

Islamic Republic of Afghanistan

Rural Microfinance and Livestock Support Programme

Supervision report

Main report and appendices

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Abbreviations and acronyms

AI	Artificial Insemination
AOS	Annual Outcome Survey
BLDU	Balkh Livestock and Dairy Union
BVWs	Basic Veterinary Workers
CDCs	Community Development Councils
CLAP	Community Livestock and Agriculture Programme
CoAR	Coordination of Afghan Relief
DAIL	Department of Agriculture, Irrigation and Livestock
DCA	Dutch Committee for Afghanistan
DDAs	District Development Assemblies
FAO	Food and Agriculture Organization
FMFB	First Micro Finance Bank
HACCP	Hazard Analysis and Critical Control Point
ICARDA	International Centre for agricultural Research in Dry Areas
IFAD	International Fund for Agricultural Development
KhDU	Khatiz Dairy Union
MAIL	Ministry of Agriculture, Irrigation and Livestock
MCC	Milk Chilling Centres
MFI	Micro Finance Institution
MISFA	Microfinance Investment Support Facility for Afghanistan
MoF	Ministry of Finance
MRRD	Ministry of Rehabilitation and Rural Development
NSP	National Solidarity Program
OFWM	On-Farm Water Management
PMU	Project Management Unit
PST	Programme Support Team
RMLSP	Rural Microfinance and Livestock Programme
SM	Supervision Mission
SNaPP2	Support to National Priority Programme 2
SP	Service Provider
TUP	Targeting the Ultra-Poor
UHT	Ultra-High Temperature
USD	United States Dollar
VFU	Veterinary Field Unit
VGL	Village Group Leader
YPC	Young Professional Consultants

A. Introduction¹

1. Rural Microfinance and Livestock Support Programme (RMLSP) is a SDR 16 million (equivalent to approximately USD 23.89 million) initiative financed through an IFAD grant. RMLSP was approved by IFAD Board in April 2009 and became effective on 24 August 2009. The overall programme goal is “to reduce the vulnerability and improve the livelihood means, incomes, food security and nutritional status of poor and vulnerable rural households on a sustainable basis in selected areas of Afghanistan”. The programme purpose is “to provide sustainable access to smallholders, existing livestock owners and those who aspire to have livestock - with a focus on women, woman-headed households, the un-creditworthy and the *Kuchis* - to appropriate microfinance services and technical livestock packages (health, management, processing and marketing) and the skills required to engage in new, more productive or more profitable economic, livestock-based enterprises”.

2. A joint IFAD-Government Supervision Mission for the Programme has been carried out from 22 April to 1 May 2016 to assess programme progress, identify issues and assist the programme management in overcoming identified issues and prepare for emerging challenges. Specific objectives of the Mission were to assist the Government in (i) assessing the project performance and the progress towards the project objectives; (ii) identifying issues in project implementation and possible solutions; (iii) identifying lessons and best practices that could be replicated and scaled-up; and (iv) assessing compliance with fiduciary aspects. In addition during this final supervision mission prior to the project completion on 30 September 2016, the mission provided support to the Programme Support Team (PST) and the RMLSP Project Management Unit (PMU) to prepare for the up-coming Project Completion Review Mission in September 2016.

3. The Mission consulted government officials, members of the PST, Service Providers (BLDU, DCA FAO, ICARDA, and MISFA), beneficiaries and key stakeholders at both central and provincial/district level. The Mission visited two provinces² as well as liaising with Service Providers (SPs) in Kabul centre.

4. Following a pre-wrap up meeting with the PST and SPs on 28th April 2016, the Mission's main findings and recommendations were recorded in an Aide Memoire submitted to MAIL at a Wrap-Up meeting held in Kabul on 30th April 2016, chaired by H.E. Assadullah Zamir, Minister, MAIL. This document is a combination of the aide memoire, comments and feedback from all stakeholders and is subject to confirmation by IFAD management. IFAD would like to hereby express its appreciation for the collaboration and hospitality extended by Government authorities and SPs to the Mission.

5. The Mission would like to thank Mr. Abdul Latif Zahed, Project Director, the partner organizations (DCA, FAO, ICARDA and MISFA), and their respective teams for the support received in organizing and carrying out the Mission. The Mission would, in addition, like to thank the Government officials and all the people consulted during the Mission for their availability and for their frank assessment and constructive feedback.

B. Overall assessment of RMLSP implementation

6. **The overall assessment of the programme is Satisfactory [5]. The physical progress is Satisfactory.** All remaining targets are on track and will be achieved by the end of the programme (and in some cases exceeded). The microfinance component and the backyard poultry sub-component, have finally picked-up and kept pace with targets since the last Supervision Mission (SM) in August 2015. Most of the SM recommendations have been implemented. Impact on the ground is visible and feedback from the beneficiaries is positive and requesting to continue and expand project activities. The programme generated a number of innovations and best practices, and there is a

¹ Mission composition: Mr Karim Merchant (team leader and institutions specialist), Dr Khaista Yousafzai (agribusiness and livestock specialist), Mr Arsalan Vardag (financial management specialist). It was guided by Mr Hubert Boirard (country programme manager) and Mr Qaim Shah (senior country programme officer).

² Nangarhar (23-26 April) and Badakhshan (27-30 April)

scope for replication and eventual scaling up, which will be expanded upon in the Project Completion Report.

7. Total disbursement as of 20 April 2016 is USD 28.36 million, against the total programme budget of USD 29.89 million or **95%**. The summary budget execution under the three programme components is reflected in Table 1 (below).

Table 1: Summary budget execution under three RMLSP components

	Component 1	Component 2	Component 3		Total
	Rural Microfinance	Livestock Support	Project Management & Coordination	Unallocated	(USD'000)
Cumulative since inception to March 2016					
Budget*	9,935	16,250	3,712	-	29,897
Actual	9,696	15,730	2,938		28,364
% execution	98	97	79		95

8. **Likelihood of achieving development objectives.** Almost all of the targets will be achieved or exceeded by the end of the programme, greater emphasis will be required on ensuring specific SPs develop more practical exit strategies, that are not only aligned with each other, but also well-sequenced consolidation of programme activities and handing-over of implementation responsibilities to beneficiary organizations and government institutions ensuring post-project sustainability.

9. **Impact of the security situation:** Security situation continues to be an important challenge in programme progress, but is diminishing in importance as many activities are now in the consolidation stage and require a reduced field presence. However, despite the volatility and uncertainty of the security situation in many programme target areas, it goes to the credit of PST and SPs that programme implementation and quality remained more or less on track.

C. Outputs and Outcomes

Component 1: Rural Microfinance

Performance is rated Satisfactory [5]

10. The microfinance sub-component within RMLSP was designed to not only increase outreach of agricultural credit and rural finance packages, but also provide funds to incubate a number of innovative shar'ia compliant packages. A number of lessons have been learned that are being applied to the micro-finance sub-component within newly implemented Support to National Priority Programme 2 (SNaPP2).

11. **Sub-component 1.1: Innovation Facility [Satisfactory 5].** The objective of this sub-component is "to encourage and support MISFA partner organizations to offer a wider range of sustainable financial services in rural areas and address market demand by smallholders". MISFA's partner organizations continue to adapt well to fluctuating circumstances and contributed to a relatively stable sector. With the end of the project in sight, the SPs are beginning to document invaluable lessons that will be capitalised upon by IFAD's latest intervention. The proposed SPs for IFAD's new project, SNaPP2 are all currently MISFA partner organizations who have evolved into relatively reliable IFIs in their own right.

12. Exit strategies under this component have been strengthened in line with the previous SM Mission recommendations and regular success stories are being broadly circulated. Information from the proposed Impact Assessment will further inform the project's understanding of how sustainable these interventions will be beyond the life of the project.

13. **Sub-component 1.2: Financial Graduation of the Ultra-Poor [Satisfactory 5].** Through MISFA, an innovative Targeting the Ultra-Poor (TUP) for just under 1,000 households was developed – the model was innovative and provided excellent results as it graduated beneficiaries into borrowing from formal Afghan MFIs and banks. The World Bank and Italian Cooperation have invested

USD15million and USD3.5million respectively in order to upscale this approach. Based upon the success of this investment, the World Bank may consider converting this activity into a national programme.

14. Through another MISFA partner, the First Microfinance Bank (FMFB), has over 19,000 active borrowers have received USD16.4million in agricultural credit. Whilst Mutahid has reached over 2,700 borrowers for its innovative shar'ia compliant product with a loan portfolio just short of USD1million.

15. **Sub-component 1.3: Technical Support and Capacity Building for MFIs [Moderately Satisfactory 4].** A variety of trainings have been delivered to meet a broad set of demands from institutional support and strengthening, the introduction of new software to training to improved beneficiary targeting and technical support to community-based savings groups.

Component 2: Livestock Support

Performance is rated Moderately Satisfactory [4]

16. This component has met most of the previous SM recommendations, but one of the sub-components is facing various constraints without coherent mitigation strategies.

17. **Sub-component 2.1 Integrated Dairy Scheme: Progress has been rated Moderately Unsatisfactory [3].** Although progress has been made since last supervision mission in August 2015 as milk collection has increased to almost 3,000 litres per day, and 1,880 families have been trained in improved animal nutrition and stock management. 1,500 (out of 1,510) farmers are organized under 18 registered cooperatives and contribution from members fees mounts to AFN 1,358,000. Electricity supply has finally been connected to the plant, though the plant still appears to be dependent upon a generator for parts of the day. However, there are number of issues to be considered regarding the sustainability beyond the life of the project, namely a well- sequenced approach to production and marketing based on marketing principles.

18. Only 10 out of 18 Milk Collection Centres (MCCs) are functional³, with some of the inactive MCCs are blamed on security issues. In addition, HACCP certification and ISO has yet to be obtained, with no progress being made on basic issues such as the required washroom screening away from the production site.

19. At this juncture of the project, a more holistic review of this intervention was undertaken – it concluded, that the dairy plant capacity and its product range, which was based on the underlying feasibility study of the investment undertaken by the SP which over-estimated the market in and around Jalalabad. A number of diversified dairy products are produced currently and available in the market. Most importantly, the ice cream production line is not operating, because of a lack of chilling equipment, KhDU received 6 solar refrigerators on the day Supervision mission visited the plant (from 24 April to 26 April), thereby missing a major income generating opportunity. The KhDU's products butter milk, yoghurt, cream are preferred in market and raw milk collection is increase from 0.9 to 3. MT daily (as it is flush season so may be the peak production), 30 % of the installed capacity for one shift. There is an opportunity to improve the quality of the product by improving the milk quality, commission/incentives based selling of the products, Friday milk collection (currently Friday is off) and appropriate production plan to best fit to the demand.

20. At an institutional level, the KhDU still requires financial and technical support in the form of staff salaries and further capacity building (competency based training, production planning, marketing, management and leadership, change in attitude from free assistance approach to pure business model) and refresher trainings. The technical support could be on ad-hoc basis and sourced from neighbouring dairy businesses or the local market. It would include engendering a culture of good leadership, development of a robust business plan, and incentive-based marketing strategy, and transparent and accountable finance management process to build farmers trust.

³ Four in Kama districts, three each in Behsood and Surkhrood districts yet has to be established. Two MCCs in Khogani, three each in Batikot and Ghanikhil districts. Eight MCCs yet to be activated in target districts - three each in Batikot and Ghanikhil, and two in Khogani.

21. Recommendations from the previous Supervision mission have only been partially achieved, and are listed below with new recommendations for follow-up.

Agreed action	Responsibility	Agreed date
Building changing and wash rooms at the entrance gate of dairy plant necessary for obtaining HACCP certification and engage the accredited company to undertake the training and certification process.	FAO	HACCP certification to be obtained before 30 June 2016
Purchase the electricity wire/cable for connecting the feed mill to the public electricity grid.	FAO and RMLSP	30 June 2016
Install the milk chilling equipment for ice cream.	FAO	30 June 2016
Finalise a detailed exit strategy including: (i) financial report of the dairy plant, feed mill, vehicle fleet; (ii) prepare detailed business plan for the dairy plant, feed mill and vehicle fleet; and (iii) prepare detailed support to KHDU for increasing milk production.	FAO and KHDU	30 June 2016
Finalise gender disaggregated B/C analysis of all activities related to increasing milk production e.g. forage, AI, training, health, housing, feeding, fodder etc. the information should feed into the KHDU and PMU's KM and the impact assessment.	FAO and KHDU	30 June 2016
Finalise a detailed impact assessment of the subcomponent.	PMU	30 June 2016
Post project follow up mechanism should be in place in close coordination with relevant public sector.	PST, relevant Manager/Director and MAIL	30 June 2016
Re-registering vehicles from UN plates to private plates to allow KHDU to utilise vehicle fleet	FAO and KHDU	30 June 2016

22. **Sub-component 2.2 Veterinary Services in the Northern Region: Performance is rated Satisfactory [5].** This sub component has almost achieved its target with significant progress made in 5 provinces on establishing VFUs. A study on several existing approaches being by different projects will soon be complete along with an objective recommendations on policy and approach for a national VFU model. In addition, 125 VFUs have been either strengthened or established and a sustainable PPP approach to veterinary service in the form of para-vets has been successfully established. This has created increased access to services for 92% of clients in the areas of operation, with a strong focus on utilising women as part-time extension workers to increase outreach to female clients who traditionally work with small ruminants.

23. The project SP, DCA is currently compiling a number of recommendations that will inform the current implementation of Community Livestock and Agriculture Programme (CLAP), but also the Directorate of Livestock Production and Animal Health. The issues will cover improved engagement with the private sector and creating more PP opportunities; solutions to basic sustainability issues for livestock service provision at provincial level for DAILs; and strengthening existing M&E procedures at province level.

24. In the area of sustainability, the SP, DCA has developed a realistic and practical approach in delivering animal health at the lowest levels. However, at the institutional level, VFUs will need regular re-licensing and training and will also need to align themselves with the roles and responsibilities of service delivery by other MAIL institutions in order to provide a coherent animal health delivery system. In addition, to achieve acceptable profit margins, the para-vets will need to reduce reliance on a single vaccine and medicine supplier and seek competitive alternatives.

Agreed action	Responsibility	Agreed date
Fast track the approval of the draft Animal Health and Veterinary Public Health Act	MAIL with support from PMU	30 Sept 2016
As part of completion report, DCA to provide a series of documented lessons learned and recommendations in engaging the private sector in livestock activities.	DCA	30 Sept 2016

25. **Sub-component 2.3 Backyard Poultry Development: Progress is rated Satisfactory [5].** The transfer of delivery directly from FAO to the BLDU has resulted in a drastic improvement in

targeting, which was confirmed by field visits. It is assessed by the mission, that the backyard poultry model is an excellent entry point for introduction of microfinance (savings and credit) for women and an expansion of this model into a commercial and sustainable manner is a natural step in its evolution. The model will also serve as incubator for managing savings and eventually graduate to obtain credit for investing in expansion of the poultry business or for new income generating activities. The VGLs can play an important role in facilitating introduction of microfinance service.

26. Sustainability of this intervention was previously hindered predominantly by a lack of access to quality inputs, services and markets. This issue has been addressed to some extent as poultry producers have been linked with well-established local inputs/service suppliers. This has been further catalysed by investments in relevant infrastructure and capacity building by other MAIL projects.

27. Only two recommendations from the previous SM require follow up

Agreed action	Responsibility	Agreed date
Identify MFI interested to use the backyard poultry groups as a mechanism to grow their business through expansion of the model to new groups and by supporting those with experience to expand or enter into new IGAs	PMU	December 2015 Now: 30 June 2016
Based on interest from MFIs, develop model for introducing micro finance using the backyard model	PMU	December 2015 Now: 30 June 2016
Undertake an overall impact assessment of the backyard poultry model. The impact assessment shall also examine the advantage/disadvantage between the initial package of 30 pullets and of 15 pullets.	PMU	December 2015 Now: 30 June 2016

28. **Sub-component 2.4 Dairy Goat Distribution: The dairy goat implementation performance is rated Moderately Satisfactory [4].** Experience from similar activities in Afghanistan suggests that the goat model approach is not sustainable post-programme support. The cost for delivering the total package is very high considering the outreach, particularly if comparing it with Subcomponent 2.2. However, the adoption of the fodder crops could pick up and make the intervention much more attractive. It will therefore be necessary to undertake a detailed impact assessment during the end of 2015 early 2016 to gain more detailed understanding on the organic growth and impact of the programme.

Agreed action	Responsibility	Agreed date
Prepare ToRs for a detailed impact study to be conducted by end 2015/early 2016	ICARDA and PMU	30 June 2016
Prepare B/C for the model including B/C of introducing improved fodder crops	ICARDA	30 June 2016

D. RMLSP implementation progress

Component 3: Project Management and Coordination

Overall assessment: **Satisfactory [5]**

29. **Sub-component 3.1 Programme Support Team (PST): Rated Satisfactory [5].** The PST continues to respond and adjust well to the challenges of the programme, and has managed its SPs satisfactorily. The coordination with SPs and government counterparts has adapted well to the changing demands of the Ministry which is gradually shifting from a project –based structure to a programme-based approach. As RMLSP approaches completion, a consultant was recruited to provide support in preparing for the PCR process. An Impact Assessment is currently being contracted out, which will provide much-needed information for the forthcoming PCR Mission (September 2016) to capitalise upon.

30. One of the successful elements of RMLSP, is the two-tier management structure of PST and a programme management team placed within the ministry. In view of its success the two tier hybrid model is being promoted by MAIL for duplication by other donors. The two tier management structure

has provided greater synergies within the expanding IFAD portfolio and utilization of the institutional knowledge within the existing IFAD projects.

31. **Gender and Poverty targeting: Rated Satisfactory [5].** The PST and SPs continued to carry out activities and trainings to empower women in the programme area. The Gender Strategy (Guideline) and a checklist have been shared with the respective SPs and are providing disaggregated data that will also feed into the PCR process and provide lessons learned for other IFAD-funded programmes. An impact study of Back Yard Poultry has been completed and delivered to the PST. A further impact study of the TUP project is under process, being undertaken by an international consultant recruited by MISFA – the survey is now complete and a report is being prepared. Most of the key activities have either been completed or almost finalised.

32. **Sub-component 3.2 Young Professional Consultants Programme (YPC) is rated Satisfactory [5].** At the organisational level, the part of the YPC led by the Gender Officer in coordination with the Ministry of Women's Affairs (MoWA), continues to show positive results. No further graduates have been recruited in the last nine months of the project, but RMLSP continues to provide on-the-job training for YPCs in their respective education background such as animal health and economics in the programme areas or in the PST until the end of the project.

Agreed action	Responsibility	Agreed date
Complete pending actions recommended by the last supervision mission, i.e. initiate impact studies on backyard poultry and TUP.	PD, Project Manager, Gender Officer	30 Sept 2016
Based on the result of impact studies and the PST and SPs' independent analysis, develop and implement sustainability measures for gender activities.	PD, Project Manager, Gender Officer	30 Sept 2016
Gender Officer to develop short policy briefs on the various gender/women's empowerment interventions linked to the respective legislations.	Gender Officer	ongoing
IFAD to support Gender Officer in any appropriate training or workshop to further build her capacity, to support sharing her knowledge and experience of Afghanistan and to gain technical advice and support from the Gender Unit in IFAD HQ.	IFAD	ongoing

33. **Monitoring and Evaluation: Rated Moderately Satisfactory [4].** An almost fully-staffed M&E Unit is beginning to gain coherence and collaborating well within itself. However, the current Unit Head is also acting PM for a new IFAD-funded programme, and this will eventually affect unit performance due to the call on his time. The KAP survey and SP responses has been documented and provides solid information that will also feed into the PCR process. In addition, reporting for missions and annual reports including cumulative data as separate tables to be able to assess overall trends are now aligned to key deliverables such as the 2015 Annual Report. The M&E reporting system has been simplified and a comprehensive template developed for semi-annual progress report and annual progress report.

34. The role and responsibilities of the PST (M&E officer, KM officer and technical officers), the SPs and the DAIL/MAIL are gaining clarity and SPs have responded well to requests and alignments with each other and to the project. Further support to SPs has been the development of a Monitoring & Supervision Checklist for Field Visit for the first time.

35. With the imminent closure of RMLSP, the unit is commissioning an impact assessment which displays anticipatory thinking. Training has been provided in order to prepare the unit to lead the PCR process.

Agreed action	Responsibility	Agreed date
Continue documenting logframe outcome indicators through the regular M&E tools	M&E unit at PST	30 Sept 2016
Commission Impact assessment of RMLSP	M&E and PD	31 May 2016

36. **Knowledge Management: Rated Moderately Satisfactory [4].** The KM strategy is now two years old, and its implementation has yielded valuable learnings on its application to SPs that will serve as a model for the new IFAD-funded programme recently commenced. A KM Officer has been recruited since the last SM, and this has allowed the Unit to meet the growing demands of an expanding project portfolio and key missions such as the RMLSP PCR. (see Appendix 7, Knowledge management: learning and innovation)

Agreed action	Responsibility	Agreed date
Continue the process initiated at the Supervision mission in consolidation of best practices	PST and relevant Manager/Director	30 Sept 2016
Prepare all requirements for leading the PCR process	PST and relevant Manager/Director	30 Sept 2016

37. **Climate and environment focus is rated as Moderately Satisfactory [4].** The programme is aligned with both IFAD Climate Change Strategy and ENRM Policy. ECCD has endorsed this programme as **Category B** as far as its environmental classification is concerned, and recommended for continuous monitoring of land and water management and climate change-related aspects during programme implementation.

E. Fiduciary aspects

38. **Financial management is rated as Moderately Satisfactory [4].** Overall, financial management has been maintained adequately. The Finance and Accounts unit now consists of 1 Senior Manager Finance (SFM), 1 Finance Manager (FM) responsible for RMLSP, CLAP & SNaPP2 projects, with 3 Finance Officers (SNaPP2 Finance Officer to be hired) dedicated to each project backed up by 1 Finance Assistant and 1 Cashier. The Project Fiduciary Risk is assessed at Low (Summary Risk Assessment and Financial Management Assessment Questionnaire are at Annex).

39. **Accounting and Financial Reporting:** The project follows a cash basis of accounting and no accruals are taken into cognizance. A Double Entry accounting software (Quick Books) is being used by the project but the software is designed for commercial entities and not for projects. It is not designed to manage Procurement, Commitments, and preparation of withdrawal application. Accounting software specifically designed for projects and compliant with IFAD requirements (e.g. Tompro or equivalent) needs to be implemented.

40. The project has one Special Account in US Dollars each for Initial Grant and Additional Grant, fully controlled by the Ministry of Finance (MoF) where the disbursements of IFAD flow in and from where all the payments are effected. For every payment, the transaction is initiated by the FO in charge of RMLSP, followed by review by the FM and the SFM and approved by the Project Director. This is followed by a review of the MAIL finance department and internal audit unit and the final approval of the MAIL Deputy Minister (Admin and Finance) for onwards forwarding to MoF for payment from the Special Account upon further review of the supporting documents. The project makes entry in the books of account maintained in Quick Book software on receiving the bank statements. Authorisations and authentication at appropriate levels were observed in respect of any kind of payment made. Payments to SPs are made through Direct Payment method.

41. **Staffing.** As mentioned above, the Finance team of the three project comprises of 5 team members headed by a Senior Finance Manager who is also heading the HR and Administration departments. It was observed that these functions consumed considerable time of the Senior Finance Manager and accordingly focus to some of the functions of the finance department could not be given, especially to the Service Providers (noted below). The mission accordingly recommends that the Project may consider hiring an Admin & HR Manager to ensure that the Senior Finance Manager focuses on finance functions.

42. The organization has a Procurement Specialist supported by Procurement Officer, Logistics Officer and Procurement Assistant. The mission noted that the Procurement department is managing the procurement process up to contract signing only while Finance department has also not been

made responsible for contract management. The mission accordingly noted that the Contract Management Function needs strengthening. The SNaPP2 project has positions of Procurement Assistant and Logistics Officer. We recommend that one of these positions may be converted into Contract Officer to ensure regular follow-up and to ensure compliance with all the contracts with SPs and other suppliers.

43. A transition plan for transfer of some staff from RMLSP to SNaPP2 has been developed during 2015, and the mission supported the proposal after assessment and follow-up discussions. The staffing requirements for SNaPP2 are proposed to be addressed in two ways: (i) where possible, staff will be transferred from RMLSP to SNaPP2 following a job description comparator and performance appraisal process; and (ii) a certain number of posts will be advertised under the standard government HR procedures.

44. Internal controls. The project has put in place appropriate internal control procedures including proper segregation of duties, expenditure authorisation processes, bank reconciliations, etc. Bank Reconciliation Statements (BRS) are prepared on a monthly basis and no issues arose in this regard. Financial Reports are prepared by extracting information from the accounting software to Excel and preparing reports in Excel. The mission noted that the project needs to maintain Contract Register. Controls over SPs need substantial improvement as noted below.

45. Administrative management. Controls over fixed assets, consumable stores and petty cash, monitoring of fuel consumption and travel claims is satisfactory. Fixed Assets registers have been maintained with distinctive numbers for identification and verification. Physical verification of fixed assets is conducted by the Project periodically and no issues were identified. The mission observed that (i) project assets are not insured as reliable insurance is not available in Afghanistan and (ii) formal process for regular and off-site back up of information does not exist and each department/section maintains its own backup. However, under SNaPP2 an ICT Officer has been budgeted and is under recruitment – with the addition of a reliable ISP, back-up protocols amongst other safety and storage requirements will be executed.

46. AWPB execution is rated as **Moderately Satisfactory [4]**. The table below shows performance against annual budgets for 2015 and three months of 2016 (amounts in USD '000):

Table 2: Performance against Annual Budgets

	Component 1 Rural Micro Finance	Component 2 Livestock Support	Component 3 Project Management	TOTAL
2015				
Budget	1,794	2,295	823	4,912
Actual	1,246	1,768	402	3,416
% execution	69%	77%	49%	70%
2016				
Budget	239	814	657	1710
Actual (3 months)	500	1,004	170	1,674
% execution	209%	123%	26%	98%

47. Execution rates are quite reasonable for 2015 and exceeds the budget during the first three months of 2016 substantially, except for Project Management which appears appropriate given that only three months have passed. At the request of the mission, the PST has prepared a detailed cash forecast for the period April 2016 to March 2017. As per the Cash forecast the project will disburse almost all of the Grant i.e. close to 100% disbursement rate.

48. Service Providers (SPs) RMLSP is being implemented entirely through Service Providers (SPs), therefore it is quite important that it is ensured that the quality of financial management and procurement of the SPs is satisfactory, compliant with IFAD requirements and compliant with agreements with RMLSP. To ensure this the following measures are strongly recommended:

- Detailed Statement of Expenditure (SOE) as per IFAD SOE template should be submitted by SPs to PST on a monthly basis;
- Full supporting documents for expenditure above SOE limit (to be determined by PST but not above IFAD SOE limit) to be submitted by SPs to PST along with monthly SOE;
- List of non-expendable items should be provided annually;
- Major procurements (consultants, audit firm, service providers, key project staff) to be conducted by SPs with prior review of PST as required in the contracts with SPs;
- PST to provide NOL to the TORs of external auditors of SPs which should include opinion on SOE, Financial Statements, compliance with Contract, provision of Management Letter, specific evaluation of internal controls and procurement, list of Fixed Assets etc.
- Management Letters should be provided by the auditors of SPs and these should be reviewed by the PST and discussed with the management of SPs and their auditors;
- Audit Reports are submitted to the Project before the audit of the Project starts so that the Project auditors are able to take into consideration the Audit Reports & Financial Statements of SPs.
- Financial Statements of MISFA should be prepared in USD.

49. As the current year is the last year of the Project and contracts with SPs are closing during the year, the following measures are also recommended regarding SPs, as per SOPs:

- All unexpended funds are returned to the Project;
- All advances by SPs are adjusted / refunded;
- All Assets procured by SPs from Project funds are returned to the Project;
- Final Audit Reports are submitted to the Project before Project Completion Date.

50. One of the SPs, Microfinance Investment Support Facility for Afghanistan (MISFA) managing the Rural Micro Finance Component has around USD 2.35 million (as at 21 December 2014) as Loans to other Microfinance institutions from the funds provided by the Project. The contract with MISFA (Amendment No 1) states that:

“MISFA shall to the extent possible ensure that the funds lent by MISFA to the MFIs are repaid to MISFA by the MFIs. MISFA shall thereafter retain these repayments for further on lending to new rural clients for greater sustainability of the programme”

51. It is recommended that the PST reviews this considering the changed circumstances whereby in new project (CLAP/SNaPP2) it is considering working with microfinance institutions directly without involving MISFA. One option could be to get these funds returned to MAIL by MISFA and utilised in microfinance components of other projects (CLAP/SNaPP2)

52. **Disbursement is rated as Moderately Satisfactory [4].** As of 20 April 2016, IFAD has released an aggregate amount of SDR 18.77 million (USD 28.3 million) or 94.3 % disbursed. The Government was not originally planned to make any contribution. However, it made a contribution of USD 118,000. MISFA (co-financier) was appraised to make contributions of USD 2,218, however, its contribution has not been recorded, and its amount is not known (Appendix 5 – Table A). The overall financial performance by financier by component is 89%; the expenditure against Component 1, Rural Microfinance is at 80% (as MISFA contribution is not known), while expenditure against Component 2, Livestock Support is at 97%. Project Management and Coordinate (Component 3) expenditure is at 89% (Appendix 5 – Table B). The mission noted that old WA formats were used by the Project instead of new/smart WA format.

53. The PST prepared Cash Forecast from April 2016 to March 2017 (Project Close Date) and as per the Cash Flow projections, in some categories, it is expected that the disbursements would be less than the allocation while in the other categories, the disbursements are expected to be higher than the allocations. Accordingly, there is a need for reallocation in various categories as provided in the below table (amounts in SDRs):

Table 3: Budget Reallocation for RMLSP

Category Description	Allocation	Disbursements	Balance	Commitment	Expected Expenditure	Under / (Over) Expenditure	Suggested Reallocation	Allocation after Reallocation	Actual after Reallocation	Over / (Under) after Reallocation
Rural Microfinance	1 130 000	1 085 366	44 634	169 747	-	(125 113)	126 000	1 256 000	1 255 113	887
Integrated Dairy Scheme	450 000	158 782	291 218	54 074	96 000	141 144	(135 000)	315 000	308 856	6 144
Veterinary Services in the Northern Region	990 000	785 099	204 901	112 465	-	92 436	(92 000)	898 000	897 564	436
Backyard Poultry Development (Sub Component 2.3)	590 000	318 372	271 628	181 860	-	89 768	(89 000)	501 000	500 232	768
Dairy Goat	390 000	433 667	(43 667)	(73 996)	75 000	(44 671)	50 000	440 000	434 671	5 329
Programme Management - Goods and Equipment			-	-	24 903	(24 903)	30 000	30 000	24 903	5 097
Programme Management - Technical Assistance, Consultancies and Studies			-	-	210 164	(210 164)	215 000	215 000	210 164	4 836
Programme Management - Training and Workshop			-	-	21 345	(21 345)	25 000	25 000	21 345	3 655
Programme Management - Salaries and Operation	360 000		360 000	-	220 796	139 204	(130 000)	230 000	220 796	9 204
Total	3 910 000	2 781 286	1 128 714	444 150	648 208	36 357	-	3 910 000	3 873 643	36 357

54. The Project plans to spend approx. SDR 96,000 for Khatez Dairy Union in Jalalabad for construction and equipment (feed storage, platform, trucks and refrigerators) operational support another eight months to enable it to be self-sustaining thereafter. These funds would be spent directly by the PST itself and not through SP/IP.

55. The Project also plans to spend approximately SDR 75,000 on Dairy Goat component, the details of which are under development and finalisation. These funds would be spent directly by the PST itself and not through SP/IP.

56. The Project plans to retention of staff (all existing staff from October to December 2016 and thereafter only Project Manager, Finance Manager, Finance Officer and some support staff) for project closing during the project completion and closing period. Expenditure for M&E, KM, Impact Study, Project Completion Report, Audit etc. It is expected that the project would achieve a disbursement rate of more than 99% at Project Close.

57. **Counterpart funds is rated as Satisfactory [5].** No counterpart funding is envisaged from the Government towards fund the RMLSP activities. However, through MAIL, the Government has made in-kind contributions in the form of office space, electricity, internet, water, security expenses etc. On a monthly basis a journal is raised and postings made in the financial management system to capture the in-kind contribution. The total in kind contributions for the year 2015 were USD 33,180 and for the three months period 21 December 2015 to 31 March 2016, and the accumulated amount till 31 March 2015 amounted to USD 11,060 and USD 118,895 respectively. The following table shows counterpart funds as of 31 March 2016 (amounts in USD):

Table 4: Government of Afghanistan Contribution since Project Start

Year	Office Space	Electricity / Water	Security	Internet	Total
2012 & earlier	Not Recorded	Not Recorded	Not Recorded	Not Recorded	Not Recorded
2013	25,520	5,520	5,520	7,680	44,240
2014	17,545	3,795	3,795	5,280	30,415
2015	19,140	4,140	4,140	5,760	33,180
2016	6,380	1,380	1,380	1,920	11,060
Total	68,585	14,835	14,835	20,640	118,895

58. **Compliance with grant covenants is rated as Satisfactory [5].** The Project has mostly complied with the Programme Grant Agreement Covenants except the following:

- Auditors for audit of fiscal year 2015 have not yet been appointed, while the auditors should have been appointed within 90 days of the beginning of the fiscal year, with the prior approval of the Fund. However as per standard practice in Afghanistan and owing to restrictions / practical procurement difficulties, the auditors for a particular fiscal year are appointed only on the completion of the relevant financial year;
- Taxes are deducted from Salaries and Suppliers for goods & services and deposited in Government Treasury and SPs are also deducting taxes and depositing in Government Treasury. As per the Grant Agreement, the proceeds of the financing should not be used for the payment of taxes including (but not limited to) any taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Grant.

59. **Procurement is rated as Satisfactory [5].** The procurement of equipment, goods, works and consultancies are in accordance with the Public Procurement Laws of Afghanistan, which are consistent with the IFAD Procurement Guidelines. Since the last Supervision Mission, there was no major procurement in the project. There were procurements of low values using NCB and RFQ methods of procurement. The Mission examined the procurements on a test basis with tender documents, quotations, suppliers' list, works order, agreements and other relevant documents and found the procurement procedures to be satisfactory. The mission's observations and recommendations are following:

- The organization has a Procurement Specialist supported by Procurement Officer, Logistics Officer and Procurement Assistant. SNaPP2 project has positions of Procurement Assistant

and Logistics Officer. We recommend that one of these positions may be converted into Contract Officer to ensure regular follow-up and to ensure compliance with all the contracts with IPs and other suppliers;

- Major procurements (consultants, audit firm, service providers, key project staff) to be conducted by SPs with prior review of PST as required in the contracts with SPs;
- Procurement of short term / individual consultants by PST (e.g. Outcome Survey, Project Completion etc.) should be conducted through Procurement department, instead of HR department;
- The Procurement Plan should only include goods or services that are to be procured in the fiscal year and all the goods or services which have already been procured should be eliminated from the Procurement Plan;
- The Procurement Plan should be regularly updated with actual procurement dates and amounts.

60. **Audit is rated as Moderately Satisfactory [4].** Audit for the year ended 20th December 2015 has not yet been carried out. The mission recommends the following regarding the audit:

- Auditors for the year 2015 should be appointed immediately;
- Audit Reports of SPs are submitted to the Project before the audit of the Project starts so that the Project auditors are able to take into consideration the Audit Reports & Financial Statements of SPs;
- Management Letters should be provided by the auditors of SPs and these should be reviewed by the PST and discussed with the management of SPs and their auditors;
- Audit Log should be maintained and updated and should also include matters raised in the Management Letters of SPs.

Agreed action	Responsibility	Agreed date
Accounting software specifically designed for projects and compliant with IFAD requirements (e.g. Tompro or equivalent) needs to be implemented.	Project Director, Senior Finance Manager	30 June 2016
The Project should consider hiring an Admin & HR Manager to ensure that the Senior Finance Manager focuses on finance functions.	Project Director	31 July 2016
The position of Logistics Officer / Procurement Assistant be converted into the position of Contract Officer and a qualified and experienced person hired to ensure compliance with contracts with SPs.	Project Director	31 July 2016
The project needs to maintain Contract Register.	Procurement Specialist	30 June 2016
Possibility of insuring Project assets need to be explored.	Senior Finance Manager	31 July 2016
Detailed Statement of Expenditure (SOE) as per IFAD SOE template should be submitted by SPs to PST on a monthly basis.	Senior Finance Manager	30 June 2016
Full supporting documents for expenditure above SOE limit (to be determined by PST but not above IFAD SOE limit) should be submitted by SPs to PST along with monthly SOE.	Senior Finance Manager	30 June 2016
List of non-expendable items should be provided by SPs annually.	Senior Finance Manager	30 June 2016
Major procurements (consultants, audit firm, service providers, key project staff) should be conducted by SPs with prior review of PST as required in the contracts with SPs.	Procurement Specialist	30 June 2016
PST to provide NOL to the TORs of external auditors of SPs which should include opinion on SOE, Financial Statements, compliance with Contract, provision of Management Letter, specific evaluation of internal controls and procurement, list of Fixed Assets etc.	Procurement Specialist	Immediate
Management Letters should be provided by the auditors of SPs and these should be reviewed by the PST and discussed with the management of SPs and their auditors;	Senior Finance Manager	Immediate
Audit Reports of SPs should be submitted to the Project before	Senior Finance Manager	Immediate

Agreed action	Responsibility	Agreed date
the audit of the Project starts so that the Project auditors are able to take into consideration the Audit Reports & Financial Statements of SPs.		
Remaining Financial Statements of MISFA should be prepared in USD .	Senior Finance Manager	Immediate
All unexpended funds are returned to the Project by the date of Project Completion.	Senior Finance Manager	30 Sept 2016
All advances by SPs are adjusted / refunded by the end of the contracts.	Senior Finance Manager	30 Sept 2016
All Assets procured by SPs from Project funds are returned to the Project.	Senior Finance Manager	30 Sept 2016
Final Audit Reports are submitted to the Project before Project Completion Date.	Senior Finance Manager	30 Sept 2016
PST to review the position of funds lent by MISFA to MFIs, considering the changed circumstances whereby in new project (CLAP/SNaPP2), the PST is considering working with microfinance institutions directly without involving MISFA. One option could be to get these funds returned to MAIL by MISFA and utilized in microfinance components of other projects (CLAP/SNaPP2).	Project Director/Snr CPO	30 Sept 2016
New/smart WA formats should be used by the Project.	Senior Finance Manager	Immediate
Auditors should be appointed within 90 days of the beginning of the fiscal year, with the prior approval of the Fund.	Senior Finance Manager, Procurement Specialist	Immediate
The proceeds of the financing should not be used for the payment of taxes including (but not limited to) any taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Grant, either by the Project or by SPs.	Project Director, Senior Finance Manager	Immediate
Procurement of short term / individual consultants by PST (e.g. Outcome Survey, Project Completion etc.) should be conducted through Procurement department.;	Project Director, Procurement Specialist	Immediate
The Procurement Plan should only include goods or services that are to be procured in the fiscal year and all the goods or services which have already been procured should be eliminated from the Procurement Plan;	Procurement Specialist	30 June 2016
The Procurement Plant should be regularly updated with actual procurement dates and amounts.	Procurement Specialist	30 June 2016
Audit Log should be maintained and updated and should also include matters raised in the Management Letters of SPs.	Senior Finance Manager	30 June 2016

F. Sustainability

61. With a fully-staffed M&E Unit that has received training in the PCR process, it will need to be prepared to lead the closure process. Currently, an Impact Assessment study is being commissioned that will provide significant information that will need to be tailored to the PCR process commencing in September 2016. This will complement the increased emphasis in M&E activity and documentation of lessons learned, evidence-based processes and focusing on elements of sustainability.

62. However, as stated in the previous SM report, there is still limited clarity in a number of policy and regulation areas (e.g. para-vet registration/licensing; registration and standardisation of veterinary pharmaceuticals etc.). In the case of the microfinance sector, the continued lack of a clear policy framework undermines the long-term sustainability of several achievements of the programme. Hence, it is critical that the Government addresses some of the policy issues that constrain development in the animal health and microfinance sectors.

63. **Institution building [Satisfactory 5]:** Being the first IFAD-funded programme in Afghanistan, the design was deliberately risk-averse with a selection of institutionally familiar SPs (i.e. FAO, ICARDA, DCA and MISFA). RMLSP also had the unique challenge of carving a niche for itself within the MAIL senior management and donor interventions in the sector. A review of the programme's achievements in this context is found favourable, with a leading role within the MAIL, where RMLSP is

not only seen as a successful model for on-budget cooperation and policy and technical support. It has successfully linked and supported NGOs, INGOs and local institutions at provincial, district and community levels. This model is continue to be implemented in the ongoing IFAD-funded programmes, namely CLAP and SNaPP2.

64. **Empowerment [Satisfactory 5]:** Though there is little analysed data available to cross-reference the informed field visits, individual beneficiaries and local institutions (e.g. cooperatives and activity-based groups) demonstrated a high sense of empowerment. To this degree, RMLSP regularly circulates success stories documenting anecdotal evidence illustrating the sense of achievement among the beneficiaries. At the SP level, a variety of approaches (FFS, PRA, conflict resolution, house-hold economic, etc.) have successfully built and supported a variety of local institutions such as FFS groups, SHGs, poultry and seed production groups. Communities have benefited greatly from the inclusive and sensitisation and awareness approach used as SPs entered through CDCs, thereby committing to the Government of Afghanistan's objective of community empowerment. These are the first steps in initiating a process that other IFAD-funded programmes will adhere to, by aiming to produce self-reliant local institutions and not depend on the SPs as they are presently doing.

Attributes of Empowerment through RMLSP	Achievements
Social and women's empowerment	Participation of women and men from the identified household in the dairy cow project including memberships in Community Based Organisations; socially disadvantaged households especially women headed households; pastorals etc. are included in project activities and benefits sharing; higher negotiation skills and bargaining capacity at household level increase in incomes;
Economic empowerment	Increase in the household income, and complimenting nutritional security; savings of the SHGs; healthy internal lending and repayment among the members of SHGs; ability to plan and execute livestock and poultry related work among women; diversification of livelihoods;
Environmental empowerment	Improved health and hygiene standards among the household and the animals; better fodder practices;
Knowledge empowerment	Outcome and impacts of various trainings, capacity building, exposure visits, technical supports provisions in enhancing knowledge, skills and capacity of the communities; knowledge in new agricultural and farming technologies; etc.

65. **Quality of beneficiary participation [Satisfactory 5]:** When beneficiaries are approached in an inclusive and consultative manner with adequate acknowledgement of the value of recent and traditional decision-making mechanisms, this tends to evoke a greater sense of partnership and subsequently participation. Both female and male beneficiary groups have displayed significant growth and maturity over the life of the programme.

66. **Responsiveness of Service Providers (SPs) [Satisfactory 5]:** As IFAD's first project in Afghanistan, although MAIL was the lead project implementing agency, the SPs were pre-selected as a risk mitigation measure. The majority of the programme SPs have not only delivered against their objectives, but in some cases vastly exceeded the original targets. All SPs have found ways to work together and in some cases created multiplier effects in delivery and targeting. The most important element of SP approaches was the consistent inclusion of MAIL staff at province and district levels. This capacity building has resulted in greater opportunities for pursuant IFAD-funded programmes to reduce dependence upon SPs and work in closer collaboration with MAIL.

67. **Exit strategy [Moderately Satisfactory 4]:** As the proposed Impact Assessment will testify, SPs have been working steadily towards pragmatic exit strategies that will allow a significant amount of the programme investment to be carried forward. A final workshop held late last year aligned all SP exit strategies, and with the exception of FAO, all SPs will be able to meet the requirements of a handover to either communities, local institutions or MAIL as required. Most strategies display a fair amount of synergies and linkages between each other and will provide adequate support for beneficiaries.

68. The other major concern is MAIL's capacity at the province and district levels. RMLSP has less influence over the required availability and capacity of line department staff. As stated above, capacities have been built wherever possible, and MAIL Directorates have been approached by RMLSP and SPs to ensure institutional and programmatic transition.

69. **Potential for scaling-up and replication [Satisfactory 5]:** With RMLSP beginning preparation of project completion procedures, the main focus is now on consolidation and outcome assessment with a reduced emphasis on scaling-up. However, RMLSP has produced several replicable models: (i) the PST model of management within a ministry structure has proven to be very successful; (ii) the push for innovative microfinance products in the areas of agriculture and sharia compliancy have resulted in additional funding from the World Bank and Italian Cooperation; and (iii) the YPC sub-component has provided a very desirable entry point for agriculture faculty graduates to gain the necessary field experience to make them eminently more employable.

G. Other

70. **Physical/financial asset: [Satisfactory 5]:** The beneficiaries of the Integrated Dairy Scheme report increases in production from less than 3 litres/day/cow up to 3-7 litres/day/cow⁴. The milk surpluses that will later be collected for the dairy plant are currently used by the women for traditional yogurt or cheese production which generate additional incomes to the family. Cheese production is particularly lucrative despite marketing constraints. For the dairy goat, women were reporting a cheese production of 4kg per week for 3 milking goats for a price of AFN 1,000/7kg and a processing cost of AFN 110/7kg. Even after integrated the fixed costs related to the goat (AFN 800 for 50kg of feed, fodder) on the AFN 1,000 per week (around US\$18), the additional income seems substantial, especially in more remote villages (around US\$14). The Backyard poultry has also produced very positive impact on the incomes of the beneficiary incomes as well as household food security. This, along with dairy goats, offers huge potential for up-scaling and geographical expansion. Whether it concerns poultry, goats or dairy cattle, the growth and reproduction of the livestock contributed to increasing the livestock assets as it can be sold when in need of cash, emergencies arise, etc. Under the veterinary services sub-component exactly the same patterns emerge

71. **Food security [Satisfactory 5]:** The additional animal off-take in the form of milk production from cows and goats and surplus egg production contributes to food security in two ways: (i) availability of milk and eggs for children; and (ii) increase in income from milk products (cheese, etc.) and eggs spent on food products not available at HH level and thus contributing to a diversified nutritional profile (nutritional security). In other cases, namely poor HHs keeping a small poultry flock, sell eggs (protein) and/or pullets and buy in return for grain (starches) ensuring two meals per day.

72. **Quality of natural asset improvement and climate resilience [Moderately Satisfactory 4]:** The technologies, practices and processes used in RLMSPP are climate sensitive and have positive impact on the environment. The fodder crops are reducing the pressure on the carrying capacity of local grazing lands. Improved stables has reduced mortality and improved the general health of livestock and their owners, with more efficient collection of manure for fuel over the winter. Mulberry saplings and atriplex cultivation contribute to the greenery of area. The reverse water osmosis machine and dairy plants machines use climate and environment friendly technology. Fertilisers and pesticide used for plants and fodder crops are applied in accordance with standards.

73. **Project Completion Review:** Detailed arrangements for RCR were discussed with PST/PMU and SPs for the PCR planned in Sep. 2016. PST will carry out an impact survey and prepare PCR before the IFAD PCR Mission. Service providers will also carry out review of the project implementation and will particularly highlight lessons learnt and recommendations as contributions for PCR.

⁴ Study on Dairy Production and Processing in Afghanistan For the Horticulture and Livestock Project/HLP Ministry of Agriculture, Irrigation and Livestock (MAIL) Afghanistan Mission Report by John J. M. Bonniern, June 2007.

H. Conclusion

74. This will be the last mission before the PCR commences in September 2016. By virtue of being the first project, the design was modest in aspiration and budget. RMLSP has yielded significant lessons and provided unanticipated synergies and influence on IFAD's expanding portfolio in Afghanistan. Since its implementation in 2009, the Programme has brought many innovations to the eight target provinces. The key achievements and innovations of the RMLSP are: (i) established regular access to essential animal health services for 242,000 households in the remote target areas; (ii) localised microfinance services and products for the farmers and herders in the rural areas; (iii) Targeting the Ultra-Poor (TUP) model which was scaled-up by World Bank and Italian Fund for Afghanistan; (iv) established about 110 village backyard poultry associations and centres for empowering the women in income generation and decision making; (v) the two-tier management structure of programme support team (PST) and a project management unit (PMU) placed within the ministry has provided a hybrid model being promoted by MAIL for duplication by other donors; and (vi) the young professional consultant programme which is an introduction of a form of internship that provides on-the-job training to new graduates that also has been regarded as worthy of replication and garnered compliments from the Government of Afghanistan.

75. Additionally, during the implementation of RMLSP, certain constraints at institutional and policy level have arisen. A number of policies around animal health (vaccine import and domestic substitution, and licensing of VFUs/para-vets), and production (e.g. standards and quality control of dairy and meat products) requires attention. We understand these issues are now beginning to be addressed, and we offer our support along with other donors in resolving these issues.

76. The project acknowledges the gradual growth of capacity of MAIL staff in Kabul and at the province level. However, due to the systemic challenges faced by RMLSP there is a need to ensure capacity is built through practical mentoring and collaboration to ensure its retention and sustainability. This approach is being supported by existing IFAD projects and programmes.

Project 1460 [1100001460] Rural Microfinance and Livestock Support Programme

Basic Facts

Country	Afghanistan			Project ID	1460 [1100001460]	Loan/DSF/Grant/ASAP FI No.	1000003385
Project	Rural Microfinance and Livestock Support Programme					Top-up Loan/DSF/Grant/ASAP FI No.	2000000395
Date of Update	16-May-2016						
Supervising Inst.	IFAD						
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	3				
Last Supervision	01-May-2016	Last Implementation Support/Follow-up mission	07-Feb-2016				

USD million Disb. rate %

Approval	30-Apr-2009			Total financing	32.12	
Agreement	07-Jul-2009	Effectiveness lag	3.9	IFAD Total	29.89	
Entry into force	24-Aug-2009	PAR value	-----	IFAD loan	0.00	0
First disbursement	12-Feb-2010			DSF grant	29.89	95
MTR	30-Apr-2012	Last amendment	02-April-2015	IFAD grant		
Original completion	30-Sep-2016	Last audit	03-Jul-2015	ASAP grant	0.00	0
Current completion	30-Sep-2016			Domestic Total	2.22	
Current closing	31-Mar-2017			National Govern	0.00	100
No. of extensions	2			Dom. Fin. Inst.	2.22	70
				External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	5	5
2. Acceptable disbursement rate	4	4	2. Performance of M&E	4	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	5	4. Gender focus	4	5
5. Compliance with procurement	5	5	5. Poverty focus	5	4
6. Quality and timeliness of audits	5	4	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	5	5
			8. Climate and environment focus	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Rural Microfinance	4	5	1. Institution building (organizations, etc.)	5	5
2. Livestock Support	3	4	2. Empowerment	5	5
			3. Quality of beneficiary participation	5	5
			4. Responsiveness of service providers	5	5
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings

The overall implementation progress remains satisfactory despite key delays in the finalisation of a viable exit strategy for the integrated dairy scheme. The livestock services in the north, backyard poultry, and dairy goat subcomponents have progressed satisfactorily. The microfinance component is now yielding consistently positive results.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	5
C.2 Food security	5	5
C.3 Quality of natural asset improvement and climate resilience	5	4
C.4 Overall implementation progress (Sections B1 and B2)	5	5

Rationale for implementation progress rating

The project remains on track in achieving most of the targets. Impact on the ground is becoming visible. Component 1 (Rural Microfinance), is making consistent gains, though some policy and institutional challenges remain. The current progress and developments justify a moderately satisfactory rating. Component 2 (Livestock Support) has overall continued to show good progress. Particularly, the Backyard Poultry sub-component, which has accelerated under a national SP. The component is rated satisfactory mainly due to the excellent performance of non-dairy interventions forging ahead. The project generated several innovations/best practices, and there is scope for scaling-up. As far as the Programme Management component is concerned, the quality and the overall performance of the programme management and coordination functions remain satisfactory. The project financial management was rated moderately satisfactory as it has maintained a good sense of competency making efforts to deal with the key issues identified during previous Missions. Consolidation of project activities, handover of implementation responsibilities to beneficiary organizations, and formalization of government functions for the post-project period are the key priorities for the remaining implementation period. Certain SPs still need to work on a coherent exit strategy to allow all components/sub-components to coordinate a well-orchestrated and sustainable departure.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	5	5
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Rationale for development objectives rating

Implementation for all project components is progressing towards achieving the development objectives. Almost all of the targets are on track and likely to be achieved by the end of the project (and in some cases exceeded). Impact on the ground is visible. Feedback from the beneficiaries is positive and there is demand to continue and expand the project activities. The project generated several innovations/best practices, and there is scope for scaling-up by CLAP and the SNaPP2 projects that will be able to glean much from the results of the documentation process soon to be under way.

C.6 Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	Overall, the financial management continues to progress well, and the financial management team has made efforts to deal with the key issues identified during the previous Missions.
Project implementation progress	The Project Coordination Unit (PST) has generally responded proactively and adjusted to the challenges of the programme, and managed its Service Providers satisfactorily. The coordination with SPs and government counterparts has consistently improved and so has the integration and coordination of activities under different components, although further improvements can still be achieved as MAIL begins a strategic shift from project to programme-based management. This is being viewed as an opportunity for the project to place itself even more strategically
Outputs and outcomes	Under sub-component 2.1, a six month delay in the installation of machinery in the dairy processing plant, impacted upon the overall project, in addition to a lack of electricity from the grid which has not been resolved in over one year. After over a year, the dairy plant still lacks the hygiene and safety critical points and control as HACCAP standards recommends.
Sustainability	Greater focus will need to be placed upon strengthening some SP exit strategies and re-thinking the viability of other SP exit strategies to ensure as many activities as possible can be continued once the project has been completed.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Poor progress in the	Prepare a detailed exit strategy including: 1/ financial report of the dairy plant,	31 July	ongoing

development of owned and economically viable institutions for C2.1	feed mill, vehicle fleet; 2/ prepare detailed business plan for the dairy plant, feed mill and vehicle fleet; and 3/ prepare detailed support to KhDU for increasing milk production .	2016	
Knowledge management requires improvement	The KM strategy is now two years old, and its implementation has yielded valuable learnings on its application to SPs that will serve as a model for the new IFAD-funded programme recently commenced. A KM Officer has been recruited since the last SM. The PST will consolidate the good practices and lessons learned through RMLSP to show case the evidence-based achievements including the results of impact assessment.	Sept 2016 during PCR mission	On-going
Sustainability across all components	Links between BLDU/ICARDA /FAO clients to other SP beneficiaries to be further addressed in terms of adopting an economically viable and locally owned set of groups and institutions – this needs to be documented as part of the sustainability component of the exit strategy.	31 July 2016	On-going

Additional observations

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
To reduce the vulnerability and improve the livelihood means, incomes, food security and nutritional status of poor and vulnerable rural households on a sustainable basis in selected areas of Afghanistan.	<ul style="list-style-type: none"> % of supported households with improvement in household assets ownership index % of reduction in the prevalence of child malnutrition (underweight children - weight for age) in the project area % of households experiencing one hungry season 	Baseline, RIMS mid-term and completion surveys. SP's own baseline Qualitative surveys	The security situation in Afghanistan allows access to IFAD's target groups, women in particular, and allows the local economy to grow through access to markets and financial and other services
Project Development Objective			
To provide sustainable access to smallholders, existing livestock owners and those who aspire to have livestock - with a focus on women, women-headed households, people without access to financial services and the Kuchis - to appropriate microfinance services and technical livestock packages (health, management, processing and marketing) and the skills required to engage in new, more productive or more profitable economic, agriculture-based enterprises.	<ul style="list-style-type: none"> 8,000 households reporting an increase in income from livestock, by source (milk, dairy, poultry, meat, etc.) <ul style="list-style-type: none"> ✓ 1,500 producers reporting an increase in income from milk production¹ ✓ 5,800 women reporting an average increase in income of USD 150 from poultry raising ✓ 2,500 women reporting an increase in income from dairy goat production ✓ Average annual income from fodder production increased to 500USD/farmer <p>Outreach: 50,000 households receiving project services*, by type</p>	PCU reports PCU Annual Outcome Survey MISFA Reports, MFI Independent assessments	Men do not prevent women from participation in programme activities. No prolonged and severe droughts. The security situation allows reasonable programme implementation in rural areas
COMPONENT 1: MICROFINANCE SERVICES			
Sub-component 1.1: Innovation facility			
Outcome 1.1: <i>12,000 poor rural households, with a focus on women, have access to a wider range of microfinance products and services adapted to their specific needs in rural economic activities (agriculture, especially livestock)</i>	<p><u>Effectiveness:</u></p> <ul style="list-style-type: none"> Improved access to the poor to financial services <ul style="list-style-type: none"> ✓ 12,000 rural people accessing rural microfinance ✓ At least 2MFIs have increased their outreach in rural areas <p><u>Sustainability:</u></p> <ul style="list-style-type: none"> % of portfolio at risk (30 days), by MFI and product line 	MISFA and MFI reports PCU reports	Security situation allows MFIs to operate in rural areas. Rural people need financial services. Religious standard setting bodies certify new Sharia-compliant microfinance products and services. Agricultural and livestock activities generate sufficient income to pay the interest rate required to sustain rural finance services.
Output: A range of innovative microfinance products and services pilot tested and adapted to the needs of rural households, farmers and livestock owners	<ul style="list-style-type: none"> 3 financial institutions participating in the project 10,000 active borrowers (individuals), 50% of women (equivalent to % accessing a loan from MFI) Average loan size by product line 	MISFA and MFI reports PCU reports	

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Sub-component 1.2: Targeting the ultra-poor			
Outcome 1.2: <i>Pilot-test a model for the inclusion of those who are currently excluded from microfinance services by building their skill and asset base and graduate them into service provision.</i>	<u>Effectiveness:</u> <ul style="list-style-type: none"> % of beneficiaries connected to a MFI as active borrowers 	MISFA and MFI reports PCU reports and assessments	Security situation allows MFIs to operate in rural areas. Rural people need financial services. Religious standard setting bodies certify new Sharia-compliant microfinance products and services.
Output: Skill training and provision of asset to TUP beneficiaries in the pilot-test model completed.	<ul style="list-style-type: none"> 1,690 beneficiaries trained in financial services 1,690 beneficiaries trained in livestock production practices and technologies 	MISFA and MFI reports PCU reports	Agricultural and livestock activities generate sufficient income to pay the interest rate required to sustain rural finance services.
Sub-component 1.3: Technical support and capacity building for MFIs			
Output: MFIs provided with the necessary technical assistance, capacity building and operational support to develop innovative financial products, as well as to help enhance their capacity for financial product identification, assessment and risk measurement.	<ul style="list-style-type: none"> Staff of financial institution trained Value of gross loan portfolio 	MISFA and MFI reports PCU reports	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.
COMPONENT 2: Livestock Support			
Sub-component 2.1: Integrated Dairy Scheme			
Outcome 2.1: <i>Strengthened livestock production systems of poor rural households, with developed marketing opportunities, and improved local livestock production, productivity and smallholders' incomes</i>	<u>Effectiveness:</u> <ul style="list-style-type: none"> 90% reduction of tick born disease and other major diseases among participating farmers 1500 farmers reporting at least a 30% increase in milk production per lactating cow 1,500 farmers engaged in commercial fodder production 100 ha additional of fodder crops grown At least 2 million litres of milk collected annually <u>Sustainability:</u> <ul style="list-style-type: none"> 18 dairy producers' group operational/functional 	Annual Outcome Survey Project MIS of SPs	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.
Outputs: Improved production and efficiency of milk production and processing in Nangarhar and to establish a member-owned network of some 1,500 milk and dairy producers.	<ul style="list-style-type: none"> 1,900 farmers trained in crop production practices and technologies (commercial fodder) 1,500 farmers trained in livestock production practices and technologies (milk production) 19 dairy production groups formed (18 producers cooperatives and 1 dairy union) 1 dairy processing facility constructed 5 milk collection chilling center established 17 milk collection points 	Review and monitoring reports	Opium cultivation does not take off in the Northern provinces. The programme, its actors and donors are socially accepted by the local population. Men do not prevent women from participation. Drought does not worsen and livestock and fodder production remain economic viable

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Sub-component 2.2: Veterinary Services			
Outcome 2.2: <i>Strengthened livestock production systems of poor rural households, with developed marketing opportunities, and improved local livestock production, productivity and smallholders' incomes.</i>	<u>Effectiveness:</u> <ul style="list-style-type: none">405,000 livestock owner households in the 5 targeted provinces with regular access to essential veterinary services3,567 Kuchi households with regular access to essential animal health services% of livestock owners adopting improved herd management practices in targeted villages% reduction in animal mortality due to diseases in targeted villagesNo of farmers reporting an increase in livestock production and productivity <u>Sustainability:</u> <ul style="list-style-type: none">% of vets and paravets reporting improved income% of Veterinary Field Units are financially self-sufficient	Annual Outcome Survey Project MIS of SPs Cow cards	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.
Output: A self-sustaining network of high quality, animal health service providers established in the northern region.	<ul style="list-style-type: none">60 additional Basic Veterinary Workers selected, trained and equipped30 VFU constructed or refurbishedNo of farmers trained in post-production, processing and marketing (production of quality cashmere or milk processing and hygiene)	SPs reports	
Sub-component 2.3:Backyard Poultry Development			
Outcome: <i>Strengthened livestock production systems of poor rural households, with developed marketing opportunities, and improved local livestock production, productivity and smallholders' incomes.</i>	<u>Effectiveness:</u> <ul style="list-style-type: none">% of farmers reporting production increase in poultry <u>Sustainability:</u> <ul style="list-style-type: none">60 poultry producers' group operational/functional (linked with markets, input suppliers, animal health services)	Annual Outcome Survey Project MIS of SPs Hen and flow cards	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.
Output: Poor rural women derive and retain increased income from backyard poultry rearing.	<ul style="list-style-type: none">5,000 women trained in livestock (poultry) production practices and technologies5,000 women provided with basic inputs and equipment60 female community members trained as trainers60 livestock production groups formed/strengthenedNo of households facilitated to access poultry health services	SPs reports	
Subcomponent 2.4: Dairy Goat			
Outcome 2.4: <i>Strengthened livestock production systems of poor rural households, with developed marketing opportunities, and improved local livestock production, productivity and smallholders' incomes.</i>	<u>Effectiveness:</u> <ul style="list-style-type: none">No of farmers reporting production increase in dairy goat <u>Sustainability:</u> <ul style="list-style-type: none">150 dairy goat producers' group operational/functionalNumber of additional beneficiaries provided with bucks and	Annual Outcome Survey Project MIS of SPs	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<i>incomes.</i>	does through the credit-in-kind approach		
Output: Poor rural women derive and retain increased income dairy goat production.	<ul style="list-style-type: none"> ▪ 1,000 women trained in livestock (dairy goat) production practices and technologies ▪ 1,000 women trained in goat milk processing and marketing* ▪ 1,000 women provided with basic inputs and equipment ▪ 150 livestock (dairy goat) producers' groups formed/strengthened* ▪ 6,000 goats vaccinated ▪ 1,000 households (women) receiving facilitated animals health services 	SPs reports	

Appendix 3: Summary of key actions to be taken within agreed timeframes

Agreed action	Responsibility	Agreed date
Project Implementation		
Building changing and wash rooms at the entrance gate of dairy plant necessary for obtaining HACCP certification and engage the accredited company to undertake the training and certification process.	FAO	HACCP certification to be obtained before 30 June 16
Purchase the electricity wire/cable for connecting the feed mill to the public electricity grid.	FAO and RMLSP	30 June 2016
Install the milk chilling equipment for ice cream.	FAO	30 June 2016
Re-registering vehicles from UN plates to private plates to allow KhDU to utilise vehicle fleet	FAO and KH DU	30 June 2016
Fast tract the approval of the draft Animal Health and Veterinary Public Health Act	MAIL with support from PMU	30 Sept 2016
As part of completion report, DCA to provide a series of documented lessons learned and recommendations in engaging the private sector in livestock activities.	DCA	30 Sept 2016
Identify MFI interested to use the backyard poultry groups as a mechanism to grow their business through expansion of the model to new groups and by supporting those with experience to expand or enter into new IGAs	PMU	December 2015 Now: 30 June 2016
Based on interest from MFIs, develop model for introducing micro finance using the backyard model	PMU	December 2015 Now: 30 June 2016
Undertake an overall impact assessment of the backyard poultry model. The impact assessment shall also examine the advantage/disadvantage between the initial package of 30 pullets and of 15 pullets.	PMU	December 2015 Now: 30 June 2016
Prepare ToRs for a detailed impact study to be conducted by end 2015/early 2016	ICARDA and PMU	30 June 2016
Prepare B/C for the model including B/C of introducing improved fodder crops	ICARDA	30 June 2016
Complete pending actions recommended by the last supervision mission, i.e. initiate impact studies on backyard poultry and TUP.	PD, Project Manager, Gender Officer	30 Sept 2016
Based on the result of impact studies and the PST and SPs' independent analysis, develop and implement sustainability measures for gender activities.	PD, Project Manager, Gender Officer	30 Sept 2016
Gender Officer to develop short policy briefs on the various gender/women's empowerment interventions linked to the respective legislations.	Gender Officer	ongoing
IFAD to support Gender Officer in any appropriate training or workshop to further build her capacity, to support sharing her knowledge and experience of Afghanistan and to gain technical advice and support from the Gender Unit in IFAD HQ.	IFAD	ongoing
Continue documenting logframe outcome indicators through the regular M&E tools	M&E unit at PST	30 Sept 2016
Commission Impact assessment of RMLSP	M&E and PD	31 May 2016
Continue the process initiated at the Supervision mission in consolidation of best practices	PST and relevant Manager/Director	30 Sept 2016
Prepare all requirements for leading the PCR process	PST and relevant Manager/Director	30 Sept 2016
Sustainability		
Finalise a detailed exit strategy including: (i) financial report of the dairy plant, feed mill, vehicle fleet; (ii) prepare detailed business plan for the dairy plant, feed mill and vehicle fleet; and (iii) prepare detailed support to KH DU for increasing milk production .	FAO and KH DU	30 June 2016
Finalise gender disaggregated B/C analysis of all activities related to increasing milk production e.g. forage, AI, training, health, housing, feeding, fodder etc. the information should feed into the KH DU and PMU's KM and the impact assessment.	FAO and KH DU	30 June 2016
Finalise a detailed impact assessment of the subcomponent.	PMU	30 June 2016
Post project follow up mechanism should be in place in close coordination with relevant public sector.	PST, relevant Manager/Director and MAIL	30 June 2016

Fiduciary Aspects		
Accounting software specifically designed for projects and compliant with IFAD requirements (e.g. Tompro or equivalent) needs to be implemented.	Project Director, Senior Finance Manager	30 June 2016
The Project should consider hiring an Admin & HR Manager to ensure that the Senior Finance Manager focuses on finance functions.	Project Director	31 July 2016
The position of Logistics Officer / Procurement Assistant be converted into the position of Contract Officer and a qualified and experienced person hired to ensure compliance with contracts with SPs.	Project Director	31 July 2016
The project needs to maintain Contract Register.	Procurement Specialist	30 June 2016
Possibility of insuring Project assets need to be explored.	Senior Finance Manager	31 July 2016
Detailed Statement of Expenditure (SOE) as per IFAD SOE template should be submitted by SPs to PST on a monthly basis.	Senior Finance Manager	30 June 2016
Full supporting documents for expenditure above SOE limit (to be determined by PST but not above IFAD SOE limit) should be submitted by SPs to PST along with monthly SOE.	Senior Finance Manager	30 June 2016
List of non-expendable items should be provided by SPs annually.	Senior Finance Manager	30 June 2016
Major procurements (consultants, audit firm, service providers, key project staff) should be conducted by SPs with prior review of PST as required in the contracts with SPs.	Procurement Specialist	30 June 2016
PST to provide NOL to the TORs of external auditors of SPs which should include opinion on SOE, Financial Statements, compliance with Contract, provision of Management Letter, specific evaluation of internal controls and procurement, list of Fixed Assets etc.	Procurement Specialist	Immediate
Management Letters should be provided by the auditors of SPs and these should be reviewed by the PST and discussed with the management of SPs and their auditors;	Senior Finance Manager	Immediate
Audit Reports of SPs should be submitted to the Project before the audit of the Project starts so that the Project auditors are able to take into consideration the Audit Reports & Financial Statements of SPs.	Senior Finance Manager	Immediate
Remaining Financial Statements of MISFA should be prepared in USD .	Senior Finance Manager	Immediate
All unexpended funds are returned to the Project by the date of Project Completion.	Senior Finance Manager	30 Sept 2016
All advances by SPs are adjusted / refunded by the end of the contracts.	Senior Finance Manager	30 Sept 2016
All Assets procured by SPs from Project funds are returned to the Project.	Senior Finance Manager	30 Sept 2016
Final Audit Reports are submitted to the Project before Project Completion Date.	Senior Finance Manager	30 Sept 2016
PST to review the position of funds lent by MISFA to MFIs, considering the changed circumstances whereby in new project (CLAP/SNaPP2), the PST is considering working with microfinance institutions directly without involving MISFA. One option could be to get these funds returned to MAIL by MISFA and utilized in microfinance components of other projects (CLAP/SNaPP2).	Project Director/Snr CPO	30 Sept 2016
New/smart WA formats should be used by the Project.	Senior Finance Manager	Immediate
Auditors should be appointed within 90 days of the beginning of the fiscal year, with the prior approval of the Fund.	Senior Finance Manager, Procurement Specialist	Immediate
The proceeds of the financing should not be used for the payment of taxes including (but not limited to) any taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Grant, either by the Project or by SPs.	Project Director, Senior Finance Manager	Immediate
Procurement of short term / individual consultants by PST (e.g. Outcome Survey, Project Completion etc.) should be conducted through Procurement department.;	Project Director, Procurement Specialist	Immediate
The Procurement Plan should only include goods or services that are to be procured in the fiscal year and all the goods or services which have already been procured should be eliminated from the Procurement Plan;	Procurement Specialist	30 June 2016
The Procurement Plan should be regularly updated with actual procurement dates and amounts.	Procurement Specialist	30 June 2016
Audit Log should be maintained and updated and should also include matters raised in the Management Letters of SPs.	Senior Finance Manager	30 June 2016

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Period: April 2010- December 2015

Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
Overall Goal	% of supported households (hhs) with improved hhs assets ownership index*	0	0	0
	Child malnutrition (under 5 yrs old: chronic, acute, underweight)	35%(mid-term data)		
	Nb of hhs reporting an increase in income from livestock, by type of livestock ₂	10 832	4	
	Nb of hhs reporting improved food security(accordingto different target groups)	10 832	4	
Project Purpose	At least 2 MFIs reach Operational Self-Sufficiency (OSS) and expand their services in rural areas to 3 by 2015.	2 MFIs are functional Mutahed and FMFB	5	
	Increase in the share of MFIs' and programme (Savings and Loan Groups, Community-Based Savings Groups, etc.) funds to the agriculture and livestock sectors from 20% (baseline) to 25% by Year 5.	No data		
	The population in 10 provinces with regular access (quality/quantity) to essential animal health services (according to different target groups F/M).	242 000 HHs	5	
	50% reduction in animal death (due to disease) and increase of livestock productivity by 20%, as compared to baseline, in Programme villages.	30%	5	
	5,500 households with reduced vulnerability and poverty from milk, dairy or poultry production, or the sale of meat and animal product (according to different target groups F/M).	10 832	3	
Outcome level				
Component 1	Increase in the number of active microfinance clients (loans, savings, insurance, remittances, etc.) in rural areas by 15,000 of which at least 50% are women by March 2015 through the Innovation Fund <u>and</u> through MFI own funds.	31 192 clients	5	
	USD 5.5 million of MFI funds newly used. At least 12000 rural people with access to microfinance by PY5.	USD 37,732,000	5	

	At least 2MFIs have increased their outreach in rural areas (by client types/target group categories).	2	5	
	4 provinces covered by these MFIs by PY5	6	3	
	%of beneficiaries who access a loan from regular MFIs	59%	2	
	%of beneficiaries enabled to generate a regular income.	-	-	
Component 2	No hhs with improved income from milk, dairy, poultry production, the sales of meat or animal products (monitor gender of the household head)	10832	3	
	% of supported hhs reporting an increase in herd size	No data		
	1,500milk producers organized in financially viable associations	19 primary coops established (1552 farmers)	3	
	Volume of milk additionally produced, in MT/year.	164.75 MT		
	Nb of milk producers reporting an increase in income	1 500		
	Average, net annual profit generated by producers' associations	USD 100		
	70% capacity utilisation of the plant in the next 3 years	30%		
	Nb of livestock owners in the 5 targeted provinces with regular access to essential veterinary services	242 000 HH	3	
	A model for service provision to poorest hhssuccessfully piloted	1	4	
	Two value chains (cashmere and karakul) promoted and developed for export	1 value chain promoted and developed Cashmere)	3	
	At least 3,000 women reporting an increased income from poultry raising	5 822 women	5	
	% of farmers reporting increase in average in annual income deriving from poultry raising	80%	3	
	80% VPGs sustainable and effective at the end of 2 years since their recruitment.	80%	4	
	At least 1,300 women reporting an increased income from dairy goat production	1 294	4	
	Number of additional beneficiaries provided with bucks and does through the "pass on the gift" policy	599	4	

Component 3							
Output level							
Outputs by component	Indicator	(Physical) Targets					
		AWP&B (planned)	Actual (achieved)	%	Appraisal (Global)	Cumulative (so far)	%
Component 1 - Sub-component 1.1							
Output 1.1.1:Arrange of innovative microfinance products and services pilot tested and adapted to the needs of rural households, farmers and livestock owners	5 MFIs submitting proposals and80% approved	completed	-	-	3	3	100%
	At least 2 pilots launched in PY3.	Completed		100%	2	2	100%
	15000 active borrowers, by gender, provinces and districts in PY4 and PY5	6000	8 669	100%	20 000	27 030	100%
Output 1.1.2 MFIs provided with the necessary technical assistance, capacity building and operational support to develop innovative financial products, as well as to help enhance their capacity for financial product identification, assessment and risk measurement.	200 MFI staff trained, by AMA and AIBF	Open	-	-	200	131	65%
	Average 3 days of TA provided, by year and MFI						
	Value of Gross Loan Portfolio (loans outstanding) of 2 participating MFIs AFS 120 million in PY5.	Open	549.9 M		Open	1 643.7 M	100%
Component 1 - Sub-component 1.2							
Output 1.2.1Skill training and provision of asset to TUP beneficiaries in the pilot-test model completed	1756 beneficiaries trained (according to different target groups F/M)	560	560	100%	1 760	1 760	100%
	1200 beneficiaries provided with an asset (according to different target groups F/M).	0	0	100%	1 760	1 760	100%
Component 2 - Sub-component 2.1							
Output 2.1.1: Improved production and efficiency of milk production and processing in Nangarhar and to establish a member-owned network of some 1,500 milk and dairy producers	Nb of hhs supported to engage in commercial fodder and in milk production (according to different target groups F/M).	0	0	0	1 900	2 055	100%
	Nb of milk collection points established.	0	0	100	15	17	100%
Output 2.1.2:Improved availability of affordable feed resources	Average annual income from fodder production / farmer.	0	0	100%	700	830	100%
	Nb of MT of concentrated feed produced.	Open	56.8	-	-	265.8	-
Output 2.1.3:Improved animal health and husbandry practicesand increased milk production assured	Milk production per lactating cow increased by 30%	10	10	-	30	30	0%
	Reduction by at least 90% of tick born disease and other major diseases among participating farmers.	0	0	100%	90	90	100%
Output 2.1.4:A network of milk collection points and milk producers' cooperative established	Some 15 milk producers' associations and 3 dairy unions formed and functional	0	0	0	18	19	100%

Component 2- sub component 2.2							
	Households receiving facilitated animals health services (according to different target groups F/M).	completed	completed	100%	26 296	242 000	100%
	Women trained in milk processing and hygiene	0	0	100%	4 500	4 500	100%
	Repair of Solar Fridges	32	22	56%	83	73	90%
	Local Female Extension Worker	12	17	100%	30	39	100%
	Vaccination of Livestock	1 200 000	1 917 947	100%	4 000 000	8 477 262	100%
	Treatment of Livestock	800 000	567 403	30%	1 100 000	2 385 454	100%
	Livestock Dewormed	500 000	714 234	100%	1 252 369	3 332 355	100%
	Establishment of fodder banks	0	0	100%	10	10	100%
	Introduce improved variety of corn	50	50	100%	50	50	100%
	Farmers trained in extension by sessions	2 000	14 156	100%	10 972	192 342	100%
	One new package Zoonotic Diseases	500	500	100%	1 000	430	43%
	Farmers Field Days and Workshops	3	3	100%	5	5	40%
	Refresher training of VFU staff	32	32	37%	40	40	30%
	Kuchi farmers with BVW service access	0	0	100%	3 567	92,469	100%
Component 2- sub component 2.3							
	Households receiving animals from redistribution/restocking	0	0	0	v	5 800	100%
	Households receiving facilitated animals health services.	4 400	4 400	100%	5 800	5 800	100%
	5800 women trained in poultry production and provided with basic inputs and equipment	1 400	1 400	0%	5 800	5 800	100%
	50 female community members trained as trainers	completed	-	100%	80	95	100%
Component 2- sub component 2.4							
	Households receiving animals from redistribution/restocking (acc to different target groups F/M)	-	-	-	1 300	1 294	98%
	Households receiving facilitated animals health services (acc to different target groups F/M).	1 300	1 300	100%	1 300	1 300	100%
	1300 women trained in dairy goat production and provided with basic inputs and equipment	Completed	-	--	1 000	1 000	100%
	Number of goats vaccinated	3 000	7 550	100%	6 000	48 181	100%
	Number of goats de-wormed	3 000	2 935	98%	6 000	22 334	100%
	100 Women producers' groups established and strengthened	Completed	-	--	100	134	100%
	Nb of goats vaccinated.	1 000	4 778	100%	6 000	34 677	100%

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier (USD '000 as at 20 April 2016)

Financier	Appraisal	Disbursements	Per cent
IFAD loan	-	-	-
IFAD grant	29,897	28,364	94.9
Co-financier	2,218	-	-
Government	2	118	5900
Beneficiaries	-	-	-
Total	32,117	28,482	88.7

Table 5B: Financial performance by financier by component (USD '000 as at 31 March 2016)

Component	IFAD grant			Co-financier			Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Rural Micro Finance	9,935	9,696	98	2,218	-	-	-	-	-	12,153	9,696	80
Livestock Support	16,250	15,730	97	-	-	-	-	-	-	16,250	15,730	97
Project Management and Coordination	3,712	2,938	79	-	-	-	2	118	5900	3,714	3,056	82
Total	29,897	28,364	95	2,218	-	-	2	118	5900	32,117	28,482	89

Table 5C: IFAD grant disbursements (SDR, as at 20 April 2016)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	Balance	Per cent disbursed
073083	Authorized Allocation - Special Account	0				
117115	Rural Microfinance - (Component 1)	5,500,000	6,630,000	6,436,824	193,176	97.1
117116	Integrated Dairy Scheme (Sub Component 2.1)	3,600,000	4,050,000	3,916,802	133,198	96.7
117117	Veterinary Services in the Northern Region (Sub Component 2.2)	2,620,000	3,610,000	3,513,770	96,230	97.3
117118	Backyard Poultry Development (Subcomponent 2.3)	780,000	1,370,000	1,132,816	237,184	82.7
117119	Dairy Goat (Subcomponent 2.4)	1,450,000	1,840,000	1,853,252	-13,252	100.7
117120	Programme Coordination and Management (Component 3.1) Goods and Equipment	200,000	200,000	194,024	5,976	97.0
117121	Programme Coordination and Management (Component 3.2) Technical Assistance , Consultancies and Studies	600,000	600,000	388,500	211,500	64.8
117122	Programme Coordination and Management (Component 3.3) Training and Work Shop	170,000	170,000	114,973	55,027	67.6
117123	Programme Coordination and Management (Component 3.4) Salaries , Travelling and Operating Costs	1,080,000	1,440,000	1,221,640	218,360	84.8
	Total	16,000,000	19,910,000	18,772,601	1,137,399	94.3

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Grant Agreement Article II – Section 2.03 (i) (a)	The MoF shall open within one month after grant effectiveness and thereafter maintain in the recipient's authorized financial institution a Special Account denominated in USD in the name of the Programme.	Within one months of Grant effectiveness	Complied	
Grant Agreement Article II – Section 2.03 (ii) (a)	The MoF shall open and thereafter maintain in the recipient's authorized financial institution an Additional Special Account denominated in USD in the name of the Programme.		Complied	
Grant Agreement Article III – Section 3.02	The MOIL shall submit to the Fund a consolidated AWPB for each programme year together with a Procurement Plan for the first 18 months.	As soon as possible after Grant effectiveness	Complied	
Grant Agreement Article III – Section 3.02	In subsequent years, the draft consolidated AWPB shall be submitted to the Fund for its comments and prior no objective before the end of the Fiscal Year and before the document is reviewed and approved by the PSC.	Before the end of the Fiscal Year	Not Complied	AWPB is submitted to IFAD approx. two months after the end of the Fiscal Year.
Grant Agreement Article III – Section 3.03 and Para 20 to 23 of the Letter to the Recipient	All procurement financed from the proceeds of the Grant shall be carried out in accordance with the provisions of Schedule 4	Throughout the programme period	Complied	
Grant Agreement Article IV – Section 4.02 and Section 8.03 of the General Conditions	The PST shall submit to the Fund semi-annual and consolidated annual progress reports no later than three months after the end of each six month and annual period.	Throughout the programme period	Complied	
Grant Agreement Article IV – Section 4.03	The LPA and the Fund shall jointly carry out a Mid Term Review no later than twenty four months of the effective date.	April 2012	Complied	
Grant Agreement Article IV – Section 4.03	The LPA shall submit to the Fund the Completion Report not later than six months after the Programme Completion Date.	31 March 2017	Not yet due	
Grant Agreement Article V – Section 5.01 (a)	The PCU shall maintain separate accounts and records and thereafter prepare the financial statements of the operations, resources and expenditures related to Programme activities under Component 3, in respect of each Fiscal Year and deliver such financial statements to the Fund within three (3) months of the end of each Fiscal Year	20 March 2016	Complied	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Grant Agreement Article V – Section 5.01 (b)	The agreement/ contract of services of each Service Provider (SP) shall specify that the SP s will make available to the recipient the statement of sources and uses of funds in respect of each fiscal year within two months of the end of each fiscal year.	20 Feb 2016	Complied	
Grant Agreement Article V – Section 5.02 (a)	For each fiscal year , the auditors should be appointed within 90 days of the beginning of the fiscal year, with the prior approval of the Fund.	FY 2015 - 30 March 2015 FY 2016 - 30 March 2016	Not complied	Auditors for audit of fiscal year 2015 have not yet been appointed. However as per standard practice in Afghanistan and owing to restrictions / practical procurement difficulties, the auditors for a particular fiscal year are appointed only on the completion of the relevant financial year.
Grant Agreement Article V – Section 5.02 (b) and Para 33 of Letter to the Recipient.	The recipient shall within six months of the end of fiscal year furnish to the Fund , the audited financial along with the audit report and a Management Letter including replies to the management letter.	FY 2014 - 20 June 2015 FY 2015 - 20 June 2016	Complied	
Grant Agreement Article V – Section 5.02(c)	The agreement/contract of services of each Service Provider (SP) shall specify that the SPs will appoint an external independent auditor to audit their financial statements relating to the project and the audit reports should be submitted to the recipient through the PST, within five months after the end of each fiscal year and also submitted to the Fund.	FY 2014 - 20 May 2015 FY 2015 - 20 May 2016	Complied	Management Letter should also be provided by the external independent auditor of SPs.
Grant Agreement – Article VII Section 7.01(a)	The National Project Director shall have been appointed	Prior to Grant effectiveness	Complied	
Grant Agreement – Article VII Section 7.01(c)	A favorable legal opinion shall have been obtained and been delivered to the fund for its acceptance.	Prior to Grant effectiveness	Complied	
Grant Agreement Schedule 3 , Section A, Para 2	The PST shall have been established .	From first year of programme	Complied	
Grant Agreement Schedule 4 , Section E, Para 7 & Letter to the Recipient Para 23	The award of any contract for goods and works procured by the PCU estimated to cost fifty thousand US dollars (USD 50 000) equivalent or more shall be subject to prior review by the Fund.	Throughout the programme period	Complied	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Grant Agreement Schedule 4 , Section E, Para 8 & Letter to the Recipient Para 24	The award by the PCU of any contract for consultancy services estimated to cost thirty thousand US dollars (USD 30 000) or more shall be subject to prior review by the Fund.	Throughout the programme period	Complied	
Article XI Section 11.01 of the General Conditions & Letter to the Recipient Para 4	The proceeds of the financing shall not be used for the payment of taxes including (but not limited to) any taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Grant	Throughout the programme period	Not Complied	Taxes are deducted from Salaries and Suppliers for goods & services and deposited in Government Treasury. SPs are also deducting taxes and depositing in Government Treasury.

Appendix 7: Knowledge management: Learning and Innovation

Learning

COMPONENT 1: Targeting the Ultra-Poor (TUP)

Social development and within that, human rights is one of the main components of the TUP project that operates to build confidence, share knowledge, awareness and creating enabling environment to the TUP beneficiaries among the society. In particular, component activities include raising awareness about human rights; gender equity and social issues among the targeted ultra-poor households in order to create local community volunteer support groups. These groups work with both TUP beneficiaries and community elders to provide protection, assets, moral support, build capacity, advocate for the active role and position of the marginalized ultra-poor among the society.

This activity utilises a proven targeting strategy to provide cost effective and sustainable services to the poorest segment of the population, which significantly contributes in alleviating poverty. With an exclusive focus on women, this activity uses new instruments of intervention to address two areas simultaneously: '*pushing down*' and '*pushing out*' the poverty reduction agenda.

Based up direct and indirect monitoring, RMLSP has seen significant change in the social status of TUP beneficiaries as a result of this intervention in the provinces of Bamyan and Badakhshan. Social life has improved by 98% (i.e. increased ultra-poor participation in social events like traditional festivals, marriages, funerals etc.). School enrolment among poor HHs reached nearly 1,000 children, moving away from being part of a large informal child labour pool. Sanitation has improved - currently 65% of HHs use Slab Latrines, as opposed to less than 1% prior to their involvement in the TUP intervention. In addition, contraception increased by 38%, enabling TUP beneficiaries to improve family planning. Approximately 79% TUP beneficiaries got their National Identity Cards for the first time ever.

The input distribution among the target beneficiaries gives them sense of ownership and enhances social standing and an individual sense of dignity. Each ultra-poor HHs then has its own assets (in all cases this was a draught/dairy animal), this indicates they have purchasing power and collateral. In turn, this allowed women access to increased participation in decision making within inter and intra-household dynamics. In addition, at the community level these women were encouraged to play an active role in income generation activities as well as becoming active members of the village based producer group. Consequently the patriarchal society and husbands pay more acknowledgement to women than they had in the past.

In addition, the project works in health care services. As these ultra-poor HHs usually spend a very large portion of their income on basic health services, this tends to be at great opportunity cost. Through TUP project, beneficiaries are provided with health services, treatment and a health subsidy so that those living in remote areas can cater to unforeseen medical emergencies. The aforementioned points represent improvements in the social life of women-headed households that enabled the marginalised ultra-poor to rise to a better status and actively participate in the decision making at the family as well as community levels.

COMPONENT 2.3: Backyard Poultry Project

Whilst this activity is also exclusively targeting women, majority of the beneficiaries do have the advantage of family-based informal social safety nets. However, the increased participation in family and community decision-making still remains restricted to a few women either with assets or married to respected members of the extended family or community.

Over the duration of this activity it was noticed that rural women can also be socially empowered to make group-based decisions through the organization and formation. Through this activity registering and equipping five Village Poultry Development Associations (VPDAs) at District level and 104 Village Poultry Development Centres at Village level as new institutional arrangements

introduced by the RMLSP-BYP-Model. Formalisation of these micro-institutions lead to greater access to regular and dependable poultry products marketing increased women participation in development of livestock sector and improved food security and household income from poultry production.

Women beneficiaries are organized under association/producers groups – empowered women particularly in decision making, negotiation and bargaining. Income from poultry is spent on children's education, health, etc. which gives more strength to be part of community as decision maker and active member.

Innovation: Describe any interesting innovation noted during supervision

COMPONENT 1: Targeting Ultra Poor (TUP)

As the project nears its end and before a fully-fledged Impact Assessment commences, two clear innovations appear to stem from this intervention. At institutional level, the establishment of the steering committee for TUP supervision had a positive impact on the TUP project implementation. The steering committee at provincial level brought together Directorates of Agriculture, Irrigation and Livestock (DAIL), Women's Affairs (DoWA), Economy (DoE), Rural Rehabilitation and Development (PRRD) and District Development Councils (DDCs). The committee created a collaborative environment that through which TUP was implemented in a coordinated and efficient manner and has provided a model being replicated by other projects at province level.

At design and implementation level, the TUP as a model attracted the attention of the World Bank and the Italian Fund for Afghanistan, consequently WB donated \$15 million and the Italian cooperation provided \$3.5 Million to MISFA the implementing partner of TUP project. There are also chances that the model will be extended to all provinces of Afghanistan. Linkage of TUP beneficiaries with the Microfinance Institutions and other supporting agencies were other best practice that provided the beneficiaries with the knowledge and skills of borrowing loans, utilize them efficiently and seek market for their products. Provision of winter feed for the livestock before winter season enabled to well prepare when there is shortage of feed. Building the capacity of ultra-poor women on saving practices is another best practice that enabled the beneficiaries to engage in second businesses.

COMPONENT 2.3: Backyard Poultry Project

One of the chief deterrents for poorer women in the community from participating in this intervention was the cost of chicken coop construction. By designing the coop so that it could be constructed using two already existing walls of a compound wall brought about significant reductions in construction costs. The RMLSP model coop is widely copied by non-beneficiaries of the project.

In the past backyard poultry were fed with commercial feed which was not cost effective. RMLSP demonstrated new feeding techniques to off-set the extra feeding cost (e.g. the use of cheap sprouted mung bean/wheat feeding in the winter). Moreover, RMLSP introduced nests made by beneficiaries from clay/mud in which chicken lay eggs clean and safe from breakage. These home-made nests are also used for natural hatching, and proved more effective than the traditional hatching methods. This enabled poor women beneficiaries to produce day-old chicks at home for re-stocking as opposed to buying them from the market. In addition, use of drinkers and feeders made from used empty cans further reduced the production cost in favour of the poorer female community members.

Beneficiaries cascaded the knowledge and learning to non-participants of the project, particularly on disease management, vaccination and marketing. This disseminated the backyard poultry rearing techniques form beneficiaries to the non-beneficiaries in the project's target districts. This enabled more women to engage in the poultry business. Moreover, knowledge sharing and saving skills enabled rural women to access credit when something was required amongst the poultry producer group members to expand their business i.e. evidence of investment form the poultry income on other businesses like broiler farming, tailoring for income diversification, and poultry input supply for other members. Briefly describe innovations adopted during implementation that were identified by the supervision mission. The description should identify the type of innovation (adoption, adaptation or creation), the context in which it is/can be applied (project, country, or portfolio), and its potential for scaling up or replication. Successful and less successful innovations can be included.

Appendix 8: Financial Management

Financial Management Assessment at Supervision – Guidance Questionnaire^{5/6}

Country: Afghanistan	Grant ID: G-I-DSF-8033 & 200000039500
Project Name: Rural Microfinance and Livestock Support Programme (RMLSP)	
Executing Agency: Ministry of Agriculture, Irrigation and Livestock (MAIL)	CPM: Mr. Hubert Boirard
Reviewing Finance Officer/FMS: Arsalan Vardag, Financial Management Specialist	Date of this review: 22 April 2016 to 1 May 2016

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
A. Inherent Risks			
B. Control Risks			
1. Organization and Staffing			
a.	Adequacy of organizational structure to meet functional needs of the project.	M	<p>Organization Structure is appropriate however we have following recommendations:</p> <ul style="list-style-type: none"> Currently the Senior Finance Manager is also responsible for Administration & HR Functions and appears to be overworked. We recommend that an Admin & HR Manager may be hired while the Senior Finance Manager be allowed to focus on the Finance function. M&E Specialist has been made acting Program Manager for SNaPP 2. We recommend that an M&E specialist may be hired or if one of M&E Officer is senior enough, he may be given the responsibilities of M&E Specialist.
			<ul style="list-style-type: none"> The organisation has a Procurement Specialist supported by Procurement Officer, Logistics Officer and Procurement Assistant. SNaPP 2 project has positions of Procurement Assistant and Logistics Officer. We recommend that one of these positions may be converted into Contract Officer to ensure regular follow-up and to ensure compliance with all the contracts with IPs and other suppliers.
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Yes, clear job descriptions are available
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	Yes
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	PIM and Government Financial Rules are adequate.
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	Employees are on contractual basis. Performance based evaluation is conducted annually.

⁵ This questionnaire should be used as guidance for and in support of the Summary Project Fiduciary Risk Assessment at Supervision. It is to be completed during the Mission.

⁶ Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

f.	Adequacy of health insurance coverage for all staff (where applicable).	M	Medical Insurance is not available in Afghanistan.
g.	Timely payment of social security fees (where applicable).	M	Social security policy / institution does not exist in Afghanistan
h.	Staff adequately informed about IFAD's national and anti-corruption policy and relevant contact details.	L	Senior staff are aware of this and such knowledge have been disseminated down the line.
2. Budgeting			
a.	Timely preparation and approval of AWPB.	M	AWPB is usually submitted two months after the start of the financial year.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	Yes
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Yes
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	L	Yes.
3. Fund flows and Disbursements / Withdrawals			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	L	IFAD is the only financing source. Disbursements are regular. However, due to the approval process of WA within the Government (i.e. the Ministry of Agriculture and the Ministry of Finance), there are delays in submission of WA to IFAD.
b.	Timeliness of counterpart funds disbursed.	L	There is no direct contribution from government for this project. however the government contributes in kind.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L	Yes
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	L	Not Applicable
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.	L	
	(i) Adequacy of the authorized allocation to ensure a smooth flow of funds	L	Yes
	(ii) Appropriateness of disbursement methods used	L	Yes
	(iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments.	L	Yes
	(iv) Timely preparation and accuracy of Withdrawal Applications	L	Yes - except that old WA format is still being used while the new template was required to be used since beginning of 2015.
	(v) Authorization of WA preparation.	L	Yes
	(vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	No such case.
	(vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	L	Yes
	(viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	L	Yes. It is expected that the project will have above 99% disbursement rate.
	(ix) Recovery of SA balances by loan closure	L	Yes - Initial Advance of USD 700 k recovered.

4. Internal Controls			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	Yes
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	Yes
c.	Adherence to Financial Manual.	L	PIM and Government financial procedures are followed.
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	N/A
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	H	Contract Management needs to be substantially improved. Currently, the procurement department is managing the procurement process upto contract signing only. Finance department has also not been made responsible for contract management. Currently Contract Register is not maintained while Contract Monitoring Forms have been prepared for SPs/IPs.
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	Controls on payments for goods and services exist
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	Yes, documentary evidence available
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	Cash Transaction is very minimum in the project.
i.	Adequacy of physical management of cash.	L	Yes , this is adequate.
j.	Timely payment to suppliers and consultants.	L	No issue arose in this respect
k.	Eligibility of expenditures with respect to Financing Agreements.	L	Yes
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Yes
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	L	Mostly complied except the following: <ul style="list-style-type: none"> • AWPB is submitted to IFAD two months after the end of the Fiscal year • Auditor is appointed after the end of the Fiscal year. • IFAD financing is used for payment of taxes.
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	Fixed Assets register maintained and are updated.

o.	Adequacy of controls concerning project assets including: (i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?) (ii) Fuel management (do drivers maintain a log book?) (iii) Travel authorisations (incl. DSA paid to staff)	L	<ul style="list-style-type: none"> Physical verification for assets conducted Log books maintained Travel authorisation and expense claim approval
p.	Adequacy of vehicles and assets insurance.	L	Insurance not available in Afghanistan
q.	Workshops: (i) Availability of list of participants (ii) DSA paid to participants (iii) Receipts for workshop expenditure	L	Relevant documentary evidences exist.
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	No issue arose in this regard
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Bank Reconciliations are prepared on a regular basis.
t.	Existence of a proper IT support unit in place.		Formal process for regular backup of information does not exist. Each department/section maintains its own backup.
5. Accounting			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	Cash Basis of Accounting is being followed
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	M	<p>Double Entry accounting software (Quick Books) used but the software is designed for commercial entities and not for projects. It is not designed to manage Procurement, Commitments, preparation of WA.</p> <p>Accounting software specifically designed for projects (e.g. Tompro or equivalent) needs to be implemented.</p>
c.	Recordkeeping (including documentation and filing/archiving)	L	Yes, both hardcopies and soft copies are maintained.
d.	Fixed assets register maintained and reconciled (sample and physical check).	L	Sample checked and found in order
e.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	M	No. Formal process for regular back for information does not exist. Each department/section might maintains its own backup.
f.	Adequacy of chart of accounts for project accounting purposes	L	Appears to be adequate
g.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	These aspects are well controlled.
h.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	L	Records in respect of Government Contribution in kind are maintained properly.

6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	L	Financial Reports are found to be free of material misstatements. Draft Financial Statements for the year ended 20 th December 2015 have been prepared and submitted.
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	L	Yes
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	L	Yes
d.	Follow up of previous aide-memoirs fiduciary recommendations.	L	Mostly complied except for preparation of Audit Log which has been prepared by the Mission while the project is recommended to update it.
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	L	Disbursement rate is approx. 95%
7. Internal Audit			
a.	Existence of Internal Audit arrangements.	M	Formal Internal Audit function does not exist. However, all payments have to be approved by the Ministry of Agriculture and the Ministry of Finance.
b.	Adequacy of internal audit arrangements (organization - staff capacity).	M	Same as above
c.	Adequacy of internal audit scope of work and quality of reports.	M	Same as above
d.	Assessment of matters raised in audit reports.	M	Same as above
8. External Audit			
a.	Adequacy of scope and ToR.	M	ToR for audit of RMLSP well prepared and shared with IFAD for NOL. TORs for audit of SPs/IPs needs to be developed and shared with SPs/IPs for incorporating in the contracts with External Auditors. Management letter should also be provided by the auditors of SPs/IPs.
b.	Adherence to ToR.	L	Yes
c.	Timeliness of audit report.	L	Yes
d.	Quality of audit.	L	Moderately Satisfactory.
e.	Implementation of audit recommendations/agreed action plan in place to address these.	L	Yes. The project needs to maintain an Audit Log. The mission has prepared Audit Log and provided to the Project while the project is recommended to update the Audit on regular basis.

Summary of Project Fiduciary Risk Assessment at Supervision⁷

Project # : Rural Microfinance and Livestock Support Programme (RMLSP)

Implementing Agency : Ministry of Agriculture, Irrigation and Livestock (MAIL)

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk		N/A
Control Risks		
1. Organization and Staffing	L	PST needs to be strengthened through recruitment of the following officers: <ul style="list-style-type: none"> • Admin and HR Manager • M&E Specialist • Contract Officer
2. Budgeting	L	AWPB should be submitted to IFAD prior to the end of the Fiscal year.
3. Funds flow & Disbursement Arrangements	L	The project needs to use new template of WA.
4. Internal Controls	L	Formal process of regular backup of information needs to be developed and implemented.
5. Accounting	L	Accounting software specifically designed for projects and compliant with IFAD requirements (e.g. Tompro or equivalent) needs to be implemented.
6. Financial Reporting and Monitoring	L	
7. Internal Audit	M	Formal Internal Audit function does not exist. However, all payments have to be approved by the Ministry of Agriculture and the Ministry of Finance.
8. External Audit	L	TORs for audit of SPs/IPs needs to be developed and shared with SPs/IPs for incorporating in the contracts with External Auditors. Management letter should also be provided by the auditors of SPs/IPs. Audit Log needs to be maintained.
Overall Project Fiduciary Risk	L	
H=High, M=Medium, L= Low		
Overall Project Fiduciary Risk is rate as Low. However, some improvements have been recommended including hiring of Admin/HR Manager, M&E Specialist and Contract Officer, AWPB to be submitted to IFAD prior to the end of the Fiscal year, using revised template of WA, developing and implementing formal process of regular back of information, implementation of Accounting Software compliant with IFAD requirements, developing and sharing TORs for external auditors of SPs/IPs, provision of Management Letter by the auditors and maintenance of Audit Log.		

⁷ This is a summary of the findings documented in the 'Project Supervision Financial Management Assessment – Guidance Questionnaire – see Appendix I.

A. Financial Status of service providers is shown in the following table. All figures are in USD

Category Code	Project Name	Allocated	Disbursed	Available Balance	Hard commitment	over/under
200008	Integrated Dairy Scheme	450,000	158,782	291,218	54,074	237,144
200012	Rural Microfinance	1,130,000	1,085,366	44,634	169,746	-125,112
200024	Veterinary Services	990,000	785,099	204,901	112,464	92,437
200025	BLDU-Backyard Poultry	590,000	318,372	271,628	181,860	89,768
200026	Dairy Goat	390,000	433,667	-43,667	0	-43,667
TOTAL:		3,550,000.0	2,781,285.8	768,714.2	518,144.0	250,570.2

As can be seen from the table above we can save a total of **250,470 SDR**. Part of this if given to the PCU will be used to cover the following expenses

a. Support to Khatez Dairy Union in Jalalabad

	Description	USD	SDR
KH DU.1	To help dairy development in Nangarhar for a period of 8 months	\$40,000.00	28,460.00
KH DU.2	Establishment of 2 mobile dairy window shops / booths and Platform Showcase Display vitrine/ refrigerator	\$10,000.00	7,115.0000
KH DU.3	Refrigerators, Ice cream push / hand vending carts and Large size deep freezers	\$25,600.00	18,214.4000
KH DU.4	Construction of feed storage of dairy plan	\$46,677.00	33,210.6855

Sub Total Khatez Dairy Union

\$122,277.00 86,999.00

Procurement process of these activities has already been initiated. We are at the stage of contracts award but we await IFAD approval of the budget realignment.

b. In addition out of 250, 470 SDR an amount of **155,818 SDR will be used the cover the following expenses:**

	Description	USD	SDR
B.1	Regular M&E and KM	\$35,000.00	24,902.50
B.2	KAP survey for IDS project	\$4,000.00	2,846.00
B.3	VFU study (IC, surveyors, logistics etc.)	\$50,000.00	35,575.00
B.4	Impact study (consultancy)	\$100,000.00	71,150.00
B.5	Project completion report (outsource) IC	\$30,000.00	21,345.00
Total in SDR			155,818.50

c. The total money unspent from the service providers contracts will be **SDR 7,753.00**

Total money unspent under service providers contracts (SDR)	Money given to KhDU (SDR)	Money used to cover M&E and KM etc. (SDR)	Unspent (SDR)
250,570	86,999.00	155,819	7,752.00

B. PCU/PST budget of SDR 360,000.

a. Budget breakdown by each budget line:

Currently as per the grant agreement the SDR of 360,000 provided to the PCU are only to be used to cover salaries and operation. There is no allocation for expenses related to TA. We recommend that the budget be realigned to cover the expenses as shown in the following table:

		USD	SDR
	Salaries		
3.D	Project Manager	\$32,766.00	23,313.01
3.D	M&E Officer	\$13,200.00	9,391.80
3.D	Livestock Specialist	\$22,275.00	15,848.66
3.D	Admin/finance manager	\$35,475.00	25,240.46
3.D	Livestock expert (women)	\$13,500.00	9,605.25
3.D	National Poultry Specialist	\$25,542.00	18,173.13
3.D	Admin/Finance Officer	\$16,158.61	11,496.85
3.D	Microfinance Specialist	\$28,953.00	20,600.06
3.D	Cashier	\$9,240.00	6,574.26
3.D	Dairy Specialist	\$24,480.00	17,417.52
3.D	Dairy Officer	\$10,350.00	7,364.03
3.D	GIS Officer	\$9,900.00	7,043.85
3.D	M&E Officer	\$11,385.00	8,100.43
3.D	Drivers (two)	\$9,600.00	6,830.40
3.D	Office Messenger	\$4,500.00	3,201.75
3.D	Cleaner	\$3,000.00	2,134.50
Sub Total Salaries		\$270,324.61	192,335.96

Trainings of staff: national and international

Training	\$	30,000.00	21,345.00
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Auditors, support to line directorates and YPP

		USD	SDR
B.6	Appointment of Independent Auditors	\$13,000.00	9,249.50
B.7	Support to MAIL Line Department(Equipments, Staff, office renovation, furniture's) etc.	\$10,000.00	7,115.00
B.8	Young Professional Programme (YPP)	\$7,000.00	4,980.50

Sub Total

\$30,000.00 **21,345.00**

Goods and Equipments

	Description	USD	SDR
E.1	Office Partition	\$30,000.00	21,345.0000

E.2	Goods & Equipment's (Camera, Scanner and etc)	\$5,000.00	3,557.5000
Sub Total		\$35,000.00	24,902.5000

Operation		USD	SDR
Sub Total	Operation for RMLSP	40,000.00	28,460.00

Purchase of Vehicles for the PST

Type	No	Unit Cost (SDR)	Total Cost (SDR)
CEDAN Vehicles	2	30,000	60,000

G Total 489,653.49

348,388.46

Total money unspent from the PST is as follow:

total allocation (SDR)	To be spent (SDR)	Balance (SDR)
360,000	348,388	11,612.00

C. Total money unspent from service providers and the PCU

Service Providers	PCU	Total
7,752.00	11,612	19,364.00

D. Money that will not be spent by ICARDA.

In addition, there is an amount of \$104,000 that will also be utilized by the PST to support general directorate of animal health and production. The money will be directed towards building a small ruminants feed analysis laboratory. The money if donor will agree will be returned to the Special account.

Appendix 9 - Audit log

Table 10.1 Summary Audit Table

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	No	Value	No	Value	No	Value
		USD		USD		USD
20 Mar 2011	8	1,859	5	-	3	1,859
20 Mar 2012	6	0	3	-	3	-
20 Dec 2012	3	0	3	-	-	-
20 Dec 2013	3	8,580	3	8,580	-	-
20 Dec 2014	1	-	-	-	1	-
Total	21	10,439	14	8,580	7	1,859

Table 10.2 (a) Detailed Audit Table (20 Mar 2011)

Sr. No.	Audit observation	Amount of Observation	Response / Action by the Project	Amount Settled	Amount not Settled	Remarks
1	Payment Vouchers not prepared for bills.	-	Already resolved after SV recommendations.	-	-	Audit firm for next year reported that the recommendation was complied with.
2	Dates on supporting documents were not available.	-	Agreed with recommendation.	-	-	Audit firm for next year reported that the recommendation was complied with.
3	Exchange loss of loan taken from MoF.	-	It was not possible to avoid exchange loss.	-	-	One time event.
4	Cash on hand at the yearend which should have been deposited in the bank as per Afghanistan law.	-	Cash was needed for baseline survey for ongoing expenditure. Agreed in principle.	-	-	Observation still exists.
5	Procurement Assistant position was vacant.	-	Position filled.	-	-	Audit firm for next year reported that the recommendation was complied with.
6	Insufficient and inappropriate evidence for SPs expenditure.	-	SOE is required to be submitted under the contract with SPs and these are also compared with AWPB.	-	-	Observation still exists.
7	Loan number written instead of Grant No	-	Agreed for compliance	-	-	Audit firm for next year reported that the recommendation was complied with.
8	Taxes deducted from salaries, rented vehicles and equipment.	1,859	MOF will not process payments if tax deduction is not made. Tax is not an addition to the relevant amount but deducted from it.	-	1,859	Audit firm for next year reported that the taxes were allowed in the Grant agreement to be deducted from payments.

Table 10.2 (a) Detailed Audit Table (20 March 2012)

Sr. No.	Audit observation	Amount of Observation	Response / Action by the Project	Amount Settled	Amount not Settled	Remarks
1	Petty Cash limit of USD 6,000 as per PIM was exceeded and balance at the year end was USD 7,955	-	Approval of budget is very delayed, hence, there is a need to keep reasonable amount in cash for	-	-	Audit firm for next year reported that the recommendation was complied with.

			operational needs. PIM would be revised.			
2	Segregation of duties principle not observed. The person handling petty cash is also responsible for recording of receipts & disbursements of cash and expenses.	-	No possible due to staff shortage. Now the Project has Finance Manager and Finance Officer, so responsibility for recording of receipt/ disbursement would be given to finance officer while cash handling would stay with finance manager.	-	-	Audit firm for next year reported that the recommendation was not yet complied with.
3	Fixed Assets with Implementing Partners are not reported to the PCU on an annual basis not are they physically verified.	-	Inventory list is available with PCU and is updated annually. However, as recommended, fixed assets register would be prepared.	-	-	
4	Project assets are not insured as required under PIM.	-	Reliable insurance companies are not available in Afghanistan.	-	-	Audit firm for next year reported that the recommendation was not yet complied with.
5	Audited Financial Statements of FAO are not available.	-	FOA being a UN Agency gets it overall Financial Statements audited but not for each project.	-	-	Certified Financial Statements were obtained.
6	Mismatch of year end between PCU/MAIL (20 March) and Service Providers (31 March).	-	All SPs have been asked to prepare FS on 20 March. However, the Afghan fiscal year is going to change to 31 December from 2012 onwards.	-	-	Automatically resolved

Table 10.2 (c) Detailed Audit Table (20 Dec 2012)

Sr. No.	Audit observation	Amount of Observation	Response / Action by the Project	Amount Settled	Amount not Settled	Remarks
1	Receipt acknowledgement not available on most vouchers.	-	The project will hire a Cashier and ensure segregation of duties between finance manager and finance officer.	-	-	Audit firm for next year reported that the recommendation was not yet complied with.
2	Proper Procurement procedure not followed for in some procurement.	-	All purchases are made with the authorisation of the program director.	-	-	Audit firm for next year reported that the project now complies with the recommendation.
3	Invoices of suppliers not stamped as "Paid"	-	Usually it is done. Noted for compliance.	-	-	Audit firm for next year reported that the project now complies with the recommendation.

Table 10.2 (d) Detailed Audit Table (20 Dec 2013)

Sr. No .	Audit observation	Amount of Observation USD	Response / Action by the Project	Amount Settled	Amount not Settled	Remarks
1	Receipt acknowledgement not available on payment vouchers.	3,600	It happened due to lack of clarity of responsibilities in the finance team. Now cashier has been hired and clear lines and responsibilities have been developed, it will be ensured that this does not happen again.	-	3,600	Audit firm for next year reported that the project now complies with the recommendation.
2	Serial number of fuel order slips are repeated with different vouchers.	2,850	Noted. Will ensure pre-numbered and unique serial number fuel order slips.	-	2,850	Audit firm for next year reported that the project now complies with the recommendation.
3	Supplier information of fuel order slips not properly filled.	2,130	Noted. Will ensure pre-numbered and unique serial number fuel order slips.	-	2,130	Audit firm for next year reported that the project now complies with the recommendation.
		8,580		-	8,580	

Table 10.2 (e) Detailed Audit Table (20 December 2014)

Sr. No .	Audit observation	Amount of Observation	Response / Action taken by the Project	Amount Settled	Amount not settled	Remarks
1	Proper Procurement procedure not followed for procurement of technical assistance, consultancies and studies.	-	Not practical to follow procurement procedures in brief visits in the fields for survey.	-	-	