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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed grant to the Islamic Republic of Afghanistan for the**

### **Rural Microfinance and Livestock Support Programme**

Executive Board — Ninety-sixth Session  
Rome, 29–30 April 2009

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For: **Approval**

## **Note to Executive Board Directors**

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## **Abbreviations and acronyms**

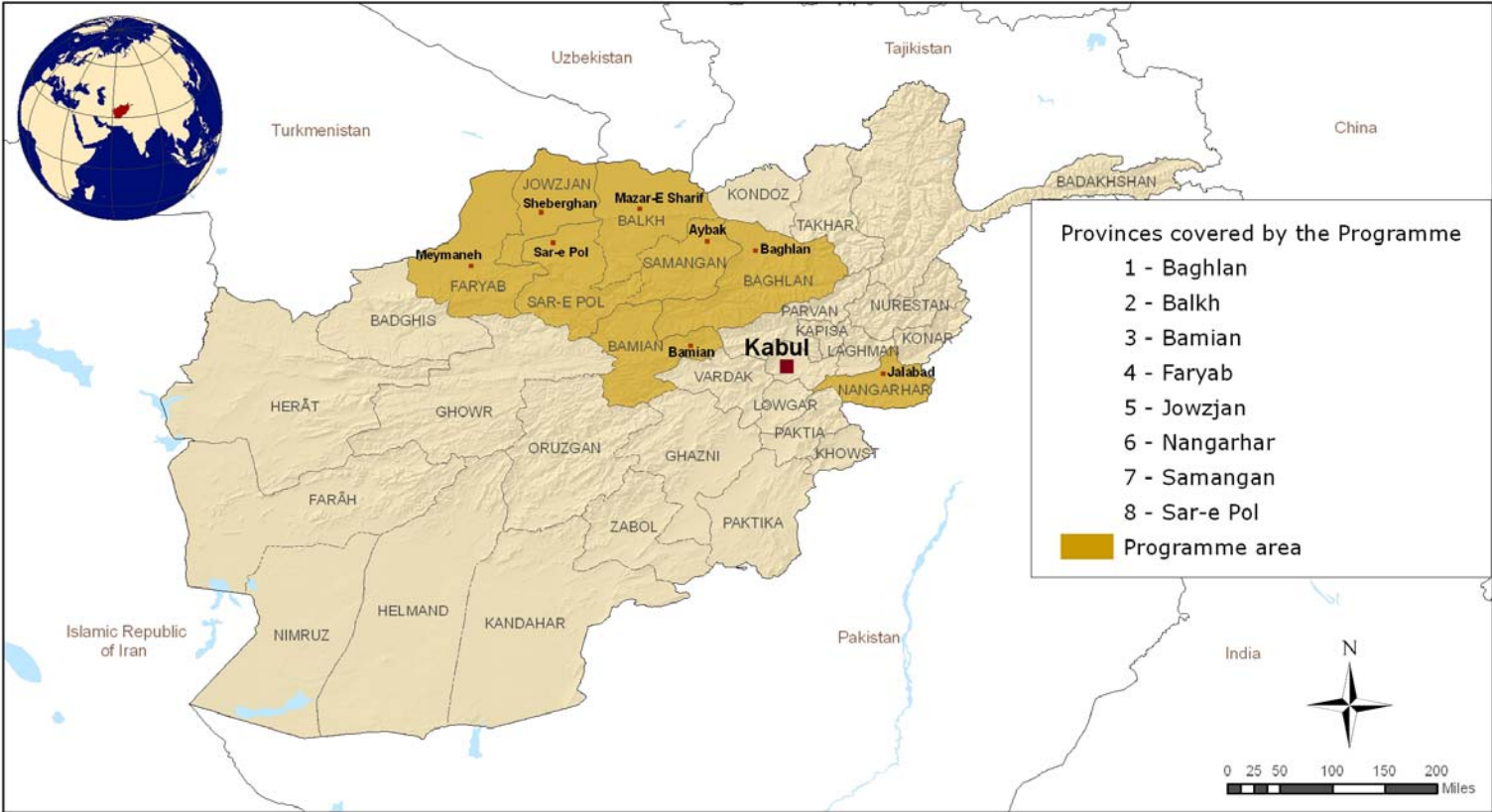
MFI	microfinance institution
MISFA	Microfinance Investment Support Facility for Afghanistan
PCU	programme coordination unit

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed grant to the Islamic Republic of Afghanistan for the Rural Microfinance and Livestock Support Programme, as contained in paragraph 40.

**Afghanistan**

Rural Microfinance and Livestock Support Programme



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

# Islamic Republic of Afghanistan

## Rural Microfinance and Livestock Support Programme

### Grant summary

<b>Initiating institution:</b>	IFAD
<b>Recipient:</b>	Islamic Republic of Afghanistan
<b>Executing agency:</b>	Ministry of Agriculture, Irrigation and Livestock
<b>Total programme cost:</b>	US\$26.12 million
<b>Amount of IFAD grant:</b>	SDR 16 million (equivalent to approximately US\$23.89 million)
<b>Cofinanciers:</b>	Microfinance Investment Support Facility for Afghanistan (MISFA) Partner microfinance institutions (MFIs)
<b>Amount of cofinancing:</b>	MISFA: US\$2.03 million Partner MFIs: US\$0.19 million
<b>Terms of cofinancing:</b>	Grant
<b>Contribution of recipient:</b>	US\$2,000
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD





# Proposed grant to the Islamic Republic of Afghanistan for the Rural Microfinance and Livestock Support Programme

## I. The programme

### A. Main development opportunity addressed by the programme

1. A substantial and timely opportunity exists in Afghanistan for IFAD to help the microfinance sector consolidate the gains it has made in the last few years. Despite the difficult context, the Microfinance Investment Support Facility for Afghanistan (MISFA), a microfinance apex institution, has helped to establish a network of professional microfinance institutions (MFIs), giving hundreds of thousands of Afghans the opportunity to access credit for the first time. However, the sector faces a number of challenges, which the proposed programme will help to address. Chief among them is the need to meet the remaining demand for rural finance through the provision of a broader range of financial product services adapted to the needs of smallholders. The issue of the high rates of interest currently the norm in the sector also requires proper attention and will be tackled in two principal ways: by reducing MFI lending costs and by promoting business models in the livestock sector that can yield enough profit to bear the cost of credit.
2. After some 30 years of conflict rural Afghan communities are in disarray, lacking access to basic infrastructure, quality inputs and essential services. The low ratio of arable land per capita, the recurrent droughts and the difficult climatic conditions in many parts of the country are all factors adding to the hardship faced by rural Afghans needing to earn a living. Until recently, agricultural development was not a priority for most donors in a country where aid accounts for 90 per cent of budgetary resources. Afghanistan's livestock sector has also been neglected. IFAD can therefore make a significant contribution to improving the livelihoods of smallholders and poor livestock owners by facilitating the provision of much needed services, technological packages and quality inputs, including microcredit.

### B. Proposed financing

#### Terms and conditions

3. It is proposed that IFAD provide a grant to the Islamic Republic of Afghanistan in the amount of SDR 16 million (equivalent to approximately US\$23.89 million) to help finance the Rural Microfinance and Livestock Support Programme.

#### Relationship to the IFAD performance-based allocation system (PBAS)

4. The allocation defined for the Islamic Republic of Afghanistan under the PBAS is US\$19.279 million over the 2007-2009 allocation cycle. As a post-conflict country, the Islamic Republic of Afghanistan is eligible for additional financing, and an additional allocation of US\$5 million has been approved. The total PBAS allocation is therefore US\$24.279 million over the 2007-2009 allocation cycle.

#### Country debt burden and absorptive capacity of the State

5. The latest joint World Bank-International Monetary Fund debt sustainability analysis for Afghanistan was performed in 2006 and concluded that Afghanistan has relatively little scope for non-concessional borrowing. It is therefore classified as "red" under the debt sustainability framework initiative.

#### Flow of funds

6. A special account in United States dollars will be established by the Ministry of Finance at the Da Afghanistan Bank. The Ministry of Finance will make the IFAD grant funds available for use by all service providers and the programme coordination unit (PCU) by requesting periodic withdrawals from the grant account, in order to replenish the special account and/or the service providers' operating accounts.

**Supervision arrangements**

7. The programme will be supervised by IFAD.

**Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

8. No such exceptions are foreseen.

**Governance**

9. The following proposed measures are intended to enhance the governance aspects of the IFAD grant: (i) implementation of all programme activities will be the responsibility of specific service providers, some of whom have been preselected on the basis of their expertise, experience, reputation and excellent track records; (ii) the contract of each service provider will include clearly defined performance indicators, including those related to the quality of their financial management and procurement processes; (iii) assessment of the extent to which each service provider complies with the terms and conditions of their contracts will be the main responsibility of the PCU; (iv) IFAD supervision missions will ascertain whether all parties comply with good governance practices; and (v) consistent with its commitment to good governance, accountability and transparency, IFAD reserves the right to investigate any alleged corrupt, fraudulent, collusive or coercive practices relating to the programme.

**C. Target group and participation****Target group**

10. In accordance with IFAD's targeting policy, the programme will focus on the following primary target groups: (i) small farmers and livestock-keepers, including the landless and those who currently have no livestock; (ii) women and households headed by women; and (iii) resettled and nomadic *Kuchis* (pastoralists).
11. Small farmers and livestock-keepers will be targeted under all programme components (see paragraph 22), except for subcomponent 2(c), which will target women exclusively. Women and households headed by women are expected to represent at least 50 per cent of the programme beneficiaries and will be the main target group for the poultry and dairy goat activities, and the principal clients of supported MFIs. Nomadic and resettled *Kuchis* will be targeted mainly under subcomponent 2(b).

**Targeting approach**

12. While the prevailing security situation will be one of the primary criteria to be considered for the final selection of programme districts and villages, other criteria will include a mix of factors (e.g. potential for dairy development), and poverty and accessibility criteria (e.g. focus on the most remote districts).
13. Depending on the subcomponent, a range of criteria will be applied for the selection of direct beneficiaries. However, for each subcomponent, final beneficiaries will be selected in a participatory manner, involving community development councils (where they exist) and any local traditional governing bodies, which will be assisted in fine-tuning local poverty and vulnerability criteria on the basis of the programme's focus on serving certain groups in particular.

**Participation**

14. Under component 2 participation by intended target groups will initially be solicited by the community development councils or any local traditional governing bodies. Subsequently, active participation of targeted individuals in programme activities will be promoted through the formation of community groups and the selection of trainers/resource persons from within the community (e.g. women poultry trainers or basic veterinary workers).

## D. Development objectives

### Key programme objectives

15. **Overall goal.** The goal of the programme is to reduce the vulnerability and improve the livelihood means, incomes, food security and nutritional status of poor and vulnerable rural households on a sustainable basis in selected areas of Afghanistan.
16. **Programme purpose.** The programme purpose is to provide sustainable access to smallholders, existing livestock owners and those who aspire to have livestock – with a focus on women, woman-headed households, the uncreditworthy and the *Kuchis* – to appropriate microfinance services and technical livestock packages (health, management, processing and marketing) and the skills required to engage in new, more productive or more profitable economic, livestock-based enterprises.

### Policy and institutional objectives

17. **Policy objectives.** In the microfinance sector, the programme is expected to help shape a policy aimed at facilitating access by the poorest segment of the rural population – who cannot afford current interest rates – to microfinance services (e.g. policy of cross-subsidization of interest rates between urban borrowers and rural borrowers). In the livestock sector, the programme will pilot models for a successful private-public partnership in the delivery of livestock extension and veterinary services and may therefore assist the Ministry of Agriculture, Irrigation and Livestock in shaping a national policy for service provision in rural areas, including measures for reaching out to nomadic *Kuchis*.
18. **Institutional objectives.** Under component 1, the main institutional objectives are to strengthen MISFA's capacity to assist its MFI partners in product innovation and development, and to help this apex institution introduce more stringent risk mitigation measures and practices in the sector. The programme will also strengthen the capacities of participating MFIs for innovation and product diversification, improved portfolio management and cost-effective delivery in rural areas. Under component 2, the programme is expected to gradually improve Ministry of Agriculture, Irrigation and Livestock institutional capacities at the central level and in specific areas such as financial management and monitoring and evaluation, through building a cadre of highly trained professionals. The programme will also contribute to enhancing the capacities of local service providers to offer pro-poor, gender-sensitive and efficient livestock services and the capacities of groups of poor livestock owners and rural women to engage in productive livelihoods.

### IFAD policy and strategy alignment

19. The programme objectives are fully in line with the IFAD country strategic opportunities programme (COSOP) for 2008-2012 and its overarching objective, which is "to reduce gender disparities and increase the social and economic status of vulnerable and marginalized communities". More specifically, the programme will contribute to the COSOP strategic objectives 2 (increase access to rural-focused financial services) and 3 (enhance the assets, skills and productivity of rural households).

## E. Harmonization and alignment

### Alignment with national priorities

20. The programme objectives and approaches are fully in line with the Afghanistan National Development Strategy (2008-2013), which includes the agriculture and rural development sector under the third pillar "Economic and Social Development", and which focuses on supporting the poorest and most vulnerable segments of rural society through a range of measures aimed at diversifying incomes. Although the national strategy does not specifically identify microfinance development as a priority, the sector has the potential to play an important role under Pillar 3. Furthermore, lack of access to rural finance services is identified as a key constraint for agriculture and rural development under the Agriculture Master Plan (2006-2011).

### **Harmonization with development partners**

21. Implementation of the dairy and poultry activities will be closely coordinated with the World Bank-funded Emergency Horticulture and Livestock Project, which uses the Food and Agriculture Organization of the United Nations (FAO) as service provider under the overall coordination of the Ministry of Agriculture, Irrigation and Livestock. Under component 1, the programme is joining hands with the many donors that have helped establish MISFA and its network of 15 MFIs, such as the World Bank, the Canadian International Development Agency and the United Kingdom's Department for International Development. The programme also has the potential to complement the various ongoing, donor-funded programmes that are aimed at developing small businesses or cooperatives, such as the Agriculture, Rural Investment and Enterprise Strengthening Project (United States Agency for International Development (USAID), the Rural Business Support Project (Asian Development Bank) and the Afghanistan Rural Enterprise Development Program (World Bank).

## **F. Components and expenditure categories**

### **Main components**

22. The programme has three main components and a number of subcomponents:

**Component 1: Rural microfinance**, comprising the following subcomponents: (a) innovation facility; (b) financial graduation for the poor; (c) technical support and capacity-building for MFIs; and (d) management support.

**Component 2: Livestock support**, comprising the following subcomponents: (a) integrated dairy scheme in Nangarhar; (b) veterinary services in the northern region; (c) backyard poultry raising; and (d) dairy goat raising.

**Component 3: Programme coordination.**

### **Expenditure categories**

23. There are five main types of expenditures: (i) goods and equipment; (ii) technical assistance, consultancies and studies; (iii) credit; (iv) salaries, travel and operating costs; and (v) training and workshops.
24. Budget allocations by programme components are as follows: (i) rural microfinance (38 per cent); (ii) integrated dairy scheme (15 per cent); (iii) veterinary services in the northern region (11 per cent); (iv) backyard poultry raising (4 per cent); (v) dairy goat raising (5 per cent); (vi) programme coordination and management (10 per cent); (vii) unallocated (8 per cent). In addition, a special financing facility (9 per cent) will be established for use, subject to prior approval by IFAD, in financing the following activities: (i) support for the Ministry of Agriculture, Irrigation and Livestock capacity-building efforts; (ii) expansion of any successful programme activities; or (iii) consolidation of any programme activities.

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

25. The Ministry of Agriculture, Irrigation and Livestock will be the lead programme agency. Service providers, either preselected (e.g. MISFA for component 1) or to be selected through tender, will be responsible for the implementation of distinct programme activities.

### **Implementation responsibilities**

26. A PCU will be established at the Ministry of Agriculture, Irrigation and Livestock and will be responsible for the overall coordination of programme activities. Lead responsibility for implementation of programme activities at the community level will be assigned to the selected service providers, with the PCU ensuring each complies with the terms and conditions of their respective service contracts.

**Role of technical assistance**

27. The agreement with each service provider will have provisions for international or national technical assistance to be provided in specific areas (e.g. karakul and cashmere value chain development, feasibility study for a dairy plant) as and when required. An international rural finance expert will also be recruited to strengthen MISFA institutional capacities to implement component 1.

**Status of key implementation agreements**

28. Service contracts will be entered into between the Government of Afghanistan and each service provider, and these agreements will govern the implementation of specific programme components and subcomponents.

**Key financing partners and amounts committed**

29. The total programme cost is US\$26.12 million over a first phase of four years, to be followed by a second four-year phase upon successful implementation of the first phase – to be evaluated by the phase 1 review scheduled to take place in programme year 4. The sources of financing are IFAD (91.5 per cent), MISFA (7.7 per cent), partner microfinance institutions (0.7 per cent) and the Government of Afghanistan (0.1 per cent).

**H. Benefits and economic and financial justification****Main categories of benefits generated**

30. Under component 1, the main economic benefits will result from the expansion in the range of financial services that the MFIs can offer to poor rural households and their enterprises, which will result in greater access to such services in rural areas for investment in productive activities, leading to increases in agricultural productivity and/or production, and in household incomes for MFI clients. Under component 2, targeted beneficiaries will themselves generate gains in terms of improved livestock health, production and productivity; diversified income-generating base; increased household food security; and higher incomes.

**Economic and financial viability**

31. It has been demonstrated by a number of earlier programmes in Afghanistan that investments in the smallholder dairy and poultry sectors and the provision of animal health and livestock services on a near-cost basis are robust, sustainable and promote local economic development. In microfinance, current average yields on portfolio for MFIs active in Afghanistan are in the range of 35 per cent compared with the 25 per cent yields in more developed microfinance markets.

**I. Knowledge management, innovation and scaling up****Knowledge management arrangements**

32. The PCU will be staffed by a knowledge management expert who will ensure that the programme learns from experience, documents its best practices and shares them with the Government and the donor community. The programme steering committee will be one of the forums in which selected policymakers will be informed on programme achievements. In microfinance, the programme will use the knowledge management tools and processes already in place within MISFA (e.g. MISFA quarterly newsletters, MISFA website, participation in microfinance conferences and other international events).

**Development innovations that the programme will promote**

33. The most striking aspect of the programme is its attempt to introduce new and innovative rural financial products and services in order to serve a segment of the population that currently has very limited access to microfinance or none at all. In the livestock sector, although the programme will largely replicate and expand on the approaches successfully tested by selected implementing partners, there is still potential for introducing some incremental innovations (e.g. ensuring that the landless can participate in dairy development activities; that nomadic *Kuchis* can access veterinary services; or pilot-testing a model for a private-public partnership for the delivery of public goods/essential veterinary services).

**Scaling-up approach**

34. While IFAD has opted to scale up the approaches successfully tested by others under component 2, the introduction of microfinance products and services that are appropriate to the needs and repayment capacities of smallholders is an innovation that, if successful, holds strong potential for scaling up by other donors or the MFIs themselves (using their own resources).

**J. Main risks****Main risks and mitigation measures**

35. The programme faces two main risks: (i) the tenuous, volatile security situation that prevails in many parts of the country; and (ii) the weak institutional capacity of the Ministry of Agriculture, Irrigation and Livestock. In order to mitigate these risks, the following measures have been considered: (i) implementing most programme activities in the northern part of the country, which is relatively more secure; (ii) a shorter than usual implementation time frame of four years for the first programme phase, owing to the need to demonstrate quick results and impact so as to secure community interest and acceptance of programme activities, hence the protection of service providers and PCU staff while in the field; and (iii) entrusting well-established, experienced service providers with the responsibility for implementing specific programme components and subcomponents.

**Environmental classification**

36. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a category B operation, as it is not likely to have any significant negative environmental impact.

**K. Sustainability**

37. Based on experience in other parts of the country, self-sustainability of the dairy scheme can be achieved within three years. The network of existing veterinary field units and livestock service providers that the programme intends to support is already largely self-reliant and the programme will only consolidate previous efforts and achievements. In microfinance, the choice to channel programme support through MISFA was motivated by the fact that this is an institution that will continue to provide finances and capacity-building support to MFIs beyond the programme life.

**II. Legal instruments and authority**

38. A programme grant agreement between the Islamic Republic of Afghanistan and IFAD will constitute the legal instrument for extending the proposed grant to the recipient. Important assurances included in the negotiated programme grant agreement are attached as an annex.
39. The Islamic Republic of Afghanistan is empowered under its laws to receive financing from IFAD.
40. I am satisfied that the proposed grant will comply with the Agreement Establishing IFAD.

**III. Recommendation**

41. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to the Islamic Republic of Afghanistan in various currencies in an amount equivalent to sixteen million special drawing rights (SDR 16,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Important assurances included in the negotiated programme grant agreement**

(Negotiations concluded on 22 April 2009)

### **Gender**

1. The Government of the Islamic Republic of Afghanistan (hereinafter "the Government") will ensure that gender concerns will be mainstreamed in all programme activities throughout the programme implementation period. The Government will also ensure that the programme activities specifically designed to benefit women and women-headed households are duly and diligently implemented.

### **Monitoring**

2. The Lead Programme Agency will monitor the programme and, in partnership with each Service Provider, generate data and information on programme activities, output and outcomes in a manner satisfactory to IFAD. The Lead Programme Agency will also collect information on programme impact, including on nutrition status and households' assets, using the IFAD's standard methodology (Results and Impact Monitoring System).

### **Pest management practices**

3. The Government will comply with the International Code of Conduct on the Distribution and Use of Pesticides and ensure that pesticides procured under the Programme do not include any pesticides classified as Extremely Hazardous or Highly Hazardous by the WHO.

### **Resource protection**

4. The Government will take all reasonable measures to ensure that existing laws are enforced to safeguard water, forest and wildlife resources in the programme area. The Government will take all measures to ensure sustainability of the programme without any detriment to the environment and will promote natural resources' sustainability.

### **Operation and maintenance**

5. The Government will ensure that adequate human and financial resources will be provided to support the operation and maintenance of programme-financed investments and the recurrent costs of the programme operations both during and after the programme implementation period, at least for the useful life of such investments.

### **Authorization**

6. The Government will provide any programme party with such delegations of authority or other authorizations as may be required under its national procedures to implement the programme in accordance with the Agreement.

### **Use of programme vehicles and other equipment**

7. The Lead Programme Agency will ensure that all vehicles and other equipment transferred to or procured under the programme are dedicated solely to programme use.

### **Fraud and corruption**

8. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the programme of which it has knowledge or becomes aware.

### **Suspension**

9. (a) IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the grant account in accordance with the General Conditions upon the occurrence of any of the events set forth therein, or if:

- (i) IFAD, after consultation with the Government, has determined that the material benefits of the programme are not adequately reaching the Target Group or are benefiting persons outside the Target Group to the detriment of Target Group members;
  - (ii) The Government has defaulted in the performance of any covenant set forth in the Agreement, and such default has continued for more than thirty days, and IFAD has determined that such default has had, or is likely to have, a material adverse effect on the programme;
  - (iii) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD, and the Government has failed to take timely and appropriate action to address the matters to the satisfaction of IFAD;
  - (iv) Procurement has not been or is not being carried out in accordance with the provisions of the Agreement.
- (b) IFAD will suspend, in whole or in part, the right of the Government to request withdrawals from the grant account if the audit required has not been satisfactorily concluded within twelve (12) months of the financial reporting date.

**Conditions precedent to effectiveness**

10. The Agreement will become effective in accordance with the General Conditions (Effectiveness and Termination) subject to the fulfilment of the following conditions precedent:
- (a) The Programme National Coordinator shall have been appointed;
  - (b) The Agreement shall have been duly signed, and the signature and performance thereof by the Government shall have been duly authorized and ratified by all necessary administrative and governmental action;
  - (c) A favourable legal opinion, issued by the Ministry of Justice of the Government or other legal counsel acceptable to IFAD, in respect of the matters set forth in the Agreement and in form and substance acceptable to the Fund, shall have been delivered by the Government to IFAD.



## **Key reference documents**

### **Country reference documents**

Agriculture Master Plan, Ministry of Agriculture, Irrigation and Livestock, 2006

Agricultural Prospects Report, Ministry of Agriculture, Irrigation and Livestock, 2008

### **Poverty reduction strategy paper**

Afghanistan National Development Strategy (2008-2010)

### **IFAD reference documents**

Project design document (PDD) and key files

COSOP

Administrative Procedures on Environmental Assessment

IFAD Strategic Framework

### **Other reference documents**

Aid Effectiveness in Afghanistan, Agency Coordinating Body for Afghan Relief , 2008

Economic Incentives and Development. Initiatives to Reduce Opium Production, World Bank/Department for International Development, 2008

Fighting Corruption in Afghanistan: a Road Map for Strategy and Action, World Bank/Department for International Development /Asian Development Bank, 2007

Agriculture and Food Production in Post-War Afghanistan, Ministry of Agriculture, Irrigation and Livestock/FAO, 2003

The Current Situation of Rural Finance in Afghanistan, Steve Rasmussen, World Bank, 2004

# Logical framework

Narrative Summary	Performance Indicators	Means of Verification	Assumptions
<p><b>Goal:</b> To reduce the vulnerability and improve the livelihood means, incomes, food security and nutritional status of poor and vulnerable rural households on a sustainable basis in selected areas of Afghanistan.</p>	<ul style="list-style-type: none"> <li>▪ Percentage of supported households (hhs) with improved hhs assets ownership index, based on additional assets*</li> <li>▪ Percentage reduction in the prevalence of child malnutrition (weight for age)*</li> <li>▪ No. of hhs reporting an increase in income from livestock, by type of livestock*</li> <li>▪ No. of hhs reporting improved family nutrition (frequency of eating meat, dairy or egg products) and improved food security</li> </ul> <p>* Refers to Results and Impact Management System (RIMS) indicators</p>	<p>RIMS baseline, mid-term and completion surveys. EDA Baseline Survey financed by MISFA and AMMC Field Survey. Qualitative surveys</p>	<p>The security situation in Afghanistan allows access to IFAD's target groups, women in particular, and allows the local economy to grow through access to markets and financial and other services</p>
<p><b>Purpose:</b> To provide sustainable access to smallholders, existing livestock owners and those who aspire to have livestock – with a focus on women, woman-headed households, the uncreditworthy and the Kuchis – to appropriate microfinance services and technical livestock packages (health, management, processing and marketing) and the skills required to engage in new, more productive or more profitable economic, agriculture-based enterprises.</p>	<ul style="list-style-type: none"> <li>▪ Increase in the share of participating MFIs' funds to the agriculture and livestock sectors from 20% (baseline) to 25% by programme year 4 (PY4)</li> <li>▪ The population in 6 provinces with regular access (quality/quantity) to essential animal health services</li> <li>▪ At least 50% reduction in animal death (due to disease) and increase of livestock productivity by 20%, compared with baseline, in programme villages.</li> <li>▪ At least 6,100 households with reduced vulnerability and poverty from milk, dairy or poultry production, or the sale of meat and animal products.</li> </ul>	<p>PCU reports and PCU commissioned surveys  MISFA Reports  MFI Reports  Independent assessments</p>	<p>Men do not prevent women from participation in programme activities.  No prolonged and severe droughts.  The security situation allows reasonable programme implementation in rural areas</p>
<b>Component objectives, outcomes and outputs</b>			
<p><b>Component 1. Rural Microfinance</b> –To increase access by some 60,000 poor rural households, with a focus on women, to a wider range of microfinance products and services adapted to their specific needs in the agriculture sector, especially livestock.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> <li>▪ Increase in the no. of active microfinance clients in rural areas by 60,000, of whom at least 50% women.</li> <li>▪ At least 3 MFIs are profitably expanding their outreach in rural areas.</li> <li>▪ No. of provinces and districts covered by these MFIs by PY4</li> </ul> <p>Selected outputs indicators:</p> <ul style="list-style-type: none"> <li>▪ At least three new microfinance products successfully piloted (<i>Comp. 1.a</i>)</li> <li>▪ At least 20,000 rural hhs with access to a microloan by PY4 (<i>Comp. 1.a</i>)</li> <li>▪ 200 ultra-poor beneficiaries trained and supported (<i>Comp. 1.b</i>)</li> <li>▪ Number of MISFA and MFI staff trained, by topic (<i>Comp. 1.c</i>)</li> </ul>	<p>MISFA Reports  MFI Reports  Independent assessments.</p>	<p>Security situation allows MFIs to operate in rural areas.  Religious leaders are not actively opposing implementation and let rural populations borrow from MFIs.  Agricultural and livestock activities generate sufficient income to pay the interest rate levels required to sustain rural finance services in rural areas.</p>
<p><b>Component 2. Livestock Support</b> – To strengthen the livestock production systems of poor rural households, while developing their marketing opportunities, and improve local livestock production, productivity and smallholders' incomes.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> <li>▪ Some 6,100 hhs with improved income from milk, dairy, poultry production, the sales of meat or animal products* (by gender of the household head)</li> <li>▪ Some 15 milk producers' associations and 3 dairy unions formed and functional</li> <li>▪ At least 2 million litres of milk collected annually</li> <li>▪ Percentage of supported hhs reporting an increase in herd size*</li> <li>▪ A model for basic veterinary service provision to poorest hhs successfully piloted</li> </ul> <p>Selected outputs indicators:</p> <ul style="list-style-type: none"> <li>▪ 1,100 milk producers organized in financially viable associations (<i>Comp. 2.a</i>)</li> <li>▪ 200 of additional basic veterinary workers trained and equipped (<i>Comp. 2.b</i>)</li> <li>▪ 30 veterinary clinics constructed or refurbished (<i>Comp. 2.b</i>)</li> <li>▪ 3,000 women trained in poultry production, provided with basic inputs and equipment, and organized in women's groups (<i>Comp. 2.c</i>)</li> <li>▪ 1,000 women trained in dairy goat production, provided with basic inputs and equipment and organized in women's groups (<i>Comp. 2.d</i>)</li> </ul>	<p>PCU, MISFA and MFI Reports.</p>	<p>Local drug lords let farmers participate in programme implementation.  Security situation in the northern provinces remains stable.  Opium cultivation does not take off in the northern provinces.  Men do not prevent women from participation in programme activities.  The drought situation does not worsen and livestock and fodder production remain economic viable activities in the region</p>

3

