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AGRICULTURAL CREDIT ENHANCEMENT II (ACE-II) PROGRAM

QUARTERLY REPORT NO. 2

JULY-SEPTEMBER, 2015



Agriculture Credit Technical Working Group Workshop, Panel Discussion facilitated by Khalid Sarwary, Credit and Risk Director of ADF.

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JULY 01, 2015 – SEPTEMBER 30, 2015

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LIST OF ACRONYMS

ACE-II	Agricultural Credit Enhancement–II
ADF	Agricultural Development Fund
ARFC	Afghanistan Rural Finance Company
BPA	Blanket Purchase Agreement
CC	Credit Committee (for the ADF)
CEO	Chief Executive Officer
CO	Contracting Officer
COR	Contracting Officer Representative
DAI	Development Alternative Inc.
DCOP	Deputy Chief of Party
FMFB	First Micro Finance Bank
GDA	Global Development Alliances
GIRoA	Government of the Islamic Republic of Afghanistan
IIFC	Islamic Investment Finance and Cooperative
IT	Information Technology
KMF	Knowledge Management Facility
MAIL	Ministry of Agriculture, Irrigation and Livestock
MIS	Management Information System
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
PMP	Performance Monitoring Plan
STTA	Short -Term Technical Advisor
USAID	United States Agency for International Development

I. EXECUTIVE SUMMARY

Throughout this reporting period from July to September, 2015, the Agriculture Credit Enhancement II (ACE-II) program has made successful progress in undertaking technical activities. The program achievements include the following:

Key personnel and program startup team: The ACE-II program was awarded on June 23, 2015. After the key personnel were approved by the Mission, the Chief of Party (COP), Juan Estrada-Valle and Technical Advisor/Consultant Flouran Wali mobilized and arrived in Afghanistan on June 30th, 2015. Upon their arrival the startup team focused their efforts on setting up the office space and staffing, establishing Information Technology (IT) infrastructure and following-up on contractual obligations.

Onboarding of local staff members: The onboarding process of program local staff was seamless as DAI recruited most staff who previously worked with ACE-I and had valuable experience and familiarity with the project. The Director of Operations Najibullah Nangialay, Finance Director Hemat Muhammad and Administration and Logistics Manager, Amin Frotan mobilized immediately, quickly followed by procurement team members, Sayed Muhammad Jalil and IT Network Administrator, Asadullah Nazary. Hiring of the Knowledge Management and Communication Advisor, Ahmad Fahim Safi and Grants Manager, Najeebullah Siddiqui who were both employed by ADF after ACE-I ended, was completed in September 2015. The recruitment of all local staff members was fully completed by the end the quarter.

Program office and guesthouse: An office and guesthouse were set up and fully functional four weeks after the award of the ACE-II contract. The ACE-II offices are co-located with the ADF (as was the case in ACE-I). Some new equipment was purchased for both the guesthouse and the office in addition to some office furniture shared with ADF.

Finalization of program work plan: The Annual Work Plan was drafted and submitted in August 2015. The Program Contracting Office's Representative (COR) Mr. Ali Ahmad returned it with comments and ACE-II resubmitted the final version which was approved on September 20th, 2015.

Grants Manual: During the first month of implementation, the ACE-II program completed and submitted the Grants Manual to USAID for concurrence. The manual provides specific implementation guidance for the Innovation Grants Program including

ACHIEVEMENTS

JULY - SEPTEMBER, Q3 FY 2015

- APPROVAL OF ANNUAL WORK PLAN.
- COR CONCURRENCE OF ACTIVITY MONITORING AND EVALUATION PLAN
- KUWAIT FUND FOR ARAB DEVELOPMENT CONTRIBUTION OF US\$7 MILLION TO ADF
- FACILITATION OF AGRICULTURE CREDIT TECHNICAL WORKING GROUP WORKSHOP.
- ADF APPROVAL OF TWO LOANS FOR A TOTAL OF US \$3 MILLION EACH FOR FMFB AND ARFC TO BE UTILIZED FOR PROMOTING AGRICULTURE SECTOR
- ONBOARDING OF PROGRAM LOCAL STAFF MEMBERS

how to award, administer, and monitor grants to ensure that the program is managed in a consistent and efficient manner and that programmatic impact is maximized and objectives are achieved. Following the receipt of comments from USAID on the Grants Manual, the document was amended and efforts to finalize the document are in progress. The final version of the Grants Manual will be submitted to USAID for approval in early October 2015.

Approval of the Activity Monitoring and Evaluation Plan: One of the contractual obligations is to develop the Activity Monitoring and Evaluation Plan (M&E plan) which is a critical tool for planning, managing, and documenting progress towards ACE-II program objectives. The M&E plan must be submitted 90 calendar days after the award of the contract. However, the first draft of the M&E plan was submitted to USAID a month before the deadline and was approved by the COR on September 20th, 2015. The final version of the M&E plan will be submitted to the Contracting Officer for final approval in the following quarter.

Agriculture Credit Technical Working Group Workshop: The Agriculture Credit Technical Working Group meeting was held on September 18th, 2015 with participation from 63 officials and representatives from the Afghan Microfinance Institution, private banks, and associations. The workshop was a significant success for ACE-II, both in terms of the number and level of participants and also the engagement shown by the agricultural credit community to collaborate, identify, and eliminate constraints to agricultural credit. The technical working group meeting represents a continuation of a process initiated by ACE-I in 2010.

II. INTRODUCTION

The Agriculture Credit Enhancement II (ACE-II) program is a three-year initiative that commenced on June 23rd, 2015 and is funded by the United States Agency for International Development (USAID). The program builds on the Agricultural Credit Enhancement (ACE-I) program also funded by USAID (July 2010 – February 2015), with the fundamental objective of establishing and managing the Agricultural Development Fund (ADF).

Building an institution owned by the government, and impervious to political capture in a context characterized by a nascent rule of law was an insurmountable challenge. Nonetheless, by June 2014 the ADF initiated decoupling from the ACE program; the High Council (the equivalent to a Board of Directors) was in place, day to day operations were managed by an executive team led by the Chief Executive Officer, and the staff was being progressively transferred to the ADF.

In February 2015, by the time the ACE - I program ended, the ADF was a functional organization, recognized in Afghanistan as the leading financial institution providing credit to the agriculture sector. With loan approvals exceeding US\$103 million, disbursements above US\$50 million and clients in 33 of Afghanistan's 34 provinces, the ADF was on its way to consolidate its position in the financial sector.

Recognizing the need to ensure the long-term sustainability of the ADF, on June 23, 2015 USAID and DAI executed the BPA Call for the ACE- II program. While ACE- II will build on the legacy of ACE (I), which ended in February 2015, its role will be fundamentally different. The ACE-II program will assume an advisory role to the Agricultural Development Fund (ADF), working around three programmatic areas:

- Supporting the launch of an independent and effectively overseen ADF and its transition to a sustainable agricultural development finance institution providing direct and wholesale loans for agriculture and agriculture related enterprises
- Support the ADF in encouraging financial intermediaries in entering into agriculture-related finance—and in particular those that will service the financing needs of farmers and micro-small agriculture enterprises.
- Provide a point for learning, convening and advocacy which will provide best practices and support an enabling environment conducive to expansion of agricultural finance.

Within this context, ACE-II program in an advisory role to the ADF will be implementing a series of collaborative activities around the following three components:

Component I: Support to the Transition to an Independent Agriculture Financing Institution

Component II: Support the Entry of Other Financial Intermediaries into Agriculture Finance

Component III: Monitoring and Evaluation, Learning and Advocacy.

III. COMPONENT I

SUPPORT THE ADF TRANSITION

The underlying objective of Component I is to provide technical assistance and advisory support to ADF management and operating units, with particular focus on corporate governance and internal operations.

The transition of the ADF to an independent financial institution integrates several dimensions of independence, including:

FINANCIAL: ensuring that by the end of the ACE-II program, the ADF is sufficiently capitalized and is able to generate enough income to cover operating costs, thereby becoming financially sustainable.

INSTITUTIONAL: strengthening policies, procedures and safeguards with purpose of streamlining day to day operations, while reducing the risk of political influence.

OPERATIONAL: enabling the ADF to reach a high level of efficiency in its operations by employing highly qualified personnel and ensuring that they perform to a high standard.

All program activities under Component I will focus on the achievement of these three dimensions of independence and sustainability.

During this reporting period, the project team prepared the Annual Work Plan, which includes a detailed set of activities of Component I, II, and III. The Annual Work Plan was drafted and submitted in August 2015. The program COR Mr. Ali Ahmad returned with comments and ACE-II resubmitted the final version of the Annual Work Plan, which was approved on September 20th, 2015.

In order to prioritize the activities under Component I, the Chief of Party (COP) had several meetings with various stakeholders including USAID, H.E. Minister Assadullah Zamir, Ministry of Agriculture Irrigation and Livestock and Joel Carter, CEO of the Agriculture Development Fund.

Following these discussions, the project management team prepared a schedule for the period from August-September, 2015 and made initial arrangements for the activities listed below:



Juan Estrada –Valle, ACE-II Chief of Party and H.E Assadullah Zamir, Minister of MAIL

- **Induction of the new members of the High Council.** This refers to the discussion of the governance structure of the ADF, as well as the duties and responsibilities of the members of the High Council and the committees. Mr. Robert Dressen, Senior Banking Advisor for ACE-II will carry out this activity. The participants will be comprised of the following members: H.E. Assadullah Zamir, Minister of MAIL, Mr. Michael Martin, Director of USAID's Office of Agriculture, Ms. Manizha Zukhanyar and Mr. Moen Siraj, non-governmental experts of the High Council.
- **Assessment of the organizational structure and performance of ADF:** This activity is part of the ACE-II contract and was requested by the H.E. Minister Zamir Assadullah. The assessment will include a review of the overall structure of the ADF, the composition of its different units and the performance of ADF personnel. The purpose of this activity is to identify potential sources of inefficiency and provide input to the CEO of the ADF, and if necessary to the High Council. This activity will be carried out by the Chief of Party jointly with the STTA Mr. Robert Dressen over the following quarter.

One significant achievement of the program during this reporting period was the investment of US\$7 million by the Kuwait Fund for Arab Development (<https://www.kuwait-fund.org/en/web/kfund>) in the ADF, the second source of non-USAID funding for the ADF. The first contribution was in 2014 for US\$3.5 million by the Government of the Kingdom of Denmark.

The representatives of the Kuwait Fund for Arab Development, Mr. Tarek Almenayes, Senior Economic Advisor, and Mr. Nawafa Almahamel, Legal Advisor arrived in Kabul on August 27, 2015. Prior to signing the agreement, the representatives of the Fund conducted an in-depth review of the ADF through interviews with the ADF executive team, review of financial and governance documents, and site visits of ADF clients. The representatives of Fund also met with USAID to gain insights about USAID's experience in implementing the ADF.

At the end of their mission a tripartite agreement was signed between the Kuwait Fund, the ADF, and the Afghan Ministry of Finance. A key factor in attracting the Kuwait Fund investment to ADF was the recognition of USAID's contribution to the development of ADF and its support to ADF's management. See a success story on this significant accomplishment in Annex II.

The Kuwait Fund investment serves as a starting point for potentially developing relationships with other investors for ADF from the Gulf region.



Mr. Salahuddin Matani, ADF's Director of Business Development making a presentation to the representatives of the Kuwait Fund for Arab Development. Present are the Executive Team of the ADF, including the CEO and ACE-II's COP and Senior Banking Advisor

In addition, during the reporting period, the senior Technical Advisor, Mr. Robert Dressen delivered a presentation on the USAID 2013 feasibility study for the Agricultural Development Bank at MAIL. The study details the costs, benefits, and risks of reviving the Agricultural Development Bank and also proposes alternative options to expand credit delivery to the agriculture sector.

Facilitate changes to policies and procedures

The ACE-II program will facilitate the review process of ADFs' strategic and business plans as per the approved Annual Work Plan. The scope of work was developed and a consultant was identified. The proposed plan will be discussed and agreed in a High Council meeting to be held in the following quarter.

Dr. Max Goldensohn, ACE–II Acting COP jointly with ADF CEO, Joel Carter reviewed the processes and procedures for the ADF and the draft plans and procedures for Human Resource Management, Procurement, and General Administration. A consultant has been identified and approved and started a review of the Human Resource Management system for the ADF during this quarter. In addition, a review will be undertaken covering Credit and Risk, Finance, Operations, and Internal Audit to complete the full review of ADF in the following quarters. As a result of the Human Recourse review, a comprehensive training and capacity development plan will be developed for the ADF staff. Once the High Council meeting is scheduled the ACE-II program will use this opportunity to brief the High Council members on the roles and responsibilities of various High Council committees during the meeting.

IV. COMPONENT II

SUPPORT ENTRY OF OTHER FINANCIAL INSTITUTIONS INTO AGRICULTURAL FINANCING

Activities under Component II focus on facilitating the engagement of financial institutions in the provision of credit to the agriculture sector, through the intermediation of ADF funds.

The ACE-II contract Component II – Support Entry of other Financial Intermediaries into Agriculture Finance - requires the establishment of an incentive-based grants program through the ADF. The grants will be awarded on the basis of open solicitations to be issued periodically (e.g. every six months). It is envisioned that two types of grants will be provided:

Challenge Grants – (estimated at around US\$10 million). While the funds for the challenge grants will not be part of the ACE-II award budget, the project is expected to provide needed technical and administrative support to ADF in preparing guidelines to compete Challenge Grants periodically (e.g. every six months).

Innovation Grants – (estimated at no more than US\$2.5 million) are to be awarded on competitive basis to develop and test new and innovative ways to facilitate financial services to target groups and/or provide and finance equipment or services that support agricultural finance.

Revision of the ACE–II Grants Manual is underway following the comments received from USAID after an initial draft was submitted for review. The major comment on the initial draft of the Grants Manual was to modify the Fixed Obligation Grants to Fixed Amount Awards. The final version of the Grant Manual will be submitted to USAID for approval during the first week of October 2015.

During this reporting period, ACE-II helped ADF with identifying potential intermediaries which provide loans for the agriculture sector. In September 2015, ADF held Credit Committee meetings to discuss and agree on two major loan cases to be disbursed for two financial institutions including the First Micro-Finance Bank (FMFB) and the Afghan Rural Finance Company (ARFC). The Credit Committee approved both loan cases worth USD\$ 3 million each. The FMFB applied for an ADF loan of 650,000,000 Afghani (US\$10,000,000) to be utilized in the agriculture sector whereas the ADF Credit Committee approved a loan of AFN 195,000,000 (US\$3 Million) for the time being. ADF will consider and decide about the remaining US\$7 million depending on the results of US\$ 3 million to be disbursed in November 2015. The FMFB will be giving loans to individual farmers in 13 provinces of Afghanistan. The target beneficiaries are small

scale, socially disadvantaged Afghan farmers involved in agriculture activities including farming, livestock breeding, dairy production, fishery, bee keeping, forestry. The loans will also be given for processing, marketing, and storing of agriculture products. The loan amount will be from US\$100 to US\$4,000 for different types of agriculture value chains.

The ADF Credit Committee also approved the loan for ARFC. The client will receive an ADF loan worth AFN 195,000,000 (US\$3 Million) to develop all types of agriculture value chains. The loans will be given to individual farmers, agro businesses and intermediaries throughout the country. The loans size will be from US\$ 5,000 to US\$ 500,000.

See below background information about the two financial institutions.

THE FIRST MICRO FINANCE BANK IN AFGHANISTAN (FMFB-A)

FMFB-A is affiliated with the Aga Khan Development Network (AKDN) - a group of 11 development agencies working in health, education, culture and rural and economic development, primarily in Asia and Africa. The establishment of the Bank is an integral part of the AKDN's commitment to contribute to the reconstruction and rehabilitation of the economic infrastructure and civil society institutions in Afghanistan. It is the largest microfinance institution in Afghanistan having more than 52,000 active customers and an outstanding portfolio exceeding US\$62 million dollars.

The Bank has a footprint of 38 branches and nine Loan Processing Centers covering 14 provinces. As of March 2015, FMFB offers agriculture loans in about 80 districts in 12 provinces. The bank has over 19,000 active agriculture and livestock borrowers with AFN 1.2 billion (US\$ 22.2 million) portfolio outstanding. Agriculture and livestock loans comprise 37 percent of FMFB's overall portfolio in terms of outstanding value, and number of active borrowers.

THE AFGHAN RURAL FINANCE COMPANY (ARFC)

ARFC is headquartered in Kabul with branches in Balkh, Herat, Kandahar and Jalalabad provinces. ARFC vision is to support and foster a vibrant private sector in which small and medium enterprises (SMEs) engaged in urban and rural area become engines of economic growth and job creation, to help and build community stability and accelerate economic development in the Islamic Republic of Afghanistan.

The mission of ARFC is to encourage investment in the rural and urban economy of Afghanistan, and to support economic and social development by serving men and women owned business and the credit needs of small and medium enterprises (Trade, Services, Manufacturing, Mining, Production and Agriculture) in the rural and urban areas where they reside and conduct business all over Afghanistan.

V. COMPONENT III

MONITORING, EVALUATION

AND ADVOCACY

Component III responds to the need to develop and maintain a robust monitoring and evaluation capability, coupled with a learning agenda and knowledge management platform in order to capture results and disseminate promising solutions which can be replicated and scaled.

Different from traditional project M&E activities, Component III will initiate and integrate a thorough and reliable system to monitor the performance of the project vis-à-vis performance indicators, and assess the impact of project activities at the micro, meso and macro levels, while integrating learning and advocacy activities. ACE-II has made progress against the activities planned for Year 1.

Defining the baseline and performance benchmarks

Following USAID comments on the M&E plan, the final version was submitted and approved by the COR during this reporting period. The M&E plan will be submitted to CO for the final approval in October, 2015. Immediately after the COR approval of the M&E plan, the ACE-II M&E team designed the baseline survey methodology including the field data collection plan, survey instrument, and sample size. The baseline survey will target intermediaries as well as the beneficiary farmers and agribusinesses supported through ADF loans in targeted provinces of Afghanistan. The team will conduct baseline surveys for a sample size of 351 farmers who received loans for agriculture purposes through Bamyán Cooperatives, Islamic Investment and Finance Cooperatives Group, Aziz Farid Cotton Processing Company, and Motmaheen Samangan Agricultural and Livestock Cooperative in Bamyán, Balkh, Jawzjan and Samangan provinces respectively. The survey team will also conduct individual interviews with 66 agribusiness/ADF clients across the country.

The purpose of the survey is to define benchmarks in order to measure how and to what extent the ADF loans have helped the farmers and agribusinesses increase their income, sales, exports, expand their businesses and overall improve their livelihoods. Since the inception of ADF, more than 32,673 farmers received cash and in kind loans from financial intermediaries, and non-financial intermediaries supported by the ADF loans in 32 provinces of Afghanistan.

The M&E team intends to start the field data collection in the second week of October, 2015. The field work will be carried out by enumerators who will be hired and trained on the survey methodology by the M&E team.

Establish and lead the Agricultural Credit Technical Working group

On September 18th, 2015, USAID's ACE II program co-chaired with the (ADF) the first meeting of the Agriculture Credit Technical Working Group (ACTWG) in Kabul, Afghanistan. Approximately 63 officials and representatives from Afghan microfinance institutions, private banks, and associations attended the workshop which was deemed a success by all in attendance.

Workshop objectives:

- Provide an update to participants on the achievements of the Agriculture Development Fund and the evolving objectives of ADF and the role of ACE-II;
- Enable financial institution to identify, and then prioritize the major constraints and opportunities for the expansion of agricultural finance services in Afghanistan.

In the workshop, ADF provided an overview of their evolving strategy and key metrics, with special attention given to several of their successful innovative activities including:

- The use of non-financial intermediaries (NFIs) to disburse loans to farmers with the support of Credit Management Units (CMUs) trained and equipped by ADF but employed by and located in the NFIs;
- The development of a broad array of Sharia compliant credit products that can be applied to agriculture credit and an accompanying Sharia Advisory Board to reinforce consumer trust in and understanding of Sharia compliant financial services;
- Collaboration with MAIL to develop PAYWAND, an online knowledge management facility to provide agriculture market and technical information in Afghanistan;
- Integration of agriculture technical expertise into credit analysis via ADF's Technical Services Unit.



ADF and ACE team facilitated the Agriculture Credit Technical Working Group Workshop

Khalid Sarwary, Credit and Risk Director of the ADF moderated a panel on Agricultural Credit: An Opportunity for Financial Institutions and Afghanistan. Participants in the panel representing ADF and three of its partners, Islamic Investment Finance and Cooperative (IIFC), Afghanistan Rural Finance Company (ARFC) and OXUS discussed their experience and results, as well as lessons learned and key challenges.

Continuing the theme of progress and innovation, Greta Greathouse, Advisor to ACE-II, discussed the constraints to access to agriculture credit as an introduction to break out groups that followed. Participants reviewed a “Matrix of Constraints,” drawn from meeting notes of the Technical Working Group of ACE-I in 2010 and a “status update” on the constraints, which illustrated that at the same time that agricultural credit in Afghanistan has been moving forward, there has been progress in reducing /mitigating some of the constraints. Break out groups then tackled the three main areas of constraints identified in that Matrix:

- Collateral Issues
- Financial Institution Constraints
- Credit Products and Structure

Each break out group reported back to the plenary session with their solutions, suggestions, and priorities for tackling the policy, operational and risk management issues attached to each topic. All agreed that an assessment committee formed of volunteers from the participants will be facilitated by ACE-II to develop a list of recommendations for areas of work that will be submitted before the end of the year to the Agricultural Credit Technical Working Group, which will be formed in the following meeting.



Working Group Session: Group discussion on Credit Products and Structures

The workshop was a significant success for ACE -II, both in terms of number and level of participants but also in terms of the engagement shown by the agricultural credit community in a collaborative effort to eliminate constraints to agricultural credit. The technical working group meeting represents a continuation of the process initiated by ACE-I in 2010. This meeting gave participating stakeholders the opportunity to express their ideas on how to develop the process further for the expansion of agricultural finance services in Afghanistan.

Developing and strengthening decision making tools

The ACE-II program continues supporting the operation of PAYWAND, the online trade and market information system at MAIL. An assessment of PAYWAND's current status was carried out in August 2015 by the ACE –II M&E Specialist, Lutfiya Farhodova. It was defined that the system handed over to the Policy and Planning Directorate of MAIL at the end of ACE-I program, has not been updated since February 2014 and is currently not functional. The reason is because the dedicated and trained civil servants who managed PAYWAND are no longer employed at MAIL. MAIL had to terminate their contracts due to financial constraints. Currently, the Statistics Department of MAIL has a dedicated unit (Market Information Unit) and staff both at the national and provincial levels who collect and analyze market and trade information using Excel. Application of PAYWAND will complement the existing unit's efforts but at a more advanced level and ensure more reliable and traceable data, a larger audience, and easier to access information.

Following the meetings with the heads of Statistics Department and Management Information System (MIS) Unit at MAIL, the ACE-II COP and M&E Specialist/Component III Leader had meetings with Mr. Shakir Majeedi, Strategic Planning Advisor of MAIL's Policy and Planning Directorate and Mr. Sulieman Hedayat, Advisor to the Minister, to discuss the importance of PAYWAND, sustainability and ways of accelerating the process of collaboration between the ACE-II and MAIL. It was agreed that Mr. Shakir Majeedi will assist the ACE-II team to organize a presentation on PAWYAND to the Minister and the heads of Directorates at MAIL during the following quarter.

To ensure the sustainability of the system, in consultation with colleagues from MAIL, ACE-II will set-up the system at the Market Information Unit of Statistics Department of MAIL. ACE-II will hire an STTA to update the system and build the capacity of a dedicated staff at the Market Information Unit.

The MOU between DAI and MAIL was amended to continue the partnership to update, improve, and disseminate knowledge of PAYWAND with MAIL. The draft MOU was translated into Dari and shared with MAIL. It was agreed in the meetings at MAIL that the discussions will continue and activities will be finalized after the presentation to the team in Minister's Office as well as the Directors of relevant Directorates at MAIL.

VI. CHALLENGES ENCOUNTERED

Delay with the recruitment of the DCOP/Grants Manager and the transition to a new COP slowed down the execution of activities under Components I and II.

VII. PROGRAM MANAGEMENT AND OPERATIONS

Personnel:

The leadership of ACE-II is currently in transition. ACE-II Chief of Party (COP), Juan Estrada-Valle left the program and Dr. Max Goldensohn is acting COP for ACE-II at present. The new Chief of Party was identified and proposed to USAID for approval.

DAI identified a candidate for the DCOP/Grants Manager position. The proposal was not approved by USAID as the candidate did not have the relevant international overseas experience. The new candidate will be identified and proposed to USAID in the following quarter.

The DAI home office Program Associate Courtney Mcnamara traveled to Kabul at the end of September to provide support to the field team as well as review start-up practices particularly Procurement and Human Resources procedures to ensure they were being implemented and that documentation was in order.

The DAI home office team conducted weekly conference call meetings with the COP to discuss program progress and address any challenges the field team was facing.

Logistical and procurement support:

The ACE-II Operations team successfully provided logistical and administrative support to the program activities during the reporting period.

The majority of the programs' local employees were recruited during the first month of the project in July, 2015. They were selected based on their satisfactory performance with DAI /ACE -I program. The operations team finalized all the documentation which was required for the personnel files and completed all HR files (see below the list of ACE-II local staff names by titles).

Table 1. List of ACE-II local staff

N	Last Name	Name	Positions
1	██████████	██████████	Director of Operations
2	██████	██████████	Finance Director
3	██████	██████	Administration and Logistics Manager
4	██████████████████	██████	Procurement Manager
5	██████	██████████	Sr. IT and Network Administrator

6	████████	████████	Grants Manager
7	██████	█████	Finance Specialist
8	████████	██████████	Procurement Assistant
9	████████	████████	Facility Specialist
10	████	██████	Sr. Security and Liaison
11	████	██████████	Armored Vehicle Driver
12	██████████	██████	Armored Vehicle Driver
13	██████	██████████	Armored Vehicle Driver
14	██████	██████	Armored Vehicle Driver
15	████	██████	Armored Vehicle Driver
16	████████	████████	Janitor
17	██████	██████	Janitor
18	██████		Janitor
19	██████	██████	Janitor
20	██████	██████████	Food Service Technician
21	██████████	████████	Food Service Technician
22	██████	██████████	Food Service Technician

Within this reporting period, the team effectively executed the procurement plan allowing program activities to be accomplished as planned. In particular, the operation team provided logistical support and facilitated the organization of the Agriculture Credit Technical Working Group meeting held on September 18th, 2015.

Also, the lease agreement for the guesthouse was finalized and the guesthouse set-up was completed during the first month of project startup. The security upgrades were completed at the guesthouse to ensure safety of international staff members.

In addition, the operations team provided administrative and logistical support to the following STTAs over this reporting period.

N.	Names	Position	Arrival Date	Citizenship
1	Virginia Tauss	TAMIS Support	15-Aug-15	American
2	Robert Dressen	Sr. Banking & Financial Services Advisor	10-Sep-15	American
3	Greta Greathouse	Principal of Development Specialist	20-Sep-15	American
4	Courtney Mcnamara	Project Associate	17-Sep-15	American
5	Max Goldensohn	Acting COP	17-Sep-15	American

VIII. NEXT QUARTER PLANS

- Mobilization of the new COP, Greta Greathouse
- Assessment of the structure and performance of the ADF
- Assessment of ADF operations
- Review of ADF policies and procedures
- Review of strategic plan and business plan
- Administer the baseline survey to collect baseline data on program performance indicators
- Submit final versions of the Grants Manual to USAID for concurrence
- Facilitate the second Agriculture Technical Working Group Workshop
- Initiate dialogues with ADF technical team on the design and launch of innovative financial products
- Make a presentation on PAYWAND at MAIL
- Update the knowledge management facility – PAYWAND
- Arrange and facilitate the High Council Meeting

ANNEX I

PROGRESS ON ACE-II PERFORMANCE INDICATORS

The table below describes ACE-II's achievements against contractual targets from July 1st to September 30th, 2015.

TABLE 1: ACE –II PERFORMANCE INDICATOR DATA QUARTER 4 FY2015

	ACE-II PERFORMANCE INDICATORS	Baseline	Actual Q4 FY 15	Target FY'16
1.1	.*Value of Agriculture and Rural Loans(F- 4.5.2- 29)	\$60,673,219	\$5,597,915**	\$75,673,219
1.2	Percentage of loan losses in the ADF portfolio	3.59%	0%	<5%
2.1	*Number of MSMEs, including farmers, receiving USG assistance to access bank loans (“F” 4.5.2 -30).	31,013	1,169	51,013
2.2	Value of Challenge and Innovation Grants approved and disbursed	\$937,358	0	\$3,937,358
2.3	Number of financial institutions providing or ramping up agricultural financial services through the support of ACE-II.	116	2	118
2.4	Number of innovative lending products and approaches established by the ADF and financial intermediaries.	10	0	11
3.1	*Number of jobs attributed to USG program implementation (F- 4.5-2)	4,016	Annually reported	6,016
3.2	Percentage change in sales of agribusinesses supported through ADF loans	TBD	Annually reported	10%
3.3	*Value of exports of targeted agriculture commodities as a result of USG assistance (F- 4.5.2-36)	TBD	Annually reported	10% of BL value
3.4	Percentage change in farm productivity of enterprises supported by the ADF*	TBD	Annually reported	30%
4.1	Number of conferences, workshops and other initiatives designed to bring public and private agricultural finance stakeholders together and foster dialog	19	1	23
4.2	Number of white papers and other publications on the status of agricultural finance in Afghanistan	0	Annually reported	2
Cross cutting	* Percentage of females who report increased self-efficacy at the conclusion of USG supported training/programming (F- GNDR 2)	TBD	Annually reported	20%

*Percentage of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment) (F- GNDR 2)	2%	Annually reported	7%
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*Data for the indicators expressed in quarterly net, ** See below the tables and charts for detailed information

Indicator #1.1: Value of Agriculture and Rural Loans

Definition: This indicator sums cash loans made (i.e. disbursed) during the reporting period to direct beneficiary producers (farmers, etc.), input suppliers, transporters, processors, and loans to other MSMEs in rural areas that are in a targeted agricultural value chain, as a result of USG assistance. The indicator counts loans disbursed to the recipient, only counts cash loans; also only counts loans made by financial institutions.

Progress: Since July up to September 2015 ADF approved a net of US\$7,424,940 loans. During the same time period, ADF successfully disbursed a net total of US\$5,597,915 million to 1,169 clients. For more details see the tables and charts below:

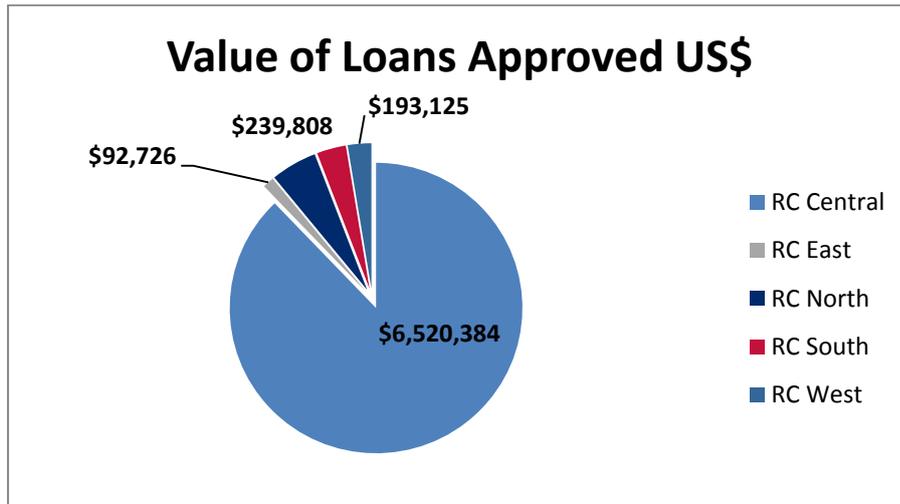
Table 1: Net amount of ADF loans approved and disbursed per Quarter

Quarter	Approved (Net)	Disbursed (Net)
Q4 2015	\$7,424,940	\$5,597,915

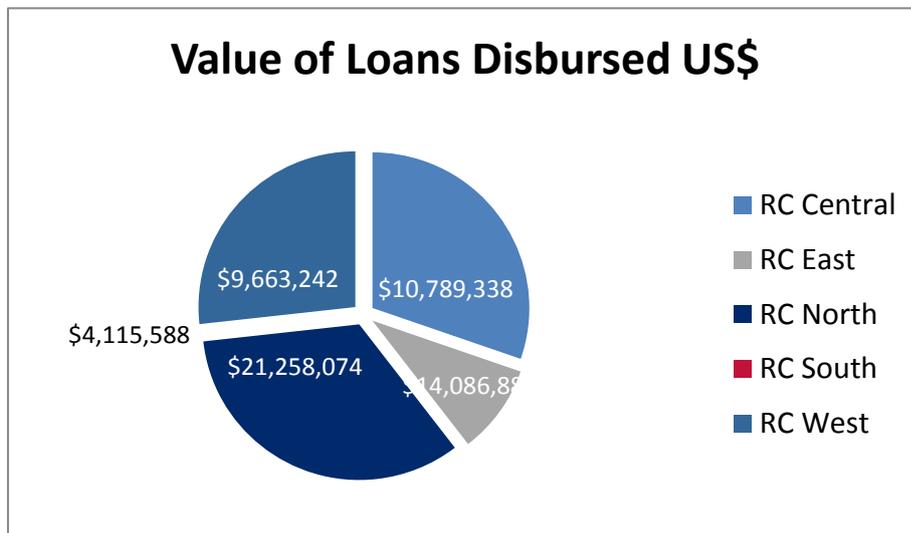
Table 2: ADF RC-level loan approval and disbursement

Region	Loan Approved (\$)	Loan Disbursed (\$)	Beneficiaries
RC Central	\$6,520,384	\$1,696,119	0
RC East	\$92,726	\$518,403	1,093
RC North	\$378,897	\$1,885,905	48
RC South	\$239,808	\$0	0
RC West	\$193,125	\$1,497,488	28
Total	\$7,424,940	\$5,597,915	1,169

Graph No 1: Value of ADF loans approved by RC



Graph No 2: Value of ADF loans disbursed by RC



ANNEX II

SUCCESS STORY



USAID | AFGHANISTAN

SUCCESS STORY

Kuwait Fund Contributes to USAID funded Initiative

The Kuwait Fund contributed US\$7 million to the Agricultural Development Fund.



Mr. Tariq Almenayes, Mr. Nawaf Alnashani, representatives of the KFAD and Mr. Joel Carter, ADF CEO

The ADF is one of the major successes of the partnership between USAID and the Government of the Islamic Republic of Afghanistan.

H.E. Assadullah Zamir, Minister of Agriculture, Irrigation and Livestock.

US Agency for International Development
www.usaid.gov

On August 27, 2015 a mission from the Kuwait Fund for Arab Development visited Kabul, Afghanistan to make official their contribution of US\$7 million to the Agricultural Development Fund (ADF), established by USAID.

Since August 2010, the Agricultural Development Fund (ADF), a government owned standalone financial institution has been providing credit to farmers and agribusinesses. Technical assistance for the ADF is being provided by the Agricultural Credit Enhancement II (ACE II) Program, funded by USAID.

The ADF has proven a concept that is institutionally robust, financially viable, and is having a remarkable impact on the rural communities. To date the ADF has approved loans for US\$108 million to over 33,000 farmers and agribusinesses in 33 of Afghanistan's 34 provinces.

During the meeting between H.E. Assadullah Zamir, Minister of Agriculture, Irrigation and Livestock, the members of the Kuwaiti delegation said: *"we are impressed with the success of the ADF supporting such a large number of farmers and keeping a low default rate; however what is most impressive is that the Islamic financial products offered by the ADF are not excessively expensive as compared to what we have seen throughout the Arab world"*

These achievements derive from having a solid governance structure, strict credit policies and procedures and a lending strategy based on prudence and integrity.

The initial US\$ 100 million to capitalize the ADF were provided by the United States Agency for International Development to the Government of the Islamic Republic of Afghanistan as part of its on-budget contribution. In 2014 the Government of the Kingdom of Denmark made a contribution of US\$3.5 million. These contributions constitute the implicit acknowledgement of what is recognized as a success of US foreign assistance.