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AGRICULTURAL CREDIT ENHANCEMENT II (ACE-II) PROGRAM

QUARTERLY REPORT NO. 3

OCTOBER-DECEMBER, 2015



Inauguration of the Kabul International AgFair by H.E. Ashraf Ghani, the President of Afghanistan, October 14th, 2015

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LIST OF ACRONYMS

ACE-II	Agricultural Credit Enhancement–II
ACTWG	Agriculture Credit Technical Working Group
ADF	Agricultural Development Fund
APS	Annual Program Statement
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
RC	Regional Command
RFA	Request for Application
STTA	Short -Term Technical Advisor
USAID	United States Agency for International Development

I. EXECUTIVE SUMMARY

This quarterly report covers the period from October to December, 2015, which corresponds to the fourth quarter of the fiscal year and third reporting quarter of the USAID/ Agriculture Credit Enhancement II (ACE-II) program. The program has made significant progress against the annual work plan activities and the targets. The notable achievements of this quarter include the following:

Completed the review of ADF management performance:

Mr. Robert Dressen, a short-term consultant for ACE-II, conducted capacity assessment of ADF executive team to measure their performance and to define the areas of capacity which need improvement. As a result of the comprehensive review specific recommendations were made on the areas to be strengthened and improved.

Completed the review of strategic and business plan of ADF

The ADF Five Year Strategic Plan and Business Plan were drafted with joint efforts of Mr. Robert Dressen, ACE-II DCOP Grants Norris and support of ADF technical team. The first draft of the updated plan will be discussed, agreed and finalized with the ADF management prior to presentation to the ADF High Council in a meeting to be held in January 2016.

Completed the assessment of ADF operations Ms. Michele Breton, a short-term consultant, completed the review of various ADF's operational areas including business development (lending), credit and risk management, finance, operations and administration as well as internal auditing. Specifically, the consultant looked at the organizational structure, staffing, management, operational performance, policies and procedures, systems and MIS of ADF. The findings and recommendations on the review will be documented and a STTA final report will be submitted in January, 2016.

ACHIEVEMENTS

OCTOBER –DECEMBER, 2015

- COMPLETED REVIEW OF ADF MANAGEMENT PERFORMANCE
- COMPLETED THE REVIEW OF ADF STRATEGIC AND BUSINESS PLAN
- COMPLETED THE ASSESSMENT OF ADF OPERATIONS, POLICIES AND PROCEDURES
- APPROVAL OF GRANTS MANUAL
- DRAFTED ANNUAL PROGRAM STATEMENT (APS) AND REQUEST FOR APPLICATIONS
- SUPPORTED AGRICULTURE FAIR IN KABUL
- SUPPORTED ECONOMIC CONFERENCE IN KANDAHAR PROVINCE
- FACILITATED "SOLUTION COMMITTEE" MEETINGS
- DRAFTED ANNUAL PROGRAM STATEMENT AND REQUEST FOR APPLICATIONS
- COMPLETED BASELINE SURVEY
- COMPLETED DATA QUALITY ASSESSMENT
- UPDATED MARKET AND TRADE DATA IN PAYWAND
- ONBOARDING NEW CHIEF OF PARTY AND DCOP /GRANTS MANAGER

Approval of Grants Manual: After receiving comments from USAID on the draft ACE-II Innovation Grants Manual, the final version of the Manual was submitted and approved during this reporting period by the Contracting Officer at USAID.

Annual Program Statement (APS): Following approval of the Innovation Grants Manual, ACE-II prepared its APS (Annual Program Statement) which includes clear evaluation criteria and the methodology to be followed for awarding grants. A final version was submitted to the USAID for review and approval along with the Request for Applications (RFA). Once approved, the RFA will be published in print and on line media to launch the grants program. An ACE-II website will be developed for a variety of project uses, including posting this initiative as well as other subsequent APSs.

Supported the Agriculture Fair (AgFair): The ACE-II program sponsored booths for ten potential ADF agribusinesses to participate and to exhibit products in Kabul International Ag-Fair held on October 14 -16, 2015, in Badam Bagh Fairground, Kabul city. In addition, the ACE-II/ADF teams facilitated business to business meeting enabling local entrepreneurs to promote their products and expand linkages with the new potential clients during the event.

Supported Economic Conference in Kandahar: The ACE-II program sponsored exhibition booths for three potential ADF agribusinesses to participate in the Kandahar Economic Conference and Exhibition, led by the Afghan People Union (APU) in coordination with the Afghanistan Investment Support Agency (AISA), hold on November 17-19 in Kandahar province of Afghanistan. As part of its awareness campaign, ADF made a presentation of its loan products to more than 60 value chain actors during the event.

“Solution Committee” Meetings: In preparation for the next Agriculture Technical Working Group workshop (ACTWG), ACE-II hosted two “Solution Committee” meetings during this reporting period. The representatives from five financial institutions including Afghan Rural Finance Company (ARFC), Afghanistan Bank Association (ABA), First Micro Finance Bank (FMFB), Afghanistan Microfinance Association (AMA), Islamic Investment and Finance Cooperatives Group (IIFC) attended the meetings. During the first meeting the group reviewed the key agriculture credit constraints identified by the break–out groups during September ACTWG workshop and prioritized three major constraints to be proposed to the ACTWG for solution. At the second meeting the group discussed and finalized the agenda for the next ACTWG workshop which will be held in January 2016.

Baseline survey: The M&E unit team completed the data collection and analysis of baseline data on ACE-II performance indicators. 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 488 beneficiary famers (351 male and 115 female) who received loans for agricultural 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. In addition, individual interviews were held with 66 agribusiness/ADF clients across the country during the reporting period.

Updated PAYWAND: The task of updating the market and trade data of PAYWAND-an online knowledge management facility of MAIL had been completed. Using various online information sources, the local STTA downloaded the data from four international websites (Ag Mark Net, AMIS, Fruit-Inform, and USDA), consolidated, sorted and uploaded the trade and market data on several countries including Afghanistan, Pakistan, India, and Holland for about 120 commodities into the system.

ACE-II is looking at more effective ways of making the system functional and sustainable in the long run. One of such potential opportunities is partnership with other USAID programs embedded at MAIL.

Data Quality Assessment (DQA): Per USAID/Afghanistan's request, USAID Contractor/SUPPORT-II project conducted DQA on ACE-II performance indicators on December 7th, 2015. Five key data quality standards were used to examine the data quality issues with rigor including validity, reliability, precision, integrity and timeliness.

Onboarding new Chief of Party and DCOP/Grants Manager: The new Chief of Party, Greta Greathouse mobilized and arrived in Afghanistan on November 8th, 2015 and the DCOP/Grants Manager arrived on December 10th, 2015. Both immediately assumed their full responsibilities.

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.

I. 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.

Participation in ADF's Strategic Planning Session

The ACE-II technical team participated in the ADF Strategic Planning Session held on December 12-13, 2015 with the participation of both national and provincial ADF staff.



Figure 1. ACE II COP, Greta addresses the ADF Strategic Planning session on ACE II's collaborative role in supporting the ADF.



Figure 2. DAI Senior Financial Advisor Robert Dressen highlight the political, economic and other changes that influence ADF's Strategic and Business Plan.

The purpose of ADF's two day Strategic Planning session was to discuss ADF's progress along with the issues and challenges encountered. Priorities and targets for the next five years of ADF's operation will, of necessity, be influenced by the environment in which it works. Given significant changes in that environment during recent years, the strategic review provided an opportunity for the entire team to discuss and to evaluate how the institution adapts to its changed environment.

The ACE-II COP, Greta Greathouse, made a presentation on the ACE-II program goal and objectives. To encourage collaboration between the two groups, she facilitated a break out group session where the ADF staff reviewed the list of constraints to agriculture credit from the September Agriculture Technical Working Group (AGTWG) workshop. The ADF members added and prioritized the existing lists, with the results to be included in the presentations at the next meeting of that group.

As a team building exercise, she also led a session to develop a shared "vision of success" for the ADF, assisting them to identify their unique qualities and achievements of that could create a motivating "vision" that will continue to inspire them. The results from the interactive session will be presented to the ADF team in early January, 2016.



Figure 3. (Left) Agricultural Constraints

Figure 4. (Right) Vision of Success

Interactive participation characterized the “Agricultural Constraints” break-out groups and “Vision of Success” exercises at the ADF Strategic Planning Session 2016.

Photo Credit: ACE II

STTA Support to ADF Performance Review and Operational Assessment

Two STTAs, Michel Breton and Robert Dressen arrived in Afghanistan to conduct the review of performance of ADF executive team and the assessment of ADF operations. Ms. Breton’s review covers various ADF’s operational areas including business development (lending), credit and risk management, finance, operations and administration, and internal auditing. A part of Robert Dressen’s tasks include reviewing the performance of the ADF staff, particularly the executive team and the heads of departments. The STTAs have separate responsibilities but will collaborate on some parts of the ADF review to address activities 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, and 1.7 of the Annual Work Plan outlined below:

1.1. Reviewing the Structure and Performance of ADF Staff

The process of review was focused on four areas including the assessment of the ADF executive management capacity, revision of the Five Year Strategic Plan, ADF governance and the institutional capacity building. During the comprehensive review a self – assessment approach, individual meetings, documents review and observations were applied by the STTA.

Assessment of ADF management capacity: The ADF executive directors prepared self-assessment of their capacity areas to identify areas that need improvement. The assessment revealed that Directors need to think more like executives and leaders; they need to better understand the ADF Five Year Strategy and to participate in developing the new Five Year Plan of ADF.

ADF Governance: It is important that ADF/ACE-II continues building and strengthening collaboration and partnership with MAIL’s new leadership. Given the change in MAIL leadership personnel, new efforts to strengthen this key relationship are needed. Additionally, the governance structure of the High Council and its Committees needs to be reinforced.

ACE-II has been attempting to organize the High Council meeting since September 2015. However, due the Minister of MAIL absence on international visits and other priorities the meeting was postponed to January 2016. The tentative new date for the High Council meeting set is January 17-18, 2016. Both the technical and operational

teams of ACE –II have started preparation for the High Council meeting. Mr. Robert Dressen, supported by the COP and DCOP of ACE II, drafted discussion notes, presentations and other materials to be presented and discussed during the upcoming High Council meeting.

ADF Institutional Capacity Building: As the ADF is now an independent development finance institution; it is of critical importance that its operations support the sustainability of the organization. Although the institution has transitioned from being a project activity to being independent, its structure and the capacity of its staff also need to evolve from its project origins, both on the management and technical aspects of the organization’s work. The executive team must be able to manage and direct all aspects of its operations, with appropriate communications, decision making, planning and leadership evident. On the technical side, they must have the capacity to build a new client base of financial institutions, to improve portfolio management and to develop new products, all while maintaining the “development” aspect of being a development finance institution. Such a transition is challenging but essential to the institution’s ability to thrive.

Mr. Dressen reviewed ADF’s monthly and quarterly reporting packages for ADF management and the High Council and provided recommendations for improvements. Some of his recommendations were related to loan quality, collection processes, asset classification and loan loss provisions, new products, guarantees and loan syndications.

The recommendations were discussed with the ACE-II/ADF management to consider further actions and activities for strengthening ADF as a standalone financial institution.

1.2. Building Capacity of Afghan Staff to Assume Full Management of the ADF

Following the review of ADF performance, Mr. Robert Dressen conducted initial coaching session with each ADF department Director on strategic vision and ADF Five Year Strategy. In addition, he facilitated the team building exercises with the executive team to bind the team, so that they begin having a sense of team, to align them to their shared purpose, goals and targets and to establish the role of the leader team.

1.3. Assessment of ADF Operations.

Ms. Michele Breton completed the review of various ADF’s operational areas including business development (lending), credit and risk management, finance, operations and administration, and internal auditing. Specifically, the consultant looked at the organizational structure, staffing, management, operational performance, policies and procedures, systems and MIS of ADF. In this process she focused on management structure and processes, job descriptions, and policies and procedures to identify areas needing attention. Her final report will include clear recommendations for areas needing attention. The consultant will submit a detailed report on the results and recommendations for improvement in January 2016.

1.4 Review of ADF policies and procedures

The operations assessment of Ms. Breton included a review of existing policies and procedures, a review for adequacy as well as for assessing the actual operations' conformity with those policies and procedures. A mapping exercise is being undertaken by ADF to identify the source of existing policies and procedures in each department, as well as the approval status of those policies and procedures. Where needed, existing policies and procedures will be augmented and or formalized, and then approved by the relevant authority. The preparation of any new policies and procedures and manuals will be undertaken internally to reinforce the capacity of the ADF team and to assure that the procedures are adapted to the operational necessities of the ADF.

1.5 New Member Orientation for Members of the ADF High Council

Orientation presentations have been developed and will be provided to High Council members during the Dubai meeting in January 2016.

1.6 Review of Strategic and Business Plan

The current Five Year Strategic Plan is outdated due to deterioration in the economy and the security situation in Afghanistan, following the reduction in force of NATO and the USA forces in Afghanistan. Both of these issues have a directly impact the demand for agricultural credit and the reimbursement of those credits.

To revise the Five Year Strategic and Business Plan of the ADF, Mr. Robert Dressen gathered information through discussions with the relevant ADF staff, statistical review, and financial analysis. Supported by the ACE-II DCOP, he prepared financial projections and supported the ADF's Director of Finance with the preparation of the five year financial projections. The first draft of the updated plan was completed and will be discussed, agreed and finalized with the ADF management prior to presentation to the ADF High Council.

Some of the key recommendations made in the ADF Strategic and Business Plan include:

- Updated assumptions to reflect current economic and security conditions;
- Adjustment of targets for loan volumes and number of borrowers to be made based on those revised assumptions;
- Revised estimates of funding needs based on adjusted assumptions and revised targets;
- Capital plan to be developed based on revised funding needs estimate.
- Products offered, credit analytics and collections approaches to be modified based on lessons learned and current conditions.

1.7 Capital Campaign

An initial presentation of a Discussion Note on the Capital Campaign will be presented at ADF High Council Meeting to be held in January 2016. The Discussion Note will reflect the latest estimates of funding requirements contained in the revised Five Year

Strategic and Business Plan of ADF. It will also briefly outline a long-term campaign to begin to familiarize potential donors with the ADF and its needs. ACE-II will be collaborating with the DAI Senior Financial Advisor, Robert Dressen in the preparation of this and other Discussion notes for that meeting.

I. 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.

2.1. Assist the ADF to recruit financial institutions

As part of its efforts to recruit financial institutions, ACE- II works with the ADF to arrange individual and group meetings with a variety of financial institutions.

- On December 14, ACE- II and ADF hosted a meeting with several executives from the Operations, Treasury, Finance and Delivery Channels departments of AZIZI Bank to explore their interesting in developing business in the agricultural sector. Azizi's potential is of interest to ACE- II and ADF because of the size of their branch network, which is now the largest in Afghanistan. Although the focus of the Azizi executives visiting was not on credit, some areas of mutual interest were identified for a follow up meeting that will

include the senior executives responsible for credit and lending. The bank's experience in India with the use of debit cards for loan disbursements, subsequent purchases for inputs, and repayments is of interest, although the disparity in connectivity, financial literacy and availability of points of service between Afghanistan and India limit its applicability right now for much of Afghanistan.

- A follow up meeting was held between ACE-II and MISFA on December 30 to discuss ways in which the two institutions can collaborate. Since MISFA itself is often the sole lender to MFIs in Afghanistan, it will benefit from ADF's role as an intermediary in providing loan capital for use for agriculture credit to some of MISFA's clients. Research on impact of access to credit is also another area of collaboration.

2.2. Finalize the ACE-II innovation Grants Manual

After receiving comments from USAID on the draft ACE-II Innovation Grants Manual a final version was submitted and approved by the USAID Contracting Officer. The Manual provides specific implementation guidance to award grants (estimated at no more than \$2.5 million) on a 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 approval of the Innovation Grants Manual, ACE -II prepared its APS (Annual Program Statement) which includes clear evaluation criteria and the methodology to be followed for awarding grants. A final version was submitted to the USAID for review and approval along with the Request for Applications (RFA). Once approved, the RFA will be published in print and on line media to launch the grants program. An ACE-II website will be developed for a variety of project uses, including posting this and other subsequent APSs.

2.3. Revise the ADF Challenge Grants Manual

On December 21, 2015 the COP and DCOP held an informal meeting with ADF's Technical Services Director to discuss various aspects around future use of ADF grant funds and the role of the Technical Services Unit in supporting ADF lending activities. Revisions to the ADF Challenge Grants Manual will depend upon the funds allocated to Grants and on the revised ADF Strategic and Business plan.

2.5. Design and Launch Innovative Financial Products

ACE-II is beginning to explore the application of digital financial services and technology to tackle the problems that increase the operating costs of agricultural credit in Afghanistan. Technology has clearly shown that it can reduce the costs and improve the productivity of agriculture credit processes in a number of emerging markets. Although Afghanistan's connectivity, financial literacy rates, and availability of points of service are insufficiently developed, an initial exploration is underway to see how technology could reshape the use of non-financial intermediaries to make, disburse and collect loans. The goal would be to improve the results of using such intermediaries, while reducing their costs of operation.

2.6. Establish and Maintain Relationships with Bank and Non-Bank Financial Institutions

Through its ongoing work to develop the Agricultural Credit Technical Working Group (ACTWG) and other initiatives that are planned, ACE-II continues to establish and to maintain relationships with a variety of financial institutions. Through judicious use of project resources to support research that will feed knowledge sharing activities and other initiatives, ACE II will develop relationships that will nurture the growing interest in agriculture credit and develop collaborative approaches to solving the constraints to agriculture credit. Encouraging financial institution participation in the Solutions Committee of the ACTWG will help to develop the collaborative approach of the ACTWG.

2.7. Support linkages between value chain actors through participation in public events

Kabul International Ag-Fair

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

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 agriculture sector in Afghanistan,
- Familiarized the farmers and other value chain actors with modern technology used in production and processing of agriculture products,
- Attracted and encouraged investors to invest in the agriculture sector and enhance the domestic production,
- Fostered linkage between value chain actors,
- Enabled value chain actors to generate income from the sale of their agricultural products.

Table 1: List of agribusinesses 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 Dairy Company	Kabul	Dairy Processing

4	Fine Food Factory	Kabul	Food Processing
5	Uddin Wardak 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 enthusiastically 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, the ACE-II in coordination with the ADF facilitated Business to Business (B2B) meetings with the participation of different value chain actors. The participants were divided 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 the challenges and opportunities, network to connect to service providers, suppliers, advisers and colleagues and thus prosper their businesses.



*Figure 5. (Left)
Business to Business
meeting facilitated the
ADF team*

*Figure 6. (Right)
Exchanging business
knowledge among
different value chain
actors*



Kandahar Economic Conference and Exhibition:

Kandahar Economic Conference and Exhibition, convened on November 17-19, 2015 in Kandahar province of Afghanistan. The event was organized by the Afghan People Union (APU) in coordination with the Afghanistan Investment Support Agency (AISA). To foster linkages with value chain actors and expand market opportunities for the agriculture products the ACE-II program sponsored exhibition booths for three potential ADF agribusinesses to participate and exhibit their products at the event. See Table 2 for the list of supported agribusinesses.

Table 2. List agribusinesses attended the Kandahar Economic Conference

No	Exhibitors	Province	Activity
1	Sayed Ahmad Khushakyar and Brothers Ltd	Kandahar	Agri-Inputs Supplier
2	Rahmat Nazar Ltd	Kandahar	Dried Fruits
3	Kamil Farid Group	Kandahar	Cotton Processing

The event was inaugurated by the Governor of Kandahar province, Dr. Homayoon Azizi, and the Deputy Governor of Kandahar province Mr. Shamsullah Shamsi, the consular of Pakistan, India and Iran.



Figure 7. Inauguration of Economic Conference and Exhibition by Governor of Kandahar province, Dr. Homayoon Azizi, November 17, 2015



Figure8. Farmers visiting ADF booth at the Economic Conference and Exhibition in Kandahar province, November 17, 2015

High-level delegations, members of farmer unions as well as the heads of national agricultural development organizations and other value chain actors took part in this significant gathering. About 150 booths were provided to various agriculture value chain actors to demonstrate and sell their products during the exhibition.

Capitalizing on the presence of the diverse organizations present, ADF organized a workshop during the Conference for 60 participants. ADF staff members introduced the ADF and its loan products during the workshop.

II. 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 during this reporting period.

3.1. Defining the baseline and performance benchmarks

The M&E team completed the data collection and analysis of baseline data on ACE-II performance indicators during this reporting period. 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 data collection for the baseline survey started on October 11 and continued for 16 days to October 31, 2015. The ACE-II M&E team designed the baseline survey methodology including the field data collection plan, survey instrument, and sample size. ACE-II hired and assigned ten enumerators 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. 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 baseline survey targeted 466 beneficiary farmers (351 male and 115 female) and 66 agribusinesses supported through ADF loans in 12 provinces of Afghanistan including Bamyan, Balkh, Herat, Jazsjan, Faryab Sari Pul, Samangan, Kunuz, Takhar, Kandahar, Jalalabad and Kabul. The results of the baseline survey are indicated in Annex I, Table 1. ACE-II Performance Indicator Data.



Figure 9: Interviews with the women of Ghulghula Ag & Livestock Cooperative in Bamyan



Figure 10: Visited female workers of "Marvorid" Company in Herat (dry fruit processing)

The M&E team continues collecting the data on ADF clients for the ACE-II performance indicators as well as documents the significant successes as a result of ADF loans. Over this reporting period, both the ACE-II/ADF team traveled to target provinces and collected

data on income, sales and jobs created from supported agribusiness. Given the heavy workload in the field and limited M&E human resources at ACE-II, a short –term data field data collector was hired to assist the ACE-II team with the survey of ADF supported agribusinesses in Balkh province.

ACE-II will be hiring field collectors for a durational temporary assignment to ensure most time- and cost-effective way to collect data from the field as needed. See below photos of some agribusinesses interviewed during the monitoring visits by the ACE-II M&E team.



Figure 11: Shayaan Food Production Company in Herat province



Figure 12: Sultan Dawood Company in Kandahar province (wheat processing)



Figure 13: Umolbulad Cotton Gen and Rress Company in Balkh province



Figure 14: Ice-Cream Production Company in Herat province

3.2. Establish and lead the Agricultural Credit Technical Working group

In preparation for the next ACTWG meeting, January 11, 2016, ACE-II hosted two meetings of the Solution Committee. The first Solution Committee meeting was convened on November 30th, 2015. The representatives from five financial institutions including Afghan Rural Finance Company (ARFC), Afghanistan Bank Association (ABA), Fist Micro Finance Bank (FMFB), Afghanistan Microfinance Association (AMA), Islamic Investment and Finance Cooperates Group (IIFC) attended the meeting.

In the first meeting the members of the committee prioritized the following three key agriculture credit constraints from the list identified by the ACTWG during September meeting.

Recommendations/Constraints to be proposed for solution:

1. DAB regulation: Lack of distinction between commercial and agricultural lending result in several problems that limit access to agricultural credit and restrict bank's willingness to provide it. Pro-agriculture credit policies in regulation would encourage expansion of agriculture credit.
2. Improved public awareness of the need for and benefits of expanded access to agricultural credit could build public support for the needed changes and serve to build interest among possible agriculture credit providers.
3. Improved coordination among financial institutions on agricultural credit would increase interest in agricultural lending, support collaborative efforts to improve access and reduce barriers to entry

These constraints will be proposed to ACTWG for further discussion and resolution in the next meeting to be held on January 10th, 2015.

The second meeting was held on December 22 to finalize the agenda and other details of the meeting. The group agreed on the following:

- A regular feature of the meetings will be a brief presentation from ADF on "Business Opportunities in Afghanistan Agriculture", which will provide useful information about promising value chains and their participants for the financial institutions.
- The AMA Director, Mr. Najib Samim will introduce the Solution Committee's work and recommendations and someone from ADF with a banking background will present #1. Three break-out groups will then be formed, with one of the recommendations assigned to each for discussion. Each group will be tasked with developing a list of next steps for tackling the obstacle and will present the plan back to the plenary session.



Figure 15.

Solutions Committee members developing the agenda for the January meeting of the Agricultural Credit Technical Working Group, December 22, 2015



Figure 16.

Solutions Committee members developing the agenda for the January meeting of the Agricultural Credit Technical Working Group, December 22, 2015

3.3. Developing and strengthening decision making tools

The task of updating the market and trade data of PAYWAND-an online knowledge management facility of MAIL had been completed. Using various online information sources, the STTA downloaded the data from four international websites (Ag Mark Net, AMIS, Fruit-Inform, and USDA), consolidated, sorted and uploaded the trade and market data on several countries including Afghanistan, Pakistan, India, and Holland for about 120 commodities into the system. With the data base updated, the remaining challenge for PAYWAND is to identify an effective way to assure that it is maintained in a sustainable way within MAIL. Therefore, in consultation with USAID, it was agreed to attempt involve other USAID funded projects embedded at MAIL to support and to ensure effective operation and usage of PAYWAND within MAIL. Accordingly, the ACE-II Chief of Party, Ms. Greta Greathouse will discuss the collaboration and joint opportunities with the USAID relevant partners in USAID partners meeting which was supposed to occur in December 2015. However, due to security concerns the meeting was postponed until the second week of January 2016.

3.4. Research Activities to Guide and Document Impact

Key research topics that have been identified for immediate attention include:

1. ACE-II will commission research studies to measure and document the impact of agriculture credit at the households and community levels. This will include its own research on ADF direct beneficiaries and will expand to incorporate impacts on the clients of ADF's financial intermediaries. The study will also capture the demand for credit, factors in making the agriculture credit attractive and reasons for not taking credit. The development of this data will serve to support ADF's role as a development finance organization and provide data to support capital raising efforts with other donors. It will also support efforts to raise awareness about the positive impact of access to credit, which can help to encourage an active government role working to reduce barriers to credit. In addition, it would support the USG agricultural strategy for Afghanistan that focuses on increasing agricultural sector jobs and income (by raising productivity, regenerating agribusiness and rehabilitating key watersheds and irrigation systems) and strengthening the capacity of MAIL to more effectively deliver services at national and sub-national levels.
2. ACE- II will work with ADF to study its portfolio results to date, identifying on a case by case basis the causes of delinquent/classified loans. Such analysis will help the ADF to adjust its business strategy, credit policies, credit analytics and collection processes based on the lessons learned from it.

Both of these research topics will provide useful information for knowledge sharing with the financial service sector, based on data derived from ADF's experiences as well as the stories from the field.

As part of this initiative ACE-II hired a female intern to provide information and data to support ACE-II Agriculture Credit Awareness Campaign and to provide data to support

ADF’s business planning. Through the literature review of secondary sources she will also contribute substantial input in defining the research gaps on Agriculture and Rural Finance in Afghanistan that will enable ACE-II to involve research institutions to analyze and document the impact.

3.5. Data Quality Assessment (DQA)

A DQA is required at least once every three years for any indicators reported externally (i.e., those data reported to an external stakeholder) indicators included in the Mission’s annual Performance Plan and Report (PPR) per ADS 203. Per USAID/Afghanistan’s request, USAID Contractor/SUPPORT-II project conducted DQA on ACE-II performance indicators listed below (see Table 1) on December 7th, 2015.

The ACE-II COP and M&E team were interviewed by John D. O’Connell, DQA Specialist during the assessment. The DQA was conducted based on the following five key data quality standards including validity, reliability, precision, integrity and timeliness. The data quality assessment revealed that the indicators track the results they are intended to measure. The data is being collected and reported on time. The data collection methods, analysis, storing, reporting and responsibilities are clearly defined and documented in the Performance Indicator Reference Sheets (PIRS) as well as Data Collection Protocol and Guideline. The M&E staff verifies data for accuracy and stores the hard and soft copies in the folders and M&E Database which is password protected.

Table 1: Recent Data Quality Assessment Indicator list

#	Indicator	Status
1.1.	Value of Agriculture and Rural Loans	Completed , December 7th, 2015
2.1.	Number of MSMEs, including farmers, receiving USG assistance to access bank loans	Completed , December 7th, 2015
2.4.	Number of innovative lending products and approaches established by the ADF and financial intermediaries	Completed , December 7th, 2015

III. CHALLENGES ENCOUNTERED

- Arrangement of the high Council meeting. The High Council meeting has been postponed due to the MAIL leadership absence in the country on international visits.
- The security concerns during this reporting period resulted in delay of several meetings with the USAID partners, including the meeting on M&E of OAG Gender projects.

IV. PROGRAM MANAGEMENT AND OPERATIONS

Personnel:

Onboarding of ACE-II leadership is completed. The new ACE-II Chief of Party (COP), Greta Greathouse was approved by USAID, mobilized and arrived in the Afghanistan on November 8th, 2015. She immediately assumed her full responsibilities.

DAI identified a candidate for the DCOP/Grants Manager position. The DCOP/Grants Manager, Grant Norris was approved by USAID and arrived in Afghanistan on December 10th, 2015 to commence duties.

Two STTAs, Michel Breton and Robert Dressen arrived in Afghanistan during this reporting period to conduct the review of ADF executive team and the assessment of ADF operations.

Logistical and procurement support:

The ACE-II Operations team successfully provided logistical, administrative and financial management support to the program to achieve its targets during the reporting period. The majority of the programs' local employees were recruited during the first month of the project in July, 2015. However, a few changes on staff occurred over this reporting period. Mohammad Amin Frotan, Admin & Logistics Manager resigned and Baryali Safi was hired as permanent replacement. In addition, short-term enumerators and an intern were hired to support M&E team with data collection and review of secondary data sources related to agricultural credit. See table below for details.

Table 3. List of new and short –term staff

No	Name	Position	Recruitment date	End Date of the Contract	Remark
1	Baryali Safi	Sr.Admin & Logistics Officer	9-Nov-15	8-Nov-16	CCN
2	Qais Ekrami	Enumerator	16-Dec-15	21-Dec-15	CCN
3	M.Asif	Armored Driver	24-Nov-15	23-Dec-15	CCN
4	Khushal Ali	Enumerator/Data Entry	19-Oct-15	2-Nov-15	CCN
5	Zamzama Rahmani	Research Assistant - Intern	15-Dec-15	14-Mar-15	CCN
Terminated Employee					
1	Sardar Wali	Armored Driver	23-Aug-15	Terminated 12/17/2015	CCN
Resigned					
1	Mohammad Amin Frotan	Admin & Logistics Manager	5-Jul-15	11-Nov-15	CCN

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

N.	Names	Position	Arrival Date	Departure date	Citizenship
1	Greta Greathouse	Chief of Party	7-Nov-15		American
2	Robert Dressen	STTA	26-Nov-15	19-Dec-15	American
3	Grant Norris	DCOP/Grants Manager	10-Nov-15		South African
4	Michele Breton	STTA	21-Nov-15	03-Jan-2016	Canadian

V. NEXT QUARTER PLANS

- Second meeting of Agriculture Technical Working Group meeting (Jan 11)
- Discussion of the ADF operations assessment results with the ADF leadership team
- Submission of STTA Report on ADF Operational Assessment by Michele Breton
- Arrange and facilitate the High Council Meeting (Jan 17-18)
- Prepare and finalize Five Year Strategic and Business Plan for the High Council
- Finalize Discussion Notes for the High Council
- Deliver High Council Member orientation sessions (Jan 17-18)
- Preparations for MOU signing ceremony USAID/MAIL (TBD)
- Meeting for Development Credit Authority (DCA) guarantee holding institutions to encourage use of guarantees to support agriculture credit (TBD).
- Establish a Grants Evaluation Committee for the purpose of technical review and evaluation of all applications received for the ACE II Innovation Growth Fund.
- Commence with the solicitation and award of grants under the ACE- II Innovation Grant Fund.
- Review and where necessary modify the ADF Challenge Grants Manual to ensure selection and award procedures are updated to ensure efficiency and transparency.
- Continue in its efforts to establish and maintain relationships with Bank and Non-Bank Financial institutions to borrow and intermediate ADF funds.
- Engage with and solicit support from other organizations with an interest in developing agricultural finance in the country.

- Publish in select print and electronic media the Request for Applications for the ACE -II Innovation Growth Fund (following anticipated approval from USAID)
- Develop and launch an ACE II website which will initially provide a portal for accessing information on the ACE II Innovation Growth Fund
- Collect, analyze and consolidate data on ACE-II performance indicators
- Develop Request for Proposal (RFP) for identified research priorities
- Review the research proposals and identify the potential Consulting Firm to administer the research
- Complete the research and provide the final report
- Define ways of making PAYWAND functional and useful

ANNEX I

PROGRESS ON ACE-II PERFORMANCE INDICATORS

The table below describes ACE-II's achievements against contractual targets from October 01, 2015 to December 31, 2015.

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

Indicator Name and Number	Baseline (data collected)	Q2 FY 2015	Q 3 FY 2015 (total for this quarter only)*	Targets for FY16	LOP Targets
		Actual Net	Actual Net	Target Net	Target
1.1 Value of Agriculture and Rural Loans (F- 4.5.2-29)	\$60,673,219 (disbursed)	\$5,597,915 (disbursed)	\$2,905,012 (disbursed)	\$15,000,000	\$50,000,000
Male	\$59,365,676	\$5,201,090	\$2,905,012		
Female	\$1,357,543	\$396,825	0		
1.2 Percentage of loan losses in the ADF portfolio	3.59%	0	0	<5%	<5%
2.1 Number of MSMEs, including farmers, receiving USG assistance to access bank loans ("F" 4.5.2 -30).	31,013	1,169	7	20,000	75,000
MSMEs	52	2	7		
Male	50	2	7		
Female	2	0	0		
Farmers	30,961	1,167	0		
Male	30,184	1,156	0		
Female	777	11	0		
2.2 Value of Challenge and Innovation Grants approved and disbursed	\$937,358	0	0	\$2,000,000	\$12,500,000
Male		0	0		

Female		0	0		
2.3 Number of financial institutions providing or ramping up agricultural financial services through the support of ACE-II.	116	2	0	2	5
2.4 Number of innovative lending products and approaches established by the ADF and financial intermediaries	10	0	0	1	3
3.1 Number of jobs attributed to USG program implementation (F- 4.5-2)	4,016	86	92	2,000	15,000
Male	2,660	51	86		
Female	1,356	35	6		
3.2 Percentage change in sales of agribusinesses supported through ADF loans	29%	Annually Reported	Annually Reported	10%	10%
3.3 Value of exports of targeted agriculture commodities as a result of USG assistance (F- 4.5.2-36)	US\$29,971,159	Annually Reported	Annually Reported	10% of BL value	10% of BL value
3.4 Percentage change in farm productivity of enterprises supported by the ADF	TBD upon collecting the end line data	Annually Reported	Annually Reported	30%	30%
4.1 Number of conferences, workshops and other initiatives designed to bring public and private agricultural finance stakeholders together and foster dialog	16	1	2	4	12
4.2 Number of white papers and other publications on the status of agricultural finance in Afghanistan	0	Annually Reported	Annually Reported	2	9
Percentage of females who report increased self-efficacy at the conclusion of USG supported training/programming (F- GNDR 2)	TBD upon collecting the end line data	Annually Reported	Annually Reported	20%	40%
Percentage of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment) (F- GNDR 2)	2.5%	Annually Reported	Annually Reported	7%	12%

TABLE 2: AFGHAN INFO PERFORMANCE INDICATOR DATA QUARTER 1 FY2016

Indicator Name and Number	Baseline (data collected)	Q2 FY 2015	ACE II Q3 FY 2015/ USAID Q1 FY 2016 (total for this quarter only)*	Targets for FY16	LOP Targets
		Actual Net	Actual Net	Target Net	Target
5.1.2b Total Value of capital provided to agricultural value Chains (Total dollars)	\$60,673,219 (disbursed)	\$5,597,915 (disbursed)	\$2,905,012 (disbursed)	\$15,000,000	\$50,000,000
Male	\$59,365,676	\$5,201,090	\$2,905,012		
Female	\$1,357,543	\$396,825	0		
5.1.2c Number of agriculture related enterprises supported by interventions	31,013	1,169	7	20,000	75,000
MSMEs	52	2	7		
Male	50	2	7		
Female	2	0	0		

Farmers	30,961	1,167	0		
Male	30,184	1,156	0		
Female	777	11	0		
5.1 a. Net (total) increase in private sector employment for farms and agribusinesses in targeted areas (full-time equivalent)	4,016	86	92	2,000	15,000
Male	0	51	86		
Female	0	35	6		
5c. Total value of agriculture exports	US\$29,971,159	Annually Reported	Annually Reported	10% of BL value	10% of BL value
Percentage of females who report increased self-efficacy at the conclusion of USG supported training/programming	TBD upon collecting the end-line data	Annually Reported	Annually Reported	20%	40%
Value of incremental sales by agribusinesses as a result of USG assistance	\$2,157,588,586	Annually Reported	Annually Reported	\$2,373,334,444	10%
Percentage of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)	2.5%	Annually Reported	Annually Reported	7%	12%

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 October up to December 2015 ADF approved a net of US\$3,042,986 loans. During the same time period, ADF successfully disbursed a net total of US\$2,905,012 million to its clients.

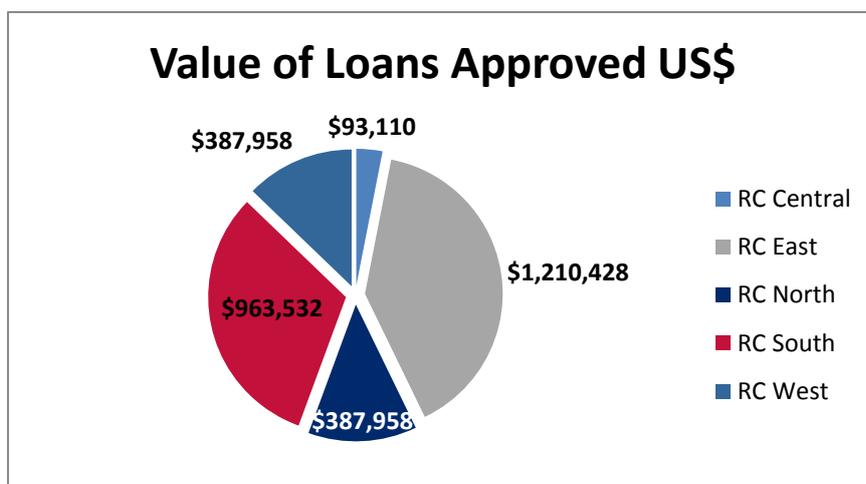
Table 3: Net amount of ADF loans approved and disbursed per Quarter

Quarter	Approved (Net)	Disbursed (Net)
Q2 2015	\$7,424,940	\$5,597,915
Q3 2015	\$3,042,986	\$2,905,012

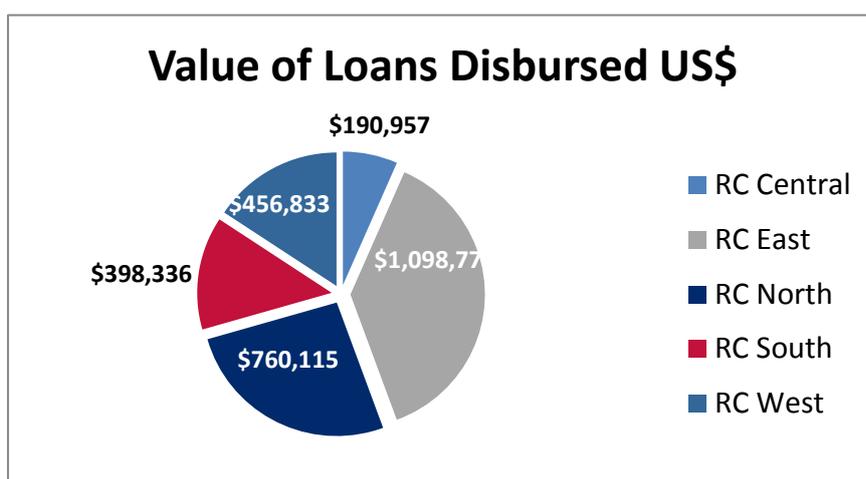
Table 4: ADF RC-level loan approval and disbursement during the quarter

Region	Loan Approved (\$)	Loan Disbursed (\$)	Beneficiaries
RC Central	\$93,110	\$190,957	1
RC East	\$1,210,428	\$1,098,771	1
RC North	\$387,958	\$760,115	1
RC South	\$963,532	\$398,336	3
RC West	\$387,958	\$456,833	1
Total	\$3,042,986	\$2,905,012	7

Graph No 1: Value of ADF loans approved by RC



Graph No 2: Value of ADF loans disbursed by RC



Indicator # 1.2: Percentage of loan losses in the ADF portfolio

Definition: This indicator measures the percentage of written off loans. The written off loan is a bad debt that is declared non- collectable and removing it from the balance sheets.

Progress: The indicator is calculated on annual basis for all the ADF loans of ADF. It will be reported in the annual report for FY 2016.

Indicator # 2.1: Number of MSMEs, including farmers, receiving USG assistance to access bank loans.

Definition: This indicator measures total number of micro (1-10) small (11-50) and medium (51-100) (parenthesis = number of employees) enterprises (MSMEs). To be counted an MSME must have received USG assistance which resulted in a loan from any financial institution, formal or informal, including MFIs, commercial banks, or informal lenders, as well as from in-kind lenders of equipment (e.g. tractor, plow) or other agricultural inputs (e.g., fertilizer or seeds), or transport, with repayment in cash

or in kind. USG assistance may include partial loan guarantee programs or any support facilitating the receipt of a loan.

Progress: ADF supported seven new enterprises during the quarter. ADF did not provide any loans to individual farmers during this reporting period.

Indicator # 2.2: Value of Challenge and Innovation Grants approved and disbursed

Definition: This indicator measures the total value of capital provided to agriculture-related enterprises supported by USG interventions.

Challenge Grants: agricultural financing in Afghanistan, to include 1) the start-up of new agricultural credit departments, and 2) the roll-out of proven agricultural financing products.

Innovation Grants 1) new—as yet unused-products, services in Afghanistan to service new borrower groups, and 2) new, as yet little used, mechanisms/tools that facilitate the growth of agricultural financing.

Progress: The progress on this indicator is zero. ACE- II has not yet started providing Challenge and Innovation Grants.

Indicator # 2.3: Number of financial institutions providing or ramping up agricultural financial services through the support of ACE-II.

Definition: This is a count of distinct organizations that have established agricultural lending units, on lend to farmers, launched new agricultural lending products or have revamped existing financial services to cater to the agricultural sector through the support of ACE-II /ADF.

Progress: The progress is zero.

Indicator # 2.4: Number of innovative lending products and approaches established by the ADF and financial intermediaries

Definition: This is a count of the number of innovative lending products established by the ADF with the support of ACE-II and participating intermediaries. Innovative lending products are mechanisms for the disbursement of loans, tailored to the specific needs of end-borrowers involved in the agricultural sector in Afghanistan. Lending products refer to the end products/lending type or the means or processes by which lending is done in the context of ACE-II/ADF

Progress: The progress is zero. ACE-II did not establish any new innovative lending products during this quarter.

Indicator # 4.1 Number of conferences, workshops and other initiatives designed to bring public and private agricultural finance stakeholders together and foster dialog

Definition: This indicator tracks the number of conferences, workshops and other activities organized by ACE-II/ADF to bring financial institutions and agricultural sector players together to discuss agricultural finance policy, financial products, etc.

Progress: ACE-II/ADF teams supported ADF potential agribusinesses to participate and exhibit their products at two public events including Kabul Ag Fair and Kandahar Economic Conference and Exhibition during this reporting period.

ANNEX II

SUCCESS STORY



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

SUCCESS STORY

Access to Credit Improves Afghan Saffron Agribusiness and Helps Farmers

Increasing opportunities for Afghan women



Ariana provides technical support to woman producers who grow, market and process saffron through the company.



Mrs. Zainab Rezai one of the independent producers working with Ariana Saffron Company in Herat province.

"Because of support from Ariana, I am independent, and I can contribute to the wellbeing of my family" Zainab Rezai.

USAID is supporting the growth of commercial agriculture in Afghanistan, facilitating the transition from subsidies and grants to fully commercial financial services and thus contributing to the growth of the rural economies.

U.S. Agency for International Development
www.usaid.gov

Saffron is a crop in which Afghanistan has a competitive advantage, and it is one of the most profitable crops for farmers. Afghan farmers use traditional farming methods that assure a very high quality product, but they lack the training and equipment needed to package and process the product to meet the international standards and to obtain the best prices. The **Ariana Saffron Company's** focus on building that infrastructure is helping to improve the quality and image of Afghan saffron and to increase access for Afghan farmers to global markets.

Ariana, based in Herat province, has received loans and grants from Agricultural Development Fund (ADF), an Afghan development finance institution which facilitates access to agricultural credit. The ADF has been established and supported by USAID via the ACE and ACE-II projects¹. Ariana has used ADF's credit and grant to dramatically increase production and sales, to improve processing and quality control procedures to meet international standards, and to expand and strengthen its marketing.

By gaining access to regional and European markets for its products, Ariana has helped to create opportunities for rural farmers and entrepreneurs in Afghanistan. In October 2015 Ariana received the World Quality Commitment Award at the Business Initiative Directions Convention in Paris, France, recognizing Ariana for excellence in leadership and management, as well as for the quality of its products and brand name prestige.

Ariana produces saffron on its own land, as well as buying both dried and fresh saffron flowers from independent producers. Access to credit has enabled Ariana to both expand its own production and to buy more saffron from local female farmers like Zainab Rezai, who received Ariana loan advances to help expand her production. With a well-established market for her saffron, Zainab Rezai is economically fully self-sufficient, with income to meet her family needs.

Because women provide much of the labor involved in saffron production; Ariana's growth creates more jobs and entrepreneurial opportunities for rural women. In addition to buying from and providing loans to producers like Zainab to support their production, Ariana employs 400 women in its processing operations. Ariana's work to improve the image and quality of Afghanistan's saffron and to expand its production is illustrative of the impact that access to credit can have for both agribusinesses and for farmers.

¹ The Agricultural Credit Enhancement Program (ACE 2010-2015) and Agricultural Credit Enhancement II Program (ACE-II 2015-2018) were both implemented by USAID's partner DAI to provide advisory and technical support for ADF to assure its sustainability.