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AFGHANISTAN

AGRICULTURAL CREDIT ENHANCEMENT PHASE II (ACE-II)

GENDER ASSESSMENT- AUGUST 2015



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

GENDER ASSESSEMENT

JULY 2015

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| Program Title: | Agricultural Credit Enhancement Phase II (ACE II) Program |
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|---------------------------------|-------------|
| Sponsoring USAID Office: | Agriculture |
|---------------------------------|-------------|

| | |
|-------------------------|---------------------|
| Contract Number: | AID-306-BC-15-00005 |
|-------------------------|---------------------|

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|--------------------|-------------------------------|
| Contractor: | Development Alternatives Inc. |
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| Date of Publication: | August 30-2015 |
|-----------------------------|----------------|

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RABIA MARIAM HANDICRAFT COMPANY. Balkh province



AFGHAN WOMEN SAFFRON GROWERS' ASSOCIATION. Herat Province

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ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| ABA | Afghanistan Banks Association |
| AMA | Afghanistan Microfinance Association |
| ACE | Agricultural Credit Enhancement |
| ADF | Agricultural Development Fund |
| AREDP | Afghanistan Rural Enterprise Development Project |
| DAB | Da Afghanistan Bank |
| FMFB | First Microfinance Bank |
| GIRoA | The Government of the Islamic Republic of Afghanistan |
| MAIL | Ministry of Agriculture, Irrigation, and Livestock |
| MISFA | Microfinance Investment Support Facility for Afghanistan |
| NAPWA | National Action Plan for Women in Afghanistan |
| OAG | USAID's Office of Agriculture Growth |
| PMP | Performance Monitoring Plan |
| PPs | Implementing Partners |
| RMLSP | Rural Microfinance and Livestock Support Program |
| SME | Small and Medium Enterprise |
| USAID | United States Agency for International Development |

EXECUTIVE SUMMARY

In June 2015, USAID launched ACE-II, with the purpose of supporting the sustainability of the ADF, expanding its role as a wholesale lender, and documenting the development story. Derived from USAID's commitment to support the participation of women in economic development, among other spheres of importance for the country, ACE-II commissioned this Gender Assessment.

Following a thorough literature review and a series of meetings, and keeping in mind the research questions posed at the outset, this report concludes in the following:

- While the international community, and USAID in particular have taken decisive steps to support the participation of women in the economy, the response from the public and private sectors have been uneven at best. While evidence suggests that the Ministry of Agriculture, which is the line ministry closely associated to ACE-II and to the ADF, has the will political will to support female agribusiness entrepreneurs, they lack both the human and financial resources. This has resulted in slow progress and few achievements.
- Women are an unattractive market segment for the financial sector, with a few exceptions, such as Maiwand Bank, banks have not invested in attracting women ad depositors, let alone as borrowers. Microfinance institutions do actively engage women as borrowers, however interest rates seem to fit rural retail enterprises rather than agriculture related activities, due to the difference between interest rate and rate of return.
- ACE-II and the ADF are ideally positioned to address the issue of lack of access to credit by female entrepreneurs, especially at the SME level. This report provides general guidelines that are applicable at the program design level, as well as a more specific set of recommendations of activities to be implemented by ACE-II in collaboration with the ADF to scale up what has been a successful initiative, and use 21st century technology to bolster development impact.

The most relevant recommendation from this report is the launch of **eZahra** SME within ADF by establishing a **Zahra** window in each of the offices, providing minimum loan amounts of \$10,000 for female entrepreneurs in the Agriculture sector. **Zahra**– SME clients would be subject to the same stringent ADF credit policies and procedures. In addition, ACE II would develop a tailored gender training program focused on access to agricultural finance for ADF staff, financial intermediaries and other partners. This expansion of ADF will require additional funding not budgeted in the current ACE II contract.

Afghan women's role in the agricultural sector has been invisible and non-monetized. Women around the world have shown that they are good credit clients and they also tend to invest their profit within the household. This is especially important in Afghanistan where as women contribute to address household needs, their status within the family tends to also improve.

Therefore, ACE-II gender strategy is to empower Afghan women agro-enterprises that are already involved in different stages of enterprise development and acknowledge their valuable contribution by assisting them to become agents of economic change in their households, and their communities.

I. INTRODUCTION

In 2010, a 100 million dollar grant from the US Agency for International Development (USAID) to Afghanistan's Ministry of Agriculture, Irrigation and Livestock (MAIL) established the Agricultural Development Fund (ADF). The ADF is a wholesale lending institution operating under the auspices of MAIL with the mandate to provide credit to small commercial farmers and agribusinesses including women through a variety of financial and non-financial intermediaries. In addition, USAID also provided technical assistance activities through the Agricultural Credit Enhancement (ACE) project to establish and manage the ADF. At the end of 2014, the ADF was officially handed over to the Government of Afghanistan.

The ADF's mission is to provide affordable credit to small commercial farmers and agri businesses throughout Afghanistan. As a non-bank financial institution, the ADF provides conventional and Sharia compliant financial services in accordance with international best practice in the banking industry. The ADF caters for the small and medium size segment of the market with loan sizes starting at \$100,000.00. Although the program exceeded all of its objectives, USAID recognized the potential of ADF and lent further support in the form of the ACE-II program starting in 2015.

This report focuses on the gender diversification requirements outlined in Section C.7 of the ACE-II BPA Call, and the actions identified for the ACE-II program to meet these requirements.

2. AGRICULTURAL CREDIT ENHANCEMENT PHASE II (ACE II)

The main objective of ACE-II is to build on the achievements of ACE-I further expanding access to credit for the agriculture sector in Afghanistan. In addition, ACE-II will facilitate the transition of the ADF into an independent, sustainable agricultural development finance institution. Not only will this ensure continued access to credit for the agricultural sector, it may also encourage the entry of other financial intermediaries into the market.

As part of the Annual Work Plan and the M&E Plan, and in compliance with Section C.7 of the ACE II BPA Call, the project must carry out a gender assessment. This assessment seeks to answer 3 basic questions:

- What are the key issues affecting women's ability to access financial services?
- What activities have been undertaken by ADF, MAIL, USAID and other financial institutions to help women overcome these hurdles? and
- What activities should be implemented by ACE II to ensure that a larger number of women have access to agricultural credit?

Answering these questions is important because the findings will shed light on the nature of current challenges precluding women from accessing finance, ongoing efforts to mitigate if not overcome them, and the remaining gap that will be addressed by ACE II. In addition, it will assist ACE II to be more effective in the delivery of development outcomes, while ensuring that men and women have the same opportunities to benefit from economic growth.

In order to answer the questions, this report will:

- a) Revisit the findings and recommendations of the Gender Assessments produced by Checchi Consultants and Sayara in 2012;
- b) Analyze the components of the gender program implemented by the ADF; and
- c) Review ongoing gender programs of MAIL, USAID and private financial institutions.

The findings are accompanied by a list of critical issues and a series of recommendations for ACE II so the project can be calibrated to overcome some of the most crucial challenges preventing rural women from accessing financial services. In addition, a number of recommendations will be provided to ensure that male and female employees of the ADF have equal opportunities for professional development.

3. GENDER ANALYSIS REPORTS

In February 2012, USAID's Service under Program and Project Office for Result Tracking (SUPPORT) managed by Checchi and Company Consulting, Inc. reported that the ACE program was not doing enough to include women as credit recipients. Although the observation that the majority of ACE and ADF clients are male is technically correct, there are two flaws with this argument. Firstly, the mandate of the program specifically states that the target recipients are commercial scale agribusinesses, which *de facto* excludes the majority of women. Secondly, the report failed to acknowledge the achievements of the ZAHRA program which was developed and launched late 2011 specifically to address the financial needs of women owned agribusinesses.

In late 2012, USAID's Office of Agriculture (OAG) commissioned Sayara to assess the degree of support from USAID-funded agricultural projects directed to women, and to identify ways to:

- a) Be more inclusive of women; and
- b) Assist women to advance in agriculture and agribusiness.

The main goal of this assessment was to provide insight into the most efficient ways to improve gender incorporation in agriculture programs and to suggest practical – yet progressive – ways for USAID to ensure their implementation.¹ This assessment provided a comprehensive Afghan point of view regarding the position of women in agriculture from every angle and identified opportunities that may have been overlooked.

The report recognized that there have been a large number of programs aimed at the economic empowerment of Afghan women in Agriculture which have mainly been implemented at grassroots level in livestock and horticulture. The vast majority of projects are designed around women working from their home assisting them to earn an income thus providing the ability to support their households and improve the well-being of their families. Empirical research shows that out of every dollar a woman earns, she spends 80 cents on her family, mainly for nutrition, health care, and education. The report concluded that the

¹Gender Assessment of USAID Agriculture Programs, July – August 2012

environment is conducive to move on from these micro operations and integrate women into regular agricultural activities, ensuring they have access to the same opportunities as the male population.

Thus, this report aims at answering the 3 questions presented at the beginning by updating, complementing and expanding on previous reports. This will inform the decisions of ACE-II and the ADF to increase the number of female borrowers, thereby integrating women to economic development.

4. THE ADF GENDER PROGRAM (2010 – 2015)

Although the vast majority of women in rural areas contribute to agriculture, only a small minority own assets or operate commercial farms. As a result they are technically excluded from accessing credit through the ADF, and ACE's gender activities have therefore primarily consisted of finding ways to make agricultural credit accessible to women across Afghanistan. The ACE and ADF efforts in the promotion of gender equality must be appreciated at three levels: a) ADF clients, b) ADF employees, and 3) ADF leadership. The remainder of this section contains a brief situational analysis of achievements and challenges identified in each of these areas.

4.1 ADF Clients

The inclusive nature of the ADF in combination with the constitutional right of Afghan women to participate in, and benefit from, economic development was the main basis for the development and design of the **Zahra** program, a Sharia compliant financial product catering for female farmers and agribusiness entrepreneurs. The name Zahra is adapted from the name of the Prophet Muhammad's daughter, Saidatina Fatima Az Zahra RA, and means 'the shining one'.

Late 2011, **Zahra** was introduced to seven women-owned agri-businesses in Balkh, Herat, Kabul, Takhar and Bamyán provinces providing an amount in excess of US\$1.2 million in financing. Each of these businesses was commercial ADF client and meets all requirements outlined in the ADF credit policy and procedures. Based on AG Credit Surveys conducted around the country to raise awareness of the ADF, it became clear that there was significant demand for finance from small to medium scale women-owned enterprises who are particularly interested in the **Zahra** program. In addition, it needs to be recognized that borrowing behavior differs between males and females. Where a male is likely to over-extend and borrow more, women are more likely to be conservative and borrow lower amounts.

On the basis of the observed demand, ACE management explored the possibilities of partnering with MFI's to offer loans to female entrepreneurs in the agricultural section for amounts below \$100,000.00. After several attempts to find a suitable partner, ACE/ADF entered in loan agreement with OXUS-Afghanistan to operate the **Zahra** program. To date more than 200 **Zahra** loans have been granted to female owned and operated Small and Medium sized Enterprises with a total loan amount of AFN 10.1 Million (\$ 200,000).

The Zahra-SME program operated by Oxus Afghanistan on behalf of ADF is specifically aimed at strengthening existing businesses and cooperatives. Start-up companies are out of scope. Although successful from the perspective of the ADF resulting in portfolio growth, reduction

of default, increased profitability, better risk management, and greater diversification of clients, the offering is less successful from the clients' perspective. Due to the fact that OXUS operates in the micro finance sphere, the **Zahra** clients are not provided the same advantages as ADF clients. Instead, the loans are of fixed duration, and attract substantially higher administration costs. Furthermore, OXUS has limited geographical coverage considerably limiting the opportunities for women agribusinesses across the country.

OXUS operates in 12 provinces in central and northern Afghanistan, it targets clients in urban or peri-urban areas, and only services clients located within 5 kilometers from their provincial offices. These conditions limit access to finance for the majority of women-owned SMEs which tend to be located in more rural areas. ADF, on the other hand, provides services in all 34 provinces with 5 regional offices and is not limited by a predetermined radius around their offices. In addition, the loan amounts per application are at a micro level (\$1,000.00) whereas based on extensive contacts with female agribusiness entrepreneurs during field visits and Ag Credit Shuras ADF sees demand from female borrowers, for loan amounts between \$10,000.00 and \$50,000.

Table I shows the number of clients that have received financing under the **Zahra** program via OXUS. Although Oxus reported an additional 907 loan applications received from similar SMEs as of the end of February 2015, this number has not yet been independently verified, and there is reason to believe most of these will not materialize for a range of reasons. The term of the loan to OXUS is 54 months starting from January 25, 2015 through July 25, 2018.

| Province | Client's City | SME Type | | | | | |
|---------------------------|---------------|-------------|--------------------|-------|---------|---------------|------------|
| | | Agriculture | Ruminant & Poultry | | | Carpet Weaver | Handicraft |
| | | | Cows | Sheep | Poultry | | |
| Faryab | Andkhoy | | 6 | | | 10 | 4 |
| | Maymana | | 23 | 2 | | | |
| | Qaysar | | 51 | 3 | | | |
| Zowjan | Shebergan | | | | | 26 | |
| Badakshan | Faizabad | | 19 | | 3 | 3 | |
| Parwan | Charikhar | 12 | | | | | |
| Bamyan | Bamyan | | | | | 27 | |
| Kabul | Kabul | | 1 | | | 9 | |
| Total SMEs 199 | | 12 | 100 | 5 | 3 | 75 | 4 |

In combination with the fact that the **Zahra** program was initially designed to provide financing amounts of \$10,000 to \$50,000, it appears that the discrepancy between the potential reach of ADF and the achievements of Oxus is significant and warrants termination or renegotiation of the agreement.

ZAHRA, A MECHANISM TO PROVIDE WOMEN WITH ACCESS TO FINANCE

Zahra products are Sharia compliant and have been approved by the ADF Sharia Advisory Board (SAB). Not only are these products free from interest; they also abide by the other principles outlined in Sharia such as fairness, transparency and justness.

Although any enterprise in the agri-business could qualify, the main subsectors are considered to be those in which women are typically active: annual and perennial horticulture, livestock husbandry and agro-processing. The criteria are as follows:

- Principal amount ranging from \$1,000 to \$500,000 in Afghani equivalent. Generally the loans over \$100,000 are provided directly by the ADF and those below this threshold are processed by intermediaries.
- Guarantee equivalent to 100% of the loan amount, as compared with 120% required from male clients. In the case of Zahra, the collateral may be provided by male family members
- Only available for female borrowers, and a strict monitoring program is in place to avoid the use of women as “fronts” to access the loans
- Variable loan terms, typically matched to meet the client’s business cycle and the agricultural calendar. For risk mitigation purposes, the first agreement with a new client is typically for a shorter period, no longer than 12 months.

All borrowers are required to take financial literacy classes, provided by a business development services company contracted by ADF. In addition, borrowers will have access to technical assistance in an area relevant to the business and the facilitation of market arrangements. Potential additional support through a business mentorship program may be available.

The general profile of the borrowers indicates that women entrepreneurs have established businesses that are within the confines of their homes and communities. The range of enterprises include sericulture, wool spinning, textiles, carpet weaving, jam processing, packing, and livestock rearing. Equally, the role of women cannot be ignored in (post) harvesting operations on family farms. The downstream linkages from the farm into the value chain for these products typically originate from within the confines of their communities. The ability to access ADF loans has significantly impacted rural women through increased production capacity, increased marketable output and income. Processes further down the line require communicating, bargaining and physically meeting various (male) players in the industry. In a male dominated society like Afghanistan, this is not undertaken by women and onward responsibilities are subsequently handed over to male members of the family or the male staff of the company or association. This brings forth the social and cultural barriers and the typical subordination role downstream in the value chains; the most profitable parts of the agriculture industry are those areas where culturally determined gender inequalities further undermine women’s ability to benefit from economic activities. Restrictions on mobility and interaction with men limit women’s access to additional services or resources, including inputs, extension services, marketing, education and information (Mayoux and Mackie 2009).²

²Mayoux, L and G Mackie (2009) *A Practical Guide to Mainstreaming Gender Analysis in Value Chain Development*. Addis Ababa, ILO

ADF's **Zahra** financial services in combination with additional technical assistance through grants (under ACE I) strives to address the underlying cause of inequalities, discrimination, and lack of negotiation power that female entrepreneurs face. The **Zahra** program has successfully opened up avenues for accessing economic opportunities and decreasing dependency, and enabled female entrepreneurs to increase the efficiency in their operations, to be competitive in the market and to manage profitable businesses.

The availability and accessibility of ADF funds (loans and grants) to female clients have had tangible results in the following areas:

- 1) Significant contribution to the modernization of the agricultural value chains;
- 2) Improved wages and, in some cases, opportunities for self-employment;
- 3) Improved working conditions;
- 4) Access to social benefits through associations and cooperatives; and
- 5) Access to national and international markets.

However, five out of the seven commercial level ADF female clients—those that received loans over \$100,000 directly from the ADF—have are facing challenges to adhere to the repayment schedules despite the technical assistance that was provided to them through ACE/ADF grants. cursory examination learns that payment difficulties are generally not due to unwillingness to pay but due to operational delays and their impact on young companies. This is contrary to male clients in default who have expressed a strong unwillingness to pay, even when they are able to. Further analysis will be undertaken to address this issue.

Loans provided to women under Zahra amounted \$1.36 million, directly benefiting 779 female borrowers and indirectly benefiting some 3,500 rural women. The latter figure constitutes a conservative estimate based on the correlation between the amount of loans and the number of total indirect beneficiaries, applied to the loans provided to women.

Overall, loans provided to male and female owned enterprises resulted in the creation of 1,356 full time jobs for women (FTE equivalent).

4.2 ADF Employees

ADF has adopted a gender equality policy. The policy envisions that women and men will work side by side within the ADF enjoying equal rights and equal opportunities to contribute to, and enjoy the benefits of professional development and advancement, all within an environment based upon respect which is free of harassment and violence.

During the first 3 years of existence of the ADF, turnover of female staff was significant, mainly derived from emerging higher paying opportunities in the donor community. At the time of this report 3 women are employed by ADF in mid-level professional positions; as risk Deputy Director of Risk Management, Deputy Director of Administration, and Human Resources manager. Three more women are employed in entry level positions.

The ADF has invested a substantial amount of resources providing male and female staff with high-level training opportunities. Some of them include Dale Carnegie human relations courses for 2 consecutive years, technical training in financial analysis, credit administration, management of credit administration software and other topics of importance for the ADF and for the employees.

In addition to the formal training provided by the ADF, female staff holds weekly meetings to discuss issues related to professional development, in fact a large number of long-term and short term international consultants have delivered lectures and provided advice during those meetings.

Following with the approach introduced by ACE-I, the ADF also provides English classes and specific technical skills for five female support staff twice a week. Some of the key elements of improvement are associated with understanding that promotions need to be earned and are not given as a matter of course, and that opportunities need to be pursued, they will not just be handed to anyone. They work to empower their own female colleagues, and the ADF pays for TOEFL classes at American University of Afghanistan for qualifying staff members (both male and female).

4.3 ADF Leadership

The ADF High Council is composed of *ex officio* representatives of several institutions, which severely limits the ability to deliberately promote the inclusion of women on the board with the exception of the 2 seats reserved for non-governmental experts in agriculture and finance. One of such positions is held by Ms. Manizha Sukhanyar, Head of Islamic Finance at Maiwand Bank, who was appointed in 2013 and since then has been playing a leading role at the highest level.

5. REVIEW OF RELEVANT PROGRAMS

5.1 Ministry of Agriculture, Irrigation and Livestock (MAIL)

Gender Activities

Gender is recognized as an important cross-cutting issue in the Ministry of Agriculture, Irrigation and Livestock (MAIL) Master Plan, in the Agriculture and Rural Development (ARD) Strategy and in the National Agriculture Development Framework. MAIL is committed to promoting and supporting the mainstreaming of gender initiatives in all of its programs and projects with the aim of providing increased opportunities for women to participate in and benefit from the agricultural development process.

MAIL recognizes the important role women play in improving nutrition, increasing the production of food and non-food agricultural products and enhancing the living conditions of rural populations. The Home Economics Department (HED) with its key mandate “to improve the food security, livelihoods and well-being of farm households” has in the past been considered the gender focal point for MAIL. The Department has worked with rural women and has run a number of women-specific projects in areas of crop diversification, food processing, kitchen gardening, and nutrition training with cooking demonstrations. Anecdotal information collected during ADF’s Agricultural Credit Shuras indicate that these projects have been effective and well received by the communities.

Late spring of 2014, MAIL’s Home Economics Directorate in partnership with the USAID/OAG established the MAIL’s Women Empowerment Working Group. This is a forum to share information and strengthen coordination among MAIL’s implementing partners

(IPs)/stakeholders on issues regarding gender equity and empowerment of women in agriculture and natural resource management. MAIL seeks to increase understanding of the importance of gender dynamics in the communities where it works. The objectives of the working group are formulated as follows:

- Improve networking among MAIL IPs working on gender activities;
- Increase coordination and communication in the field;
- Increase sharing of good practices and lessons learned; and
- Strengthen communication between MAIL and its Implementing Partners (IPs)/stakeholders on topics of gender mainstreaming in agriculture and natural resource management

The platform brings all MAIL IPs together and provides ADF with a great opportunity for the identification of potential female clients. Partnering with other projects will allow ADF to share risk and find partners that are able to provide technical assistance.

5.2 Access to Finance Projects

MAIL supports two programs focused on access to finance:

- The IFAD-funded Rural Microfinance and Livestock Support Program (RMLSP) channels a large portion of its lending capital through the Micro Finance Support Facility for Afghanistan (MISFA). The project targets the most vulnerable households, with an emphasis on women living below the poverty line in rural areas, providing them with a package of financial assistance for 36 months. The intention is to lift them out of poverty and get them to the point when they are capable of sustaining agricultural/livestock income-generating activities in their village. The assistance provided goes beyond access to financial services and includes, among others, basic numeracy and literacy training, monthly stipend to meet household expenses, and productive assets. After the 36 month period they will be typically referred to an MFI operating in their geographic area.
- Afghanistan Rural Enterprise Development Project (AREDP) is a multi-donor initiative under the World Bank's Afghanistan Reconstruction Trust Fund, which provides business development services and market/value chain linkages.³

Projects such as RMLSP and AREDP are targeted towards the creation of a social welfare system. They do not compete with the ADF as they target a different segment of the population.

A mission wide gender assessment undertaken by USAID in 2010 identified several missed opportunities throughout the USAID mission⁴. Subsequently, OAG conducted its own gender assessment with the goal of determining the next steps in achieving gender equality in agriculture programs and to propose practical – yet progressive – ways for USAID to implement these initiatives. The assessment resulted in enhanced coordination with the agriculture projects funded by USAID and a stronger relationship with MAIL.

The US government has a strong commitment to gender equality and women empowerment which is enforced throughout the US missions around the world. Through the 2012 Mission

³MISFA Annual Report for the year ended March 2014.

⁴ USAID/Afghanistan, *Final Report, USAID 2010 Gender Impact Assessment*, produced by Checchi and Company Consulting, Oct. 2010.

Order and by means of specific initiatives aimed at Afghan women, the Afghanistan Mission has shown their strong commitment to gender equality. In accordance with ADS 201.3.9.3:

"Gender issues are central to the achievement of strategic plans and Assistance Objectives (AO), and USAID strives to promote gender equality, in which both men and women have equal opportunity to benefit from and contribute to economic, social, cultural and political development; enjoy socially valued resources and rewards; and realize their human rights."

In light of this policy, the Office of Agriculture conducted a gender assessment of the agriculture portfolio in 2013 and recommended the following four stages of the agriculture value chain that should be accessible for women from the bottom-up:

1. Home-based Small Products (i.e., kitchen gardens)
2. Mainstream Crop Production and Livestock Management
3. Processing and Marketing; and
4. Leadership and Management

The report emphasized differences at regional levels and made recommendations involving national long-term and sustainable programs.

In addition, OAG is currently working on USAID Afghanistan's Agricultural Sector Assistance Strategy, which focuses on the role of women in Afghan agriculture and is expected to be published within the next few months. The main purpose of the strategy is to provide insight in gender related issues in the agriculture sector in Afghanistan, and to inform and guide the implementation of the USAID programs. Meanwhile, OAG has been instrumental in facilitating MAIL's Women Empowerment Working Group, both as an active member and by introducing gender indicators for all the OAG IPs.

5.3 Financial Institutions

5.3.A Da Afghanistan Bank

Da Afghanistan Central Bank (DAB) is the regulatory authority for the banking sector in Afghanistan, and is responsible for monetary policy. It operates 47 branches across the country and is headquartered in Kabul. Established in 1938, DAB enforces banking regulations, but has no policies in relation to gender equality, neither for its staff, nor for clients.

5.3.B Maiwand Bank

Within Afghanistan's finance sector, Maiwand Bank is the most progressive financial institution when it comes to gender equality. Out of the bank's 45 branches 5 exclusively cater to female clients and are fully staffed by women. There are five women in management positions although none on the bank's board. The bank does not provide agricultural credit services due to the perceived high risk caused by the nature of agriculture, high insecurity in rural areas, and difficulties with the verification of collateral and the enforcement of loan contracts.

The offering to female clients solely consists of deposit services since bank managers believe that due to social and cultural constraints women typically do not have collateral, do not own large-scale businesses, thus demand for credit is negligible.

5.3.C Afghanistan Banks Association

The managers of the Afghanistan Banks Association (ABA) are of the opinion that Afghanistan's banks are gender neutral. However, by their own admission, the ACE-II team has been the first to enquire about access to finance for women. It is recommended that ABA take initiative in raising this issue with DAB and to push for the introduction a policy addressing women's needs for financial services delivered in a culturally acceptable fashion.

5.3.D Micro Finance Investment Support Facility for Afghanistan

Over the past decade, the Micro Finance Support Facility for Afghanistan (MISFA) has strengthened the Microfinance sector in the country with a strong focus on poverty alleviation. Fifty percent of their board members are female.

As of March 2013, MISFA has disbursed in excess of 2 million loans through their partners for an amount in excess of AFN 62 billion⁵ (US\$1.03 billion). Their portfolio consists predominantly of trade and services with 10 percent for horticulture and 14 percent for livestock. This is in keeping with the geographic disbursements of their clients who are mainly based in urban areas (77 percent). The geographic spread is consistent with the urban bias that is common across banking institutions.

5.3.E First Microfinance Bank

In an attempt to reach out to rural areas mainly reliant on agriculture, MISFA funded the First Microfinance Bank (FMFB). In 2012, FMFB piloted its rural agriculture product in Badakhshan, Baghlan, Kunduz and Takhar provinces⁶. Their offering is designed to meet the financial needs of farmers and is especially tailored to the seasonal cycles typical of agriculture. The assumption is that the program will be implemented beyond the four provinces in the north. However, FMFB's agricultural interest rates are around 18 percent, which exceed the rate of return of the majority of crops. The bank does not have a special facility for women.

5.3.F Afghanistan Microfinance Association

Afghanistan Microfinance Association (AMA) is one of the national networks of financial institutions in the country and has a female chairperson. AMA's vision is to promote financial inclusion through the creation of an enabling environment for the development of finance sector in Afghanistan⁷. In the last quarter of 2014, 63 percent of AMA's members were female. As of April 2014, AMA conducted seven access to finance events for 349 women entrepreneurs in Nangarhar, Balkh, Badakhshan, Baghlan and Kunduz provinces in partnership with the Financial Access for the Investment in the Development of Afghanistan (FAIDA) program.

5.4 Access to Finance for Women

Although progress has been reported in the role of women in Afghan society, there is a common belief at all levels of society that the significance of the role of women in agriculture, and the importance of access to finance, has not been given sufficient attention over the years. Donors and other stakeholders appear to have missed opportunities due to their misunderstanding of the dynamics of the country. Afghanistan has a diverse culture with a variety of languages and ethnic groups. As a result of the diverse nature of the country it has become the norm for female oriented projects to be piecemeal and generally intended to

⁵MISFA Annual Report 2014

⁶MISA Annual Report 2014

⁷Afghanistan Microfinance Association Annual Report 2014

satisfy the international community or their contractual agreements through their flowery rhetoric.

Notwithstanding, significant amounts of work have been undertaken at grass-root and micro levels over the years and those businesses are now ready to move to the next level.

USAID's past experience has proven that if provided with the appropriate skills, Afghan women are able to operate small agribusinesses within the confines of family farms. USAID supported 2,300 women-owned enterprises, helped establish 400 new businesses, and trained more than 5,000 women in local handicrafts, value-chain, and fine-arts businesses. Female entrepreneurs also received assistance in several areas including horticulture, food processing, veterinary science, and cashmere harvesting. Afghan Female makes up more than 50% of the agriculture workforce of Afghanistan, but many studies indicate that less than 1% have access to financial services.

The Microcredit Summit Campaign reports that at the end of 2007 over 3,500 microfinance institutions made loans to 100 million of the world's poorest families and over 80% of the borrowers were women clients⁸. Women participate more fully in family and community decision-making, and gain more control over their lives. Thus, the evidence shows that serving women turn out to have stronger impacts on household nutrition, access to education, and health services. Khandker (2003)⁹ finds that a 100 percent increase in the volume of borrowing by a woman would lead to a 5 percent increase in per capita household nonfood expenditure and a 1 percent increase in per capita household food expenditure, while a 100 percent increase in borrowing by men would lead to just a 2 percent increase in nonfood expenditure and a negligible change in food expenditure. Women as borrowers are able to increase their own well-being, improve the lives of their children and the wider household.

In order to effectively support these small and medium sized, women-owned enterprises, financial institutions including DAB will need to work together with donors to enable the growth of this sector. Financial institutions, under the auspices of DAB, need to consider their business model in order to become more inclusive. The required initiatives are likely to need additional human and financial resources as well as support from the community.

6. STRATEGIC ISSUES AFFECTING WOMEN'S ACCESS TO FINANCE

From the discussion above, we know that if women had access to finance the development impact would likely be of more relevance; investment in food, education, health and household assets would be expected to increase. This would have positive and concomitant effects on achieving those developmental outcomes that are universally important.

While there are numerous issues affecting women's ability to access finance, the purpose of this report is to identify those constraints that are binding and that affect a larger portion of the female population. Identifying, prioritizing and addressing these issues will likely result in an

⁸ Sam Daley-Harris, State of the Micro Credit Summit Campaign report 2009, available at http://www.microcreditsummit.org/uploads/socrs/SOCR2009_English.pdf.

⁹ The Economics of Microfinance. Beatriz Armendáriz de Aghion and Jonathan Morduch, 2005. MIT Press, Cambridge, Massachusetts, London, England.

efficient approach to overcome such constraints. The table below provides a ranking of the major issues and opportunities,

| ISSUES |
|---|
| Women represent an unattractive market segment to the banking sector, especially as borrowers. No assets to guarantee loans, small scale enterprises and low managerial capacity. |
| Microfinance institutions generally have a pro-women bias, however the size, cost and the terms of the loans are not suitable for agriculture related purposes. |
| Due to cultural norms women require specialized financial products, women operated service windows and female credit officers, which from the bank's perspective do not pay off. |
| OPPORTUNITIES |
| Supporting women in their quest for access to agricultural credit world bring about unprecedented economic growth in the rural areas, as it would enable a significant portion of the population to engage in, or increase the scale of productive activities |
| ADF's ZAHRA products constitute an opportunity on which financial institutions can build upon; they are adaptable to diverse enterprises, Sharia compliant and overcome key issues |
| By virtue of being a development organization, ACE-II has the ability to invest in the design and launch of new loan products for women, in partnership with the ADF. |

Considering the issues and opportunities listed above, there is need to address the constraints from 2 levels; the program level looking at the different dimensions of women in agriculture, and capitalizing on a priori knowledge to foster structural change. Similarly there is need to design specific activities that ACE-II and the ADF can implement to ensure that women have access to credit for agriculture related enterprises.

The latter is of particular importance considering that those activities are within the sphere of influence of ACE-II and the ADF, and have a high likelihood of resulting in beneficial and relevant outcomes. Moreover, they are congruent with ACE-II's mandate with regards to gender, namely:

Provide training for all project staff, partners and other stakeholders on gender awareness, gender analysis, gender-responsive planning, and relevant gender-related policies, such as the definition of and how to report sexual harassment;

Collect gender-disaggregated data for baselines and monitoring of all people-level indicators and use of gender analysis tools to identify potential gender gaps and constraints; and

Conduct gender-responsive consultations to encourage the active participation of women and ensure that the voice of women are heard and reflected in project plans and activities.

7. RECOMMENDATIONS

7.1 At the program Level

The Government of the Islamic Republic of Afghanistan (GIROA) has expressed full support

An estimated 77 percent of Afghans live in rural communities and the majority work in agriculture. Forty five percent of them live below the poverty line, and 49 percent of them are women.

If we care about women, we should care about agriculture

towards the achievement of the goal of improving the conditions of women in the country through several international and Afghan laws. Over the past 14 years, International development agencies have been trying to support those national platforms.

In Afghanistan, the link between agriculture, economic development and social stability is undeniable and women, although for the most part invisible, are at the very center of the agricultural development process. Formalizing the participation of women in agriculture, providing them with opportunities to make economically meaningful contributions at the farm, at the firm and at the market levels is, therefore, a necessary condition for the sector to thrive. Furthermore, legitimizing and augmenting the role that women play in agriculture has the potential to lift a large portion accelerate the poverty reduction process, support the economic growth of the country, and make of prosperity a disincentive for the perpetuation of the armed conflict.

The challenges women face to become active players in the agriculture sector have been identified and researched by several agencies, and are known to the majority of development practitioners. They include:

- Limited decision making power over factors of production
- Confinement to the household, cultural barriers to the ownership of assets and to interact with market agents
- Poor access to credit, other than microfinance. The latter with interest and fees above the return on investment of most agriculture related activities
- Lack of access to extension services, derived from the gender barrier
- Poor access to market information related to agricultural inputs and outputs

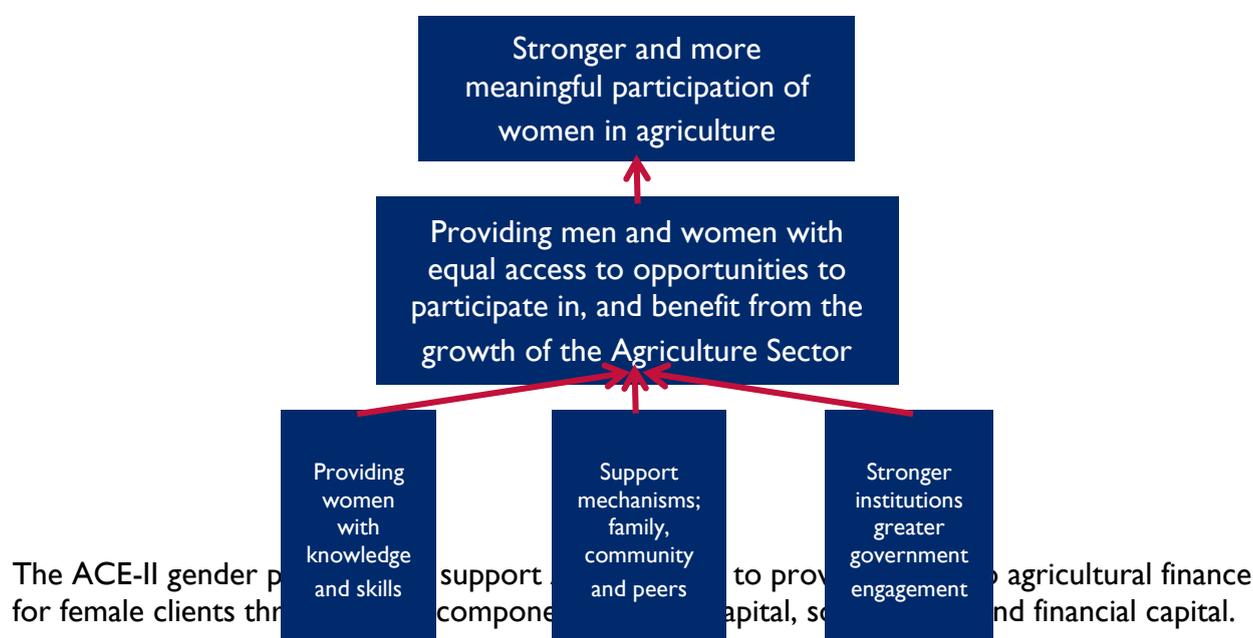
While these challenges are real, the majority of interventions have aimed at addressing them individually whilst neglecting the underlying issues, rather than aiming at achieving progressive, sustainable change.

Recognizing the importance of empowering women as individuals, as citizens and as economic agents is important, but will need to be accompanied by the understanding that this is a process that will take time. While gender equality could be the long term goal, it is an outcome that is not achievable in the short-term, nor is a change that would be welcome under the current *status quo*.

Therefore, an achievable goal that could eventually lead to the same final outcome would be to **prove men and women with equal access to opportunities to participate in, and benefit from the growth of the agriculture sector**. The overarching assumption is that results might be uneven across regions and ethnic groups, but would ultimately lead to inclusive, transformational and sustainable change.

Achieving this goal is a development challenge, especially considering that the cultural and religious norms in rural Afghanistan are not currently conducive for women to take advantage of opportunities that could change social structures. Therefore achieving this goal would require focusing on 3 strategic objectives:

1. **Providing women with practical and formal knowledge and skills.** Skills will enable women to contribute to the efficiency of agricultural production and adding value, which could progressively allow them to exercise the right of co-managing productive processes and family assets. Although traditional numeracy, literacy and tailored training were, at one point sufficient, the approach now needs to go beyond this. Thirteen years after the surge of foreign assistance rural women need knowledge and skills that will add value to the family enterprises. In addition, they are progressively joining the labor force, benefitting from emerging non-farm rural employment opportunities.
2. **Establishing of support mechanisms.** So far the approach to advance rural women has focused on providing them with basic skills and handouts, consistent with a supply-driven system. What is required is to generate demand for women's education based on the conviction that educating women is good for the family, for the village and for the future of the country. This requires engaging families and communities, gaining the support of elders and religious leaders, recognizing that only with their support will it be possible for rural women to realize their potential.
3. **Strengthening the role of government.** Until recently, the government had merely complied with the conditions set by the international community regarding the inclusion of women. However, there are indications that the new government has an agenda to deliberately promote the participation of women in the political, economic and civil society arenas. This constitutes a unique opportunity to promote existing women's national strategies, and promote and enforce women's rights, while encouraging their active participation in agriculture and in other sectors of relevance.



1. Human Capital

This can not only be achieved by hiring and training of ADF female staff but also by conducting specific gender training associated with access to finance for female borrowers to be provided to ADF staff, council members and other partners. In addition, a special need has been identified for providing business management training, mentorship and technical assistance to potential ADF female customers in order for them to be able obtain an ADF loan in future.

ADF can train future workforce by providing internships for female interns from Kabul University Agriculture and Economics Faculties. Investing in human capital will be a long-term, on-going investment for ADF.

2. Social Capital

Social capital is fundamental at two levels:

- a) Ensuring women have the support they need to overcome cultural barriers to engage in business and enter the job market; and
- b) Ensuring women have support mechanisms as they engage in business. Enabling this requires the establishment, and to certain degree, the endorsement of the Ministry of Hajj and Religious Affairs, ensuring the support of local religious leaders and consequently that of the community.

Equally important is the support of clients' families, the local media and female role models. This aspect can be supported in partnership with PROMOTE's Women in Economy, MAIL, DAB and other relevant programs around the country. In addition, one of the members of the ADF Sharia Advisory Board is a representative of the Ministry of Hajj and religious affairs.

3. Financial Capital

The focus of ACE-II and ADF is precisely the provision of access to finance, a factor of production of utmost importance for production in general and specifically crucial for agriculture. Thus the recommendations listed below constitute the essence of what ACE-II and the ADF should do in order to deliberately provide opportunities for women to play an important role in economic development, while realizing their true potential. This is a favorable and positive outcome from many perspectives and should be decisively pursued.

7.2 ACE-II / ADF Specific Recommendations

Although a number of clients are benefitting from the Oxus loans under the **Zahra** program, it was never the intention to provide only micro finance. Therefore, ACE II aims to assist in strengthening **eZahra** SME within ADF by establishing a **Zahra** window in each of the offices, providing minimum loan amounts of \$10,000 for female entrepreneurs in the Agriculture sector. **Zahra**– SME clients will be subject to the same stringent ADF credit policies and procedures. In addition, ACE II will develop a tailored Gender Training focused on access to agricultural finance for ADF staff, ADF High Council members and other partners. This expansion of ADF will require additional funding not budgeted in the current ACE II contract. However, once the concept is approved by USAID, ACE II and ADF will draft a specific budget and performance indicators.

In general terms, the proposed recommendation for adopting **Zahra** – SME are as follows:

| Action plans | Timeline |
|---|---------------------------|
| -Develop ZAHRA SME guidelines according to ADF policies and procedures | -August – November 2015 |
| -Present guidelines to ADF High Council for approval | December 2015 |
| -Hire and Train Female Lending Officers | January 2015-March 2016 – |

| | |
|---|--|
| -Developing mZahra – smart phone APP mZahra – uses mobile devices to generate preliminary creditworthiness assessments for female loan applicants; its based on a computerized analysis of key variables that provide a rating in the field. | November- December 2015 |
| -Developing special hands on business management training for potential female customers | Partnering with PROMOTE |
| -On-going hands on business mentoring throughout the life of the loan | ADF |
| -Graduates of mentorship program should mentor new borrowers | Ongoing |
| -Gender training for ADF staff, council members and partners | -Develop specific curriculum – October 2015 -Train the Trainer – December 2015 -Trainings throughout the life of project, after which ADF will take over |
| -Annual meeting for ADF female clients | During month of March, in celebration for International women’s day |

Based on the evidence reviewed, it is recommended that ADF takes over **Zahra** from Oxus with a sole focus on SME sized clients. Existing clients under the Oxus program could be retained by Oxus, but no new business should be underwritten.

In summary, this document has identified the key issues affecting women’s ability to access credit, and specifically agricultural credit, and provided an overview of the efforts of financial institutions, MAIL and USAID to support female agribusiness entrepreneurs and rural women in general. However, the most important output is the proposals both at program level and a subset within the realm of ACE-II and the ADF to scale up what has been a successful initiative, and use 21st century technology to bolster development impact.