44,309	\$ 392.81	
III. Overhead	\$389,783	\$350,932	\$280,489	\$260,002	\$246,162	\$238,262	\$237,360	\$250,433	\$277,969	\$106,042	\$73,234	\$ 582.11	
IV. Travel	\$8,190	\$22,050	\$16,000	\$30,650	\$11,000	\$5,000	\$6,000	\$21,500	\$9,500	\$9,000	\$8,250	\$ 13,650.00	
V. Allowances	\$203,365	\$165,862	\$151,407	\$178,673	\$132,850	\$131,510	\$129,901	\$134,727	\$152,334	\$71,136	\$43,852	\$ 2,893.72	
VI. ODCs	\$615,161	\$457,136	\$308,426	\$334,426	\$325,173	\$304,952	\$394,725	\$293,524	\$294,312	\$281,825	\$241,719	\$ 160,025.25	
VII. EVF	\$1,656	\$15,600	\$500	\$10,500	\$12,500	\$10,500	\$5,500	\$500	\$5,000	\$15,000	\$5,000	\$60,000	
VIII. Training	\$54,312	\$81,000	\$56,000	\$15,000	\$15,000	\$20,000	\$20,000	\$45,000	\$100,000	\$25,000	\$0	\$0	
IX. Subcontracts	\$612,606	\$763,478	\$486,387	\$366,737	\$254,938	\$251,729	\$256,542	\$255,075	\$216,856	\$184,500	\$176,500	\$ 108,600.00	
XI. SAF - Grants	\$142,500	\$298,000	\$256,007	\$270,272	\$196,000	\$225,000	\$205,000	\$260,000	\$149,800	\$45,000	\$0	\$0	
Subtotal, Items I-XI	\$2,758,593	\$2,803,704	\$2,079,941	\$1,943,911	\$1,648,704	\$1,629,606	\$1,696,130	\$1,718,574	\$1,708,341	\$939,696	\$686,204	\$346,752	
XII. G&A	\$139,861	\$142,148	\$105,453	\$98,556	\$83,589	\$82,621	\$85,994	\$87,132	\$86,613	\$47,643	\$34,791	\$ 17,580.32	
Subtotal, Items, I-XII	\$2,898,454	\$2,945,852	\$2,185,394	\$2,042,467	\$1,732,293	\$1,712,227	\$1,782,124	\$1,805,706	\$1,794,954	\$987,338	\$720,995	\$364,332	
XIII. Fixed Fee	\$210,259	\$206,039	\$153,354	\$142,171	\$120,122	\$117,167	\$123,409	\$124,678	\$48,401	\$0	\$0	\$0	
Grand Total	\$3,108,713	\$3,151,891	\$2,338,749	\$2,184,638	\$1,852,415	\$1,829,394	\$1,905,533	\$1,930,384	\$1,843,355	\$987,338	\$720,995	\$364,332	

WORK PLAN BUDGET – SUMMARY

Line Item	Invoiced Through July2013	Annual Work Plan Budget Aug2013- Aug2014	Total through Aug 2014
I. Salaries	\$9,636,500	\$4,237,834	\$13,874,334
II. Fringe Benefits	\$3,713,717	\$1,557,721	\$5,271,438
III. Overhead	\$7,081,275	\$3,128,252	\$10,209,527
IV. Travel	\$875,216	\$177,668	\$1,052,884
V. Allowances	\$4,495,267	\$1,661,259	\$6,156,526
VI. ODCs	\$13,460,565	\$4,626,406	\$18,086,971
VII. EVF	\$399,593	\$143,684	\$543,277
VIII. Training	\$1,644,264	\$485,590	\$2,129,854
IX. Subcontracts	\$11,767,973	\$4,576,645	\$16,344,618
XI. SAF - Grants	\$3,088,985	\$2,066,466	\$5,155,451
Subtotal, Items I-XI	\$56,163,355	\$22,661,525	\$78,824,880
XII. G&A	\$2,826,223	\$1,148,939	\$3,975,162
Subtotal, Items, I-XII	\$58,989,578	\$23,810,464	\$3,975,162
XIII. Fixed Fee	\$4,210,648	\$1,457,531	\$5,668,178
Grand Total	\$63,200,226	\$25,267,995	\$88,468,220

ANNEX B – INDICATORS AND PERFORMANCE TARGETS

Code	Indicators	Annual Target Aug2012-Jul2013	Total Expected through July 2013
A	Number of Full-Time Equivalent (FTE) Jobs Created	500	2,150
1.1	Number of families benefitted	3,000	17,697
1.2	Amount of private financing mobilized	\$15,000,000	\$38,845,482
1.3	Number Businesses supported with U.S. government assistance	2,500	7,950
1.4	Number of new financial products developed by U.S. government-assisted financial institutions	7	38
2.1	Number of financial sector training and/or certification programs established or supported that meet international standards	30	218
2.2	Number of financial sector employees trained with U.S. government assistance	500	2,513
2.3	Number of financial sector professionals/supervisors trained with U.S. government assistance	200	1,204
2.4	Number of financial institutions with enhanced capacity as result of U.S. government assistance	No new FIs	31
3.1	Number of public-private dialogue mechanisms utilized as a result of USG assistance	N/A	32
3.2	Number of working groups established to address financial sector development issues as a result of USG assistance	4	13
3.3	Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance	30	56
4.1	Number of mobile money agents	1,000	1,310
4.2	Number of partner institutions using mobile money applications	35	48
4.3	Number of participating merchants	475	745
4.4	Number of GIROA and local government employees who receive salaries through mobile money	2,000	3,067

ANNEX C – PROPOSED STTA

Component	Consultancy	No. Days
Enterprises		
1	Saffron value chain advisor	30
Bank Capacity		
1	AMA Microview software adoption/implementation	30
2	AMA research and advocacy strategy	60
3	AIBF commercial banking certificate course	45
4	AMA/ABA training on laws & regulations	52
5	Trade Insurance specialist	30
6	Insurance supervision specialist	60
Regulatory		
1	Deposit insurance	35
2	Accounting rules and standards	180
3	EMI compliance officer training	25
4	Leasing legal advocacy interventions	30
mMoney and Branchless Banking		
1	White label agent development	35
2	Interoperability specialist	45
TBD		
1	TBD	130
ST Home Office Labor		
1	Pre-closeout admin. & financial review	21
2	Gender specialist (for gender assessment deliverable)	25
3	Final report writer	35
4	Editor/graphic designer	5
5	Procurement specialist (repatriation, HHE)	8
6	Administrative closeout support -associate	40
7	Administrative closeout support – manager	40

ANNEX D – IMPLEMENTATION PLAN

INTERMEDIATE RESULT	ACTIVITY DESCRIPTION	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-13	May-14	Jun-14	Jul-14
	4.1.7: Branchless Banking Initiatives with Afghan International Bank (AIB) on linking bank accounts with m-wallets												
	4.1.8: Branchless Banking Initiatives with Pashtany Bank (PB) on linking bank accounts with m-wallets												
	4.1.9: Ministry of Women's Affairs (MOWA) and Etisalat on Business Development Training Program plus Mobile Money Agents training												
	4.1.10: Teacher Salary Payments via Roshan M-Paisa Mobile Money and Azizi Bank												
	4.1.11: Teacher Salary Payments via Etisalat mHawala Mobile Money and Afghan United Bank (AUB)												
	4.1.12: Teacher Salary Payments via AWCC Mobile Money and Maiwand Bank												
Sub-Result 4.2: Accelerate uptake of branchless and mobile banking products and services													
	4.2.1: Market Research Study on Mobile Money Awareness												
	4.2.2: Marketing Campaign on Mobile Money												
	4.2.3: White Label Agents for ALL MNOs Mobile Money Service												
	4.2.4: Afghan Payment System Deployment for all MNOs and Commercial Banks												
Sub-Result 4.3: Mobile money policies and regulations developed													
	4.3.1: Develop Deposit Insurance to cover E-money Float for MNOs												
	4.3.2: Partner with AIBF on the Training and Certification of Compliance Officers of the MNOs												
GENDER													
Sub-Result: Enterprise													
	Activity 1: Conduct Access to Finance and Business Opportunity workshops for women per a pre-planned schedule												
	Activity 2: Conduct Business Planning workshops for women per a pre planned schedule												
	Activity 3: Provide oversight on the implementation of the grants with AWBF, AFAD, ADWSO and work with the grants department, to prepare additional call for proposals in areas that will enhance women's business capacity and access to finance.												
	Activity 4: Ensuring adequate representation of women at the A2F events, international exhibitions such as the Gulfood and other events												
	Activity 5: Establish relationship with Goldman Sach's 10,000 women program of American University, as well as the Peace through Business and provide them with the necessary access to finance												
	Activity 6: 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 services needed. This can be done through MISFA and/or the AMA.												
Sub-Result: Banking Capacity													
	Activity 1: Support the successful implementation of the Afghan Women Internship Program at the Afghan Institute of Banking and Finance												
	Activity 2: Support growth of the Women in Finance Forum (i.e. assist in the creation of an online forum with e-conference capability blog, etc)												
	Activity 3: Implement plans to establish gender-sensitive HR policies for ABA												
Sub-Result: Financial Institutions													
	Activity 1: Promote women specific products such as group loans, microfinance, and loans utilizing gold as collateral												
	Activity 2: Asses and build the capacity of female financial sector professionals (mid-level) to prepare/position them for higher level positions												
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 considerations to assess as part of the process.												
Sub-Result: Mobile Money and Branchless Banking													

INTERMEDIATE RESULT	ACTIVITY DESCRIPTION	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-13	May-14	Jun-14	Jul-14
4.3	Introduction to Agribusiness Management and Marketing	■	■	■									
4.4	Basic Accounting and Inventory Control Improvement	■	■	■									
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)											■	■