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AFGHANISTAN

AGRICULTURAL CREDIT ENHANCEMENT II (ACE-II) PROGRAM

MONTHLY REPORT NO.4

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CONTENTS

EXECUTIVE SUMMARY	3
COMPONENT I.....	4
SUPPORT THE ADF TRANSITION	4
COMPONENT II.....	5
SUPPORT ENTRY OF OTHER FINANCIAL INSTITUTIONS INTO AGRICULTURAL FINANCING	5
COMPONENT III.....	8
MONITORING, EVALUTION	8
AND ADVOCACY	8
CHALLENGES ENCOUNTERED	10
PLANS FOR THE FOLLOWING MONTH.....	10

EXECUTIVE SUMMARY

During October 2015, the Agriculture Credit Enhancement II (ACE-II) program continued its efforts to implement activities in line with the Annual Work Plan. During this reporting period, progress was made in the implementation of activities under Component I and II albeit at a slower pace due to the ACE-II leadership transition.

HIGHLIGHTS OF THE MONTH

Baseline survey: The ACE-II M&E team conducted a baseline survey during the period from October 11-31, 2015. The purpose of the survey was to define benchmarks in order to compare data and measure the extent the ADF loans have helped the farmers and agribusinesses increase their productivity, income, sales, and exports as well as expand their businesses. The baseline survey targeted a representative sample of 351 farmers who received loans for agriculture purposes through intermediaries and 66 supported agribusinesses across the country. Moreover, the M&E team targeted 55 female beneficiaries in Bamyan province to assess their self-efficacy as a result of the intervention.

Updating PAYWAND: DAI/ACE-II hired Zabiullah Sunny, currently an ADF employee as an STTA to update the market and trade data of PAYWAND- an online knowledge management facility. Zabiullah Sunny, and the ACE-II M&E Specialist, Lutfiya Farhodova, also made a presentation on PAYWAND to the Market Information Unit staff at the Statistics Department of the Ministry of Agriculture, Irrigation, and Livestock (MAIL) to raise awareness and foster collaboration with MAIL and to operationalize the system. As a result, extensive discussions were held regarding the system, with special emphasis on the technical capabilities and advantages of the system, as well as MAIL's expectations on the type of information derived from the system for reporting and decision making purposes for both the Minister and other relevant stakeholders.

Supporting the Agriculture Fair (AgFair): The ACE-II program sponsored exhibition booths for ten potential ADF agribusinesses to participate and exhibit their products at the Kabul International AgFair held on October 14-16, 2015 in Badam Bagh Fairground, Kabul. During the event, the ACE-II and ADF teams facilitated Business to Business (B2B) meetings by enabling local entrepreneurs to promote their products and expand linkages with potential clients.

Agriculture Technical Working Group Report: Ms. Greta Greathouse, an accomplished expert in the financial sector, facilitated the Agricultural Credit Technical Working Group (ACTWG) workshop on September 18th, 2015. An STTA report on the workshop outcomes was prepared and submitted to USAID during this reporting period.

COMPONENT I

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.

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 project, the ADF has sufficient capital and is capable of generating enough income to cover operating costs, and be financially sustainable.

INSTITUTIONAL: strengthening policies, procedures, and safeguards with the purpose of streamlining day to day operations and thus 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 project activities in Component I will aim to achieve these three objectives and ultimately independence and sustainability of the ADF.

Due to the transition of ACE-II leadership during this reporting period, progress is ongoing in this component. The ACE-II Chief of Party (COP), Juan Estrada-Valle left the program and Dr. Max Goldensohn arrived at the end of September as acting COP until mid – October, 2015. To fill the gap, the DAI ACE-II home office Project Manager, Julia Powell Grossman, traveled to Kabul at the end of October to serve as Acting COP in order to provide support to the field team and keep the implementation of the program activities moving forward. The new COP, Greta Greathouse will assume her full responsibilities at the end of the first week of November 2015.

COMPONENT II

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.

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.

Following the comments received from USAID on the Grants Manual, the final version of the Grants Manual was submitted to the Contracting Officer at USAID for final approval.

Activities: The ACE-II program sponsored exhibition booths for ten potential ADF agribusinesses to participate and exhibit their products at the Kabul International AgFair held on October 14-16, 2015 in Badam Bagh Fairground, Kabul (see table 1 below for the list of supported agribusinesses). The event was organized and led by MAIL's Private Sector Development Department with the support of USAID and EU funded projects of MAIL. The President of Afghanistan, Ashraf Ghani, inaugurated the event and demonstrated his interest and knowledge of the agricultural sector.



Inauguration of the Kabul International AgFair by H.E. Ashraf Ghani, the President of Afghanistan

Overall, the event fulfilled the following objectives:

- Familiarized stakeholders with domestic agricultural products produced in Afghanistan;
- Familiarized farmers and other value chain actors with programs and projects operating and supporting agricultural sector in Afghanistan;
- Familiarized farmers and other value chain actors with modern technologies used in production and processing of agricultural products;
- Attracted and encouraged investors to invest in the agricultural sector and enhance the domestic production;
- Fostered linkages between value chain actors;
- Enabled value chain actors to generate income from the sale of their agricultural products.

Table 1: List of ADF client agribusinesses who participated in the Kabul International AgFair

No	Exhibitors	Province	Activity
1	Sayed Ahmad Khushakyar and Brothers Ltd.	Kandahar	Agri-Inputs Supplier
2	Natural Cooking Spices (Masala) Production Company	Kandahar	Spices (Masala) Production
3	Dehqan Roz Food Production and DairyComplany	Kabul	Dairy Processing

4	Fine Food Factory	Kabul	Food Processing
5	UddinWardak Wool Washing Company	Kabul	Wool Processing and Supply Business
6	Herat Ice Cream Company	Herat	Dairy Processing
7	Morvarid Food Industry Company	Herat	Dried Fruit Processing and Packaging
8	Ariana Saffron Company	Herat	Saffron Producer
9	Kabul Package Factory	Kabul	Packaging
10	ASPAFA	Kabul	

The ADF technical team also took part in the AgFair introducing ADF's loan products and attracting new clients for its agricultural loans.

During the second day of the event on October 15th, ACE-II in coordination with the ADF, facilitated B2B meetings with the participation of different value chain actors. The participants were split into the following groups:

- Input Suppliers
- Agricultural Producers
- Agricultural Cooperatives

The B2B meetings brought together the entrepreneurs with similar businesses from different provinces to exchange information and experiences, discuss challenges and opportunities, network to connect to service providers, suppliers, advisers and colleagues and thus improve their businesses.



ACE-II/ADF team facilitating Business to Business meetings at Kabul International AgFair

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 the following progress against the planned activities during the month of October 2015.

3.1 Defining the baseline and performance benchmarks.

The data collection for the baseline survey started on October 11st and continued for 16 days to 31st, 2015. Overall, ten enumerators were hired and assigned to conduct interviews with farmers in ACE-II/ADF target provinces. The ACE-II Knowledge Management and Communication Advisor, Ahmad Fahim Safi was responsible for monitoring the field work of interviewers and checking all the questionnaires for accuracy and completeness.



Interviews with the women of Ghulghula Ag & Livestock Cooperative in Bamyan

Prior to data collection, rigorous training was provided to the survey team clearly outlining the goals, methods, and survey questionnaire created by the ACE-II M&E team. Each and every concept and question on the survey was explained in detail to the enumerators.

The purpose of the survey was to define benchmarks in order to compare the data and measure the changes of how effective ADF loans were in terms of farmers' and agribusinesses' productivity, income, sales, exports and expansion of business activities. The survey team targeted a representative sample of 351 farmers who received loans for agricultural purposes through Bamyan Cooperatives, Islamic Investment and Finance Cooperatives Group, Aziz Farid Cotton Processing Company, and Motmaheen Samangan Agricultural and Livestock Cooperative in Bamyan, Balkh, Jawzjan, and Samangan provinces, respectively. In addition, individual interviews were held with 66 agribusiness/ADF clients across the country. For the gender related indicator on the percentage of females who report increased self-efficacy in the conclusion of USG supported training/programming, the ACE-II M&E team will use a

pre-post assessment method to determine the change in females self-efficacy as a result of the interventions. Accordingly, the ACE-II M&E team traveled to Bamyan and conducted interviews with 55 female beneficiaries of Gulghula Agriculture and Livestock Cooperative. Given, the large number of female beneficiaries in Herat, the M&E team intends to travel to Herat province to interview women from a Safran Cooperative in November. The data collected from the field will be processed and analyzed during November.

The data was collected for the following ACE-II performance indicators:

#	ACE-II PERFORMANCE INDICATORS	Baseline
3.2	Percentage change in sales of agribusinesses supported through ADF loans	TBD
3.3	*Value of exports of targeted agriculture commodities as a result of USG assistance (F- 4.5.2-36)	TBD
3.4	Percentage change in farm productivity of enterprises supported by the ADF*	TBD
Cross Cutting	* Percentage of females who report increased self-efficacy at the conclusion of USG supported training/programming (F-GNDR 2)	TBD

3.2 Establish and lead the Agricultural Credit Technical Working Group (ACTWG)

ACE-II and the ADF technical team facilitated the establishment of the Technical Working Group during the previous month. ACE- II will collaborate with the Working Group to identify and to prioritize relevant issues that could be resolved that block access to agricultural credit. . ACE-II, along with the ADF team, leads the process and ensures that the group meets on a quarterly basis. Both ACE-II and the ADF teams introduce and facilitate the discussions among the participants. Following the first ACTWG meeting held on September 18th, the ACE-II technical team distributed the meeting notes and the group summaries and presentations to all participants. The second ATWG meeting will take place in December 2015, when it will receive recommendations of selected issues that the ACTWG will work to resolve. Those recommendations will be made by the ACTWG Assessment/Solutions Committee formed following the September ACTWG meeting and based on the findings of the three break out groups focused on collateral issues, financial institution constraints and credit products and structures respectively.

3.2. Developing and strengthening decision making tools.

In October, the ACE-II program hired Zabiullah Sunny who is an ADF employee, as a STTA to update the market and trade data of PAYWAND- an online knowledge management facility. The system has not been updated since February 2014. Using various online information sources, the STTA consolidates, sorts and analyzes raw trade and market data on several countries including Afghanistan, Pakistan, India, and Holland for more than 120 commodities. About 40% of the work has now been completed, and it is anticipated that all the data will be collected by the third week of

November 2015. Zabiullah Sunny, jointly with the ACE-II M&E Specialist, also made a presentation on PAYWAND to the Market Information Unit staff at the Statistics Department of MAIL to raise awareness and foster collaboration with the Minister of MAIL on how to operationalize the system. As a result, extensive discussions were held regarding the system, with special emphasis on the technical capabilities and advantages of the system, as well as the MAIL's expectations on the type of information derived from the system. The availability of market and production information that can be used for reporting and decision making purposes for both the Minister and other relevant stakeholders is particularly valuable to MAIL..

CHALLENGES ENCOUNTERED

Due to security, the survey team was not able to visit farmers and agribusiness representatives in Kudzus and Faryab provinces.

PLANS FOR THE FOLLOWING MONTH

- Mobilizing the new COP, Greta Greathouse, to Afghanistan
- Approval for the DCOP candidate
- Processing and analyzing baseline data on ACE-II performance indicators
- Uploading M&E data in AfghanInfo
- Updating PAWYAND
- Begin credit operations review of ADF
- Finalization of MOU between MAIL and USAID on ACE II support of ADF
- Finalizing the MoU in consultation with MAIL colleagues regarding PAYWAND
- Planning the second Agriculture Technical Working Group meeting
- Supporting ADF clients at the Kandahar Economic Exhibition and Conference, November 17-19
- Preparation or ADF High Council meeting and training
- Preparation for MOU signing event