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AFGHANISTAN

AGRICULTURAL CREDIT ENHANCEMENT PHASE II

(ACE II) PROGRAM

QUARTERLY REPORT No. 1

JUNE 23, 2015 – JUNE 30, 2015

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PROGRAM TITLE:	AGRICULTURAL CREDIT ENHANCEMENT PHASE II (ACE II) PROGRAM
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CONTRACT NUMBER:	AID-306-BC-15-00005
CONTRACTOR:	DEVELOPMENT ALTERNATIVES, INC.
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CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE:	ALI AHMAD
CHIEF OF PARTY:	JUAN M. ESTRADA-VALLE
PROJECT DIRECTOR:	EJONTA PASHAJ

AGRICULTURAL CREDIT ENHANCEMENT PHASE II (ACE II) PROGRAM QUARTERLY REPORT Q2 / 2015¹

I. INTRODUCTION

In 2010, the United States Agency for International Development (USAID) launched the Agricultural Credit Enhancement (ACE) program, with the fundamental objective of establishing and managing the Agricultural Development Fund (ADF). The concept of the ADF was that of a *sui generis* institution, funded by USAID and owned by the Government of the Islamic Republic of Afghanistan.

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 when the ACE program ended, the ADF was a functional organization, recognized in Afghanistan as the leading financial institutions 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. ACE II will assume an advisory role to the Agricultural Development Fund (ADF), working around 3 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, and different from ACE (I), ACE II will assume an advisory role to the ADF implementing a series of collaborative activities around three discrete components:

¹ This report includes 7 days between the execution of the contract on June 23, to June 30, 2015.

Component 1: Support to the Transition to an Independent Agriculture Financing Institution

Component 2: Support the Entry of Other Financial Intermediaries into Agriculture Finance

Component 3: Monitoring and Evaluation, Learning and Advocacy.

II. PROGRESS OF TECHNICAL ACTIVITIES

Considering that the ACE II contract was signed 7 days before the end of the reporting period, no technical activities had taken place. However the focus was on the mobilization of the startup team.

III. UPDATE CONTRACTUAL UPDATE

a) Personnel mobilization

Four days after the execution of the ACE II contract, DAI mobilized the startup team, composed by COP Juan Estrada-Valle and Technical Startup Advisor Flouran Wali. Both personnel arrived in Kabul on June 30.

b) Office arrangements

Prior to their arrival in country, the startup team communicated with the ADF and identified the office space to be used by the project. The home office and the startup team also finalized the procurement of IT equipment which should arrive in the next 5 weeks.

c) Recruitment of Local Staff

Previous to their arrival in country, the startup team communicated with the personnel named in the proposal and secured their availability to join the project on July 5. It is expected that by July 15 all staff will be on boarded and technical activities will be ongoing.

IV. CHALLENGES

DAI's commitment to initiate technical activities as soon as possible conflicted with the time required to process Afghan visas (estimated at 3-4 weeks). Therefore the team had to travel with tourist visas, which would eventually require them to travel to Dubai to obtain work visas.