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AFGHANISTAN

AGRICULTURAL CREDIT ENHANCEMENT PROGRAM PHASE II (ACE-II)

MONTHLY REPORT NO. 1

JULY, 2015

Agricultural Credit Enhancement (ACE-II)

CONTENTS

EXECUTIVE SUMMARY	3
COMPONENT 1: SUPPORT THE ADF'S TRANSITION	4
COMPONENT 2: SUPPORT ENTRY OF OTHER FINANCIAL INSTITUTIONS INTO AGRICULTURAL FINANCING	5
COMPONENT 3: MONITORING, EVALUTION AND ADVOCACY	6
GENDER	7
COMMUNICATIONS	7
PLANS FOR THE FOLLOWING MONTH.....	8

Agricultural Credit Enhancement (ACE II)

EXECUTIVE SUMMARY

Activities in this month largely revolved around program startup, Annual Work Plan development, staff recruitment, gender assessment, grants manual and development of M&E plan.

The day after key personnel approval was received from the Mission, Chief of Party Juan Estrada –Valle and Technical Advisor/ Consultant Flouran Wali mobilized and arrived in Afghanistan on June 30, 2015. Upon the arrival, the startup team focused their efforts in the following three areas:

1. Setting up office space and staffing;
2. Establishing the IT infrastructure, including email and TAMIS;
3. Producing contractual deliverables;

Four weeks later since the program's award date, an office and a guesthouse have been set up. The project's local staff has been on-boarded and the day to day operations started running smoothly. As the local program staff members were not new to the project and already had experience in operating technical tasks from ACE-I, the team has made substantial progress in technical activities over the reporting period. An example is the submission of four out of five contractual deliverables in excess of 60 days before the deadline, with the fifth contract scheduled to be submitted in mid-August.

PROGRESS TO-DATE

COMPONENT 1

SUPPORT THE ADF TRANSITION

The underlying objective of Component 1 is to provide technical assistance and advisory support to ADF management and operating units, with particular focus on corporate governance and internal operations.

Following the launch of ACE-II, the project team focused its efforts in the production of the annual work plan, which includes a detailed set of activities of Component 1. In order to prioritize the activities under the Component 1, the Chief of Party had several meetings with various stakeholders including USAID, H.E. Minister Assadullah Zamir, Ministry of Agriculture Irrigation and Livestock and the CEO of the Agriculture Development Fund (ADF).



Juan Estrada-Valle, ACE-II Chief of Party and H.E. Asadullah Zamir, Minister of Agriculture, Irrigation and Livestock during the meeting of July 23, 2015.

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

- **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 during the last week of August 2015. 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 Zakhanyar and Mr, Moen Siraj, non-governmental experts' members of the High Council.
- **Assessment of the organizational structure and performance of ADF.** This activity is part of the ACE-II contract, was requested by the H.E. Minister Zamir Assadulah. The assessment will include a review of overall structure of the ADF, the composition of its different units and the performance of the 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 and Mr. Robert Dressen over the following month.

COMPONENT 2

SUPPORT ENTRY OF OTHER FINANCIAL INSTITUTIONS INTO AGRICULTURAL FINANCING

Activities under Component 2 focus on facilitating the engagement of financial institutions in the provision of credit to the agriculture sector, through the intermediation of ADF funds.

DAI's ACE-II contract Component 2 – Support Entry of Other Financial Intermediaries into Agriculture Finance requires the establishment of an incentive-based grants program through the Agriculture Development Fund (ADF). 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 \$10 million). While the funds for the challenge grants will not be part of the ACE-II awards 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 \$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.

During the first month of implementation, ACE II completed and submitted the grants manual to USAID for clearance. This manual will provide specific implementation guidance for the Innovation Grants Program including awarding, administering, and monitoring grants to ensure that the program is managed in a consistent and efficient manner, programmatic impact is maximized and objectives are achieved.

Similarly, during this period, ACE-II reviewed the proposals submitted by the First Microfinance Bank (FMFB) and the Afghanistan Rural Finance Corporation (ARFC) to intermediate US\$10 and US\$9 million, respectively. Once reviewed by both ADF and ACE-II the loan proposals will be presented to Credit Committee and, considering that the loans exceed the US\$3 million threshold set in the credit policies and procedures, their recommendation will be presented to the High Council.

COMPONENT 3

MONITORING, EVALUATION AND ADVOCACY

Component Three 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.

One of the contractual obligations is developing M&E plan which is a critical tool for planning, managing and documenting progress towards ACE-II program's objectives. The M&E plan must be submitted in 90 calendar days of the award's effective date. However, the development of the M&E plan is in progress. The first draft of the M&E plan will be submitted to USAID in the following month.

Pending USAID approval, ACE-II will contract the services of Ms. Greta Greathouse, an accomplished expert in the financial sector to launch the Agricultural Credit Technical Working Group (AC-TWG). Should USAID approve, Ms. Greathouse will also look at loan products currently being developed by the ADF and provide advice on their testing and scaling up processes.

CROSSCUTTING ACTIVITIES

GENDER

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 carried out a gender assessment, in doing so the consultant aimed at answering three basic questions:

- o What are the key issues affecting women's ability to access financial services?
- o What activities have been undertaken by ADF, MAIL, USAID and other financial institutions to help women overcome these hurdles? And
- o What activities should be implemented by ACE-II to have a positive impact on the inclusion of women?

Answering these questions is important because our findings will shed light on the challenges, on ongoing efforts to overcome them, and will reveal the remaining gap to be filled 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. A draft was submitted for USAID clearance.

COMMUNICATIONS

ACE-II in coordination with ADF designed three types of posters that we would like to print and place at the Kabul International Airport. The poster will be placed in the VIP lounge and in the luggage collection area. See the poster below in Annex 1 on page 9.

In addition to this, ACE-II edited a video that portrays the work of USAID establishing the ADF.

2. CHALLENGES ENCOUNTERED

No major challenges were encountered during the reporting period.

3. PLANS FOR THE FOLLOWING MONTH

- Complete the M&E Plan
- Complete the first draft of the Annual Work Plan
- Conduct Organizational Assessment of ADF
- Review of loans to be disbursed to financial institutions
- Conduct the assessment of the structure and performance of the ADF
- Initiate the arrangements for the launch of the Agricultural Credit Technical Working Group

ANNEX 1. POSTER



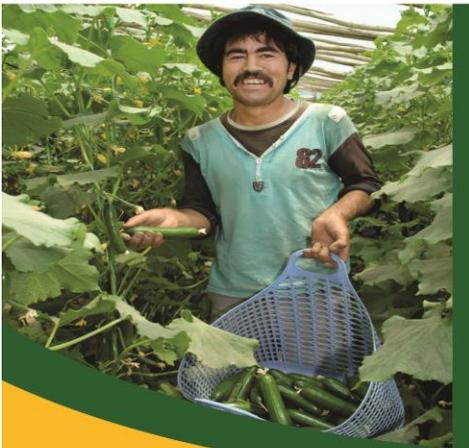
کرهڼه زموږ د هیواد د اقتصاد د پیاوړتیا اصلی ستن ده

پته: د کرنې، اوبو لګوونې او مالدارۍ وزارت، جمال مینه، دریمه ناحیه، کابل، افغانستان
د اړیکې شمېره: +۷۹۰۴۴۴۱۱۱

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