



Islamic Republic of Afghanistan

Ministry of Rural Rehabilitation and Development (MRRD)



Afghanistan Rural Enterprise Development Program (AREDP)

Annual Progress Report 1390

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1 Executive Summary

Afghanistan Rural Enterprise Development Program (AREDP) program activities aim to strengthen and support employment opportunities and in this way impact livelihoods and lives of people of rural Afghanistan. AREDP activities strengthened over 3500 employment opportunities during 1390 and supported the development of rural SMEs into more competitive and attractive businesses. The program is currently operational in the following 7 provinces; Balkh, Bamyān, Parwan, Herat, Nangarhar and Kandahar.

1390 was a dynamic year for the AREDP. Key achievements include expanding to additional provinces and districts, conducting provincial situational analysis in 6 provinces and launching the Small-Medium Enterprise (SME) program component across all provinces. AREDP expanded the Community-Led Enterprise Development (CED) program component to 3 additional provinces; Balkh, Herat and Kandahar. The SME component is now active in all 7 provinces.

The provincial teams have set up offices, trained and deployed staff; initiated program activities and enhanced program outreach. All program activities were implemented in spite of a worsening security situation in many of the operational project areas. This was possible because AREDP staff kept a low profile whilst operating in the field and had developed the close ties with the communities they worked with. This relationship with the communities and the use of existing local social structures paved way for the implementation of the program.

The Community-Enterprise Development Unit team has worked intensively to mobilizing rural men and women in newly selected Community Development Councils (CDCs). In 1390, additional focus was put on forming Savings Groups (SGs) in the newer provinces of Kandahar, Herat and Balkh. CED expanded its outreach to 12 additional districts, mainly in Herat, Balkh and Kandahar¹ provinces. Overall, CED activities covered 25 districts across provinces. The team also continued to form new SGs in CDCs already covered, as well as supporting SGs to nurture and enhance their capacity. As a result, the program conducted mobilization in 313 new CDCs, bringing the total to 513 CDCs.

AREDP promoted 1346 new SGs (740 Female Saving Groups), bringing the total number of SGs to 3093 (1370 FSGs). It is important to stress that of the SGs newly formed in 1390, 55% are female, which brings the overall total to 44% female SGs. By the end of 1390, total aggregate savings reached above Afs 35 Million for all SGs. In addition, 2569 SG members accessed loans (2754 loans in total).

AREDP launched an SME component in April 2011, and by end of 1390, the SME component was active in all 7 provinces. The SME team prepared all related documents, and designed campaign material prior to starting SME facilitation. SME facilitation was completed for 2 cycles in 6 provinces and for 1 cycle in Helmand, which started in the 3rd quarter of the year. The unit worked with SMEs selected through a rigorous process. Technical feasibility, economic viability assessments were conducted for each SME. During the course of the year, business development plans were prepared for 106 SMEs, of which 17 were women-led SMEs.

During the year, 18 SMEs (27 participants) were trained through “Business to Business” exposure and on site trainings in similar enterprises. These trainings included exposure to best practices outside Afghanistan i.e. in India and Pakistan. The SMEs who participated in training are engaged in the cottonseed-oil, poultry, seed processing, dairy, fishery, rice mill and packaging enterprises. The visits both enhanced SMEs understanding of their own industries and offered them opportunities to build up networks for future assistance.

A team of Business Development Service Officers (BDSOs) were provided with a comprehensive 45 day training course through Bakhtar University. An additional workshop for BDSOs from across the country was conducted for 3 days in Kabul to develop strategic plan, share experiences, draw upon learnings and discuss how to improve activities. The workshop enhanced overall knowledge and improved their capacity to develop business plans for

¹ AICB – Afghan Innovative Consulting Bureau is a partner agency of AREDP, implementing CED component in Kandahar

SMEs. The unit also participated actively in thematic working groups facilitated and led by MoCI (Ministry of Commerce and Industry) on SME development.

The Access to Finance Unit gained significant experience in addressing access to finance issues in both program components. Access to Finance started with 2 pilot VSLAs in Parwan in the last quarter of 1389 and based on lessons learnt during this pilot, the unit formed and nurtured an additional 15 VSLAs in Parwan, Bamyan and Nangarhar provinces.

The Training Unit offered trainings on Islamic Banking, SG capacity development, effective communication and general orientation for new staff members; Provincial Enterprise Facilitators (PEFs), Village Facilitators (VFs), trainers and senior PEFs from Afghan Innovative Consulting Bureau AICB. It also conducted training on community mobilization, forming and nurturing SGs, EGs and Village Loan and Savings Associations (VSLAs). A total of 824 participants, including 292 women, attended 39 different training workshops.

The Operations Unit made a significant number of field visits to help facilitate and strengthen provincial operations. The feedback from the Operations Unit was used by different units to understand the needs of the provincial teams and shape technical and operational support offered.

The Monitoring and Evaluation Unit worked hard to further enhance the quality of internal reporting at AREDP, coordinating monthly and quarterly reports, developing and refining result indicators and assessing SGs for VSLA formation. AREDP midyear and end year reviews were conducted within the Project Management Office (PMO). Following this, Annual Work Plans (AWPs) were developed and shared with related units and provincial managers to help strengthen their activities to aid them in achieving yearly targets.

The Research Unit facilitated provincial situational analyses (PSAs) conducted in 6 provinces, by different consultancy firms contracted by AREDP. All six PSAs were completed in 1390. The Research Unit provided the necessary guidance and coordinated processes, reviews, feedback for the inception, midterm and final reports. The final report and findings of the provincial situation analysis is expected to be released during the next quarter and will help move AREDP's activities into a more strategic direction.

The environmental and Social Safeguards Unit was established in 1390 and started activities with the formulation of the Environmental and Social Safeguard Framework (ESSF). The Unit has also designed training packages to raise awareness on the ESSF amongst AREDP staff and SMEs.

AREDP hosted the World Bank Implementation Support Missions (ISM) two times during 1390. One mission took place from November 26th to December 8th 2011 and another on April 3rd 2012. Both ISMs started with a comprehensive presentation which outlined AREDP achievements and activities to the mission team and other AREDP donors. A series of additional presentations and thematic discussions were held with the ISM during their trip. The first mission team also visited several SGs, EGs, VSLAs and SMEs in rural villages of Bamyan. Unfortunately the field visits during the April Mission were cancelled due to security reasons. The ISM teams during both missions were happy with AREDP's progress in the field and rated program activities and overall operations "Satisfactory". AREDP found The World Bank's (WB) ISM mission useful and received technical inputs for relevant sectors.

In 1390, AREDP revisited concepts, further refined and developed an AREDP client definition, the SG & EG risk framework, the roles and responsibilities of EGs, methods of community mobilization, SG sustainability and maturity indicators. The SME unit developed SME operational guidelines and received inputs from the WB. The Training Unit (TU) refined its training materials around community mobilization, formation and nurturing and capacity enhancement of SGs, EGs and VSLAs as reference material for PEFs and provincial master trainers to conduct related training.

AREDP continued its efforts for better coordination and programmatic relations within MRRD, related Ministries and stakeholders in the provinces. Through the Gender Unit, AREDP has ensured gender mainstreaming which is reflected in successful participation of women in the program. In 1390 female SG groups constituted 55% of the

total number of SGs. Women from FSGs also participated in the exposure visits to more mature SGs and one woman SME participated in an exposure visit outside of the country.

Throughout the year Support Service Units continued to provide timely support to program operations. The Procurement and Administrative Units made great efforts for timely delivery of goods and consultancy services essential for the progress of the program. The Human Resource Unit did all it could to fill essential vacancies, both at PMO level and in the provinces. As a result, only 50 of the 387 positions in the procurement plan are outstanding under International Development Association (IDA) support. The Finance Unit also worked hard to facilitate payments and put a financial system in place to enhance finance delivery.

Over the course of the year, AREDP faced various challenges and limitations in program operations such as high expectations of the community, other similar programs with more lucrative incentives, unavailability of desired Islamic financial products in AREDP operational provinces, limited availability of skilled field staff, in particular female staff. Procedural and procurement limitations and a worsening security situation have also presented challenges to AREDP.

Whilst implementing the program, AREDP continued to gain useful experiences and insights in how to improve further. These “Lessons Learned” will be used in 1391 to increase the effectiveness of the program and will ensure that AREDP will have a larger impact of the livelihoods of the Afghan people.

2 The Community-Led Enterprise Development (CED)

The Community-led Enterprise Development (CED) facilitates rural micro enterprise development in the villages within AREDP operational provinces. CED undertakes community mobilization activities to organize rural men and women from eligible families around Savings Groups. These groups encourage micro saving habits and create opportunities to access micro loans and develop financial discipline. Members of different savings groups in CDCs/villages are encouraged to form enterprise groups (EG). These individuals might be already engaged, or would like to startup rural micro enterprises (RMEs)/income generating activities (IGAs) of similar nature.

EGs helps members to access technical, financial and market services based, on the requirements of the economic activities of its members. The different SGs within a CDC can organize themselves into Village Savings and Loan Associations (VSLA) to facilitate larger loans to invest in RMEs/IGAs. AREDP engaged extensively with these different groups to enhance their capacity and nurture these groups to become strong grass roots institutions that are able to meet the needs for access to finance of their members. At the same time AREDP builds linkages to enable further access to financial, technical and market support to further develop their rural micro enterprises.

2.1 Promoting Savings Groups (SGs)

As mentioned earlier, AREDP promotes SGs as an entry point in rural areas to organize rural men and women. Savings Groups provide opportunities to their members to learn and practice micro savings, access credit, and invest in their micro rural enterprises. The program has made significant progress in forming and nurturing of SGs, developing systems for maintaining simple and transparent accounts to record all financial transactions and ensuring meeting minutes are maintained at the group level by the groups themselves. SGs have successfully mobilized savings and provided internal loans. The activities stated below were carried out to promote savings groups during 1390.

2.1.1 Mobilizing the Community

Teams were engaged extensively in undertaking activities for mobilizing communities in new as well as existing districts, CDCs and villages. This included locations in provinces where activities had started in 1389 as well as in provinces added in 1390. Community mobilization was undertaken in 25 districts including 13 additional districts, mainly in Herat, Balkh and Kandahar. The new districts were selected based on certain criteria such as potential, proximity to adjoining districts, connectivity and security amongst other criteria. These districts are as listed below:

- ◆ In IDA supported provinces ; (1) Nangarhar - Darra-e-Noor (2) Parwan - Sayed Khail and Salang (3) Bamyan – Shibar (4) Herat - Enjil, Kharog and Kohasan (5) Balkh - Nahar-e-Dhahi, Dehdadi and Khulm.
- ◆ Through Bilateral Support:– Kandahar - Dand, Daman, Spin Boldak and Arghandab districts.



Mobilization for FSGs -Kandahar



Community Mobilization -Balkh

CED covered 22 districts in all provinces where SGs were formed. In the remaining districts, community mobilization took place. The Herat CED team did a basic assessment of Zendajan district in order to start community mobilization for CED activities. As a result, the Herat team discovered that most of the CDCs in Zendajan were covered under a similar project by UN-HABITAT. It was decided not to start AREDP activities to

avoid further duplication of the similar program. Instead the team selected Kohsan, another adjoining district in Herat, and community mobilization was started.

Teams introduced AREDP and CED activities to CDCs and helped build community awareness programs. SGs were formed in an additional 225 CDCs reaching a total of 425 CDCs in all 6 provinces. The table below shows CDC coverage during 1390.

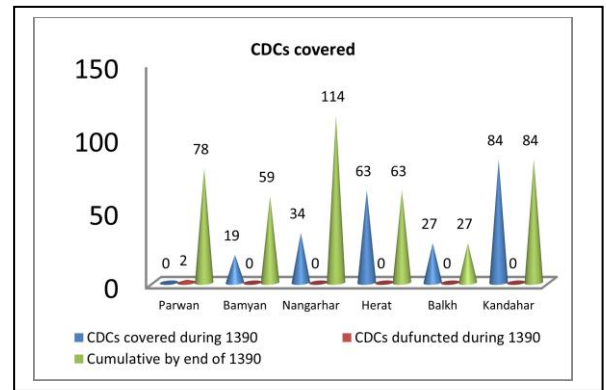


Table No. 1

CDCs coverage where SGS were established by end of 1390, (All Figures are in Numbers)		
Province Name	CDC Net Additions, by SGs	Cumulative CDCs covered by SGs
Parwan	-2	78
Bamyan	19	59
Nangarhar	34	114
Herat	63	63
Balkh	27	27
Kandahar	84	84
Total	225	425

2.1.2 Savings Groups formation

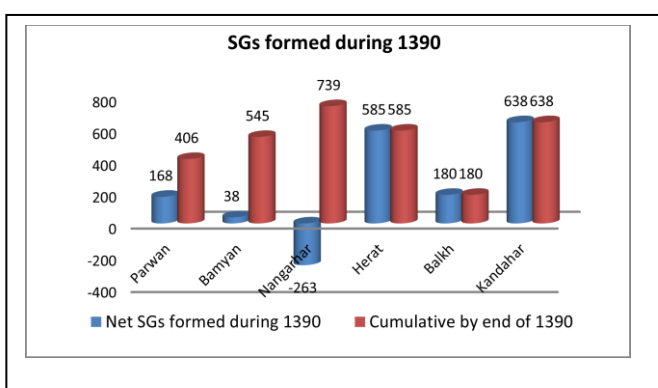
Interested community members were facilitated by PEFs to form Savings Groups after a series of visits across all provinces. A total 1346 SGs (740 FSGs) were established during 1390. The community members agreed to form groups after interactive discussions and awareness building meetings with the interested families/community groups identified during community mobilization. These groups were further supported to select office bearers, develop group norms around savings, set-up group meetings and how to keep group records, etc.

The Provincial Enterprise Facilitators (PEFs) made regular visits to the villages in order to support groups to organize group activities and to help the SGs establish procedures. Although in Nangarhar and Bamyan the first priority of provincial teams was supporting previously established SGs, these provincial teams also continued to form news SGs as shown in the table below.



MSG meeting in Herat

CED has been making it a priority to encourage women to join the program. As a result, during 1390, 55% of the newly formed SGs



were female SGs in the reporting period across all provinces. This includes establishment of female SGs the more difficult provinces, like Kandahar.

In order to successfully establish female SGs, the team would first facilitate the formation of male SGs and then begin forming female SGs in CDCs. This method proved useful in convincing the men in the community that this program could also be beneficial for women.

Table No. 2.

Progress of Savings Groups during 1390 (All figures are in Numbers)				
Province Name	Net SGs added (No.)		Cumulative SGs progress up to the end of 1390	
	Total SGs	FSGs	Total SGs	FSGs
Parwan	168	108	406	228
Bamyan	38	38	545	263
Nangarhar	-263	-27	739	258
Herat	585	271	585	271
Balkh	180	116	180	116
Kandahar	638	234	638	234
Net Progress	1346	740	3093	1370
Female Participation		55%		44 %

The Kandahar and Herat teams mobilized higher numbers of new savings groups. Other provincial teams remained engaged with nurturing of existing SGs.

2.1.3 Nurturing of Savings Groups

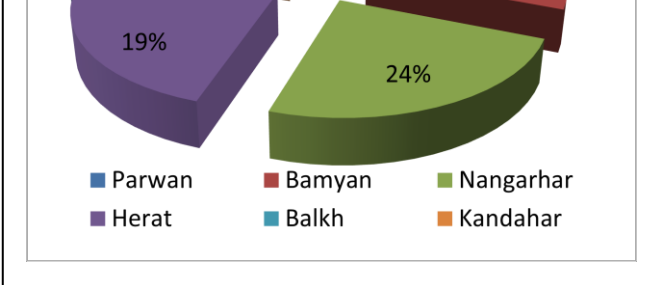
The provincial teams helped nurture existing and new SGs to practice core functions including: regular savings, regular weekly meetings, complying to the group's norms and regulations, attendance, maintaining proper records and initiating internal lending. In total 3093 SGs (As shown in table No. 2) were supported. The pie chart below shows that higher number groups were supported and nurtured in Nangarhar and Kandahar followed by Herat and Bamyan. Lower number of SGs remains in Balkh province. This is because Balkh province started SG formation later in the 3rd quarter and there was less acceptance of the program due to overlapping with other projects.

The group's leadership (the chair, the treasurer and the secretary) received hands on training and support on how to run SGs, roles of office bearers (president, treasurer and cashier) and maintaining books and accounts. AREDP introduced newly developed and printed SG books and saving boxes. 2500 books were distributed amongst the saving groups. The books are used by the groups to record financial transactions.



FSG Meeting -Bamyan

SGs aggregate growth of savings and internal lending increases as the frequency of meetings goes up. The amount of savings mobilized during 1390 by SGs was 27.554 million Afs, while cumulative aggregate savings reached 35.928 M Afs. 2569 SG members (including 1278 women) accessed loans for their own needs. However SGs extended 2754 loans to their members, including of 1403 loans disbursed by Female SGs by end of 1390.



AREDP has experienced SG disintegration in the provinces. This is largely, a natural phenomenon, since after SG formation SGs go through a stabilization phase where some SGs as a whole dissolve, or a few members decide to leave the groups. In total around 800 SGs disintegrated by the end of 1390. These groups were mainly in Nangarhar

and Parwan, and the majority of were male SGs (67%) as shown in Table No. 3.

Table No. 3.

Table showing SGs dissolved by end of 1390					
S. No.	Particulars	Parwan	Bamyan	Nangarhar	Total
1	Total SGs disintegrated (No.)	262	30	512	804
1.1	Number of FSGs disintegrated	130	9	124	263
1.2	Number of MSGs disintegrated	132	21	388	541
2	Total SG members dropped (No.)	2,929	338	4,295	7,562
2.1	Female members dropped out	1,424	103	1,050	2,577
2.2	Male members dropped out	1,505	235	3,245	4,985

The reasons for the disintegration of Savings Groups are as stated below.

- Worsening security situation; Team asked to stop operations in Rodat, Nangarhar and Shibar district, Bamyan, due to poor security. As a result, the team lost many SGs.
- Communities were expecting tangible benefits within short period.
- Micro savings are less attractive to communities, especially for males, due to different exposure and a perception that there is no tangible benefit from the project.
- Inability to managing savings; in some cases SG members were no longer able to save money. For instance, in some villages in Bamyan, people were not able to manage money to undertake savings and as a result SGs were dissolved.
- In other cases members of SGs left of the village to find work elsewhere.
- Migration of nomads (Kochis); Families moved from one place to another and groups collapsed.
- Groups which were dominated by few families or groups which have more than one member from one family were reformed, and as result some groups were dissolved.

2.1.4 Exposure visits of SGs

In 1390 CED teams developed a new initiative by organizing inter group exposure visits for less mature SGs. The SGs visited strong and well-functioning SGs in their provinces. 1022 members from 190 SGs participated in the exposure visits. There were 407 female participants, representing 70 female SGs from four provinces.

The exposure visits proved to be a great success. As a result, they increased awareness and trust of the participating SGs in the program. The SGs better understood the importance of SGs, and became aware that regularity of micro savings will strengthen their RMEs/IGAs and ultimately lead to improved livelihoods and family income.

SG members also learned how to improve the functioning of the SG i.e. regularity of savings, internal loaning, SG meetings, member's attendance and maintaining group books.

The SG members saw proof of the fact that strong SGs support rural micro enterprises or income generating activities of SG members via loans from the SGs savings. After exposure visits, the majority of participating SGs started internal lending.



Exposure visit of SGs in Nangarhar

Table below shows details of SGs and SG members exposed in respective provinces in 1390.

Table No. 4

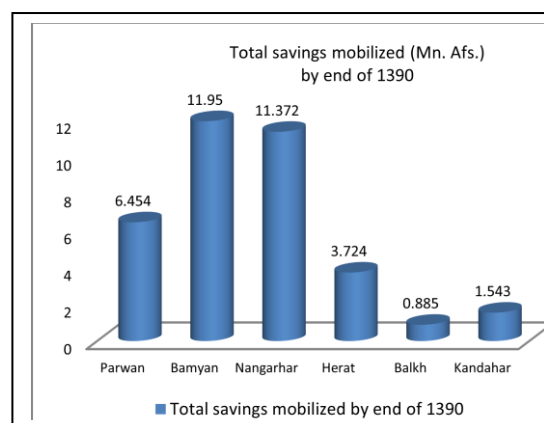
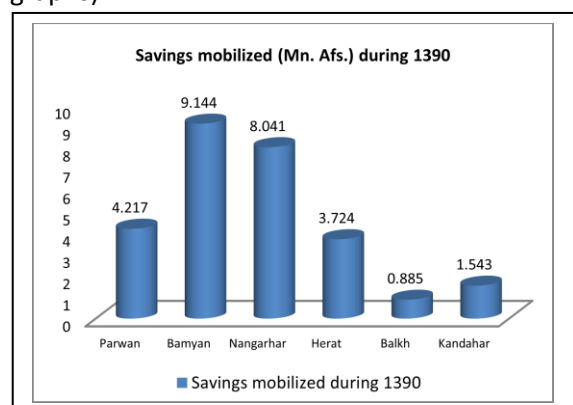
Inter exposure visit of SGs across provinces				
Provinces	SGs exposed (No.)	FSGs exposed (No.)	Total Members (No.)	Members (F) (No.)
Parwan	75	37	381	191
Bamyan	48	3	300	30
Nangarhar	40	20	200	100
Herat	27	10	141	86
Total	190	70	1022	407

2.2 SGs: Stepping towards Impacting Rural Livelihoods and Lives

In the course of 1390 it became clear that Saving Groups do impact the lives and livelihoods of thousands of rural families in many different ways. The formation of 3093 Savings groups have not only resulted increased savings, strengthened rural livelihoods and created employment, but they also functioned as a platform where an estimated 37000 rural men and women can share experiences, build trust, and work together for a better future for themselves and their families.

2.2.1 Enhanced micro savings

Members across SGs mobilized a total of Afs 35.928 Million as a result of regular collective micro savings in all provinces, inclusive of 27.554 M Afs savings added during 1390. (See table 5 and given graphs).



SGs created self-managed, accessible and community driven opportunities for savings on their door steps in rural areas. On average, SGs started with savings of 30 Afs per member, per week. However, in all provinces it the trend is that SGs that exist longer are saving more than newly established SGs.

Table No. 5

Progress of Micro Financial Services by Savings Groups across provinces as on end of 1390, AREDP											
Province Name	Progress during 1390					Cumulative Progress at end of 1390					
	Total Savings (M. Afs)		Total No. of Loans		Amount of loans (M. Afs)	Total Savings (M. Afs)		Total No. of Loans		Amount of loans (M. Afs)	
	By all SGs	By FSGs	By all SGs	By FSGs	By all SGs	By all SGs	By FSGs	By all SGs	By FSGs	By all SGs	By FSGs
Parwan	4.217	2.682	487	341	2.759	6.454	3.758	574	384	3.225	1.963
Bamyan	9.144	4.430	777	402	8.578	11.95	5.878	931	488	9.352	4.820
Nangarhar	8.041	2.863	1069	424	6.656	11.372	3.747	1069	424	6.656	2.039
Herat	3.724	1.593	152	95	0.543	3.724	1.593	152	95	0.543	0.244
Balkh	0.885	0.466	09	2	0.022	0.885	0.466	09	2	0.022	0.010
Kandahar	1.543	0.562	19	10	0.0704	1.543	0.562	19	10	0.0704	0.0405
Total	27.554	12.596	2513	1274	18,628	35.928	16.004	2754	1403	19.868	9.117

Overall average savings per member reached above Afs 900. However; cumulative savings reached as high as Afs 1829 per member in Bamyan SGs. Similarly overall savings accumulated have exceeded 11000 Afs on an average per SG. In Bamyan, this figure is as high as Afs 21926 per SG. Accumulated average savings growth is lower in Kandahar, Balkh and Herat, as these are more newly established SGs.

Table No. 6

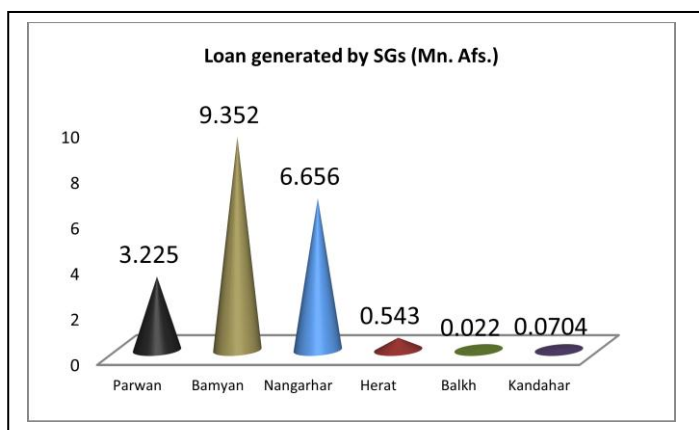
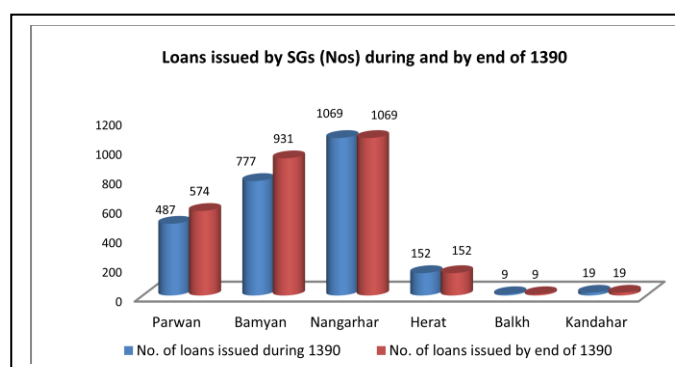
Average accumulated growth of Savings							
Provinces ->	Parwan	Bamyan	Nangarhar	Balkh	Herat	Kandahar	Overall
Savings/ member (Afs)	1,341	1,829	1,355	342	465	227	968
Av. Savings/SG (Afs)	15,897	21,926	15,389	4,915	6,366	2,418	11,616

2.2.2 Improved opportunities to access micro loans

Savings Groups across provinces created access to micro loans within villages, enabling each member to improve, or start RMEs/IGAs. Women SGs are issuing considerable loans to their members, much like their male counterpart.

Looking at the statistics, the Nangarhar SGs issued the highest (1,069) number of loans, whereas the Bamyan SGs issued loans with the largest volume. SGs across provinces cumulatively extended 2513 loans resulting cumulative loan amount of Mn Afs 19.868 at end of 1390. (See above Table No. 5 for details).

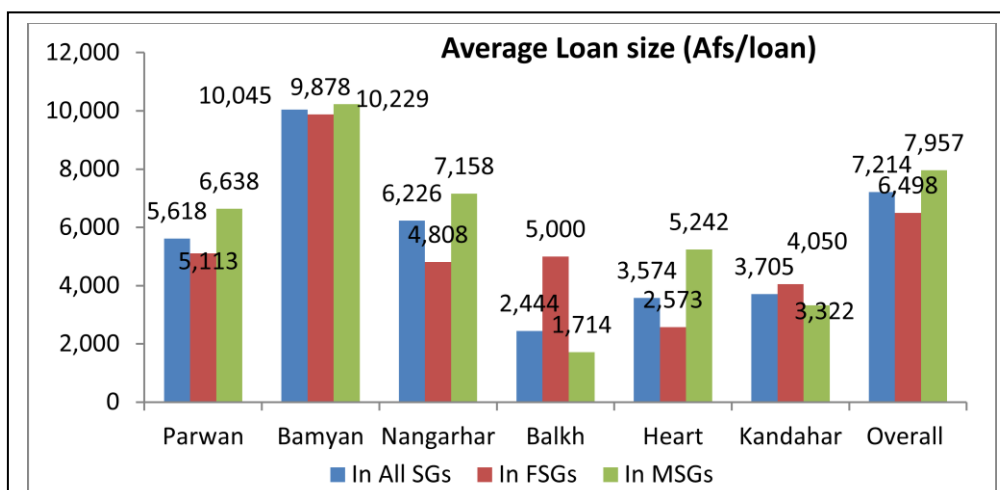
SGs in Herat, Balkh and Kandahar also initiated internal lending and issued respectively 152, 9 and 19 loans to their members.



SGs extended loans with an average loan size of Afs 7, 214 during the reporting period. Bamyan SGs extended loans with the highest average loan amount of Afs 10.045. Afs 2.444 was the lowest average loan size and was given by SGs in Balkh during 1390.

The Loans issued by women SGs were relatively smaller in size than those issued by male SGs, except SG in Balkh as shown in given chart. The number of loans also increased significantly, to 2754 at the end of the year. The Nangarhar SGs also improved their loan amounts as well as loan numbers. Given the

social/political context of the region it is quite remarkable that the SGs from Nangarhar were able to issue such large number of loans.

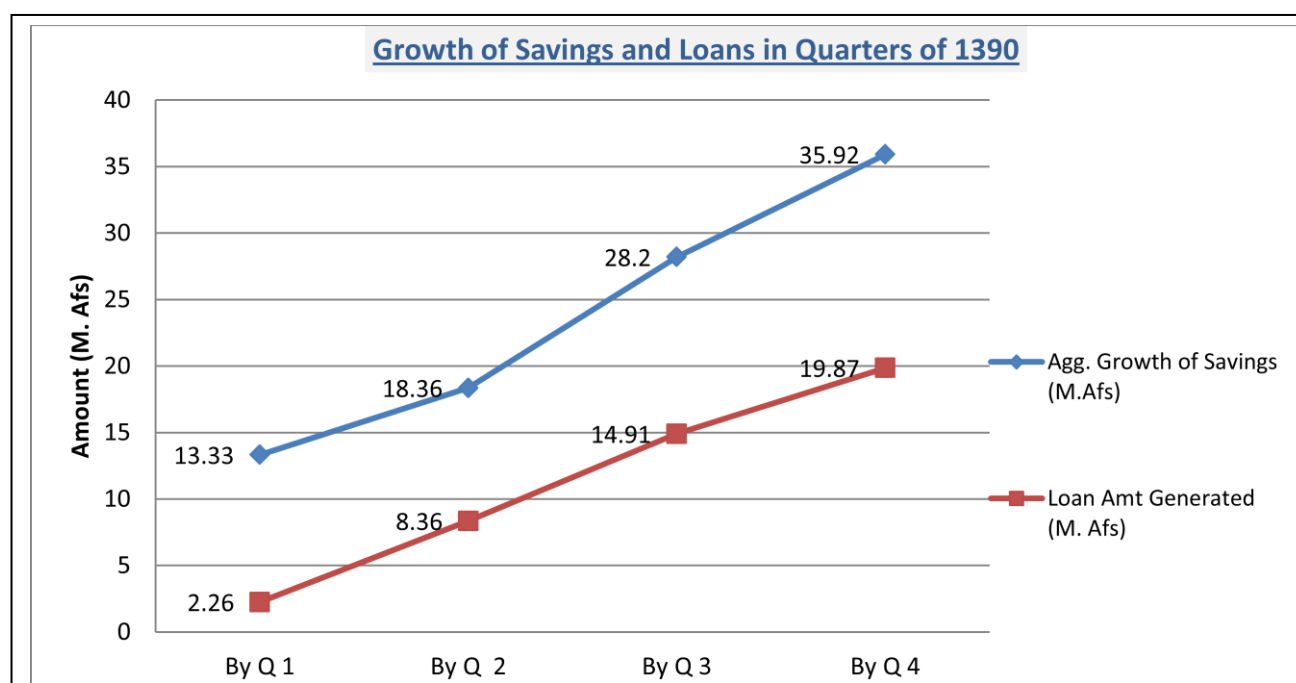


Similarly, highest number of members in Nangarhar received loans from their respective SGs. This is largely due to the fact that Nangarhar has highest the number of SGs. However, it is important to note that FSGs in Nangarhar also extended loans to the second highest number of female members in all provinces. Overall 2569 members inclusive of 1278 female members accessed loans from their respective SGs by end of 1390.

Table No. 7

Provinces ->	Parwan	Bamyan	Nangarhar	Balkh	Herat	Kandahar	Total
No. of Members accessed Loans	465	861	1,079	9	136	19	2,569
No. of Female members accessed Loans	317	480	389	2	80	10	1,278

Aggregate growth of savings keeps growing consistently in SGs and similarly loan amounts extended by SGs has also grown continuously throughout 1390, as shown in the graph below.



2.2.3 Strengthening rural micro enterprises

Savings groups extended loans largely to strengthen or start up income generating activities and rural micro enterprises of SG members. SG members used these loans for small scale trading of vegetables, grains, livestock, setting up flour mills, setting up shops and/or adding grocery items in their existing shops, undertaking animal husbandry activities, poultry farming, dairy products, embroidery, as is evident from success cases narrated in the report.

2.2.4. Towards supporting employment opportunities

SGs are playing crucial role by providing a platform for rural people to save money and have access to micro loans. This trend helps participants move towards strengthening rural livelihoods and enhancing family income. The activities of the SGs are leading towards supporting and improving employment opportunities for rural people in their villages.

It is estimated that the SGs supported 2328 employment opportunities during 1390 and 2569 employment opportunities since the start of the project. This calculation is made based on the assumption that each member who accessed a loan created employment for at least for one individual, although there is evidence that 2 jobs were supported / created by one member accessing one or more loans from a SG.

Impact: - Case Stories

The cases described below are examples of the impact SGs can have on the livelihoods and lives of thousands of rural men and women. SGs not only enhanced family income and wellbeing of SG members but also created employment opportunities for other family members and or for people down the value chain.

Case 1: He might stay small, but his business is growing

Allah Mohammad, a man with stunted growth, was born in 1982 into a poor farming family in Deh-Qazi village of Parwan Province. He is considered to be the 7th smallest man in the world. He successfully obtained his baccalaureate degree (12th grade graduation Certificate) from Deh-Qazi High school of Parwan province. At 32-years old, he was suffering from unemployment, economic problems and disability. He was totally disappointed in his life, economic problems and unemployment, but as AREDP began its activities in their village in 2010, a new lease of life and income generating opportunities were experienced by Allah Mohammad, his family and other residents of their village.

Soon after hearing about the programme, Allah Mohammad joined the Ithaad male Saving Groups formed on 15/12/2010. After a few months, when the village savings reached a considerable amount of money, Allah Mohammad applied for a loan in his savings group to start a small shop for mobile phones, mobile accessories, top up/scratch cards, batteries etc. Fortunately, the group agreed on his proposal and gave him loan of Afs 3000 in September 2011 for 3 months, which helped him to purchase his required goods, including mobile scratch cards.



Allah Mohammad arranged additional money from his own sources and started his private owned business within his village. Today while talking about his business, Allah Mohammad said, *“Thanks to God, I have achieved positive results from my work. After a few months of work, I repaid the loan. Currently I am doing my business with my own capita, and whenever I need additional capital, I will apply for another loan from the SG”*. He also added that the AREDP has helped him and his life has been rescued him from unemployment and poverty.

Case 2: Flour Mill - A rural micro enterprise and a facility created by SGs

There was no flourmill in Salampoor village in Khewa, Nangarhar. As a result, people had to go to another far away village to mill grain. AREDP formed SGs in the village during the last quarter of 2010. Members from three different SGs planned to set up flourmill with a loan from their SGs, once these SGs had grown and had a reasonable volume of savings. Three members (2 men and 1 woman) from three different SGs (Marikh 2, 7 and 8 SGs) in Salampoor village agreed to setup a flourmill in their own village. The three members took loans of 36000 Afs (14000 Afs, 15000 Afs and 7000 Afs respectively) for 4-6 months on monthly installments from their respective SGs in September 2011. They set up a flour mill in their village and employed a full time operator who runs the flour mill. Now, with this micro enterprise (Flourmill), they are grinding an average of 70 – 100 quintal of wheat and maize etc per month. All three members repaid the loan amount to their respective SGs. They are able to earn Afs 9000/month after deducting the



operator salary and other miscellaneous expenses. Other villagers are also happy to have flourmill in their own village and now they do not need to travel to far places for flourmill usage. All this was able to happen due to the presence of Savings Groups.

Case 3: “SG made a difference in my life”

–Salim Khan

I, Salim Khan am a resident of a Samarkhail village of Behsood district in Nangarhar. I knew to prepare sweets and used to work on other sweet shops. However, this was not regular employment and many times I remained unemployed. I had a plan to set up my own sweet shop one day but didn't have capital to start it. Once AREDP started its program and formed SGs in my village, I also joined a SG and am now a member of the Azizi SG. I had a plan to set up my own micro enterprise, not only to create an employment opportunity for myself, but also to engage others as well. I took loan of 5000 Afs for a month from my SG on 07/11/2011 and organized an additional 5000 Afs from my own family. I started a sweet shop in my village with this capital. I prepare different types of sweets and sell them from my own shop. I employed other another person from my own village to assist me in the sweet shop. Currently, I am able to earn approximately 7,500 Afs per month. I am aiming to expand my business in the near future. I have plans to increase the number of employees as well in my micro enterprise. I repaid my entire loan on time. My capital increased to Afs 40000 the initial amount of Afs 10000.



I feel proud of my SG, which enabled and helped me in my initiative to create stable employment, not only for me but others as well.

2.2.5 SGs leading to Social Change

Increases in access to finance and job creation have not been the only positive impacts of the SGs within their communities. SG members have explained that the intention to put aside 30 Afghanis per month has led to social changes in their community. People had to look for ways to cut back expenditures to be able to save the required amount and started to look critically at some of the expenditures of some of the large social events and made as a group some important decisions and taken actions in their respective areas:

- * **Reduce expenses on wedding:** Prior to the establishment of the SGs, communities had spent lots of money on wedding ceremonies, due to social pressures. Now they have cut down these costs enormously by reducing expenditure for food and decorations, amongst other costs.
- * **Daily saving on foods:** The SG members have reduced the expenses substantially on daily food items consumed. They save money on beef, fruit, drink and vegetables etc. For example, some individuals used to have beef 3-4 times a week, but now they have reduced their meat consumption.
- * **Saving on expenses for Haj (pilgrimage) return ceremony:** On returning from Haj, they used to hold ceremonies wherein hundreds of people were invited to celebrate and cars were rented to receive the Hajis at the airport. Now this is considered as excessive and expenditures have been reduced.
- * **Strengthen social capital and support among the community:** People in the communities have an enhanced sense of unity in the neighborhood and in the area. Now when there is any ceremony or party held in the area, all of the SG members participate in the ceremony and try to help each other.
- * **Garbage cleaning:** As a result of the regular meetings at the SG level, communities are encouraged to engage in social welfare activities or community service. For instance, some have initiated garbage cleaning in the area.

2.3 Promoting Enterprises Groups (EGs)

AREDP encourages rural micro entrepreneurs who are members of different savings groups, but are engaged in similar enterprises or value chains to organize themselves into an Enterprise Group (EG). The members of these EGs (Rural entrepreneurs) are mainly engaged in production, processing and or marketing of dairy products, dry fruits, vegetables, cheese, carpentry, carpet weaving, tailoring, honey bee, poultry, embroidery, handicrafts, livestock, precious stones, and gemstones etc.

Members of various SGs in Parwan and Bamyan who organized themselves into EGs formed during 1390 chose to develop and strengthen their rural micro enterprises in honey bees, Poultry, carpet weaving, tailoring, purse making etc. Table No. 8 below shows progress related to these enterprise groups.

Table No. 8

Province Name	Progress during 1390 (No.)				Cumulative Progress (No.)			
	EGs formed	FEGs	Members	Members (F)	Total EGs	FEGs	Total members	Members (F)
Parwan	7	2	40	5	15	5	75	25
Bamyan	14	11	70	55	14	11	70	55
Nangarhar	0	0	0	0	72	28	481	152
Kandahar	5	0	25	0	05	0	25	0
Total	26	15	148	60	106	44	651	232

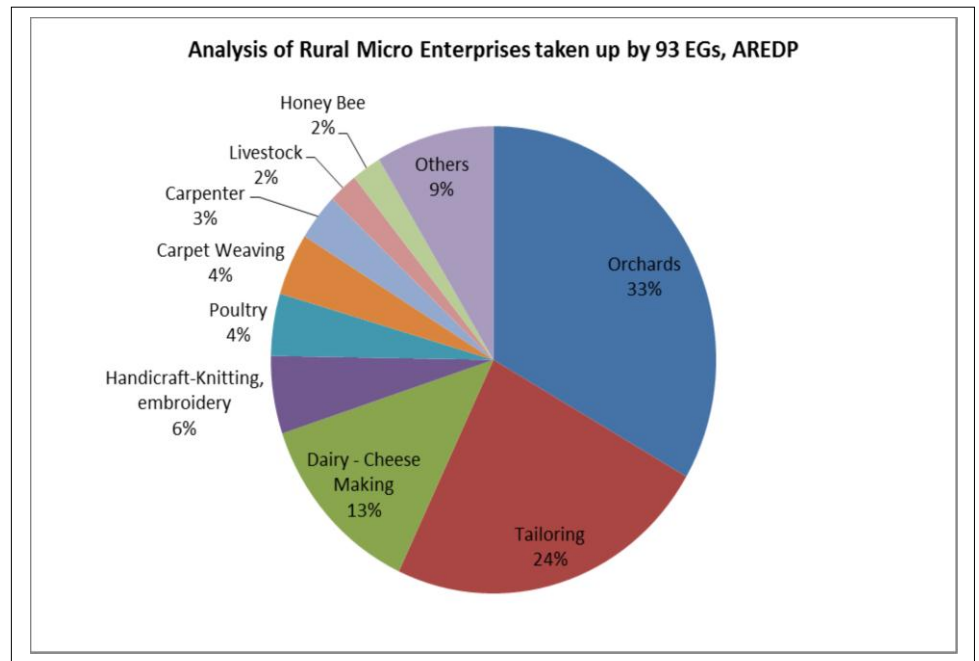
All teams continued to support EGs (106 cumulative EGs by the end of 1390) which were formed in Parwan, Bamyan, Nangarhar and Kandahar. The program will systematically proceed to facilitate the formation of more EGs as per the plan to build on experiences gained in 1390. All teams were fully occupied with nurturing SGs as and therefore, could not form more EGs.

EGs across all provinces showed a preference for starting micro enterprises in the areas of fruit orchards, tailoring, dairy products (cheese making), handicrafts (embroidery, knitting), poultry and carpet weaving. In addition, there RMEs were involved in agriculture, masonry, mechanics, strawberry farming, fishing, and purse making etc. as their preferred income generating activities. The majority of female EGs opted for tailoring, cheese making and handicraft (embroidery, knitting etc.) rural micro enterprises as their preferred income generating activities (See Table No. 9 below). The majority of male EGs chosen garden land based and skill based rural micro enterprises such as gardening, masonry, carpentry and livestock etc.

Table No. 9

Table showing Rural Micro Enterprises taken up by 91 Enterprise Groups (EGs) , AREDP (No.)								
Particular Provinces ->	Overall		In Nangarhar		In Parwan		In Bamyan	
	Total EGs	Total FEGs	Total EGs	FEGs	Total EGs	FEGs	Total EGs	FEGs
Fruits Orchards	31		31					
Tailoring	22	19	18	15	2	2	2	2
Dairy - Cheese Making	12	10	10	10			2	
Handicraft-Knitting, embroidery	5	5			1		8	5
Poultry	4	2	3	2	1			
Carpet Weaving	4	3	1		3	3		
Carpenter	3		3					
Livestock	2				2			
Honey Bee	2				3			
Others	8	2	6	1	3	1	2	
Total	93	41	72	28	15	6	14	7

Fruit orchards (33%), tailoring (24%), dairy (cheese making) (13%), handicrafts (embroidery, knitting), poultry and carpet weaving are major rural micro enterprise activities taken up by EGs across all provinces, as shown in the pie diagram below. RMEs which are clubbed in the "Others" section are agriculture, masonry, mechanics, strawberry farming, fishing and purse making etc. These were selected by 9% of EGs as their priority income generating activity.



2.4 Simplifying and mainstreaming SG accounts

The CED team is also engaged in developing and strengthening simplified book keeping for the SGs. Simplified book keeping enhances transparent accounting and financial management SG level and is an important tool for strengthening the SGs. The simplified SG accounting system increase SGs members confidence and allows for greater control and ownership of the members of members, in relation to the internal procedures of the SGs. At the same time, it creates compatibility with formal accounting systems.

The SG accounts consist of:

- SG meeting register - a record all financial transactions including savings, internal loans, loan purpose, up-to date cash balance etc. in addition to member attendance on the first page (one sheet) and meeting minutes including all member signatures at second page. The register generates a duplicate copy on carbon paper which is used by the AREDP office for MIS entry. It is simple system, with only one printed book to be kept at SG level. The simple format makes it easy to be used by someone with a basic education.
- Member Passbook - to record all financial transactions related to individual members within the SG. A member will carry this passbook for his/her own information. Again, it is designed in a user friendly way.
- SG stationery - list of required stationery within every SG, including savings box, calculators, inkpads, pens, pencils and notebooks etc. The CED developed a complete list with specifications of all SG stationery items, which were then procured by provincial offices and provided to the SGs.

2500 copies of SG meeting registers were printed in local languages and introduced to all. Member passbooks are in the procurement process for printing. CED organized an orientation and gave hands on support to PEFs from different provinces on the use of books of records and passbooks, as well as how to introduce savings boxes to SGs.

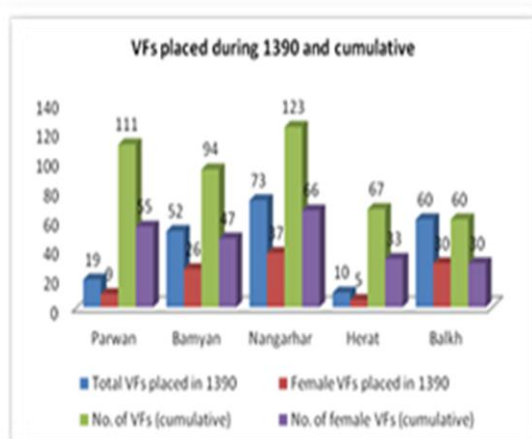
2.5 Placing and Nurturing Facilitating Team

CED team invested significant time in recruiting provincial enterprise facilitators (PEFs) to be placed in the different provinces and village facilitators (VFs) to support SGs, EGs and VSLAs in villages. The team was able to recruit 29 PEFs (15 female PEFs) in respective provinces as shown in the chart. In total, AREDP recruited 124 PEFs (49% female

PEFs), in all provinces by the end of 1390 to form SGs, EGs, VSLAs and extend regular handholding support to these people's institutions with the goal of nurturing them into mature groups able to lead rural enterprise development and create sustainable rural employment in the longer run.

The team also invested considerable energy in placing Village Facilitators (VFs) in villages to support SGs, EGs and VSLAs. Provincial field teams, with the help of CDCs, were engaged in identifying potential candidates within communities to be selected as VFs for the program. This continued in parallel to mobilizing communities, especially those with newly established CDCs. Since the program has expanded to new CDCs in the provinces, 214 additional VFs (107 female VFs) were recruited during the year, as shown in chart.

Recruitment of a significant number of VFs is under process in all



invested significant energy for recruitment for new positions³ such as CED Senior Officers and a Provincial Market Linkages Officers (PMLO). SOs have been recruited in all provinces except Bamyan and the recruitment for PMLOs is going on for all provinces.

The table below shows details about PEFs and VFs engaged across provinces.

Table No. 10

Province Name	PEFs and VFs hired during 1390 (No.)				PEFs and VFs on board cumulative as on 1390 (No.)			
	Total PEFs	PEFs (F)	Total VFs	VFs (F)	Total PEFs	PEFs (F)	Total VF's	VFs (F)
Parwan	10	5	19	9	28	13	111	55
Bamyan	5	3	52	26	23	11	94	47
Nangarhar	12	6	73	37	32	16	123	66
Herat	2	1	10	5	22	11	67	33
Balkh	0	0	60	30	19	10	60	30
Total	29	15	214	107	124	61	455	231
Female (%)	PEFs 49%		VFs 50.7%					

² The VFs and PEFs numbers are exclusive of Kandahar since PEFs and VFs are hired by AICB, partner agency in Kandahar

³ The need for above positions was raised by provincial teams to have a leading person for CED activities at provincial level; that can work with team of PEFs and can interface with provincial managers. Provincial managers used to heavily engage with other responsibilities and often it was difficult for them to spare required time with respective PEFs to extend much needed support, and particularly to make regular visits to the communities.

2.6 Towards Thematic Enrichment

CED team enhanced its outreach considerably in the last year and has worked to further enrich itself thematically, by taking into consideration experiences gained in the field World Bank ISM 2 and ISM 3 action points. The CED team worked around the following thematic areas during the reporting period

2.6.1 Roles and responsibilities of EGs – team revisited anticipated roles and responsibilities of EGs for developing and strengthening rural enterprises and defined these further by integrating in house and international experiences.

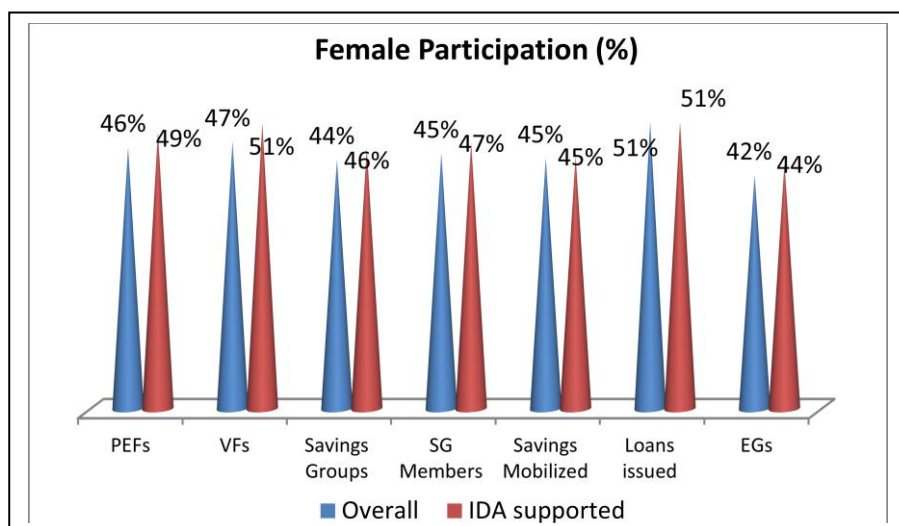
2.6.2 Redefining of AREDP target groups – similarly the team revisited SGs, EGs and VSLAs definitions, membership criteria and refined these further, based on experiences over the past year.

2.6.3 Developing risk management framework – the team developed a risk management framework for SGs and EGs considering related risk factors based on practical field experience and anticipated future risks. International best practices were also taken into consideration. It became a helpful tool for PEFs and VFs to deal with SGs in more commonly experienced risk scenarios.

2.6.4 Encouraging Gender Participation across CED activities – CED encouraged higher female participation across CED activities to help integrate and strengthen gender in enterprise, as is evident from the chart below. Female membership and participation in SGs also increased from 40 to 44 % during 1390 (see Table No. 2 for details).

Across different parameters in CED activities, women's participation is ranging in between 42 % to 51%, which is a very significant achievement in the Afghan context.

2.6.5 Mobilization strategy - CED successfully refined their strategy for community mobilization, as was also recommended by the World Bank ISM. The CED refined its community mobilization strategy and developed indicators for community mobilization.



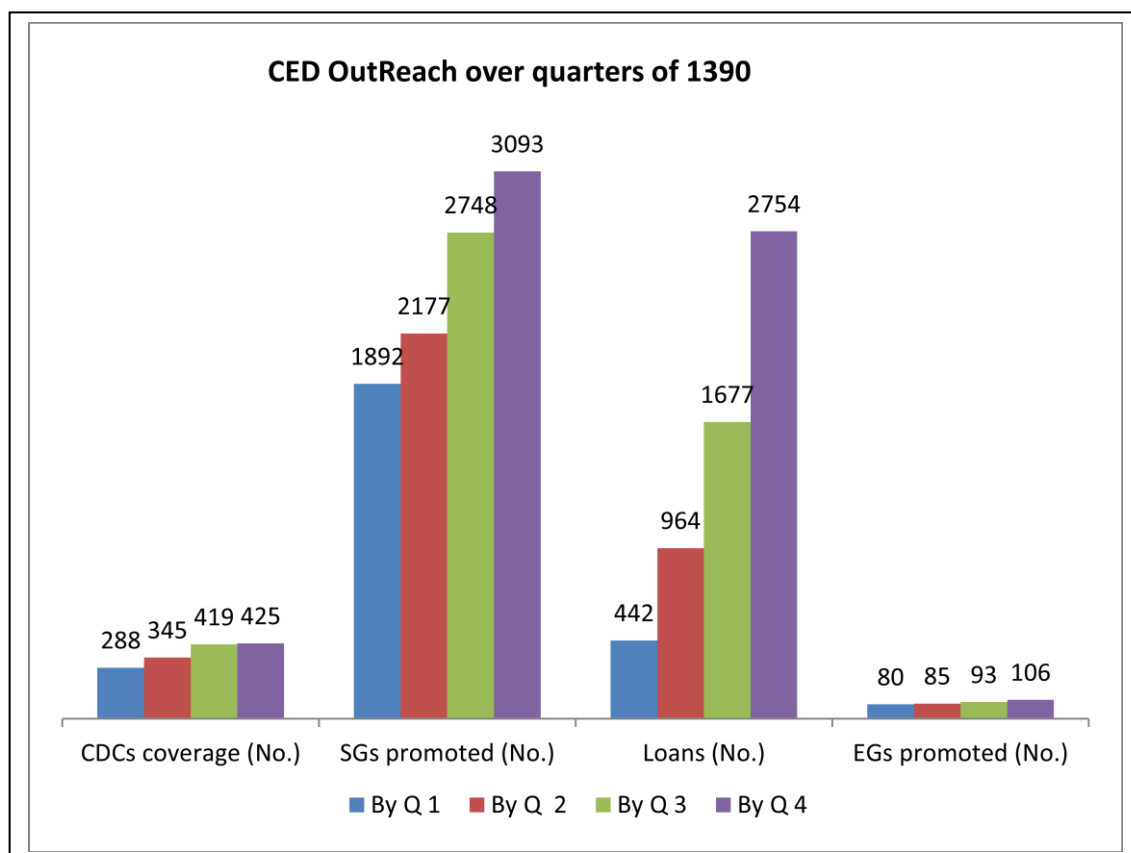
In the coming year, the team will focus on promoting and strengthening enterprise groups to meet the needs of micro rural enterprises.

CED activities have grown significantly during 1390 and brought thousands of poor rural households under the program; as shown in table and chart below.

Table below shows both CED Outreach during 1390 and cumulative figures.

Table No. 11

CED outreach : 1390			
S/N	Particulars	During 1390	Cumulative by end of 1390
1	Districts Coverage by SGs (No.)	10	22
2	CDCs coverage by SGs (No.)	225	425
3	SGs promoted (No.)	1346	3093
3.1	FSGs promoted (No.)	740	1370
4	Aggregate Growth of Savings (M. Afs)	27.55	35.927
5	Loan Amt Generated (M. Afs)	18.628	19.868
6	Loans extended (No.)	2513	2754
7	EGs promoted (No.)	26	106
7.1	FEGs promoted (No.)	15	44
8	PEFs placed (No.)	29	124
8.1	Female PEFs placed (No.)	15	61
9	VFs placed (No.)	214	455
9.1	Female VFs placed (No.)	107	231



2.7. Challenges and Lessons Learnt

Challenges

- Seasonal migration of rural communities from one place to another especially in Nangarhar and Bamyan
- Difficult to recruit capable VFs especially female VFs in remote project villages to perform expected tasks/roles by the program.
- Lack of people's confidence towards the program in the new communities based on negative experiences with similar programs and where communities had lost their money.
- Grant-based programs of various agencies in the same areas, overlapping in some project districts of AREDP namely UN Habitat, Agha Khan etc.
- Communities think that there is no benefit from the project. Therefore, it takes more time and requires series of meetings to keep the group active.
- Isolated located villages and few inhabitants. In provinces like Bamyan, CDCs are located far apart from each other and there are few households and residents in villages, resulting in a lesser number of groups and lesser number of covered CDCs per PEF.
- Limited market opportunities for selling products of enterprise groups.
- Low literacy rate among women created issues for accounting in women's SGs
- Worsening security situation has led to discontinuation or less frequent visits to some groups. For example, security issues seriously hampered project activities in Rodat district of Nangarhar and Shibar district of Bamyan where AREDP had to stop its activities for a period.

Lessons Learnt

- Exposure visits of SG to high performing SG were extremely useful in clearing doubts, building clarity and resulted in improved functioning of SGs.
- It requires time to build trust among the community and encourage them to form savings groups. Thus, for the program to succeed, the mobilization phase required more time to match the pace of the community.
- It takes time for SGs to grow and start internal loaning. Once SG members start accessing internal loans, they realize importance of SGs; they enable SGs to grow savings, do more internal loaning and exert peer pressure on members who have outstanding loans, in order to meet credit needs of other SG members.
- Positive and active leadership of SGs enhanced SG level skills for simple accounting and group based accountancy. This reduces the group's dependency on PEFs/VFs and is a key pillar to the success and sustainability of SGs.
- Strong SGs will lead the way for mobilizing EGs and VSLAs.
- Some strong male SGs and EGs may inspire and mobilize women to participate in this program.
- Linkages between enterprise groups and SMEs will immensely contribute to mobilizing more communities.

3 The SME Development

The Component B of the Program, i.e. the SME Development Component, aims to fulfill the needs of Small and Medium Enterprises for capacity building and access to finance. It has three sub-components: SME Facilitation, Business Development Support for SMEs and Access to Finance for SMEs. AREDP launched the SME component in April 2011 and by end of 1390, the SME component was active in all 7 provinces i.e. Parwan, Bamyan, Nangarhar, Herat, Balkh, Kandahar and Helmand.

3.1 Progress on SME Development Component

In 1390, the SME team launched a SME facilitation campaign in two cycles, to identify suitable SMEs. The first cycle started in April 2011 in six of the seven provinces and was finalized in December 2011. During the second cycle, which took place between December 2011 and the end of March 2012, the activities under component B were extended to a 7th province, Helmand. The SME unit recruited a total of 35 Business development officers (BDSOs) responsible for the facilitation of the program activities. The BDSOs received an intensive training to prepare them adequately.

The following progress has been made during 1390:

3.1.1: Public information Campaign: reaching out to SMEs

The program started with a public information campaign in order to reach existing SMEs that would fit the profile of the program. The public awareness campaign would take into account the social-political situation of each province. Based on the experiences of the first cycle, the SME team designed a radio campaign for the second cycle to expand the outreach of the program. The advertisements were broadcasted in either Pashtu or Dari based on the provincial community's lead language. As a result of effective campaigning, the provincial teams were able to collect a pool of diverse and promising rural SME's. As a result of the outreach campaigns, 263 SMEs (20 women's SMEs) applied for the program during the first cycle and 279 (55 women's SMEs) during the second cycle. Overall in the year of 1391, the SME unit received 542 applications from SMEs of which 75 applications (14%) were from women owned businesses.

3.1.2. Identifying the right SMEs,

The applications were scored and screened based on the standard format and guideline of AREDP. The potential SME's which scored comparatively higher in the province were selected; others who scored less but had potential were parked, while others were dropped. After a screening process completed by the BDSOs, 149 SMEs (19 women's SMEs) of the first cycle went on to the next stage of the selection procedure, and 180 SMEs (38 women's SMEs) from the second cycle. Women's SMEs applications enhanced in 2nd cycle SME facilitation as it is evident from the data (please refer to table No. 12 for details). In total, 329 SMEs were selected through the screening process for the next step in both cycles, of which, 57 were female SMEs (17%).

3.1.3. Technical Feasibility and Economic Viability Studies

In order to identify the SMEs with the most potential, the BDSOs conducted Technical Feasibility (TF) and Economic Viability (VF) Studies. The studies look into the technical capacity of the SME and conduct an analysis of the existing market. Regular interaction with the SMEs, business site visits and personal observation provides the reference to conduct studies and allows the short-listing of the most potential SMEs. These TF & EV studies were further reviewed, commented on, and corrected by PMO SME unit. The completion of TF & EV was a learning experience for BDSO's. The activity allowed them the opportunity to interact with SME's and collect their desired information. This also provided them an occasion to have an in depth analysis of target enterprises.



In total TFs and EVs studies were successfully completed for 138 SMEs (18 Female SMEs) selected from 1st cycles and for 151 SMEs (29 Female SMEs) selected from 2nd cycle for TFs & EVs studies. In total, the TF & EV studies for 289 SMEs were successfully completed. The number of women's SME's assessed was 47 (16%) out of the total of completed TF & EV studies (Please refer Table No. 12 for details). These SMEs were then used to be selected for developing their business plan.

3.1.4. Business Plan Development

The business plans are developed by the BDSOs with technical support from the SME PMO unit. The business plans provide important information about the financial status, progress and future of the target enterprise. They mainly identified the bridges to fill the gaps for each business on where it wants to be, from where it currently is, within a specified time. For the first cycle, 106 business plans were developed by December 2011 out of all 106 SMEs selected for Business Plan Development (BPD). Out of 106 SMEs whose business plans were developed 17 SMEs are women-led. This is a significant achievement in terms of women's participation particularly in an Afghan context.

The team selected 133 SMEs for business plan development, after TF and EVs studies from the 2nd cycle of SME facilitation. 24 Female SMEs (18%) were selected for business plan development out of all 133 SMEs from the 2nd cycle. The business plan development for the 2nd cycle SME's will be developed and finalized in the first quarter of 1391. In total, 239 SMEs were selected for developing business plans in both cycles after primary screening and technical feasibility and economic viability studies. 41 women's SMEs (17%) were selected for business plan development in both cycles, out of a total 239 SMEs.

The following table provides details about cycle 1 and cycle 2 for SME facilitation.

Table No. 12

SMEs (No.) selection during the first cycle and 2 nd Cycle in all provinces during 1390 - AREDP																	
S. No.	Provinces-> Particulars	Balkh		Herat		Bamyan		Parwan		Nangarhar		Kandahar		Hilmand		Total	
		All	F	All	F	All	F	All	F	All	F	All	F	All	F		
A	SME Facilitation cycle - 1																
1	SMEs applied	43	7	30	3	27	2	21	2	106	3	36	3			263	20
2.1	SMEs selected for TF&EV	35	6	23	3	15	2	15	2	34	3	27	3			149	19
2.2	TFs & EVs done of SMEs	35	6	23	2	15	2	11	2	27	3	27	3			138	18
3	SMEs selected for BPD	23	5	17	2	11	2	11	2	23	3	21	3			106	17
4	BP developed of SMEs	23	5	17	2	11	2	11	2	23	3	21	3			106	17
5	LoU signed with SMEs	23	5	17	1	9	1	11	2	23	3	21	3			104	15
B	SME Facilitation cycle - 2																
1	SMEs applied	30	10	48	15	18	3	25	2	82	12	45	5	31	8	279	55
2.1	SMEs selected for TF&EV	26	10	30	7	12	2	15	2	35	10	40	5	22	2	180	38
2.2	TFs & EVs done of SMEs	17	8	28	7	9	1	15	2	22	5	40	5	20	1	151	29
3	SMEs selected for BPD	17	8	20	2	6	1	12	2	20	5	40	5	18	1	133	24
	Overall SME Facilitation																
1	SMEs applied	73	17	78	18	45	5	46	4	188	15	81	8	31	8	542	75
2.1	SMEs selected for TF&EV	61	16	53	10	27	4	30	4	69	13	67	8	22	2	329	57
2.2	TFs & EVs done of SMEs	52	14	51	9	24	3	26	4	49	8	67	8	20	1	289	47
3	SMEs selected for BPD	40	13	37	4	17	3	23	4	43	8	61	8	18	1	239	41
4	BP developed of SMEs	23	5	17	2	11	2	11	2	23	3	21	3	0	0	106	17
5	LoU signed with SMEs	23	5	17	1	9	1	11	2	23	3	21	3	0	0	104	15

The Business Plan (BP) Toolkit

The business plan is developed with the help of a toolkit which contains several questions linked to business. This BP toolkit assists the BDSO's to develop a business plans based on the needs of each SME. The toolkit includes the following main components:

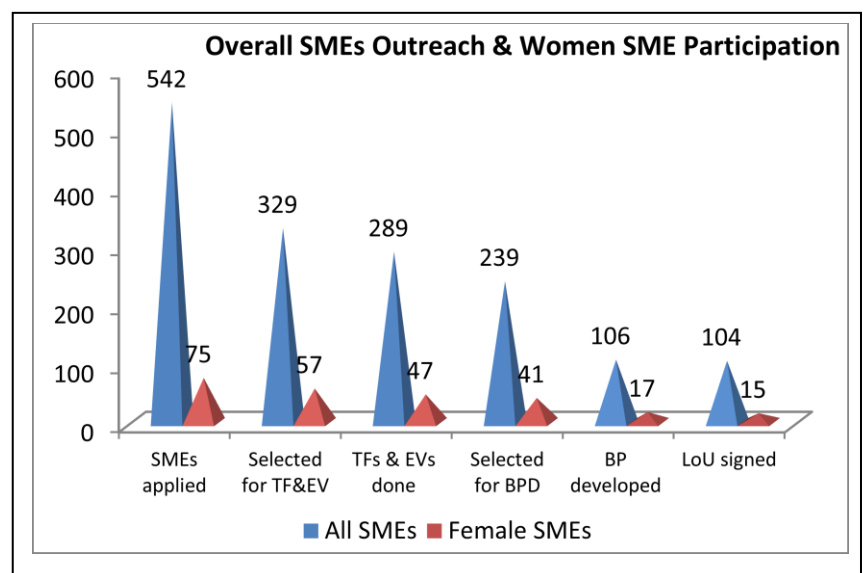
- **General information:** - It provides a general overview of the business. The sub sections in the general information section highlight specific information such as business ownership, general management, organizational structure, products/services, the target market and customers.
- **Operations/operational plan:** - This covers the key information regarding the working issues of the business. In particular, it includes scope of operation, facilities and equipment, production, personnel plan, operational expenses, suppliers and monitoring and evaluation of business.
- **Marketing strategy:** - This section provides detailed information on market targeting strategy, service strategy, pricing strategy, advertisement and promotion strategy for the business.
- **Financial plan:** - It is one of the key sections of the business plan. This section provides information on financial history, capital requirement, capital investment, balance sheet, income statement, and cash flow statement. The BDSO's use generic formats to provide the mentioned information.
- **Constraints and recommendations:** - This section underlines the major constraints and recommendations for the business. The constraints include technical constraints, economic, managerial, environmental and other. The recommendations section also provides information on the appropriate recommendations for the constraints and how to overcome them.
- **Support Action Plan:** - The Support Action Plan outlines the support that can be provided to the target SME. It may include the basic business development advice, advanced business development advice, practical or technical know-how advice, loan facilitation, marketing advice, and any other advice considered important for the business. At the end, the support delivery action plan outlines the probable delivery process of the support. This document is expected to evolve with the development of the business.



3.1.5. Letter of Understanding (LoU)

After developing the business plan, AREDP sign letter of understanding with concerned SMEs seeking AREDP support. LoU is signed with 104 SMEs (15 Women SMEs) from cycle one during 1390 as shown in Table No. 10 and Chart.

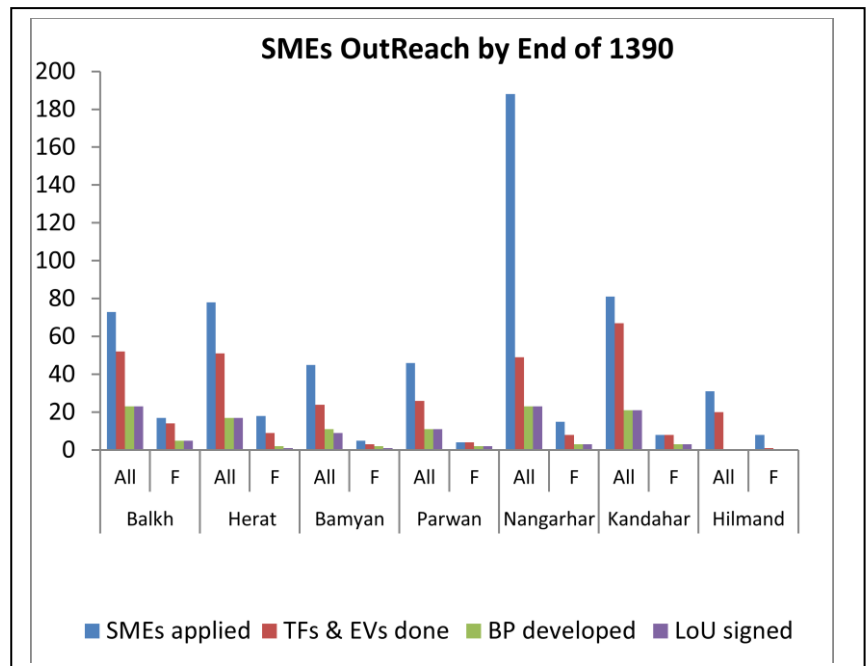
Nangarhar outreach for SMEs is highest, followed by Kandahar and Herat as shown in the chart given. This is essentially because of more business opportunities in the provinces due to shared borders with neighbor countries.



3.1.6. Analysis of SMEs Needs

Each business plan has a Support Action Plan (SAP) attached. This section briefly defines three categories i.e. the generic, advanced and specific needs of the business. The 'generic' training word is also used interchangeably with basic or mandatory training and 'advanced' training is also sometimes known as specialized training. 'Specific' training, however, refers to any type of technical or specialized training connected to product development.

- A brief analysis of the SAP of SME selected in the 1st cycle shows that basic training generally covers basic accounting, marketing, strategies for increasing sales, completion of basic legal documentation, inventory and space management, as well as health and hygiene.



- Advanced training is related to advanced accounting, costing methods and financial management, software based accounting, marketing, increasing domestic sales, advanced documentation requirements for businesses, inventory, space and supply chain management, quality control management, operations and site management, as well as employee safety, health and hygiene management.
- The specific technical need varies from cluster to cluster. For example, poultry SMEs require the following knowledge and technical support:
 - Technical knowhow for operation and maintenance of broiler rearing unit sites
 - Technical knowhow on basic veterinary services required for chicks to grown up chickens,
 - Knowledge about available modern techniques and costs, which could improve the cost effectiveness of production
 - Cost effective marketing solutions for SMEs to increase their sales, to expand their businesses etc...
 - Awareness of the animal housing construction and ventilation etc....

Whereas cotton seed oil SMEs technical needs would be to acquire the technical knowhow of:

- Operation and maintenance of cotton pressing machine, oil filtering machine and cotton processing machine
- Acquiring technical knowhow of operation and maintenance electrical systems on production site
- Obtaining knowledge about prices of machinery and retailer contacts, for modern and improved machinery which could improve cost

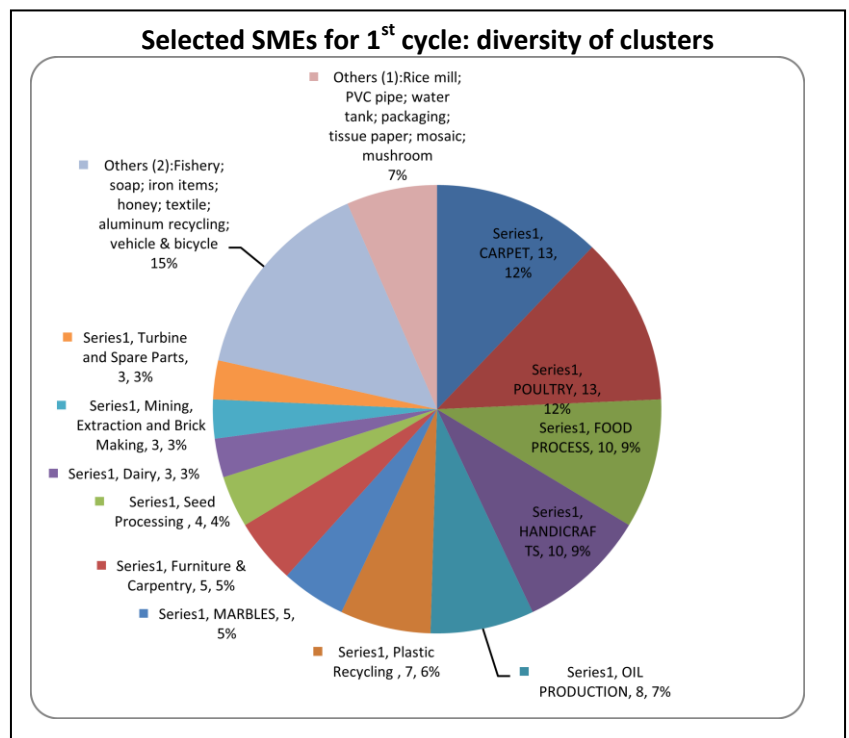
At present AREDP is not following a sector specific selection process rather, it builds on SME's potential and addresses priority needs. In other words, AREDP has taken a comprehensive approach i.e. the SME selection process is open to all SMEs. This is reflected in the pie diagram above. The pie diagram shows the diversity of the 106 SMEs selected in the 1st cycle. The pie chart shows that greatest proportion of SMEs selected in the first cycle fall into carpet and poultry clusters, followed by food processing and handicraft. 7% of SMEs fell into the 'Others (1)'

category, with one SME from each business type listed and 15% in 'Others (2)' category with two SMEs from each business type listed.

This data highlights thought that has gone towards fine-tuning the delivery of the AREDP strategy to cater the needs of a diversity of SMEs, and provide them with the specialized and technical support they required.

3.1.7 Clustering 1st cycle SME Needs

The team conducted a clustering exercise in order to group the types of support required by SMEs in cycle 1. The needs of all 95 first cycle SMEs were classified into generic, technical and advanced/specialized. Needs were further clustered by types of support needed. AREDP is using this cluster approach as a basis to provide support. The cluster approach has the following advantages:



- It is easier to work with clusters than diverse groups of individual SMEs
- The needs of an entire cluster can be grouped together and then classified into basic, advance and specialized technical needs as it is both more efficient and effective to design a support strategy for long term sustainable enterprise development.
- We can hire short term technical trainers/ consultants for an entire cluster, to deliver field support to SMEs.
- Linkages among SMEs within a cluster will not only increase cooperation and coordination but also strengthen the specific industry nationally.
- Value addition and value chain development can be facilitated within a cluster, once a cluster gets their required technical assistance

3.2 SME Support - Training and Capacity Enhancement of the SMEs

SME support was provided through the training and capacity building activities which were initiated in 1390. A total of 18 SMEs (27 persons) were trained through "Business to Business" exposure and on site trainings in similar enterprises including best practices outside Afghanistan i.e. in India, Pakistan. The SMEs exposed are engaged in the following industries: cottonseeds-oil production, poultry, seed processing, dairy, fishery, rice milling and packaging enterprises. The visit enhanced SMEs understanding of their business and helped them build up networks for future assistance. The support provided to SMEs through different trainings and exposures is narrated as below in detail.

3.2.1 Fish Hatchery SMEs training and exposure in India

Two fish hatchery SMEs from Parwan and Nangarhar were provided with technical training on fish breeding, fish feeding and general care of fish in India for 2 weeks in May 2011. The outcome of the training was a huge success for the Nangarhar SME, which is narrated in the success story mentioned on next page.

AREDP and the Rahmat Insaf Fish Hatchery : A Success Story

An old proverb proclaims: "Give a man a fish and he will eat for a day. Teach a man how to fish and he will eat for a lifetime." This frequently cited proverb carries a special notion for the Afghanistan Rural Enterprise Development Program, not least due to the exceptional achievements of the Rahmat Insaf Fish Hatchery, a small enterprise which has been supported by AREDP since early 2010. The Rahmat Insaf Fish Hatchery, where fish eggs are artificially fertilized was established in Bagrami village close to Jalalabad city based on a US\$ 50,000 matching grant provided by AREDP. The other half of the cost for the hatchery was covered by Haji Ghulam Mohammad, the owner of Rahmat Insaf. While AREDP did not teach Haji Ghulam how to fish, the incredible successes of the fish hatchery owes much to the support and capacity development provided by AREDP.

Already a year ago, the story of Ghulam Mohammad and his fish hatchery became the example of effective SME and value chains development for AREDP. In the middle of June 2010, the Rahmat Insaf Fish Hatchery announced that for the first time they were able to produce fingerlings on Afghan soil. It was a huge success for Haji Ghulam Mohammad, but also for AREDP and Afghanistan. Eastern Afghanistan is the main fish production area of the country, yet fingerlings had always been imported from Pakistan in large numbers.

"This is the first time that we have been able to produce fingerlings and we are the first enterprise in Afghanistan that has succeeded in doing so. We are now working to link fish ponds in Eastern Afghanistan with our establishment, so as to provide cheaper inputs for their hatcheries, thereby reducing imports from Pakistan which are very costly for the industry as a whole," reported Haji Ghulam.

The first successes of the Rahmat Insaf Fish Hatchery marked a milestone in the history of the Afghan aquaculture industry. Its production and supply of fingerlings to other fish ponds in eastern Afghanistan considerably decreased the industry's production costs as well as its vulnerability to price and supply shocks which are naturally associated with imported goods.

The hatchery had started to produce fingerlings in May 2010, assisted by a technical expert. After several failed production experiments, the hatchery finally succeeded in producing roughly 120,000 fingerlings of the types Grass and Rahoo on 13 June 2010. Yet when Haji Ghulam and the AREDP team celebrated this incredible success, no one would ever have dreamed that this was

just the beginning of a much longer story of continuing success.



In mid-June 2011, about a year after the first spectacular news reached out from Bagrami village, the Rahmat Insaf Fish Hatchery announced a hatch rate of 100 percent, another success on an unprecedented scale. This incredible achievement came just weeks after AREDP had sent Haji Ghulam on an exposure visit to India to learn from the vast experience of the Sultan Fish Farm. Mr. Sultan, the owner of the farm has a past track record of 28 years in the aquaculture industry and has been honored with 35 awards for the research and innovation he brought to the industry.

In various sessions, Haji Ghulam and two other Afghan fish hatchery owners from Parwan and Nangarhar province were introduced to lessons learned and best practices and were thereby able to considerably increase their technical skills as well as their overall knowledge of the aquaculture industry. The real-life learning exercises were a great experience for all participants and only weeks after the exposure visit the benefits can already be felt. While the Rahmat Insaf Fish Hatchery already achieved a hatch rate of 80 percent prior to the exposure visit, the hatch rate of a hundred percent undoubtedly demonstrated the benefits of this capacity building initiative.

AREDP will continue to support and closely monitor the progress of the Rahmat Insaf Fish Hatchery and if the track record of the enterprise continues, Haji Ghulam himself might be able to host exposure visit participants from other parts of Afghanistan in the near future.

3.2.2 Business to Business Training Exposure in India

A total of 12 SME's accompanied by 6 SME unit staff (total group of 18 participants) visited India for a business to business (B2B) learning exposure visit during the 2nd batch. The majority of SME participants were from cottonseed oil production companies, mainly in Kandahar. AREDP also sent 4 BDSOs along with 2 operations officers from the PMO, to enhance their capacity in facilitating such tours as well as gain wider knowledge about SME development. The following table provides a detailed breakdown of participants for the visit.

Table No. 13

Provinces	PRN	NGR	BMN	BLK	HRT	KDR	KBL	Total
SMEs (No.)	1	3	1	1	1	5		12
Sector wise SMEs (No.)	4 Cottonseeds-Oil, 2 Poultrys, 2 Seed processing, 1 Dairy, 1 Fishery, 1 Rice, 1 Packaging							
BDSOs & OOs (No.)		1			1	2	2	6

Outputs of the Learning Visit:

The SME's were selected from different sectors including fisheries, rice milling, packaging, seed processing, dairy and poultry. The impacts on each sector are described below:

Table No. 14

<p>Fish Hatchery</p> <ul style="list-style-type: none"> • Fish hormones and nets purchased. • Waste reduction knowledge increased. • Contacts with suppliers established. 	<p>Packaging</p> <ul style="list-style-type: none"> • Waste recycling idea generated and quotation for a machine gained. • Contacts established with some machinery suppliers. • Information on plant design and operations increased.
<p>Rice Mill</p> <ul style="list-style-type: none"> • Knowledge on plant operations increased • Information on plant design and layouts 	<p>Seed Processing</p> <ul style="list-style-type: none"> • Knowledge on filtering and sorting machines for different seeds improved.

<p>enhanced.</p> <ul style="list-style-type: none"> • Contacts established with suppliers for machinery quotations • Higher yield rice samples obtained. 	<ul style="list-style-type: none"> • Knowledge on seed storage housing, flour grinding, green housing, irrigation systems and harvest tillers increased. • Follow up training on filtering producing machine.
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SMEs visiting packaging SME in India



B2B Visit

SMEs visiting poultry SME in India

<p>Poultry</p> <ul style="list-style-type: none"> • The knowledge about a chicken watering system was gained. • Information regarding the structure of the plant was obtained. • Waste discharge system technology was observed. • Knowledge of feeding ingredients was enhanced. • Knowledge on feeding timing was gained. • General information about products was obtained. • Contact and general information regarding suppliers was taken. 	<p>Cotton-Seeds-Oil</p> <ul style="list-style-type: none"> • Plant design and space consideration of the business visited was observed. • Machine allocation within the business was observed. • Comparative understanding was gained on product quality and machinery.
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<p>Dairy</p> <ul style="list-style-type: none"> • Information on developing by products of milk was enhanced. • Knowledge on milk production cycles and productivity was increased. • Contacts were obtained for follow-up trainings on technical issues of SMEs.



SMEs visiting Cotton seeds oil SME in India



SMEs in workshop with Chamber of Commerce, India

AREDP-Specific outcomes of exposure visit in India

- Presentation by Indian Chamber of Commerce on research findings attended by SMEs and knowledge on small producers increased.
- SME development training attended at the Indian Chamber of Commerce.
- Nine business to business visits facilitated.
- Contacts of BDS consultants for dairy, poultry and hatcheries taken.
- SMEs contacts with SMEs in India and with each other built and improved.
- SMEs confidence to explore foreign countries increased.
- AREDP staff exposed to related Indian organizations, which enhanced their capacity and knowledge.

3.2.3 Business to Business Training Exposure of Potato chips SME in Pakistan

A group of five women from a potato chip making SME located in Bamyan were sent to Pakistan for business for business training to gain the technical knowledge to improve the quality and quantity of production at low cost. It was the first time for a woman's SME to cross national boundaries and participate in an exposure out of the country. The visit proved to be critical; the SME shifted its operation from a traditional manual approach, to simple and easy manually operated equipment. More detail is provided in the Gender section.



3.2.4 Business to Business Training Exposure of Honey Bee SMEs in Nangarhar, within country

Beekeeping has been a business enterprise in Herat province for decades. According to technical studies by the Herat Agricultural Department and beekeepers' experiences, Herat's climate is suitable for this business. There is market potential for SME's to grow and expand their business, but due to some challenges such as pests and diseases, poor honey extraction practices, processing and packaging, poor reproduction of bees and lack of skills in bee wax processing and shaping, the industry has not able to grow as per expectations. In spite of their relatively short existence, the three SMEs supported in Herat have been successful with an average profit of 40% on their initial investment.

During the second SME facilitation cycle in Herat, three Honeybee SMEs were supported; 1, Akbari Beekeeping Farm, 2, Dr. Rahimi Beekeeping Farm, and 3, Afghan Asal Beekeeping Farm. These SMEs were selected for a Honey bee training in Nangarhar. Six people from these participated in the event.

In Nangarhar, on the other hand, many agribusinesses have long standing experience in beekeeping. After a competitive process, AREDP selected the company "Season Honey" to provide business development support services to the three businesses from Herat. The BDSP is based in Jalalabad and has extensive training experience in the region.



Following their visit, the SMEs from Herat felt that they had gained considerable knowledge of technical skills that could help them to improve their trade. The information they received on honey processing and packaging was of particular use, and the Herati SMEs showed an interest in purchasing the same processing and packaging systems in which were used during the training. One important outcome of the training is that a link that was established between Nangarhar and Herat honey bee SMEs. One of the businesses from Herat mad an agreement with the Season Honey Company to sell the latter's Honey as a franchise.

3.2.5 Preparatory work for SMEs support for next quarter

- **Preparation for Poultry Training in Pakistan**

The SME unit identified a consultant in Islamabad, Pakistan to deliver hands on training to poultry cluster SME's in Kandahar and Helmand. Based on the training needs, the consultant developed a poultry training manual with detailed information on different topics. The manual is under printing after review and has received comments from the SME unit. The team has undertaken necessary preparation for poultry SMEs such as developing a training outline which addresses the needs of SME's and co-coordinating the necessary administrative tasks such as facilitating travel and accommodation arrangements.

- **Preparations for Balkh Exhibition**

Necessary preparations were undertaken for the Second Balkh Business Exhibition, planned to be held from April 15 to 18, 2012 in Mazar-e- Sharif, Balkh. In the past, the Afghanistan Chamber of Commerce and Industries (ACCI) had organized this "exhibition". AREDP identified 7 SMEs from various provinces to participate in the exhibition. Of these SMEs, 1 is from Kandahar (2 persons), 1 is from Bamyan (2 persons), 1 from Herat (2 persons) and 4 from Balkh (8 persons).

- **Preparations for Seed Processing Training**

The team has planned and undertaken the necessary preparation for training in seed processing for 2 SMEs from Bamyan and 2 from Herat. This is to be conducted by local resource person in Herat. The training will capture know-how on seed production and facilitate exposure visits within similar business sectors to build understanding on warehousing seeds, business records and help generate new ideas.

3.3 National Exposure visit for Helmand BDSO's

An exposure visit with training was organized for Helmand BDSO's in December to provide them with hands-on field experience with the AREDP team. The Helmand BDSO's were exposed to the SME team in Nangarhar province for 4 days. The main objective of the visit was to provide the Helmand BDSO's with an opportunity to learn from the experiences of Nangarhar province and observe their work in the field. The Nangarhar province BDSOs shared their experience on mobilization, TF & EV study, business plan development and all other official documents used by BDSOs. Helmand BDSOs found it very productive and learned from the experiences of Nangarhar BDSOs.

3.4 Participation in National Working Group

The Ministry of Commerce and Industry (MOCI) initiated two national working groups on Agribusiness and Cashmere. These were officially launched at MOCI on 15th November 2011. AREDP participated on behalf of MRRD in the agribusiness working group. Other participants included the Ministry of Agriculture Irrigation and Livestock (MAIL), the Afghanistan Investment Support Agency (AISA), and the Afghanistan Chamber of Commerce and Industry (ACCI). The working group provides input on coordinating the efforts of different ministries and programs, which can ultimately support economic development and help move national priorities forwards.

3.5 Strategic review and planning for SME component:

A three day training workshop was conducted from 23rd to 25th October for the SME development component. The event also provided all the BDSO's with an opportunity to get together and share experiences. The relevant lessons learned from each province were discussed at the national level. Best possible solutions for the challenges were discussed in consultation with BDSOs and incorporated into the unit's operations processes. In addition, clarification regarding the Request for Expression of Interest for Business Development Training Providers (BDTPs) was discussed and BDSOs were instructed to disseminate the information to the local BDTPs. This was particularly important, as AREDP was not receiving Expressions of Interest in the required numbers. The points below provide an overview of the successful outcomes of the workshop.

- Recommendations for improving TF and EV studies and business plans have been incorporated in the toolkit.
- Techniques for improving interpersonal skills and increasing client satisfaction were presented.
- A 6 month plan for SME implementation was developed and shared.

- Access to finance clarified queries regarding a PRGF facility for credit linkages to SMEs.
- Queries regarding provision of training to women's SMEs, and the procurement processes involved were clarified.
- The financial section of 109 business plan's/TF & EV studies were reviewed against 58 generally accepted accounting principles and questions for strengthening the businesses overall bankability. The improvements required for each finance section was sent to the BDSOs. Overall result of the review showed that almost 36% of total BDSOs may need high levels of finance training and 6 BDSOs were identified to be able to play a facilitator or trainer role in future.

3.6 Refresher Orientation Training for Provincial managers

The SME unit delivered refresher orientation training to Provincial Managers in March, 2012. The focus of the training was to update knowledge of SME development, facilitation and follow up stages during each cycle. During the session, the major challenges facing different provinces were and how to tackle these challenges were discussed.

3.7 Field based support to Provincial Team

Technical staff from PMO SME Unit took frequent visits to all provinces to provide hands on support and guidance in the field to the SME teams and the BDSOs. These visits help ensure that progress is maintained and bottlenecks between provincial offices with Headquarters unit are addressed. In the last year, approximately 40 field visits were made by operation officers, specialists and managers for various activities, such as campaigning, screening applications, conducting TF & EV studies, ground verification and annual work plan development.

3.8 SME Database:

A database of SMEs was developed. This database currently provides detailed information of 95 SMEs from the first cycle and will soon be updated for second cycle SMEs as soon as a LoU is signed with the second cycle SME's.

3.9 SME Unit Recruitments and Capacity Enhancement

During 1390, a total of 35 BDSOs were recruited at the provincial level, and 8 staff were recruited at the PMO. This included key positions such as Manager and Specialist.

Table No. 15

Province ->	PRN	NGR	BMN	BLK	HRT	KDR	HLD	Total
BDSOs	3	5	3	5	5	9 (2F)	6	35(2 F)
PMO SME	8							8

Comprehensive business development training for 45 days was delivered to Business Development Services Officers by Bakhtar University, prior to starting their activities before SME's first cycle. The objective of the training was to enhance knowledge of all BDSOs to provide a professional role in business development services. They received an academic perspective and training on developing business plans, operations, human resource and financial management, in addition to lectures on marketing and computing. The training included several site visits and meetings with SMEs in Kabul to observe the practical aspect of the work.

Furthermore, the BDOs received another 3 day refresher training on SME development and program orientation by the SME unit of the PMO. In addition, these BDSOs and Operations Officers accompanied SMEs abroad on business to business trainings, which enhanced their technical skills.

3.10 Challenges and Lessons Learnt

Challenges faced

The SME team faced the following challenges:

- High expectations of SMEs and constant request for grants
- Deteriorating security situation in some provinces
- Access to finance for SMEs especially in the context of their demands, largely for Islamic Finance products
- Most SMEs have no accounting systems, or very minimally maintain books (major reason was fear of revealing accounts, tax evasion, traditional ways of doing things and illiteracy)
- The complexity of the government taxation system
- Other agencies or projects providing more lucrative offers than AREDP, such as quick grants
- Some SMEs complained about the time involved in business diagnosis, and wished to have support in as short time as possible
- Generating financial forecasting statements takes almost 3-5 weeks, which is consuming a significant portion of BDSOs total time invested in business diagnosis. Also, the accuracy of such statements is subject to BDSOs advance knowledge in finance
- Limited time available for collecting information and data for TF & EV study plus business plan

Lessons Learnt:

SME team learnt the lessons stated below during execution of SME facilitation and SME development.

- It takes time to build trust between the client and project staff
- Developing motivation within the SME helps to improve exchange of information
- SMEs have innumerable challenges in their daily work. However, if AREDP is able to show positive changes in few of them, then there is a possibility to capture the attention of other SMEs
- Islamic financing is major need in the field and SMEs are very anxious to learn about the costs involved in seeking such financing
- Technical feasibility studies, economic viability studies and business plans are important tools to gain understanding of the businesses build trust between the BDSOs and SME
- The BDSOs need further training in finance management etc.
- Better tools should be developed to give SMEs support in the areas of profit analysis and marketing

It was observed by SME unit that the wide diversity in types of businesses supported by AREDP reflects the needs of the private sector and is strength of the program. Supporting and meeting the expectations of these SMEs is a humongous task, however, it can solicit extensive partnerships, innovative operational approaches and greater flexibility. In addition, the SME development component is slowly evolving through learning by doing as well as learning from other similar efforts elsewhere. The SME team deeply appreciates the courage and ability of Afghan business men and women to be able to run profitable businesses in Afghanistan despite all the challenges.

Evolving SME development: One of the strategic objectives of AREDP is to change behavior amongst Afghan entrepreneurs, so they better understand and appreciate the AREDP approach, which does not provide a 100% cash grant. AREDP is a facilitator for linking SMEs to services that can improve the profitability of the business through a combination of focused support for each SME. AREDP understands that such a behavioral change requires a much longer time and coordinated more efforts from government, donor agencies and other stakeholders. On the other hand, building the AREDP team and improving the capacity of the team also necessitates further investment by the program. AREDP is working towards bridging the capacity gaps among the young and committed national team through various motivational inputs and capacity building trainings. Overall, the technical nature of the SME development component is growing at a sound pace, maneuvering through the pressure of quick support and achieving fast inputs and speedy results. Nevertheless the results, impacts and answers to ‘**so what**’ questions are expected to develop gradually.

4 Access to Finance

Access to finance is a cross-cutting theme for community led rural enterprise development and SME development components. Accessing finance by the required time and in required amount is critical for any business and/or rural micro enterprise. Progress during 1390 for access to finance is narrated below.

4.1 Promoting VSLAs to facilitate Access to Finance to Community led Enterprises

Savings groups of a CDC organize themselves into village level organizations called Village Savings and Loan Association (VSLAs) to facilitate larger loans to invest in RMEs/IGAs. AREDP engages extensively with these groups to enhance their capacity and nurture them into strong people's institutions, to meet credit needs of their members and build linkages to draw financial, technical and market support for further development of their rural enterprises.

VSLA act as federation of well governing SGs promoted in a village/CDC, which work as community financial institutions for community members participating in the SGs at a low cost and through a simple process. They also help with aggregation of management functions related to financial services required for enterprise promotions at village level, and enable community members to access larger loans to invest in RMEs/IGAs.

4.1.1 Forming New VSLAs

The VSLA formation process was piloted for the first time in Parwan province with the formation of two VSLAs in the later quarter of 1389. AREDP kept building on this experience and formed more VSLAs. AREDP successfully established five VSLAs in Parwan in total. Following the VSLA formation in Parwan, the process began in Bamyan and Nangarhar. As a result, 5 VSLAs in Bamyan and 7 VSLAs in Nangarhar were established during 1390.

The PMO team initiates the process of assessing potential for VSLA formation in respective provinces. Provincial teams develop lists of SGs from potential CDCs where VSLAs can be formed, based on technical inputs from the Access to Finance unit at the PMO. The unit does a primary assessment of these SGs to understand the potential of VSLA in the respective CDCs. The M&E unit then assesses these SGs in their respective provinces. Provincial teams in technical consultation with the Access to Finance PMO start the VSLA formation process once thorough assessment has found SGs to

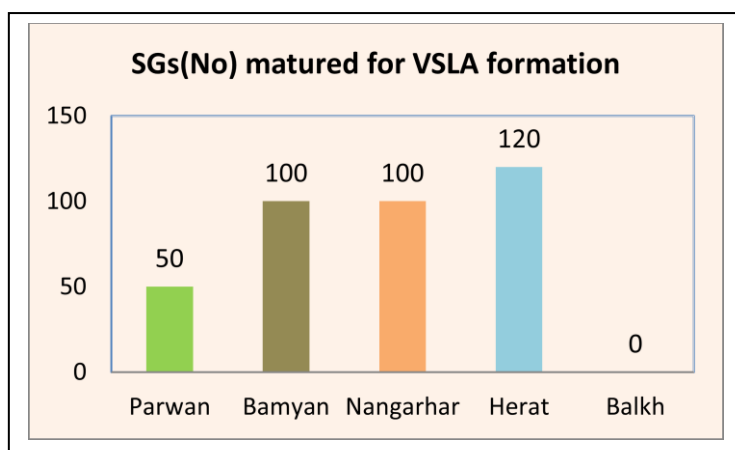


VSLA Formation- Bamyan

be matured.

The first VSLA meeting is a big gathering and is coordinated by the provincial and PMO teams jointly.

Field teams are engaged in identifying the potential to form more VSLAs in coming the quarter, across all provinces. There is potential to mobilize matured SGs to form VSLAs in Nangarhar, Bamyan and Parwan, as shown in the chart. The team will assess these SGs in the coming quarter and then the unit will start its mobilization process with eligible SGs to form VSLAs.



4.1.2 Nurturing VSLAs

AREDP has systematically formed VSLAs in the provinces and established 15 VSLAs during 1390 over various quarters, to ensure that required levels of support could be consistently provided by the team. In total, 17 VSLAs were established by end of 1390. The team undertook several visits to existing VSLAs in Bamyan, Parwan and Nangarhar (refer below Table No. 16) and provided the required one on one support, to further strengthen their meetings, operations and books of records etc. The VSLA members gained more insight into the purpose of VSLAs,

how to strengthen them, how to increase savings at VSLA level and how to conduct inter loaning among SGs and VSLAs. A total 174 SGs (92 FSGs) joined VSLAs in their respective provinces by the end of 1390.

Table No. 16

VSLAs progress till end 1390 (Cumulative No. of VSLAs)				
Province Name	VSLAs	MSGs joined VSLAs	FSGs joined VSLAs	Total SGs joined VSLAs
Parwan	5	17	21	38
Bamyan	5	25	31	56
Nangarhar	7	40	40	80
Total	17	82	92	174

The team worked with VSLAs and helped them start mobilizing the savings amounts contributed by their respective SGs. A total of Afghani 1.517 Million from SGs were mobilized by VSLAs from their member SGs by the end of 1390. VSLAs maintain financial transactions in their regular meetings and record all financial transactions related to savings, loaning and meeting discussions and decisions in the VSLA books. These VSLAs were also trained in how to use savings through extending loans to members of SGs. A total 146 loans were extended by VSLAs to 146 members from respective SGs, amounting to 1.021827 M Afs by the end of the reporting period (please see below table for details). These loans were extended for trading purposes e.g. trading of flour, wheat, potatoes, livestock etc.

Table No. 17

Financial Progress of VSLAs across provinces till end 1390					
Province Name	Total saving (Afs)	No of loan extended	Members Received Loans (No)	Amt of extended Loans (Afs)	Amt of Outstanding Loan(Afs)
Parwan	326,200	19	19	178,977	178,977
Bamyan	607,650	95	95	259,350	259,350
Nangarhar	584,000	32	32	583,500	583,500
Total	1,517,850	146	146	1021827	1021827

Success Story:

Mr. Abdul Ahmad is a VSLA member and has borrowed AFN 50,000 from the association, which he invested in purchasing onions from community farmers on a forward contracting basis. He employed short term labor for harvesting and packaging purposes and during three month period, he was able all of the produce in Charikar city, making AFN 18,000.

4.1.3. Strengthening bookkeeping system for VSLA

The team supported VSLAs in maintaining their VSLA book accounts. The books were developed by a technical team of Access to Finance specialists at the PMO. These books are simple and introduce a precise bookkeeping system for the VSLAs to ensure the accountability and transparency of finances of the group. The bookkeeping system contains; meeting minute books, financial transaction records books, payment and receipt vouchers, VSLA member registration books, the necessary forms for loan records and the necessary documents for conventional and Islamic lending in order to facilitate VSLA members to access loans.

**4.1.4 VSLAs members Exposure Visit**

During the 1390 reporting period, the Access to Finance team conducted an exposure visit for Nangarhar and Bamyan VSLA members to Parwan Province. The total number of the participants including the PEFs and VFs were 14 people, out of whom 6 were female. The Access to Finance Team that had been mentoring and supervising the visit, observed many tangible outcomes.

- **Joint learning and growth:** the exposure visit provided an appropriate opportunity for VSLAs from different provinces to exchange information, experiences and lessons learned around purpose, function and roles of VSLAs. VSLAs also exchanged other relevant experiences, for example, the VSLAs from Nangarhar had

already succeeded in producing fresh vegetables and nurseries. During the exposure visit they agreed to support Parwan and Bamyan VSLAs, to teach and guide them on how to grow vegetables and flowers.

- **Establishing social/cultural solidarity and multilateral respect:** the three past decades of continuous destructive war has resulted in conflicts between different ethnic groups. The exposure visit created the opportunity for people from different provinces and different ethnic groups to come together and discover what unite them, rather than what divides them. The partnerships established as result of visits between different VSLAs and community members (of different communities) is one of the main tools that can on one hand create long term economic and market linkages and on the other hand can cause them to keep continuously in touch and interact so as to revive their national solidarity and mutual social respect.



4.1.5 VSLA Registration

VSLA registration is necessary to transfer of seed capital to VSLAs from AREDP. VSLA will use seed capital as a revolving fund to provide loans to SG and VSLA members. The unit explored options for registering VSLAs and conducted a couple of meetings at various levels with the Ministry of Justice, Ministry of Finance, the Central Bank and other relevant authorities. As a result of these meetings, it was found that there is no official authority to register such associations. Therefore, after discussions and receiving technical inputs from the World Bank during the ISM, AREDP decided to initially register VSLAs within MRRD. The unit designed methodologies and developed various required forms for registering VSLAs within AREDP/MRRD. All forms were translated into Dari and Pashtu and sent to the provincial offices.

However, efforts both at the AREDP and World Bank side will continue to explore other registration methods for such village level institutions. The registration of VSLAs through other entities, and in accordance to the laws and regulations, will ensure VSLA's sustainability on one hand, and the supervision by related entities will, on the other hand, ensure transparency and accountability.

4.1.6. Conducted Islamic Training

The Unit conducted 3 days of training on Islamic Financing in Nangarhar and Herat for 53 PEFs and VFs. It also conducted a one day practical Islamic Financing training in Mazar-e-Sharif for 11 PEFs and one master trainer.

4.1.7 VSLA Implementation Guideline

The VSLA implementation guideline is the key program operation document and is intended, amongst others purposes, to guide field team towards mobilizing SGs to form VSLAs, strengthen VSLAs and develop norms about VSLAs. This is the principle document that guides the activities of PEFs and VFs in the field on VSLAs. The guideline describes the detailed principles and procedures that govern the formation and nurturing of the federation of saving groups i.e. VSLA. The guideline has been extensively discussed within the AREDP operations team. The unit is in the process of incorporating the comments of the World Bank into the document.

4.2 Facilitating Access to Finance for SME development

Access to finance facilitates linkage building between financing banks and SMEs for loans. AREDP has maintained a Partial Risk Guarantee Facility (PRGF) provision to encourage banks to finance SMEs across provinces.

4.2.1 The Partial Risk Guarantee Facility

The PRG Facility will provide partial guarantee up to a limit prescribed by AREDP, to minimize the risk for the participating banks and to provide them with incentives to extend frequent loans to SMEs. This facility will allocate certain funds in PRGF for issuing guarantees to participating banks who comply with the criteria of the PRG Facility. The guarantee will enable banks to extend timely required loans to SMEs for the purchase of goods and services. Given the emphasis of AREDP on the financial support to enterprises, the PRG Facility Administrator will be a

financial institution contracted to administer the Partial Risk Guarantee Facility in each of the provinces, providing loans to SMEs and thereby creating employment. The objective of the PRG Facility is to reduce risk and provide a cushion to the participating financial institutions.

The DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH was identified through a competitive bidding process and has been selected as PRGF administrator, to work closely with SMEs looking to receive loans and with banks that will extend loan to these SMEs in Parwan, Bamyan, Nangarhar, Balkh and Herat. For the provinces of Kandahar and Helmand, AREDP has issued the request for expression of interest two times. The second time AREDP received Expressions of Interest (EOIs). These EOIs were evaluated and AREDP issued a request for proposals to potential agencies. The technical proposal received only from one agency that was evaluated and the report has been sent to UNDP for their review. The financial and technical negotiations with a PRGF administrator bidder, DEG, have been completed and the contract was revised in view of the World Bank feedback on the Imprest Account alternative. The revised contract was submitted to the World Bank on 6th December 2011 for review and approval.

4.2.2 Organizing an operational Account for PRGF

Since the Partial Risk Guarantee Facility Administrator would not be able to have access to the physical fund, AREDP needs to arrange an operational account. In case of defaults on loans from various SMEs, partner banks/MFI may stop further financing to SMEs. Therefore, there will be need to reimburse these defaulted loans as bridging funds for enabling banks to continue financing. In such cases, the PRGF administrator needs to have systems and ways to repay defaulted loans to the concerned banks and hence banks will be enabled to continue financing SMEs. Based on inputs by the World Bank during the third ISM team visit, it was agreed to go for alternative account (Contingency Account) rather than going for an Imprest account, given its complexities. In order to explore the possibility of opening a contingency account, many meetings were held with DAB and the MOF. As a result of the meeting with the MOF it was found that the Contingency Account would also be treated as special account therefore, MOF has suggested using a Letter of Credit (LC) instead. Finally MRRD and the MOF have agreed on the LC option and during a the last meeting between AREDP and the MOF, it was decided that the treasury department director would arrange a meeting with commercial banks to request an LC account to be used instead of an imprest/contingency account for the PRG. One of the commercial banks has agreed to facilitate a LC for AREDP. Currently AREDP is awaiting the outcome of discussions between MOF and the financial Team of the World Bank.

Challenges faced

Some of the main challenges faced by the Unit are as stated below:

- * Promoting VSLAs in the given local context is very challenging. SGs take their own time to function as a mature SG and the time required to mobilize SGs to form VSLAs is lengthy
- * Lack of a legal framework under which the VSLAs could be registered
- * Developing a VSLA registration policy to register VSLAs within AREDP is the first experience of such an organization in Afghanistan
- * Getting the PRGF administrator on board to start facilitating access to finance to SME component
- * Lack of Islamic financial products in financial institutions, whilst SMEs express the need for Islamic Finance very often

5 Component C: Program Management

5.1 Field Operations

The Field Operations Unit of AREDP manages the practical roll-out of the program through the establishment of Provincial Offices (POs). The unit also works closely with Provincial Managers to prepare and implement work plans in accordance with program goals and objectives. The Field Operations Manager (FOM) travels extensively to the field offices and identifies areas of need, which are then responded to by technical units.

During the year, the unit visited the different provinces on a regular basis to assess overall program implementation in the field. The unit visited SGs in all provinces, inclusive of female SGs with the help of female colleague from the PMO. The assessment was conducted to ensure the quality of work in the areas of community mobilization, Saving Groups, Enterprise Groups, bookkeeping and internal lending. The unit also visited SMEs in each district of AREDP implementation. The findings of the provincial missions were shared with the technical units of PMO in order to identify proper mechanisms for support of provincial teams. The unit also shared its feedback with provincial teams and their related members.

5.2 Monitoring and Evaluation

The Monitoring and Evaluation (M&E) unit is playing the crucial role of providing quick feedback on the program execution process and therefore enabling adequate and timely feedback to the program. In the course of 1390, the M&E Implementation Strategy was finalized, with the inputs of other units of the program. The strategy ensures sustainability and transparency of M&E systems and serves as a guideline for M&E staff. The activities conducted by the M&E Unit are as follows:

♣ Savings Groups' maturity assessment

It is essential to understand an SG's maturity in relation to its core functions before starting the process to encourage SGs to form VSLAs. The M&E unit developed an SG maturity assessment matrix in close consultation with CED and Access to Finance. The matrix consists of 18 indicators based on which the maturity of a group is assessed. Access to Finance developed a list of SGs in CDCs with potential for VSLA promotion, based on the information of the provincial teams and then requested M&E to undertake a maturity assessment exercise to decide on future courses of action for the process of VSLA formation. The M&E unit assessed 260 SGs inclusive of 115 FSGs in Parwan (37 SGs), Nangarhar (122 SGs) and Bamyan (101 SGs) provinces in close coordination with Access to Finance and CED. The assessment data was entered into the system, analyzed, and a final report was shared with management of AREDP and the Access to finance unit for VSLA formation in the assessed villages.

♣ Documentation for process monitoring

AREDP would like to place an agency for process monitoring in Bamyan, Parwan, Nangarhar, Herat and Balkh. The process monitoring agency will support the AREDP team to undertake field-based process monitoring, explore critical deviations, factors effecting project implementation and recommend actions required based on the situation and project nature. This will facilitate effective and smooth project implementation, leading to higher achievements in results and program objectives. It will facilitate the related program management staff to get appropriate and timely feedback, enabling them to take appropriate actions and decisions to improving program execution. The unit developed a Request for Expression of Interest (EOI), which is being finalized for advertisement. The EOI will be advertised in the coming month.

♣ Development of sustainability indicators for SGs

The M&E team has developed a set of sustainability indicators for savings groups. These indicators keep in account the diversity and specific factors in the provinces where AREDP is operating. These indicators will be measured through collecting data and are analyzed per province for male and female SGs separately in order to present a gender segregated picture. The various dimensions of the indicators, such as data source (from where the data about the indicators will be availed), method of data collection, and frequency are all described in the document.

♣ **Producing monthly and quarterly reports**

The M&E unit coordinates with all provincial offices for monthly reporting. The unit collects monthly reports from all provincial offices and compiles these to produce overall AREDP monthly and quarterly reports.

♣ **Monitoring Field Visits**

Program management office (PMO) and provincial office (PO) monitoring and evaluation officials along with AREDP PMO and PO staff conducted several field visits in Bamyan, Nangarhar, Parwan, Balkh and Herat to monitor and evaluate the different program activities.

♣ **Mid Term and end Term reviews**

The M&E unit facilitated the AREDP mid - year and end - year reviews which took place in Kabul. The provincial managers from Kandahar, Nangarhar, Parwan, Bamyan, Helmand, Balkh and Herat presented the progress, achievements, challenges and lessons learnt of the program in their province and discussed these in a forum. These reviews led to the development of plans for the 6 months from September 2011 and the annual work plans for 1391 from March 2012. Field experience and learning have been integrated into the plans.

5.3 Gender Unit

AREDP recognizes that the gender inequality is a significant constraint to economic growth and poverty reduction. Consequently, since its inception, AREDP has committed itself to integrate gender in all program activities. AREDP has thus carefully incorporated gender concerns into its national program documents including the Operations Manual. AREDP has developed a "Gender Equality Strategy" with gender specific considerations for mainstreaming gender into AREDP programs. The strategy, outlining specific gender related measures, affirms AREDP's commitment to promote gender mainstreaming within AREDP structure, operations and functions. The Gender Unit is working continuously towards mainstreaming gender through encouraging women's participation in AREDP activities across provinces, developing a gender balance approach, developing understanding of gender etc.

The Gender Unit has set up a Gender Resource center within AREDP to facilitate availability of resource material around Gender, to help program colleagues to understand gender issues and to mainstream a gender balanced development approach. The Gender Unit had meetings with MOWA and the Asia Foundation and collected more resources on Gender for the Gender Resource Center. The Gender Unit also plans to develop posters and other illustrative material about gender, which can be used in the trainings to AREDP staff, to provide a gender perspective. These posters will be also used to mobilize people at the community level, in initial implementation phase, especially while interacting with rural women. The unit worked out themes for various posters, which were specific to different situations. A TOR has been developed to bring on board an artist who will help us in developing the posters and other illustrations.

At the end of 1390 a gender specialist from UNWOMEN conducted a workshop for AREDP PMO staff to enhance their understanding on gender in relation to enterprise development. The workshop was considered a success and AREDP started exploring with UNWOMEN, the possibility to conduct these workshops for the provincial staff. The AREDP Gender Unit is an active member of MRRD's Gender Working Group and contributed to the formulation of an overall Gender Policy for MRRD. The Gender Unit attended a 3 day workshop on Gender Policy implementation conducted by MRDD.

One of the greatest achievements of AREDP is mainstreaming women's participation across program activities in all AREDP operational provinces. **Women are actively participating** in all parts of the program, as is evident from table No. 18. Women's participation is as high as 51% in extending loans in SGs and placing VFs in the CED component. Women's participation in SGs increased to 44 % from 40% in 1390, in provinces like Kandahar and Nangarhar. Women's participation even in SME development is also appreciable, as women SMEs are actively participating from 14% to 17% in various SME component activities.

A breakthrough was experienced when significant numbers of women participated in exposure visits. This included exposure visits of SGs or VSLAs, from one district to another district and from one province to another province. A total of 407 female members from 70 women's SGs participated in exposure visits from to SGs in districts in Nangarhar, Parwan, Herat and Bamyan provinces (Refer Table No. 18 for details). A total of 5 women from women-led potato chips SMEs in Bamyan went out of country on an exposure visit, which is a milestone for any women from Bamyan province. AREDP has managed to employ 25% of female staff in AREDP overall, including the PMO.

Table No. 18

Sl. No.	Particulars	Total Achievement	Women Participation	
			Quantity	%
1	Savings Groups Promoted (No.)	3,093	1,370	44%
2	SG Members (No.)	37,121	16,851	45%
3	Aggregate Growth of Savings (M Afs)	35.928	16.003	45%
4	Members accessed loan from SGs (No.)	2,569	1,278	50%
5	No. of Loan	2,754	1,403	51%
6	EGs Promoted (No.)	106	44	42%
7	No. of SGs exposed to other districts SGs	190	70	37%
7.1	No. of members exposed	1022	407	40%
8	PEFs placed (No.)	124	61	49%
9	VFs placed (No.)	455	231	51%
10	SMEs applied (No.)	542	75	14%
11	SMEs selected for TF&EV (No.)	329	57	17%
12	TFs & EVs done of SMEs (No.)	289	47	16%
13	SMEs selected for BPD (No.)	239	41	17%
14	BP developed of SMEs (No.)	106	17	16%
15	LoU signed with SMEs (No.)	104	15	14%

The success story below describes the exposure visit of female SME members from Bamyan to a foreign country.

A journey of rural women from Domestic, Traditional to Commercial Production – A Case

Bamyan province is located in the central region of the country. Bamyan has several famous historic sites, including the famous Buddha statues. Because of its high altitude and severe winters the province, its districts are hard to access during the winter months. Alghochag, located in Bamyan, is a Small Medium Enterprise and is run and owned by women who produce potato chips. Potato crop is the most prominent crop in Bamyan. The potato chip SME provides part time employment to 20 local women.

Alghochag processed 13,400 kg potatoes annually. The women worked with very basic tools a simple stove, knife spoons and small potato peelers. As a result the process was extremely labor intensive and the women injured their fingers while peeling and slicing the potatoes. The chips produced were irregular in shape and color and lacked a variety in taste.

AREDP identified a chip making factory in Rawalpindi, Pakistan and organized an exposure visit for the SME. AREDP took 5 women along with the SME owner and other 4 women, who are employed in the potato chips SME to Rawalpindi for training. The women received hands on training on improved methods and tools and



techniques for potato chip making. The women also received training on how to diversify taste, packaging and conduct market surveys in order to better promote the product.

The project then supported the women's SME by providing the women with two machines, one for potato peeling, and second for potato slicing. These machines were converted from electrical to mechanical (operated with paddles). As a result the process became less labor intensive, safer and the quality of the produced chips improved.

Now the SME produces more efficiently, commercially, and hygienically. They can peel off 50 KGs of potatoes within one hour. They can produce three different flavors of potato chips in different shapes and sizes. They know better packaging methods. Now they can meet the needs and expectations of the Bamyan market and are on their way to targeting customer in surrounding provinces.

5.4 MIS Unit:

Management Information Systems (MIS) are instrumental for capturing data on activities, achievements and providing information and analysis for periodic reports and internal reviews. MIS has a planned system of collecting, processing, storing and disseminating data in the form of information needed to carry out the functions of management. The objective of introducing MIS into AREDP is to ensure timely availability of data, enhance transparency in processes, contribute to program analysis, improve communication and increase efficiency of operations. Progress made in 1390 is as follows:

- The MIS unit developed standard formats for recording and documenting different phases of SG formation and VSLAs. The standard formats are capable of addressing the information needs of AREDP and its stakeholders at SG and VSLA level. These needs include membership, meeting attendance, lending, repayment etc.
- The MIS unit developed tracking systems for document management, Human Resources and Training
- The MIS unit designed a streamlined data collection process and developed a strategy for master data collection and standardization of data collection formats for data collection. One such example is the MIS monthly digital data sheet which captures all transactions of the saving groups.
- The MIS unit undertook field data verification exercises to cleanse all data of possible errors. The provincial MIS officers crossed checked the data with the PEFs. The unit provided training on the data collection system to all provincial MIS and M&E officers.
- The MIS unit has adopted a modularization approach to develop the whole MIS system. The system modules have been identified and prioritized. Since AREDP has rolled out the community enterprise development component as its initial component, the MIS unit has a lot of data generated under the operation of this component. The MIS unit decided to develop an MIS module for CED component first. Now the module has been developed and will be implemented in provinces very soon. This module will help in keeping detailed information about savings, enterprise groups and member level transactions. The system is able to generate different types of quantitative detail and summary reports for different management levels.
- The MIS unit has developed a format for capturing some basic preliminary information about the location, education, social and economic aspects of the community. This information will be used further to establish community economic profiles. This format was developed, as it is very important to have initial basic information about social and economic situation of the community when starting community facilitation.
- The Unit has completed the recruitment of an MIS reporting officer at PMO level who will be responsible for data consolidation and reporting to AREDP management and its stakeholders.
- Technical proposals for a consultancy to develop a rural enterprise MIS system have been received and evaluated. The contracting process is under process.
- The Enterprise Resource Planning (ERP) system is the latest high end software solution, Information Technology has lent to the world of business applications. An ERP system seeks to streamline and integrate operations, processes and information flows in an organization to synergize the resources of an organization namely personnel, material, money and machine. In other words, ERP systems integrate all data and processes of an organization into a unified system. The bidding process was cancelled because the offer of

the bidder was too high. The request for Expression of Interest will be re-advertised. MIS is in the process of hiring a consultant for the design of an ERP system.

- AREDP has taken the initiative to transfer VF salaries through the M-Paisa service, which is a fast and an accessible service in the remote areas of Afghanistan. Currently the service is being piloted in three districts of three provinces (Nangarhar, Parwan and Bamyan) to see and learn from the experiences and then expand it to all the districts of the all the provinces under AREDP coverage. The contract has been signed between Roshan Telecommunication Company and AREDP.
- AREDP is in the process of establishing a Grievance Redressal Mechanism to:
 - Ensure effective implementation of the AREDP elements directly relevant to improving field operations, transparency and accountability
 - Enable beneficiaries and the general public to receive and provide information about program operations and performance
 - Enable program staff at the village level and program beneficiaries to give feedback on programmatic issues.
- MIS took the lead to develop a comprehensive framework for the system. The next step is the implementation of the system as a pilot in one of the provinces..

Challenges

- ✓ Finding candidates with MIS skills to be hired at provincial level.
- ✓ Delays in getting on board an agency to develop MIS system affecting MIS activities.

5.5 Research Unit:

The main activity of the research unit during 1390 was hiring firms for PSAs, facilitating PSAs and monitoring the progress of provincial situational analyses (PSA) in 7 provinces. The timeline for achieving PSA deliverables has been delayed because of the absence of a research manager, after the previous manager resigned and the new research manager took over.

Specific activities were as follows:

- **PSA in Parwan, Bamyan, Balkh and Herat**
SIMspa/agrotec was contracted to conduct PSA research in 4 provinces of Balkh, Bamyan, Herat and Parwan on behalf of AREDP. The consultant carried out the research in these provinces and at the end of 1390 and submitted a final draft report of PSA key findings to AREDP. All AREDP respective units reviewed the draft report and provided feedback to the consultant for necessary changes. AREDP is expecting to receive the final version of the PSA report by next quarter of 1391. On the basis of the information provided in the report, AREDP verified the data on sample basis through provincial team, in some villages and SMEs which were interviewed in two of the provinces by SIM SPA. The research manager also traveled to Balkh province and visited 7 villages in two districts for verification purposes.
- **PSA of Nangarhar and Badakhshan**
Flag International, another international consultancy firm was contracted to do the PSA research in provinces of Nangarhar and Badakhshan. The consultant completed the PSA research in the mentioned two provinces and submitted a draft report of PSA key findings to AREDP at the end of 2011. After AREDP provided its feedback and necessary changes were incorporated to the report, the final version of the report is expected to be submitted to AREDP in next quarter of 1391.

AREDP is expecting significant findings from the Provincial Situation Analysis, which will be a useful tool to provide direction to AREDP on enterprise development activities and value chain development. The anticipated key findings of PSAs include an overall business environment study, baseline survey, analysis of existing/traditional value chains, identification of new value chains, gap analysis and market assessment of the business environment, business development services providers and energy requirements etc in all AREDP operational provinces.

- **PSA Kandahar and Helmand**

In Kandahar, an agency was contracted to conduct the PSA, but in the end could not do it. The contract was cancelled and the process to re-advertise has started.

- **Resource Center**

The Resource unit established a resource center where research materials are compiled. The resource center supports the AREDP units in accessing different relevant research resources that enable them to study different aspects of rural development. Currently the resource center houses dozens relevant books and over a hundred rural development research materials.

5.6 Training Unit

The concept of community driven rural enterprise development is largely new in rural areas of the targeted provinces of AREDP. It is difficult to get trained staff to deliver the project activities. AREDP builds on people's resources, skills and plays a largely facilitator and capacity enhancement role to enable community to be in the driving seat, leading community led rural enterprise development. Enabling and facilitating communities to be in the driving seat requires intensive capacity enhancement inputs into community groups (SGs, EGs, VSLAs and SMEs) and to the project facilitating team. Therefore, the need to provide structured support, a series of required trainings, exposure visits for the project team and the community institutions, as well as developing training materials and informational resources is certainly high. AREDP's Training Unit (TU) is trying hard to cater to meet the huge need to enhance capacity of rural communities and AREDP staff.

TU activities are described below:

- In the course of the year, the TU conducted need assessments in five of the seven provinces. These showed a demand amongst the PEFs for further training in Islamic Banking, book keeping, and SG capacity enhancement (including of SG credit investment). The findings of the assessment were incorporated in the training plans of the different units.
- **Placing Team of Master Trainers (MT) in Provinces** - AREDP placed two team members (one male and one female) of trainers in each province to carry out the trainings and capacity building activities for VFs and community institutions i.e. Savings Groups, Enterprise Groups and VSLAs. The team has put great efforts into the recruitment procedures in the provinces. In some provinces, vacancies re-announced because of lack of suitable candidates. As of now, 4 master male trainers have joined provincial teams in Nangarhar, Balkh and Bamyán and Parwan provinces. The recruitment process for the remaining master trainers is ongoing.
- **Developing Training Manuals** –The Training Unit continued to work on developing different training materials and modules for mobilizing community and promoting Savings Groups, promoting enterprise group, Islamic financing, communication etc, in order to integrate AREDP's ongoing experience and the expertise of the CED and Access to Finance units. However, these manuals need illustrations and pictorials to be added to make more reader friendly and effective. The training unit also completed manuals for Training of Development Trainers, Development of Effective Communication Skills and the Trainee's Manual for Provincial Enterprise Facilitators (PEFs). The unit also developed Savings Groups Capacity Enhancement Modules (CEM) consisting of 7 capacity enhancement inputs provided to SGs at different stages through role plays, pictorials and exercises. This will be reference material for PEFs and Master trainers. These modules will be applied for building savings group's capacity around maintaining SG books, role clarity and developing long term perspectives for regular and collective micro saving.
- **Hiring firm for Training Support** – The TU tries as much as possible to use in house knowledge to develop the training materials with in house knowledge. However, after consultation with the CED unit it was decided to hire a consulting firm for the training support in the five IDA supported provinces. The REOIs were received, evaluated, TORs developed and sent to shortlisted firms, requesting for proposals. The process is ongoing and expected to be completed in the coming quarter.

- **Training Unit Brochure** – The TU developed a brochure which gives general information on the structure and activities of the unit and is available in Dari, Pashtu and English.
- **Trainings and Workshops Conducted** - In 1390 the TU conducted 39 workshops covering 12 different topics in Nangarhar, Bamyan, Balkh and Parwan. The 824 trainees included provincial master trainers, M&E officers, PEFs VFs, members of SGs and VSLAs (Please refer Table No. 19 for details).

The key trainings are as follows:

- **Community mobilization and SG promotion Training Workshops**
The Training Unit conducted 3 day trainings workshops on Community Mobilization (CM) and promoting savings groups for newly hired VFs in the provinces. In total, 12 workshops were conducted to orient and train new VFs on processes and activities during CM and on the formation and nurturing of savings groups. These training workshops were conducted in Parwan, Herat, Balkh and in Nangarhar for provincial VFs. In total 173 VFs attended these workshops including 43 female VFs across provinces. Some female VFs were not able to attend the workshops as they were not permitted by their families to leave their villages to attend the workshops. In future, training team planned to conduct such workshops within vicinity where female VFs can be permitted to attend.
- **Workshops on Islamic Financing** – The Training Unit conducted 7 workshops for senior PEFs on Islamic financing. Topics included the basic principles and products, and how it can be applied in context of CED. One workshop was conducted for 3 days in each province. In total, 140 people attended the workshops of which 77 were female. The training modules for this workshop developed in close cooperation with the access to finance and CED units.
- **Enterprise Group Promotion Workshop** – three workshops on Enterprise Group promotion were conducted for 2 days in Parwan, Nangarhar and Herat. Participants included AICB staff at a Parwan event, which was held for PEFs and M&E officers to understand basic concepts of EGs, EG formation and the development and strengthening of EG rural micro enterprises. In total, 86 people attended the workshops, of which 38 were female.
- **SG Workshops** – the team also conducted SG membership, leadership and Book keeping workshops for key office SG members in Bamyan and Nangarhar provinces. These workshops were to help SGs to understand SGs needs, roles of office bearers, train chairmen, secretaries and cashiers on how to manage the group and build up basic book keeping skills. In total, 129 SG members, office bearers attended the workshops, of which 19 were female.
- **VSLA Promotion Workshop** – two workshops on VSLA formation and nurturing were conducted for 3 days in Parwan and Bamyan for VSLA members to understand basic concepts of VSLAs, (purpose, how to function etc.). In total, 44 people attended the workshops of which 4 were female.
- **Effective communication** -The objective of this training is to enhance facilitation and communication skills of the PEFs and VFs so they can communicate more efficiently with the communities with the community.



CM & SG promotion workshop at Nangarhar



Workshop on Islamic Finance in Parwan

- **Orientation training-** 2 days training conducted for newly recruited staff and provided information on the objectives of AREDP and its different program activities. 17 participants attended it.

Table no. 19

Details of Trainings conducted during 1390								
Sl. No	Type/Subject of Training/Workshop	Period	No. of Events	No. of Participants Attended			No. of Events in Respective Provinces	Nature of Participants
				Male	Female	Total		
1	Refresher Training	10 days	1	24	23	47	Bamyan -1	6 PEFs and 41VFs
2	Basic Training	10 days	2	35	30	65	Kabul -2 (IDA provinces)	For PEFs
3	Community Mobilization	3 days	5	43	30	73	Parwan -1, Nangarhar -1 Kabul -1 (AICB Kandahar), Herat -2	2 MT(AICB), 7 AICB PEFs 50 PEFs, 14 VFs
4	SG Promotion	3 days	7	123	36	159	2 Nangarhar, 2 Parwan 1 Bamyan, 1 Herat, 1 Balkh	VFs
5	Islamic Banking	2 days	7	63	77	140	2 Heart, 2 Balkh, 1 Parwan (include AICB MTs), 1 Nangarhar 1 Kabul (for Balkh, Bamyan , Herat)	2 MTs AICB , 1 MT Balkh 1 MT Bamyan, 93 PEFs 43 VFs
6	Initial VSLA	3 days	2	40	4	44	1,Bamyan 1,Parwan	VSLA Members
7	EG Formation and Nurturing	2 days	3	48	38	86	1 Heart, 1 Nangarhar, 1 Parwan (Include AICB staff Kandahar)	2MT AICB, 83 PEFs, 1 M & E officer from Parwan
8	Effective Communication	2 days	3	37	27	64	2 Herat , 1 Parwan	39 PEFs, 25 VFs
9	SG Membership Building	1 day	1	13	7	20	1 Bamyan	SG Members
10	SG Office bearers Capacity Building	1 day	1	13	12	25	1 Bamyan	SG key members
11	SG Bookkeeping	1 day	6	84	0	84	6 Nangarhar	SG Key Members, 6 VFs
12	Orientation training	2 days	1	9	8	17	1 Kabul, (for Bamyan, Balkh & Herat staffs)	1 PMT Bamyan, 1 PMT Balkh, 15 PEFs
	Total		39	532	292	824		

- **Training of AICB Master Trainers and Key Staff:** -The Training Unit continued to enhance skills and capacity of AICB partners who are executing community enterprise development in Kandahar. The Master trainers and key staff were requested to attend essentials workshops on community mobilization & SG promotion, Islamic finance and Enterprise group promotion.

Challenges faced by Training Unit:

The TU continued to face the challenges stated below:

- ✓ Limitation in written communications during training, as the majority of SGs are illiterate
- ✓ The training unit is relatively new and has not yet the capacity to meet the huge demand for training
- ✓ Limited availability of suitable candidates for trainer positions in the provinces, since the concept of the program is new. It is also difficult to find a qualified female master trainer. Only 4 master trainers are on board so far.
- ✓ Lower participation of female VFs in workshops conducted outside their own village, since they are not allowed to attend by their families.
- ✓ Limitation in catering to the huge demand of trainings needs of Savings groups, Enterprise groups and Village Savings and Loan Associations.

Lessons learned

- ✓ Training materials containing illustrations, pictures and exercises, are more helpful to participants.
- ✓ Training materials and modules should be need based
- ✓ Sharing of related experiences and including best practices from neighboring countries are helpful to the participants during the workshops
- ✓ Cascade training should focus on enterprise development
- ✓ Skills and knowledge from expert training agencies in the region should be utilized

5.7 Environmental and Social Safeguards:

The Environment and Social Safeguards (ESS) unit was established to ensure compliance with Environmental and Social Safeguards Management Framework (ESMF). The unit is led by an ESS specialist who was hired in February 2012. AREDP has also translated its Environmental and Social Safeguards Management Framework (ESMF) to Dari and Pashto to enhance transfer of right message and content of ESMF across board within AREDP from PMO to field. The SME Unit incorporated ESMF related questions in the technical feasibility and in business plan to ensure compliance with AREDP's Environmental and Social Safeguards Management Framework. Through these set of questions the BDSOs facilitates SMEs to avoid, mitigate, or minimize adverse environmental and social impacts. In addition to this, a checklist of all sub-projects with characteristics mentioned in the ESMF as negative is attached to the Technical Feasibility study. Any SME with such sub-projects shall not receive any form of support from the Program.

The CED unit has incorporated set of criteria for EGs to comply with Environment and Social Safeguards and. The CED unit has communicated with EGs right from their formation to comply with ESS and it has also communicated a risk management framework for EGs. The CED will not work with EGs nor will form EGs whose activities can be found on AREDP's negative list.

- **Training packages:** - The Safeguards Implementation Unit offers training at all levels for awareness and implementation of Afghanistan's environmental and social regulatory framework for PMO and provincial staff. The SIU has also developed training packages with precise plans and strategies for PMO and provincial offices to conduct workshops and organize trainings and visits from SMEs and EGs. The main objective of this training is to conduct a training program on Environmental and Social Management Framework (ESMF) for Provincial office staff and assess how to support SMEs and EGs with the environmental and social considerations. The SIU has prepared an outline and reference material on ESMF for PMO and provincial level in national languages. The training will be conducted at both central and provincial level.
- **Child labor issues in sub projects:** - Child labor should be discouraged as much as possible and where children are asked to contribute to the household income, assurance must be made that schooling and child health is not adversely affected. SIU reviewed TF & EV forms of SME in context of ESS and added child labor issues into Technical Feasibility and Economic Viability Study (TF & EV) of SMEs while they applied for support through our program. Therefore, this section in the TF & EV study will support AREDP to recognize and distinguish the child labor status. The SIU is developing comprehensive training packages and an awareness program in order to deal with issue of the child labor by our clients and partners.

6 Program Support Services Office

6.1 Procurement Unit

During 1390; the procurement unit made significant achievements as reported below:

- ◆ **Consultancy Procurement:** The procurement Unit processed EOIs, RFPs, FPs and contracts for consultancy firms for:
 - An implementation partner for Kandahar to execute the CED component
 - Provincial Situational Analysis for Balkh, Bamyan, Herat, Parwan, Nangarhar and Badakhshan
 - Processed contract for PSA for Kandahar which was cancelled later on and EOIs for Hilmand
 - The Partial Risk Guarantee Administrator for IDA supported provinces. Processed EOIs for Kandahar and Hilmand as well, which is in process.
 - The development of a MIS system and ERPs system, which are in progress
 - The construction of the AREDP building, is in progress
 - M Paisa services
- ◆ Procurement also processed REOIs, EOIs for 1, BDS training and business simulation workshop under SME component 2, Training support for Training Unit and Support to EGs and for Poultry workshops under CED component.
- ◆ **Goods, Works and Non-consulting services:** - The Unit procured office and IT equipment for the provincial offices and ensured the rent of the offices, internet, rental vehicles etc. Additionally the unit purchased vehicles.

6.2 Administration Unit

The Administrative Units made great efforts in managing administration functions of the program during 1390, as is narrated below:

- Administration team managed administrative aspects for the Project Management Office (PMO) and Provincial Offices (POs) such as rental offices, rental vehicles, AREDP vehicles, furniture requirements, internet services, logistics requirements, assets inventory, IT equipment requirements, office equipment requirements, and utilities
- The administration unit ensured that the move of AREDP to new buildings within the MRRD compound went smoothly
- The admin unit also facilitated and managed all aspects of major events that happened during 1390 such as workshops, trainings and managed travels, accommodation, VISAs, work permits etc for smooth program execution.

6.3 Finance and Budgeting Unit (FBU)

The Finance Unit worked hard to facilitate payments, financial agreements and putting financial system in place, getting replenishment etc to enhance finance delivery. The following activities were undertaken during 1390:

- Managed budget and expenditures; FBU managed to disburse payments more than 7.487 M USD under IDA and bilateral support and utilized 34 % of overall budget planned. 38 % of budget was utilized under the core budget, including IDA grant utilization as high as 72%. This was largely due to ARTF funds received in mid 1390. 19% of the budget was utilized under bilateral support. Please refer Table No. 20 for details.
- Opened its provincial accounts and maintained a sound financial system in the provincial offices.
- Met all the deadlines of Donors in submitting the Financial Reports.
- Managed and facilitated tasks related to payments, settling bills, processing salaries and payments of rents, vendors etc, and getting advances from MRRD finance, clearing advance, following with MRRD finance and with Ministry of Finance for advances, payments, clearances etc.

Challenges:

- ✓ Limited staff in FBU
- ✓ The time consuming procedure for budget expenditure/utilization

- ✓ Meeting all the tight and tough deadlines both by MoF and donors
- ✓ Pressure for budget utilization for the end of the year 1390

Table No. 20

AREDP budget utilization: 1390 and 2011 (US \$)			
A, Budget Utilization under Core Support			
Donors	1390 Budget	Actual Expenditure	Percentage %
IDA	7,194,600	5,181,501	72%
ARTF	7,800,000	552,771	7%
DANISH	1,818,300	692,807	38%
TOTAL	16,812,900	6,427,079	38%
B, Budget Utilization under Bilateral Support			
Donors	2011 Budget	Actual Expenditures	Percentage %
REDKAN	5,400,000	1,000,000	19%
DFID	65,000	60,000	92%
TOTAL	5,465,000	1,060,000	19%
G. Total	22,277,900	7,487,079	34%

6.4 Human Resources Unit

The Human Resource Unit did all it could to fill essential vacancies, both at PMO level and in the provinces and as a result there are only 50 of the 387 positions in the procurement plan outstanding under IDA support. The Human Resource Unit had noticeable achievements during the year, as is detailed below:

- Conducted staff recruitment of total 177 new staff in 1390 for PMO as well as for provincial offices. Of these, 129 staffs were hired under the IDA Grant, 16 staffs under the Danish Grant, including 12 Interns, 19 staffs were recruited under CIDA support for Helmand and 13 staff under DFID support for Kandahar. Each recruitment goes through a lengthy process of more than 22 steps, including preparing TORs, contracts, conducting written tests, interviews, receiving NOL, printing of CVs' reviewing of shortlists and completing signatory parts of documents and so on. Currently AREDP has a total of 346 staff; (please refer Table 21 for details). AREDP has employed 25% of female staff across the board.
- Facilitated VFs selected process. As on 1390, AREDP hired 455 VFs inclusive of 231 female VFs (51%).

Table 21

AREDP Staff recruitment (No.) – As on end of 1390					
Program Grant	Positions planned	Staffs appointed		Position under process	Positions yet to commence
		Total	Female		
Under IDA support	387	291	79	46	50
Danish support		16	3		
CIDA - Kandahar	33	20	3	6	7
DFID - Helmand	33	19	1	4	10
Total	453	346	86	56	67

Female participation (%) **25**

- Completed an appraisal for the year 2011, for all staff and submitted a report for the approval of AREDP management. HR compiled staff training needs, evolved out of appraisals by relevant supervisors. The report will be used for the 1391 training plan.

- Developed a new Performance Evaluation System which is more objective based. The system is under implementation stage. However, the forms have been shared with the World Bank for their review and inputs.
- Conducted staff Training/ Development. During 1390, ten staffs from the support section (i.e. from HR, Procurement and Finance) were exposed to international trainings related to their functions. These trainings included strategic resource management, procurement procedures under donor funded projects and project financial management.
- Developed a Training Manual and HR manual and shared with the World Bank for their review.
- HR is working on a database designed to hold all HR data in soft format. The database will help HR in tracking leave of staff, payroll, staff's bio data and can generate different types of reports.
- Developed a hard filing system. Personal files and recruitment files have been updated with new labels with code numbers that are linked to a soft Excel sheet. The excel sheet can help searching for employees recruitment files, or personal files just by entering their file code, name or position. The Excel sheet is also linked to the Human Resource Information System.
- Supported AREDP staff by updating them on their leave balances, processing payroll on a monthly basis, tracking staff timesheets, solving provincial offices HR related issues and traveling to provinces for the recruitments and provision of HR support to administration officers.
- Within the reporting period the Human Resources Department successfully completed 2 Audit Reviews (one internal one from World Bank which was focused on post review positions).

7 Stepping Towards Impacting Employment Opportunities

AREDP is now stepping closer to its objective; i.e. creating employment opportunities and increasing income of rural men and women. AREDP's results in the field show that the activities have started playing a crucial role in strengthening rural livelihoods and enhancing household income.

Our experience in the field has shown that under Component A, AREDP facilitates in the community to become self-employed. Most of the program participants have used the loans from their SGs to start a livelihood activity and thus become self-employed. Most of these activities have also created opportunities for other members of the community, resulting in direct and indirect job creation under the program. Under Component B, some of the SMEs have also provided direct and indirect jobs to people.

AREDP is currently working on a mechanism through which it can easily and accurately keep track of jobs that have been created with direct support of the program. The mechanism would also look at different methodologies for measuring the number of indirect jobs created. However, for the time being, our experience shows that the following jobs have most likely been created:

Table No. 22

Sl. No.	Particulars	Employments supported (No.)		Remarks
		Total	In IDA supported provinces	
1	Through Savings Groups	2569	2550	Considering 1 employment/job supported by member who accessed loan creates employment at least for one individual, though there are many incidences where jobs are supported more than 2 directly and 1 in values chain through SGs loans to develop and or strengthen rural micro enterprises.
2	By Village Savings and Loan Associations (VSLAs)	292	292	Considering 2 employment/job supported by one loan from VSLAs since these loans are higher amount loans. Though there are incidences where jobs are supported more than 3 directly and 2 in values chain through VSLAs loans to develop and or strengthen rural micro enterprises.
3	Through SMEs support	90	65	18 SMEs supported so ar. Assuming each SME supporting 5 employments in its enterprise. E.g. Fish Hatchery Parwan supporting 6 employments, Potato chips Bamyar also supported 6 employment, Akbary Bee Keeping Herat supported 4 employments
4	Village Facilitators (VFs)	607	455	Community residents directly engaged by program in each village
Total		3558	3362	

AREDP also supported a considerable number of employments via employing staff for project implementation, who have not been counted in the table above.

Annexure No. 1**LIST OF ACRONYMS USED**

AFS	Afghanis
ANDS	Afghanistan National Development Strategy
AREDP	Afghanistan Rural Enterprise Development Program
ARFC	Afghanistan Rural Finance Company
BDSO	Business Development Service Officers
BPD	Business plan development
CDCs	Community Development Councils
CIDA	Canadian International Development Agency
DAB	Da Afghanistan Bank
DDAs	District Development Assemblies
DFID	Department for International Development UK
DMFI	Depository Microfinance Institution
EGs	Enterprise Groups
EOI	Expression of Interest
ESMF	Environment and Social Management Framework
FPs	Financial Proposals
FSGs	Female Saving Groups
FAQ	Frequently Asked Questions
HIH	Hand in Hand
MAIL	Ministry of Agriculture, Irrigation & Livestock
M&E	Monitoring and Evaluation
MFI	Microfinance Institutions
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MRRD	Ministry of Rural Rehabilitation and Development
MSGs	Male Saving Groups
NGO	Non-Governmental Organization
NOL	No Objection Letter
NSP	National Solidarity Program
PDT	Program Development Team
PEFs	Provincial Enterprise Facilitators
PPF	Project Preparation Facility
PSA	Provincial Situation Analysis
PM	Provincial Manager
PMO	Program Management Office
PRGF	Partial Risk Guarantee Facility
REDKAN	Rural Enterprise Development in Kandahar
REOIs	Request for Expression of Interest
RFPs	Request for Proposals
SGs	Saving Groups
SME	Small and Medium-Sized Enterprises
TORs	Terms of Reference
ToT	Training of Trainers
VF	Village Facilitators
VSLAs	Village Saving and Loan Associations
WB	World Bank
WOCCU	World Council of Credit Unions

Annexure No. 2

AREDP GLOSSARY

- **CLIENTS** - Clients are all groups and individuals who receive services delivered by AREDP including: Savings Groups, Enterprise Groups, Village Savings and Loan Associations and Small and Medium Enterprises.
- **COMPONENT A** - This component, i.e. the Community-led Enterprise Development Component, supplies business knowledge and will build financial capacity for rural micro-enterprises. It has three subcomponents; a. Community Facilitation, b. Support to Enterprise Groups and c. Access to Finance for Community Groups.
- **COMPONENT B** - This component, i.e. the SME Development Component, addresses market failures of business and financial services to SMEs. It has three sub-components: a. SME Facilitation, b. Business Development Support for SMEs and c. Access to Finance for SMEs.
- **COMPONENT C** - This component, i.e. the Program Management Component, plans, manages, supervises and monitors the implementation of all program activities. In addition, the component supports the capacity building and skill development of staff while improving the enabling environment.
- **COMMUNITY DEVELOPMENT COUNCILS** - Community Development Council is a group of community members elected by the community to serve as a decision-making body under NSP of MRRD.
- **BUSINESS DEVELOPMENT SERVICES OFFICERS** - Business Development Services Officers will implement the SME Development Component under the guidance of the Provincial Manager, and will be responsible for working directly with the SMEs, guiding them in the development of business plans, and facilitating their access to credit.
- **ENTERPRISE GROUPS** - Enterprise Groups are organized by AREDP at the community level and are comprised of around 5 to 15 members. They are formed around a common enterprise activity or within the same value chain. The members of enterprise groups are expected to be part of saving groups so that they are eligible to receive loans from the VSLA.
- **PROVINCIAL ENTERPRISE FACILITATORS** - Male and female PEFs are the primary points of contact between AREDP and the communities, the CDCs and the VFs. They provide technical on-the job training, necessary information and support to the SGs, EGs and VSLAs and to the VFs so VFs can support SGs, EGs and VSLAs.
- **SAVINGS GROUPS** - The Savings Groups will comprise 10 to 20 members who come together with the aim of mobilizing resources in the community for productive loans. At maturity, Savings Groups will federate into Village Savings and Loan Associations.
- **SMALL and MEDIUM ENTERPRISES** - AREDP has conducted a comprehensive SME survey that covers all provinces of Afghanistan. In the survey, SMEs were identified as businesses with a minimum of 5 and an average of 25- 30 employees. AREDP works primarily with rural SMEs, i.e. those SMEs that have existing or potential for backwards linkages to rural suppliers of resources.
- **VILLAGE FACILITATORS:** - Two Village Facilitators, one female and one male, used to be identified in each community to ensure project presence in the village, to answer questions arising from village members and to communicate village concerns and questions to the project where necessary. The VF will assist in mobilizing the community; facilitating the formation of Enterprise Groups, Savings Groups and Village Savings and Loan Associations; and providing continuing support to these groups.
- **VILLAGE SAVINGS AND LOAN ASSOCIATIONS:** - Village Savings and Loan Associations are formed from 8 - 10 Savings Groups to support SGs for larger loans through seed capital and administer the savings of the Savings Groups once they are beyond a threshold level and the groups have had a certain period of internal lending.

Annexure No. 3

Our DONORS

Needless to say, AREDP achievements, which have impacted thousands of households, who have been organized in different groups and working for economic development of their members; could not have happened without the support and commitment of Donors towards the cause. AREDP is supported by the following donors:

- **International Development Association (IDA):** - IDA is our core donor, and supports AREDP in Parwan, Bamyan, Nangarhar, Herat and Balkh provinces. The Financing Agreement between IDA and the GoA signed on April 11, 2010 under Grant No. TFH531-AF amounts to approximately USD 30 M (SDR19 M). The grant is administered by the World Bank under the financial administration of the Ministry of Finance.
- **ARTF (Afghanistan Reconstruction Trust Fund)** – ARTF is a major support for the AREDP core budget. AREDP Donors contributing to ARTF are: the UK’s Department for International Development (DFID), the European Union, the Swedish International Development Agency (SIDA), and the Government of Finland. The ARTF Grant Agreement was signed on October 27, 2010 between IDA and the GoA for a total of USD 16 M under Grant No. TF098045-AF. The ARTF grant is administered by the IDA under the financial administration of the Ministry of Finance.
- **Government of Denmark:** - Denmark’s support is equally crucial for AREDP. This support helps address uncertainties and provide room for flexibility and creativity. The Agreement between the Government of Denmark and the GoA on November 25, 2009, with subsequent amendment, amounts to USD 3.2 M (DKK 17 M). The grant is directly administered by the Government of Denmark under the financial administration of the Ministry of Finance.
- **Canadian International Development Agency (CIDA):** - CIDA is supporting AREDP for its program in Kandahar, one of the most difficult provinces in the country. The Agreement between the CIDA, the Ministry of Rural Rehabilitation & Development, and the UNDP, signed on September 22, 2010, amounts to USD 9.4 M. The grant is administered by the United Nations Development Program (UNDP).
- **UK’s Department for International Development (DFID):** - DFID is supporting the AREDP program in Helmand, again a difficult province of the country. The Agreement between the DFID, the Ministry of Rural Rehabilitation & Development, and the UNDP, signed on June 11, 2011, amounts to USD 7.4 M. The grant is administered by the United Nations Development Program (UNDP).

We extend our sincere thanks to our donors for their support for AREDP to **“Improve employment opportunities and income of rural men and women; and sustainability of targeted local enterprises of Afghanistan”**

Together Towards

“A Competitive Afghanistan”!