

Islamic Republic of Afghanistan

Rural Microfinance and Livestock Support Programme

Supervision report

Main report and appendices

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Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of RMLSP implementation	1
C. Outputs and outcomes	3
D. RMLSP implementation progress	9
E. Fiduciary aspects	12
F. Sustainability	15
G. Other	17
H. Conclusion	17

List of Tables

Table 1: Summary budget execution under three RMLSP components	2
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Appendices

Appendix 1:	Summary of project status and ratings	19
Appendix 2:	Updated logical framework: Progress against objectives, outcomes and outputs	23
Appendix 3:	Summary of key actions to be taken within agreed timeframes	27
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	31
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category	37
Appendix 6:	Compliance with legal covenants: Status of implementation	39
Appendix 7:	Knowledge management: Learning and Innovation	41

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 Agriculture 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
PST	Programme Support Team
RMLSP	Rural Microfinance and Livestock Project
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

Rural Microfinance and Livestock Support Programme
(Project No. 1460/Grant No. I-DSF-8033-AF)
Supervision Mission: 8 – 31 August 2015

A. Introduction¹

1. Rural Microfinance and Livestock Support Programme (RMLSP) is a SDR 16 million (equivalent to approximately US\$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 8 to 31 August 2015 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.

3. The Mission consulted government officials, members of the Programme Support Team (PST), Service Providers (BLDU, FAO, ICARDA, DCA, and MISFA), beneficiaries and key stakeholders at both central and provincial/district level. The Mission visited three provinces and six districts² as well as SPs in Kabul centre.

4. Following a pre-wrap up meeting with the PST and SPs on 30 August 2015, 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 30 August 2015, 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 project is Satisfactory [5].** 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 a number of innovations/best practices, and there

¹ Mission composition: Mission composition: Mr Karim Merchant (mission leader), Mr Zahid Shakeel Qureshi (infrastructure specialist), Mr Jens Kristensen (agribusiness specialist), Dr. Khaista Yousafzai (livestock specialist), Mr Kajal Chakraborty (financial management specialist). It was guided by Mr Wais Barnak (country programme advisor), Mr Qaim Shah (senior country programme officer), and Ms Yurie Naito (programme analyst). With support from Ms Judith D'Souza (gender, poverty and targeting specialist) along with additional work undertaken on gender, targeting, gender, M&E and KM support by all Mission members.

² Due to a shortage of time and security considerations, the teams was divided up for field visits as follows: Ms Yurie Naito visited Deh Sabz and Mr Zahid Shakeel visited Bagram 14 Aug; Mr Zahid Shakeel visited Qargah 15 Aug; Ms Yurie Naito visited Charikar on 17 Aug; Mr Jens Kristensen and Dr Khaista visited Mazar 22-25 Aug, and Bagram on 26 Aug and Qarabagh on 27 Aug.

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.

7. **Annual implementation progress and progress in addressing previous mission recommendations.** There has been generally positive progress on recommendations made in the Supervision Mission of November 2014 (e.g. strengthening of an overall exit strategy, speeding up commissioning of the Khatiz Dairy Union factory, recruitment of a few key positions in the Project Coordination Unit, expansion of the Financial Graduation of the Ultra-Poor sub-component to a new province. In addition, annual implementation progress is on track.

8. **Total disbursement** as of 31st July 2015 is US\$ 25.01 million, against the total programme budget of US\$ 29.89 million or **83.66%**. The summary budget execution under the three programme components is reflected in Table 1.

Table 1: Summary budget execution under three RMLSP components

	Component 1	Component 2	Component 3		Total (US\$)
	Rural Microfinance	Livestock Support	Project Management & Coordination	Unallocated	
Cumulative since inception to July 2015					
Budget*	9,935,044	16,249,735	3,712,081	-	29,896,860
Actual	7,950,628	14,501,631	2,558,490		25,010,749
% execution	80.03	89.24	72.89		83.66

9. **Component 1: Rural Microfinance [Moderately satisfactory 4]** This component has met most of the previous SM recommendations. As the RMLSP will enter into the completion phase, the PST and SPs will initiate the overall assessment of the activities and document results and lessons learnt for future operations.

10. **Sub-component 1.1: Innovation Facility.** 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”. Despite a number of normative frameworks allowing a more level policy and legislative landscape, IFIs have adapted to fluctuating circumstances well 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.

11. Outstanding issues currently being addressed include:

- **MISFA Exit Strategy:** Under the Targeting the Ultra-Poor (TUP) activity, a strategy for handing over borrowers to CDCs, District Development Assemblies (DDAs) and Department of Agriculture, Irrigation and Livestock (DAIL) has been submitted, but it requires further strengthening based upon guidance from the RMLSP microfinance specialist and drawing upon MISFA’s considerable in-country resources and knowledge. More details are required on linkages with relevant institutions (e.g. FMFB, DAIL/MAIL, etc.), a detailed implementation plan and on post-project follow up activities.
- **Increased KM activity:** Success stories achieved have yet to be disseminated due to a lack of effective communications. With the recruitment of a KM officer, information packages need to be tailored to clarify and promote replicable and sustainable this has to be addressed with a set timeline for all partners in conjunction with the PST.

12. **Sub-component 1.2: Financial Graduation of the Ultra-Poor.** An initially new concept to Afghanistan, the first round of TUP has provided significant lessons that have been applied judiciously. The current implementers of TUP are maturing as institutions and re-contextualising the approach. Graduation of beneficiaries into the formal lending sector is now sizeable.

13. **Sub-component 1.3: Technical Support and Capacity Building for MFIs.** 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.

14. **Component 2 (Livestock Support)** is also on track towards achieving, and in some cases, surpassing, most of its targets.

15. **Sub-component 2.1: Integrated Dairy Scheme.** Although progress has been made in registering the Khatiz Dairy Union (KhDU), this institution still lacks the independence and institutional maturity required for it to be sustainable post-project. The processing plant machinery which was finally commissioned in February 2015 still lacks connection to the power grid and has been powered by a diesel generator. In addition, HACCP certification is still pending due to the lack of construction of changing rooms.

16. **Sub-component 2.2: Veterinary Services in Northern Region** has been delivered in a gradual and sustainable manner, with a constantly evolving and informed approach to delivery services through VFUs. In addition, the constantly evolving VFU model is proving a possible way forward for MAIL to privatise an entire service tier.

17. **Sub-component 2.3: Backyard Poultry Development.** The transfer of delivery directly from FAO to the BLDU has resulted in a drastic improvement in targeting, which was confirmed by a Mission field visit. It is assessed by the Mission, that the backyard poultry model is an excellent entry point for introduction of microfinance (savings and credit) for expansion of this model into a commercial/sustainable manner.

18. **Sub-component 2.4: Dairy Goat Distribution** has progressed in line with its deliverables. However, experience from similar activities in Afghanistan suggests that the goat model approach is not sustainable post-project support. It will therefore be necessary to undertake a detailed impact assessment during the end of 2016 early 2017 to get a good handle on the organic growth and impact of the project.

19. **Component 3: Programme Management and Coordination** falls into two sub-components, with sub-component 3.1 **Programme Support Team (PST)** generally responding and adapting to the challenges of the programme, and managed its SPs satisfactorily. Engagement of additional technical staff for microfinance, livestock, and procurement, has resulted in a definite improvement in overall programme management with a deeper engagement with microfinance partners. However, M&E and KM are still understaffed, resulting in a performance lag that will need to be compensated for over the next six months.

20. **Sub-component 3.2 - The Young Professional Consultants (YPC) programme** continues to perform well, providing excellent field exposure for young agriculture/livestock faculty graduates. After a year of on-the-job training experience, many move onto posts with the SPs or other high level employers.

21. **Likelihood of achieving development objectives.** While it is likely that most of the targets will be achieved or exceeded by the end of the project, greater emphasis will be required on ensuring some SP exit strategies are re-visited to ensure not only alignment with each other, but also provide a well-sequenced consolidation of interventions handing-over implementation responsibilities to beneficiary organizations and government institutions, to ensure post-project sustainability does not remain at risk.

22. **Impact of the security situation:** The security situation continues to be an important challenge to programme progress. However, despite the volatility and uncertainty of the security situation in many project target areas, the PST and SPs deserve recognition for keeping programme implementation and quality remained more or less on track.

C. Outputs and outcomes

23. **Component 1: Rural Microfinance [Moderately satisfactory 4].** Overall disbursement under the rural microfinance component is US\$ 7.95 million or 80%, resulting in marked improvement in delivery.

24. **Sector and policy issues and impact on project implementation.** The Afghan financial sector remains comparatively small with total assets of the banking sector at only USD 4.1 billion³. Of these, the gross loan portfolio outstanding stood at the end of 2014 only at USD 796 million. Set against the deposit total of USD 3.5 billion equivalent, it becomes immediately apparent that one of the key financial sector challenges is the excessive liquidity of the commercial banking sector. Inflationary pressures have gradually declined over the past five years with more erratic movements in the prior period.

25. The security situation continues to affect the work of the Microfinance Institutions (MFIs). However, the microfinance sector is bouncing back after the difficult 2014 with the withdrawal of most of the foreign troops and two subsequent elections. In this challenging sector environment, MFIs generally kept a low profile. The MF sector largely managed to be stable with only minor inflation adjusted reductions in the Gross Loan Portfolio. Altogether, five out of seven MFIs have reached operational self-sufficiency and prospects for the micro-finance sector remain comparatively more favourable. This is because unlike commercial banks, Afghan MFIs evolved out of international projects and most of them have continued access to quality international technical assistance because of the sustained commitment of their previous owners and funders.

26. **Recent Developments:** Following key policy statements of the new Afghan government, the banking sector has a much stronger tendency towards Islamic financing. Six banks have launched Islamic products, and one - the Bakhtar Bank - is in the process of converting their entire business to Islamic financing. More staff intensive servicing procedures and the requirement to have an accredited Shar'ia board in place are the major limiting factors. Another recent observable trend is a strategic alignment towards strengthening the agricultural and rural financing capabilities. The presently very thin branch and population density outside of the urban centres and lack of specific banking skills are the main constraints that currently limit the potential for a short term expansion into more rural and agricultural locations of Afghanistan

27. **Sub-component 1.1: Innovation Facility [Moderately satisfactory 4]** On behalf of IFAD, MISFA developed two innovative packages: (i) Agricultural Loan Product: was piloted in 2012 in four provinces (Badakhshan, Takhar, Kunduz and Baghlan). The successful product piloting lead to an expansion into others districts in the same provinces, resulting in 24,444 farmers receiving loans totalling USD 25.5 million, with 500 farmers received technical advice from the agriculture expert hired by SP; (ii) Shar'ia Loan Product: the progress of this product is very encouraging - since 2013 2,971 loans have been disbursed totalling USD 2.5 million. The product has expanded to three other provinces (Balkh, Kunduz and Takhar). The Shar'ia Loan Product was supported and strengthened by the utilisation of a short-term international consultant. After minor adjustments in the product, progress increased from 85 loans in 2013 to more than 1,000 loans disbursed in 2014.

28. **Sub-component 1.2: Financial Graduation of the Ultra-Poor [Moderately satisfactory 4]** A review by the RMLSP M&E team of TUP beneficiaries from the first graduation cycle has shown promising results with 65% of beneficiaries able to access credit from formal institutions, thereby demonstrating a shift from extreme poverty and loan illegibility. In addition, the second cycle of TUP implementation is currently proceeding in Badakhshan under a new partner, CoAR ("Coordination of Afghan Relief"). Implementation proceeds according to plan, but with greater focus on efficient implementation. With this in mind, the CoAR implementation team needs to keep the costs per beneficiary in focus as a key performance indicator and strive not to have costs exceed the current USD 1,800 per beneficiary in the second TUP cycle in Badakhshan. In addition, MISFA has yet to develop a convincing exit strategy for this activity that must be generated from within drawing upon its considerable resources and knowledge.

29. Coordination between TUP provincial level partners in Badakhshan has greatly improved, and all phases of TUP have been implemented according to the developed criteria and workplan through the set up coordination mechanisms. In addition, contextualisation of the project has been undertaken by the SPs with support from MISFA, based on lessons learned from the first round in Bamyan province. Success stories achieved have yet to be disseminated due to a lack of effective

³ A country with similar characteristics and almost identical population totals (30 mn.) like Uzbekistan has almost three times the total banking assets.

communications - this has to be addressed with a set timeline for all partners in conjunction with the PST.

30. **Sub-component 1.3: Technical Support and Capacity Building for MFIs [Moderately satisfactory 4]** Funds under this sub-component have been utilised for market systems development, piloting innovations designed to improve access to finance, including financial literacy and strengthening governance structures.

Agreed action	Responsibility	Agreed date
The TUP exit strategy will need to be expanded and further detailed	MISFA /Project	30 Sept 2015
MISFA/IFAD Knowledge Management Officers to exchange information and lessons	MISFA/Project	Immediate

31. **Component 2: Livestock Support: [Moderately unsatisfactory 3]**. This component has met most of the previous SM recommendations, but two of the sub-components are facing various constraints without coherent mitigation strategies.

32. **Sub-component 2.1 Integrated Dairy Scheme: Progress has been rated Unsatisfactory [2]**. This sub-components comprises of six closely inter-linked interventions reviewed below in some detail:

- **Support to the Khatiz Dairy Union:** The project has successfully supported the establishment and registration of 3 primary cooperatives under the KhDU, achieving the target of 18 primary cooperatives within the project area⁴. This has been backed up with training provision in cooperative registration processes and recent legislation for 37 members/officials. A further 450 members (totalling 30% of all cooperative members) have received training in cooperative advantages, governance and management. However, a review of a recent RMLSP/PMU report and first-hand field visits suggest an ad hoc approach was applied, as opposed to a more coherent and carefully scheduled model aimed at building the institutional capacity in the governing, operating and managing of a primary cooperative. Meetings with executive and ordinary members of the KhDU displayed institutional structure remains weak with a distinct lack of ownership at all levels of management, the with the cooperative still being regarded as the property of the SP.
- **Dairy processing plant:** The processing plant machinery which was finally commissioned in February 2015 but still lacks connection to the power grid and has been powered by a diesel generator. Despite agreement between the November 2014 SM, KhDU and the SP to fast track the installation of electricity, it has not happened yet. The PMU has also reiterated the importance of installation of public electricity in order to reduce processing cost, but to no avail. In addition, during the previous SM (Nov 2015), it was agreed that the staff change/wash room at the plant entrance were to be completed allowing finalisation of on-going HACCP certification process - this has still not been undertaken. It remains important that this takes place as it provides an advantage when competing with imported product and products from large private milk processors.
- At this juncture of the project, a more holistic review of this intervention was taken and it is 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. Hence the plant will remain heavily under-utilised and is geared to the production of incorrect products. Most importantly, the ice cream production line is not operating, because of a lack of a retail cold chain, thereby missing a major income generating opportunity. Furthermore, demand for packed pasteurised milk is low because milk outlets and consumers lack refrigeration capacity (limited grid supply) and therefore, prefer UHT milk, having a long shelf life. The traditional type of cheese (semi-hard) and yoghurt is preferred over KhDU products. For these reasons the demand for KhDU products only require between 0.7-0.9 MT of raw milk per day representing 7-9% of installed capacity for one shift.

⁴ This completes the planned institutional structure, presently consisting of the KHDU, 5 secondary cooperatives and 18 primary cooperative with a total membership of 1,510 of which around 106 are women.

Presently, products sold do not display dates of production or best consumed date. This is another important aspect to enhance competitiveness and in need of correction. It was also noted that poor texture and quality of the yoghurt displays the requirement for additional training of the technical staff of the plant.

- Detailed data on production cost was unavailable, but information obtained from the PMU's earlier and this Mission's later meetings with the KhDU confirm the present level of sales (products made from 700-900 lt/day) cannot cover the costs of the raw milk, diesel, milk spillage, salaries and milk transport. Factoring in provisions for depreciation and financial cost, the plant is operating at a substantial loss⁵. In order to turn the KhDU dairy plant into a profit making entity, it will be necessary to undertake a professional, detailed feasibility study examining the best options for rescuing the investment and ensuring and incrementally improving market for farmer's milk. The study should examine and explore: (i) additional investment required to adopt current products to evolving market demand; (ii) the level and type of high quality technical support now required by the KhDU to continue plant operation; (iii) leasing the plant to the private sector without or with upgrading the products assortment; (iv) the possibility of selling on the plant to a private sector entity along with other possible options to bring in a private sector institution as part of an exit strategy for the project. It is crucial that the exit/turnaround strategy applies a competitive process for attracting new investors, technical assistance etc., and breaking the current dependency culture compounded by elite capture within in the governance structure.
- Milk Collection Infrastructure: A total of 18 Milk Chilling Centres (MCCs) have been established, of these 5 are equipped with refrigerated tanks and generators. Reportedly, the cooling tanks and generators have not been installed at the time of the Mission. According to information from meetings with KhDU members, only seven MCCs are actually being used for milk collection. The average daily collection per MCC is 130 litres. The project has trained 18 milk collectors, 6 dairy technicians and 26 steering committee members of the cooperatives in milk quality testing and milk delivery recording.
- Milk Production: The SP has overseen training in the production and milking hygiene for 3,805 men and 3,105 women over the duration of the project (1,485 women and 1,046 men since the last SM). A review of the training courses and their sequence confirmed a lack of a clear systematic capacity building approach, being pre-dominantly ad-hoc. It is the Mission's assessment that the ad-hoc approach to training and limited refresher courses are insufficient to build the knowledge of increasing milk yields.
- The present milk requirement of the dairy plant is supplied by around 200 out of 1,510 members. It was reported that each member owns an average of two cows, with a daily production of 10 kg/day⁶ (5 kg/cow), of which 5 kg is retained for the calf and household consumption, and 5 kg is supplied to the dairy plant. The aforementioned milk yields do not reflect well upon the type of training provided and its impact. This finding is corroborated by available national statistics suggesting that milk yield has dropped by 2.6% per year over the past 10 years⁷. A recent study undertaken by the project supports this finding⁸.
- Feed resources development: A total of 2,061 kg of different types of fodder crop seed was produced by contracted KhDU members. The seed was sold to other KhDU members, non-members and to NGOs. It is reported that the seed was used to plant around 95 ha of forage crops with an average net return of USD 4,195 per ha⁹. Unfortunately, there is no available data on feeding regime and effect on milk yields, but above reported milk yield suggests the effect was minimal. It is reported that the revenue from sale of seed was around USD 6,715.

⁵ In contrast, a small dairy enterprise visited by the Mission collects and average of 2,450lts/ day for processing into yoghurt, cream and cheese. The total capital investment is USD 16,500 and the plant generates a handsome annual return to the owner, allowing good salaries for its 16 employees and a competitive milk price to suppliers. The small enterprise has provided advisory services to its suppliers, and over the past years milk yields have increased from an average of 4lt/day to 11lt/day.

⁶ Reported lactation was 280 days per year

⁷ See Appendix 8: Working Paper

⁸ Dairy Industry Development Study for Logar, Kabul and Parwan Provinces

⁹ This is similar net return to vegetable and stone fruits like peach and apricot

Prior to actual seed production, demonstrations were conducted and attended by approximately 1,200 farmers.

- The KhDU feed mill business, sold 127 MT of concentrate feed through the KhDU's 17 primary dairy cooperatives. The feed was purchased by 1,304 members and 1,361 non-members, averaging 48 kg per farmer. Data on feeding regime and its effect on milk yield were not available at the time of the Mission, but above milk yields indicate limited effect. It would also have been surprising if 48 kg of concentrate will affect yield significantly. The total revenue from sale of concentrate amounted to USD 30,078. The KhDU's feed mill capacity was utilised at only 27% to produce the above concentrate, indicating significant scope for increasing production. The price of this feed was no cheaper than alternatives available on the open market, with the proposed profit from this activity being used to subsidise plant operating costs as opposed to being passed onto members. The revenue from sale of seed and concentrate was credited to the KhDU's revolving fund for further development of seed multiplication and feed production. Information on profitability/financial report of these commercial activities was not available during the time of the Mission.
- Animal Health and AI: Under the KhDU MoU with 6 VFUs and 8 AI technicians, some 720 members were trained in the importance of vaccination, de-worming and control of external parasites. The training also included feeding, fodder production, improved cow pens and cooperative management. The training on dairy cow housing resulted in improvement of 24 stables and 90 shelters. The AI technicians undertook 30,821 inseminations within the project area, leading to 8,618 pregnant cows, i.e. a conception rate of 28%, which is low. This could indicate that farmers require additional training to detect heat, the poor quality of semen delivered by the SP or AI technicians require more training. The cross-breed impact on milk yield was not available, but the incremental value of a cross breed calf was estimated to be around USD 300/calf. It is important that the conception rate be improve drastically, in order to maintain/gain farmers' trust.

33. In conclusion, based upon expenditure of USD 5.99 million by end of 2014, the investment cost per member delivering milk to the market created by the KhDU dairy plant is USD 29,975. The cost per member based upon total membership is USD 3,970. Presently, it is difficult to assess the exact benefit for each member as the impacts of the various interventions are not measured/reported. However the Mission's analysis¹⁰ based on recall costs and benefits, obtained from farmers suggest that milk yield of 5 kg/cow/day is not currently financially viable.

Agreed Action	Responsibility	Agreed Date
Building changing and wash rooms at the entrance gate of dairy plant necessary for obtaining HACCAP certification and engage the accredited company to undertake the training and certification process.	FAO	HACCP certification to be obtained before February 2016
Purchase the electricity wire/cable for connecting the KhDU dairy plant and feed mill to the public electricity grid.	FAO and RMLSP	November 2015
Iterate, install the milk chilling equipment for ice cream.	FAO	November 2015
Prepare a detailed exit strategy including: 1/ financial report of the dairy plant, 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 .	FAO and KHDU	January 2016
Prepare 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	November 2015
Prepare a detailed impact assessment of the subcomponent	PMU	January 2016

34. **Sub-component 2.2 Veterinary Services in the Northern Region: Progress is rated Satisfactory [5]** and has been delivered in a gradual and sustainable manner, with a constantly evolving and informed approach to delivery services through VFUs. Implementation of the project

¹⁰ See Annex 1: Integrated Dairy Service Working Paper

interventions continues to be in close collaboration with relevant governmental line departments, especially MAIL at the district, provincial and regional levels, and other service providers such as ICARDA and FAO, and with the Animal Health Development Programme. However, to ensure the sustainability of animal health services, the capacity development element should be institutionalised through a state-owned institution or Afghanistan Veterinary Association. This will ensure Para-vets and BVWs remain updated on new developments in animal diseases. Furthermore, alternative reputable sources for medicines and vaccines must be sought to ensure price and market competitiveness.

Agreed Action	Responsibility	Agreed Date
Fast track the approval of the draft Animal Health and Veterinary Public Health Act	MAIL with support from PMU	Before end of 2015

35. Sub-component 2.3 Backyard Poultry Development: The progress has been rated Moderately satisfactory [4]. The transfer of delivery directly from FAO to the BLDU has resulted in a drastic improvement in targeting, which was confirmed by a Mission field visit. It is assessed by the Mission, that the backyard poultry model is an excellent entry point for introduction of microfinance (savings and credit) for expansion of this model into a commercial/sustainable manner. 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.

Agreed Action	Responsibility	Agreed Date
Identify the different feeding regimes used among the communities and prepare Benefit Cost (B/C) analysis for each of the different feeding regimes used..	BLDU	December 2015
Identify the organic growth of the original layer unit through either natural hatching or procurement of additional birds.	BLDU	December 2015
Identify other income generating income activities stemming from the poultry units. This information should be supported by empirical evidence of financed from the initial layer unit	BLDU	December 2015
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
Based on interest from MFIs, develop model for introducing micro finance using the backyard model	PMU	December 2015
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 the latter of 15 pullets.	PMU	December 2015

36. Sub-component 2.4 Dairy Goat Distribution: The dairy goat implementation performance is rated Satisfactory [5]. Experience from similar activities in Afghanistan suggests that the goat model approach is not sustainable post-project. The cost for delivering the total package is very high considering the outreach, particularly if comparing it with Sub-component 2.2. However, the adoption of the fodder crops could pick up and make the intervention more attractive. It will, therefore, be necessary to undertake a detailed impact assessment during the end of 2016 and early 2017 to get a good handle on the organic growth and impact of the project.

Agreed Action	Responsibility	Agreed Date
Identify MFI interested to use the milk goat groups as a mechanism to grow their business through expansion of the model to new groups and by supporting those with experience to enter into new IGAs	ICARDA and PMU	December 2015
Prepare ToRs for a detailed impact study to be conducted by end 2016/early 2017	ICARDA and PMU	December 2015
Prepare B/C for the model including B/C of introducing improved fodder crops	ICARDA	December 2015

D. RMLSP implementation progress

37. Component 3: Project Management and Coordination. Moderately satisfactory [4].

38. **Sub-component 3.1 Programme Support Team (PST) is rated Satisfactory [5].** The PST has generally responded and adjusted to the challenges of the programme, and managed its SPs satisfactorily. The coordination with SPs and government counterparts has adapted well to the changing demands of the new Afghan administration and a new Minister. As RMLSP is approaching completion, the result of the coordination now needs to be consolidated and documented. Engagement of additional technical staff for microfinance, livestock, and procurement, has resulted in a definite improvement in overall programme management with a deeper engagement with microfinance partners. However, M&E and KM are still understaffed, resulting in a performance lag that will need to be compensated for over the next six months.

39. With administration expenditures being reduced as RMLSP approaches closure, several key staff will need to be retained due to their institutional knowledge of IFAD project procedures/processes as well as the historical background of technical assistance and capacity building to SPs. Any such transfer to another IFAD-funded project (i.e. CLAP or SNaPP2) would be subject to standard IFAD and MAIL's procedures on technical and performance assessment as well as thorough analysis of cost implications.

40. **Monitoring and Evaluation is rated Moderately satisfactory [4].** Though progress is being made, it remains sporadic and lacks coherence. The assessment of short-term impacts on beneficiaries has been addressed by linking outcome indicators to the annual outcome survey (AOS) and the AWPB. The KAP survey trainings have been completed, but SPs responses remain slower than anticipated. In addition, reporting for Missions/annual reports including cumulative data as separate tables to be able to assess overall trends is under way, but behind schedule. The role and responsibilities of the PST (M&E officer, KM officer and technical officers), the SPs and the DAIL/MAIL are still not well defined nor properly internalised at all levels which leads to both gaps and overlaps (data collection, data analysis, quality control, etc.).

41. With the imminent closure of RMLSP, the unit is commissioning an impact assessment which displays anticipatory thinking. In addition, training will be required to prepare the PST to lead in the Project Completion Review (PCR) process.

Agreed action	Responsibility	Agreed date
Continue documenting logframe outcome indicators through the regular M&E tools	M&E unit at PST	31 Dec 2015
Finalise KAP survey	PST M&E unit and SPs	1 Oct 2015
Commission impact assessment of RMLSP	M&E and PD	1 Oct 2015
In situ training for M&E team to understand PCR process	CPM, CPO and PD	30 Nov 2015
PST to develop a table of proposed staff movements with justifications to be budgeted and rationalised	PST	Feb 2016

42. **Knowledge Management is rated Moderately unsatisfactory [3].** The KM strategy developed by the project in May 2014 remains well laid out and addresses key concerns and has prompted all SPs to recruit KM Officers. However, in the overall KM strategy developed by RMLSP, the implementation plan, the methodology to identify best practices and consolidate information that a project near completion requires is still lacking. Recruitment for the position of KM Officer remains unsustainable and the project has seen a high rate of attrition in the M&E Unit aggravated by a recruitment freeze by the GoIRA for almost 12 months. There is presently no KM officer since September 2014. Hence, recommendations made in the last Supervision Mission remain on-going and only partially completed by the PST. This will prevent the PST from becoming a hub for KM, recycle learnings to feed into other IFAD interventions.

Agreed action	Responsibility	Agreed date
Carry forward the process initiated at the Supervision Mission in consolidation of best practices	PST and relevant Manager/Director	31 Jan 2016
Complete/update the KM action plan and share with SPs	PST and relevant Manager/Director	31 Jan 2016

43. **Gender focus is rated Moderately satisfactory [4].** The PST and SPs continued to carry out activities and trainings to empower women in the programme areas. The Gender Strategy (Guideline) and a check list have been developed, being used and shared with the respective SPs as recommended by the last IFAD Supervision Mission. As part of its consolidation process, the project team is oriented towards building capabilities, knowledge empowerment and participation in the various trainings with the microfinance component also looking at access to credit. There are several anecdotes that indicate women's gain in technical knowledge of livestock care and treatment. The field visits indicated a high level of involvement of the women and their eagerness to learn new things. There is an increase in the incomes at the household levels along with anecdotes of lifestyle and diet changes as encountered in the field visits.

44. The AOS studies have thrown up some good data that can trace the development of the women's empowerment approach implemented by RMLSP. The Backyard Poultry study indicates that 65% of the beneficiaries are very poor with 21% of them being headed by a female. A total of 73% of HHs reported moderate or average income levels while poor HHs reporting a 16% increase. A total of 18% women beneficiaries reported (compared to 14% of the control group) that they had full control over the income generated on the sale of poultry related items. There was an increase in the number of female-headed HHs in the veterinary services – from 9% in 2013 to 45% in 2014. DCA has made great strides in targeting the most vulnerable in this component. 44% of beneficiaries reported having authority over selling agricultural products, 39% reported making decisions in cultivating the land, 9% reported making decisions related to purchase of land and 8% reported making decisions regarding the sale of agricultural land. A total of 45% of women beneficiaries reported having full authority over the income they earned compared to 2% of the control group. Food, home expenditure and health were the three largest expenditure items as reported by the respondents. A total of 26% of households were reported to be female-headed HHs under the MF component. With the TUP component, a total of 28% of beneficiaries were from female headed households and 97% reporting that they had no one to take care of them. A total of 31% of women beneficiaries reported full authority over the income they earned.

45. The impact study on dairy goat is at the completion stage, and the PST is expecting to receive the report in early September 2015. The PST, with slight delay, will initiate impact studies with focus on women on the backyard poultry and TUP activities in the programme areas. The PST has identified an international consultant to undertake the impact study of TUP, and the work is expected to start from September 2015. These studies will then feed into the PCR as well as lessons learnt to be reflected in the implementation of on-going CLAP as well as in the new programme SNaPP2.

46. A few concept notes, that include exposure visits by the members of savings groups to Balkh, Nangarhar and Parwan, have been developed by the Gender Officer in the effort to identify ways to utilise cash collected by the savings groups. While exposure visits have not yet materialised, several savings groups have implemented poultry and cattle farms as well as handicraft, soap, and food processing productions, with support from the Gender Officer and SPs. These products are mainly sold locally within the communities. In addition many of the products are sold at exhibitions organised by the government such as the Agriculture Fair, International Women's Day, etc. Sustainability plans for the BYP and the TUP are still in progress and will need to be completed as soon as possible to ensure that RMLSP has the required steps in place for a smooth withdrawal.

47. **Sub-component 3.2 Young Professional Consultant programme (YPC) is rated Satisfactory [5].** The YPC is led by the Gender Officer in coordination with the Ministry of Women's Affairs (MoWA), and this sub-component continued to show positive results. Seven newly graduated women were recruited at the provincial level in Bamyān, Badakhshan, Baghlan and Kunduz as well as three consultants in Kabul between January 2014 and August 2015. During their tenure, the programme offered on-the-job training in their respective education background such as animal health and economics in the programme areas or in the PST. Many of these women gained employment in government institutions, INGOs and UN agencies after completing their assignments. The main issue to be mitigated is the coordination of information dissemination to the provinces to ensure that women have easy access to job vacancy announcements.

48. There is much anecdotal evidences that illustrate the sense of achievement among the beneficiaries. Awareness raising, community sensitization and self-help/business group formation and income generation activities are the different ways that the SPs have utilised for community empowerment within their project context. However to bring about social transformation required consistent back stopping support and highly developed skills. Project staff needs to be continuously trained and mentored to evolve their community development skills. Long term facilitation at the field level along with consistent follow up is required to make these institutions self-reliant and not depend on the SPs as they are presently doing.

49. **Challenges:** Common challenges that impact programme implementation are (i) lack of access to market for active rural women; (ii) acceptance of credit mechanism as sharia does not have the concept of interest; (iii) lack of communication/network with other women in remote areas for women to start/continue their business activities; and (iv) limited women's mobility as per custom (women are not allowed to travel alone).

50. **Poverty and targeting focus is rated Satisfactory [5]:** Income increase among the backyard poultry keepers has seen a steady rise across the last three years with 52% beneficiaries reporting an increase in incomes. However the amounts are not substantial and beneficiaries still need to depend on other sources of income. Food insecurity levels reduced substantially with 96% reporting that they no longer faced periods of food shortage. A total of 70% of beneficiaries reported an improvement in the quality of food they consumed. It was reported that 30% of the eggs were consumed at the household while the rest were sold. A total of 56% of veterinary services beneficiaries reported an increase in their income levels (74% reported that they had moved into the "very high income" category in the last one year). Food security improved with 7% reporting some level of food shortage in 2014 while it was 20% in 2013. A total of 86% of beneficiaries in the MF component reported no food shortages during the last one year and 64% beneficiaries reporting an improvement in the quality of food. In the TUP component, a total of 55% beneficiaries (a jump from 13% in 2013) reported themselves to be in the "medium income" category. There has been an increase in the upward movement with 7% households moving into the "well off" income category in 2014 while in 2013 there were no households. It was studies that 97% beneficiaries in this component reported no food shortage in the last one year.

51. **Innovation and learning is rated Satisfactory [5].** Workshops have been conducted by the Gender and M&E Units of the PST in order to identify the innovations and best practices with the SPs and those that have been up-scaled by other donors across the country. A sound, insightful Knowledge Management Strategy has been developed with a performance framework stating clear outcomes and deliverables within the project with an action plan till June 2014. The PST has initiated numerous coordination meetings at Kabul level with SPs and government stakeholders. At provincial levels, coordination meetings have been held with the SPs and Provincial departments of DAIL (in Badakhshan, the Project Steering Committee provides oversight and guidance to the CoAR implemented TUP, and DCA is part of the provincial Agriculture Sector Committee).

52. At SP level, a number of pictorial educational material and exposure training workshops have been generated for beneficiary awareness building, as well as for key stakeholders including the government. The SPs have used various kinds of media to disseminate project activity information as well as educational information.

53. The project is currently working with the support of the Livestock and Veterinary Departments on consolidating all available livestock extension materials to for coherence and uniformity, to be used by other projects/agencies working on livestock. Dairy and poultry extension materials are finalised and the Livestock Director who has approved its technical accuracy and subsequent publication. The Gender, M&E and KM Specialist on the previous Supervision Mission conducted a workshop on the identification of best practices, innovations and learnings among the SPs which needs to be now followed up by the PST and the Project Director.

54. **Challenges:** (i) the KM strategy developed by RMLSP lacks a sufficient implementation plan, and a methodology to identify best practices and consolidate information that a project near completion requires; (ii) the position of KM Officer has not been sustainable and the project has seen a high rate of attrition. There has been no KM officer since September 2014; (iii) recommendations

made in the last Supervision Mission have only seen partial completion by the PST (e.g. the write shop, studies on best practices etc.); (iv) the KM strategy has been partially implemented with more focus on communications, rather than on knowledge analyses and generation for internal project purposes (e.g. through newsletter and IfadAsia portal, the Ministers page on Facebook etc.); (v) at provincial level, SPs lack opportunities for mutual information sharing and support and this needs to be strengthened.

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 2015
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	31 Dec 2015
Gender Officer to develop short policy briefs on the various gender/women's empowerment interventions linked to the respective legislations.	Gender Officer	31 Dec 2015
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	30 Sept 2015
Create a consolidated database to record all training sessions including purpose, location, number of participants, links to other Components and to monitor outcome of the training. The information to be shared with the M&E Specialist to be included in the MIS reporting.	Gender Officer, M&E Specialist	30 Sept 2015

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

E. Fiduciary aspects

56. **Financial management is rated as Moderately satisfactory [4].** Overall, the financial management has maintained a good sense of competency making efforts to deal with the key issues identified during previous Missions. The Finance and Accounts unit now consists of 1 Senior Manager Finance (SFM), 1 Finance Manager (FM) responsible for both RMLSP and CLAP projects, with 2 Finance Officers (FO) dedicated to each project backed up by 1 Cashier. The Senior Finance Manager and the CLAP AO have received training from IFAD on Financial Management and Procurement. The Manager Finance and the RMLSP FO are yet to receive any formal training on IFAD Financial Management and Procurement. A detailed review confirms the findings below:

57. A number of with recommendations made in the last SM have been met, with the remainder in the process of completion. The project follows a cash basis of accounting and no accruals are taken into cognizance. Internal controls mechanism in the project in general appears to be satisfactory. Adequate controls lie in place in respect of remittance receipts, transfer of funds from the designated accounts and fixed assets accounting. The project does not grant any advance of any nature and cash payments, although minimal are well controlled.

58. As per Government of Afghanistan guidelines, the project has only one Special Account in US Dollars 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.

59. Bank Reconciliation Statements (BRS) are prepared on a monthly basis and no issues arose in this regard. The Mission verified the closing balance of the Special Account reflected in the BRS as on 31st July 2015 with the balance reflected in the bank statement and also cross verified the figure, taking into consideration the last audited balance receipts from the period 21st December to 31 July 2015 and the expenses for the period.

60. Fixed Assets registers have been maintained with distinctive numbers for identification and verification. Physical verification is done semi-annually and the last physical verification of Fixed Assets was done on 8 April, 2015 with no discrepancy registered.

61. The Service Providers have generally adhered to the conditions stipulated in the agreements entered namely opening of separate bank account, maintenance of separate books of account, furnishing of AWP&B, periodical Progress Reports and annual audited / certified financial statements as required by the agreements. On review of the audited accounts of SP MISFA, it was observed that MISFA prepares the financial statements in Afghanis (Afs) and not in USD. The project should insist that the MISFA reports the annual financial statements in USD instead of Afs.

62. To date, the project has submitted withdrawal applications to IFAD aggregating USD 25.43 million, of which IFAD has already released USD 25.01 million, which includes initial advances paid to the PST and direct payments made to the SPs. Out of USD 25.01 million, USD 1.62 million pertains to WAs against the additional finance of USD 6 million approved for the project and the balance USD 23.39 million out of the original allocation. In addition, the project was given an Initial Advance of USD 0.70 million, which has been recovered to the extent of USD 0.43 million. The project has submitted a WA to let IFAD recover the balance amount of USD 0.27 million. Post recovery of this Initial Advance, IFAD would release the sum of USD 0.20 million representing a part of USD 0.5 million as new Initial Advance for which a WA has been submitted to IFAD.

63. IFAD maintains two separate accounts for the original allocation of SDR 16 million and SDR 3.91 million for the new allocation. On review of the historical statements of these accounts, it was observed that sums of USD 81,600 (SDR 54,897) and USD 400,000 (SDR 283,913) were disbursed by IFAD on 10 October 2014 and 2 February 2015, directly to BLDU and FAO respectively out of the additional funds of USD 6 million, allocated for this project for IFAD. These disbursements have been reflected in the Statement of Funds and the Historical Statements of the original allocation. Necessary corrections in IFAD records need to be made in this respect.

64. There is little balance available in the Special Account (USD 309 as of 26.8.2015) and owing to non-availability of funds, the project has been unable to pay the salaries totaling USD 0.071 for RMLSP staff since May 2015. Till December 2015, the approximate amount of funds required for salaries (including arrears) and programmatic expenses under Component 3 are estimated at USD 0.19 million. Due to the due diligence and protracted timeline required in withdrawing funds from the Special Account, the proposed first tranche sum of USD 0.2 million in the form of a new initial advance may not be sufficient to meet operational requirements. As such, IFAD should therefore consider the possibility of increasing the limit of the first tranche of the new Initial Advance to USD 0.3 million instead of USD 0.2 million as currently contended by IFAD.

65. Furthermore, though additional finance of SDR 3.91 million (USD 6 million) which was approved by IFAD included an allocation of SDR 0.36 million (USD 0.54 million) against sub-category 117123 representing salaries, traveling and Operating Costs under the broad category of Programme Management and Coordination. No allocation was made out of the additional finance in respect sub-categories 117120, 117121 and 117122 representing expenses on Goods and Equipment, Technical Assistance/ Consultancy and Training/Workshops respectively. As on date, there is an aggregate unspent balance of SDR 0.41 million in these sub-categories. Considering the fact that there is no fund available out of the original allocation, there should be reallocation in, both, the original allocation of SDR 16 million and the additional allocation of SDR 3.91 million, so that this unspent balance amount of SDR 0.41 million can be utilised by the project.

66. The RMLSP project is scheduled to be completed by September 2016 and the grant closure date is 31 March, 2017. In order to ensure that the resources under RMLSP project are fully utilised the PST proposes to transfer some existing staff positions in RMLSP to the CLAP and some others to the SNaPP2, once operative. Such transfers could be made in phases. The PST would be required to make a detailed plan in this respect and communicate the same to IFAD for its approval. Such plan should include the list of applicable positions, the timing of transfer, cost implications and the new TORs.

67. **Disbursement is rated as Moderately satisfactory [4].** Till 11 August, 2015, IFAD has released an aggregate amount of SDR 15.55 (USD 23.88 million (including the initial Deposit of SDR 0.46 million). The rate of disbursement till such date is approximately 83.66% (including the Initial Deposit).

68. **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 some 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 period 21 December 2014 to 31 July 2015 and the accumulated amount till 31 July 2015 amounted to USD 19,355 and USD 96,775 respectively.

69. **Compliance with loan covenants is rated as Moderately satisfactory [4].** The Project has generally complied with the Programme Loan Covenants. Section 7.01 (b) (ii) of the General Conditions was regarding AWP&B was not adhered to, as the AWP&B for 2015 was not furnished to IFAD within the time stipulated. Paragraph 33 of the Letter to Recipient regarding the appointment of auditors was not adhered to, as the auditors for the fiscal year 2015 have not been appointed so far. 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.

70. **Procurement is rated as Satisfactory [5].** The procurement of equipment, goods, works and consultancies are in accordance with the Procurement Law 2008 and The Rules of Procedure of Public Procurement 2009 of Afghanistan, which are consistent with the IFAD Procurement Guidelines. Since the last Supervision Mission, there was no major procurement in the project except for the extension contract for an SP selected using the Single Source Selection method. Necessary approvals were obtained from IFAD in this regard. There were other procurements of low values using (a) NCB (b) RFQ and (c) ITQ 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.

71. **Audit is rated as Satisfactory [5].** Audit for the year ended 20th December 2014 was carried out by firm of Chartered Accountants who had issued a qualified opinion. The Mission examined the basis of such qualification and on its review of the financial statements, contends that these are free of any material mis-statements. The audit was carried out in accordance with the Internal Standards of Auditing. The auditors have also given a Management Letter as required by their TOR. The project needs to start maintaining an Audit Log.

Agreed action	Responsibility	Agreed date
IFAD to consider increasing the limit of the first tranche of new Initial Advance amount from USD 0.2 million to USD 0.3 million.	PD/ IFAD	30 Sept 2015
Reallocation of funds needs to be done both for the original and the new funds allocation, to accommodate the surplus of SDR 0.41 million.	PD/ IFAD	01 Feb 2016
Necessary rectification needs to be made in IFAD's records to reflect the disbursements correctly in the Status of Funds and the Historical Statements.	IFAD	30 Sept 2015
The project to require the financial statements of MISFA reported in USD instead of AFS.	PST – Finance Unit	On an annual basis
The PST to send a detailed plan to IFAD for transfer of some existing positions in RMLSP project to CLAP and the upcoming SNaPP2 project.	PST	31 Mar 2016
Audit log should started to be maintained by the project	PST – Finance Unit	On an annual basis.

F. Sustainability

72. With the project completing in September 2016, it is now in the latter part of its review and consolidation phase. Within the project management function, this will entail a continued increase in M&E activity and documentation of lessons learned, evidence-based processes and focusing on elements of sustainability. This entails a push by the project management to ensure the availability of a fully-staffed M&E Unit.

73. However, there is still limited clarity in a number of policy/regulation areas (e.g. para-vet registration; registration/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 project. Hence, it is critical that the Government addresses some of the policy issues that constrain development in the livestock and microfinance sectors.

74. **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/technical support. It has successfully linked and supported NGOs, INGOs and local institutions at provincial, district and community levels.

75. **Empowerment [Satisfactory 5]:** Though there is little analysed data available to cross-reference and support 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, 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/awareness approach used as SPs entering 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 projects will adhere to, by aiming to support and strengthen existing self-reliant local institutions and not depend on the SPs as they are presently doing, especially in the case of dairy cooperatives.

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.

76. **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.

77. **Responsiveness of service providers [Satisfactory 5]:** Whilst MAIL is the lead project implementing agency, FAO was pre-selected to deliver technical services under this component based upon its unique in-country competencies. However, based upon its implementation record in RMLSP and CLAP over the last 12 months, it is suggested that FAO be allowed to focus on its comparative advantage of technical assistance provider and not a fully-fledged SP where its resources are divided up to deal with day-to-day implementation issues that could be either dealt with by the RMLSP PST or through other institutions. Though, this may not be an issue that can be rectified in the remaining time for RMLSP, it provides a vital lesson for future IFAD project designs. However, all SPs have provided essentially stable inputs and utilised a judicious mixture of technical capacities, previous in-country experience and inculcating new lessons learned over the existing implementation period.

78. **Exit strategy [Moderately satisfactory 4]:** This process commenced 28 May 2013, which shows planning and intent was well thought through. However, not all SPs have developed robust exit strategies, and it is urgent they be pursued to finalise and thereby map out the transition of responsibility to MAIL/MRRD personnel, in particular. A final workshop should be held over winter (when field activities are reduced) to share final observations and concerns to ensure coherent strategies that have been shared between SPs to capitalise on possible linkages and synergies.

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

80. **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 generated interest from several donors; 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

81. **Physical/financial asset [Satisfactory 5]:** The beneficiaries of the Integrated Dairy Scheme report increases in production from less than 3l/day/cow up to 6-7 l/day/cow¹¹. 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 due to substantial lower mortality rates leading to increase in productivity and livestock assets.

82. **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.

83. **Quality of natural asset improvement and climate resilience [Satisfactory 5]:** The technologies and practices/process 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 are used for plants/fodder crops are applied in accordance with standards.

H. Conclusion

84. The overall progress of project implementation remains mainly on schedule. 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 mainly 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 currently under way.

85. Despite the overall progress, the Integrated Dairy Scheme continues to face a series of setbacks in establishing an independent and economically viable model as the major constituent of its exit strategy, which will impact on its future sustainability of the project. The Mission recommends that the service provider treat the recommendations seriously, as it will shape the nature of interaction for the duration of RMLSP and also the CLAP project, within which it is also facing similar concerns.

86. Project management performs well and financial management continues to improve under close scrutiny. The gender and poverty focus of project implementation is satisfactory. However, Monitoring and Evaluation and Knowledge Management can be strengthened, particularly in terms of using M&E results for guiding project implementation, highlighting successful cases and sharing of lessons learnt.

¹¹ 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.

Appendix 1: Summary of project status and ratings

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	05-Jan-2016					
Supervising Inst.	IFAD					
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	2			
Last Supervision	18-Aug-2015	Last Implementation Support/Follow-up mission	01-Jan-2013			

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	89
MTR	30-Apr-2012	Last amendment	23-Aug-2012	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	5	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	5	4
5. Compliance with procurement	5	5	5. Poverty focus	5	5
6. Quality and timeliness of audits	5	5	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	4	1. Institution building (organizations, etc.)	5	5
2. Livestock Support	4	3	2. Empowerment	5	5

3. Quality of beneficiary participation	5	5
4. Responsiveness of service providers	4	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	5
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 considerable 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 satisfactory 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. The Manager Finance and the RMLSP FO are yet to receive any formal training on IFAD Financial Management and Procurement. Post-project sustainability of the activities and of the beneficiary institutions remains the main concern of the project at the moment. 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 very 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 development of owned and economically viable institutions for C2.1	Prepare a detailed exit strategy including: 1/ financial report of the dairy plant, 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 .	January 2016	yet to begin
Knowledge management	The KM strategy has been partially implemented and the project will carry	31	On-

requires improvement	forward the process initiated in last year's Supervision Mission: (i) strengthen the KM strategy by developing a sufficient implementation plan, and a methodology to identify best practices and consolidate information that a project near completion requires; and (ii) address the lack of a KM Officer. There has been no KM officer since September 2014	January 2016	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 January 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^{1*} • % 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.)* - 1,500 producers reporting an increase in income from milk production^{1*} - 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>	PST reports PST 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* - 12,000 rural people accessing rural microfinance¹ - 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 PST 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)^{1*}, 50% of women (equivalent to % accessing a loan from MFI) • Average loan size by product line 	MISFA and MFI reports PST 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 PST 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*} • 1,690 beneficiaries trained in livestock production practices and technologies^{1*} • HHs receiving animals from restocking. Distribution 	MISFA and MFI reports PST 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^{1*} • Value of gross loan portfolio* 	MISFA and MFI reports PST 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*} • 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.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
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^{1*}(commercial fodder)• 1,500 farmers trained in livestock production practices and technologies^{1*} (milk production)• 19 dairy production groups formed^{1*} (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
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 services• 3,567 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 villages• No 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 equipped• 30 VFU constructed or refurbished• No of farmers trained in post-production, processing and marketing^{1*} (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.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
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 technologies* • 5,000 women provided with basic inputs and equipment • 60 female community members trained as trainers • 60 livestock production groups formed/strengthened* • No of households facilitated to access poultry health services* 	SPs reports	
Sub-component 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/functional* • Number of additional beneficiaries provided with bucks and does through the credit-in-kind approach 	Annual Outcome Survey Project MIS of SPs	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 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* • HHs receiving animals from restocking/ distribution 	SPs reports	

* indicators disaggregated by sex, * RIMS indicators

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

Action Area	Action Agreed	Date	Whom	Progress
Component 1	The TUP exit strategy will need to be expanded and further detailed	30 Sept 2015	MISFA /Project	
	MISFA/IFAD Knowledge Management Officers to exchange information and lessons	Immediate	MISFA/Project	
	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.	HACCP certification to be obtained before February 2016	FAO	
Component 2	Purchase the electricity wire/cable for connecting the KHDU dairy plant and feed mill to the public electricity grid.	November 2015	FAO and RMLSP	
	Iterate, install the milk chilling equipment for ice cream.	November 2015	FAO	
	Prepare a detailed exit strategy including (i) a financial report of the dairy plant, feed mill, vehicle fleet; (ii) a detailed business plan for the dairy plant, feed mill and vehicle fleet; and(iii) detailed support to KHDU for increasing milk production .	January 2016	FAO and KHDU	
	Prepare 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	November 2015	FAO and KHDU	
	Prepare a detailed impact assessment of the subcomponent	January 2016	PMU	
	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.	HACCP certification to be obtained before February 2016	FAO	
	Purchase the electricity wire/cable for connecting the KHDU dairy plant and feed mill to the public electricity grid.	November 2015	FAO and RMLSP	
	Iterate, install the milk chilling equipment for ice cream.	November 2015	FAO	
	Prepare a detailed exit strategy including: 1/ financial report of the dairy plant, 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 .	January 2016	FAO and KHDU	
	Prepare a detailed impact assessment of the subcomponent	January 2016	PMU	
	Fast tract the approval of the draft Animal Health and Veterinary Public Health Act	Before end of 2015	MAIL with support from PMU	

Action Area	Action Agreed	Date	Whom	Progress
	Identify the different feeding regimes used among the communities and prepare Benefit Cost (B/C) analysis for each of the different feeding regimes used..	Dec 2015	BLDU	
	Identify the organic growth of the original layer unit through either natural hatching or procurement of additional birds.	Dec 2015	BLDU	
	Identify other income generating income activities stemming from the poultry units. This information should be supported by empirical evidence of financed from the initial layer unit	Dec 2015	BLDU	
	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	Dec 2015	PMU	
	Based on interest from MFIs, develop model for introducing micro finance using the backyard model	Dec 2015	PMU	
	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 the latter of 15 pullets.	Dec 2015	PMU	
	Identify MFI interested to use the milk goat groups as a mechanism to grow their business through expansion of the model to new groups and by supporting those with experience to enter into new IGAs	Dec 2015	ICARDA and PMU	
	Prepare ToRs for a detailed impact study to be conducted by end 2016/early 2017	Dec 2015	ICARDA and PMU	
	Prepare B/C for the model including B/C of introducing improved fodder crops	Dec 2015	ICARDA	
	Identify MFI interested to use the milk goat groups as a mechanism to grow their business through expansion of the model to new groups and by supporting those with experience to enter into new IGAs	Dec 2015	ICARDA and PMU	
Component 3	Continue documenting logframe outcome indicators through the regular M&E tools	31 Dec 2015	M&E Unit/PST	
	Finalise KAP survey	01 Oct 2015	PST/M&E unit and SPs	
	Commission Impact Assessment of RMLSP	01 Oct 2015	M&E and PD	
	<i>In situ</i> training for M&E team to understand PCR process	30 Nov 2015	CPM, CPO and PD	
	Carry forward the process initiated at the Supervision Mission in consolidation of best practices	31 Jan 2016	PST and relevant Manager/Director	
	PST to develop a table of proposed staff movements with justifications to be budgeted and rationalised	Feb 2016	PST	

Action Area	Action Agreed	Date	Whom	Progress
	Complete/update the KM action plan and share with SPs	31 Jan 2016	PST and relevant Manager/Director	
	Complete pending actions recommended by the last Supervision Mission, i.e. initiate impact studies on backyard poultry and TUP.	30 Sept 2015	2015PD, Project Manager, Gender Officer	
	Based on the result of impact studies and the PST and SPs' independent analysis, develop and implement sustainability measures for gender activities.	31 Dec 2015	PD, Project Manager, Gender Officer	
	Gender Officer to develop short policy briefs on the various gender/women's empowerment interventions linked to the respective legislations.	31 Dec 2015	Gender Officer	
	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.	30 Sept 2015	IFAD	
	Create a consolidated database to record all training sessions including purpose, location, number of participants, links to other Components and to monitor outcome of the training. The information to be shared with the M&E Specialist to be included in the MIS reporting.	30 Sept 2015	Gender Officer, M&E Specialist	
Outputs				
Sustainability				
Fiduciary Aspects				
	IFAD to consider increasing the limit of the first tranche of new Initial Advance amount from USD 0.2 million to USD 0.3 million.	30 Sept 2015	PD/ IFAD	
	Reallocation of funds needs to be done both for the original and the new funds allocation, to accommodate the surplus of SDR 0.41 million.	01 Feb 2016	PD/ IFAD	
	Necessary rectification needs to be made in IFAD's records to reflect the disbursements correctly in the Status of Funds and the Historical Statements.	30 Sept 2015	IFAD	
	The project to require the financial statements of MISFA reported in USD instead of AFS.	On an annual basis	PST – Finance Unit	
	The PST to send a detailed plan to IFAD for transfer of some existing positions in RMLSP project to CLAP and the upcoming SNaPP2 project.	31 March 2016	PST	
	Audit log should started to be maintained by the project	On an annual basis.	PST – Finance Unit	
	IFAD to consider increasing the limit of the first tranche of new Initial Advance amount from USD 0.2 million to USD 0.3 million.	30 Sept 2015	PD/ IFAD	

Action Area	Action Agreed	Date	Whom	Progress
	Reallocation of funds needs to be done both for the original and the new funds allocation, to accommodate the surplus of SDR 0.41 million.	01 Feb 2016	PD/ IFAD	
	Necessary rectification needs to be made in IFAD's records to reflect the disbursements correctly in the Status of Funds and the Historical Statements.	30 Sept 2015	IFAD	
	The project to require the financial statements of MISFA reported in USD instead of AFS.	On an annual basis	PST – Finance Unit	
Other				

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

Period: April 2010- June 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) ¹	35% (mid term data)		
	Nb of hhs reporting an increase in income from livestock, by type of livestock ₂	8956	4	
	Nb of hhs reporting improved food security(according to different target groups)	8956	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	3	
	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).	103956 HHs	4	
	50% reduction in animal death (due to disease) and increase of livestock productivity by 20%, as compared to baseline, in Programme villages.	20% -	3	
	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).	60% of the covered HHs are food secure now under included TUP beneficiaries while MF component data is not available	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.	26511 active clients	5	
	USD 5.5 million of MFI funds newly used. At least 12000 rural people with access to microfinance by PY5 (*).	\$ 29,975,368.86	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)	8956	3	
	% of supported hhs reporting an increase in herd size*	No data		
	1,500milk producers organized in financially viable associations	18 primary coops established (1500 farmers)	3	
	Volume of milk additionally produced, in MT/year.	-95.6 MT		
	Nb of milk producers reporting an increase in income	- 1500		
	Average, net annual profit generated by producers' associations	- will provide data after impact evaluation		
	70% capacity utilisation of the plant in the next 3 years	-11%		
	Nb of livestock owners in the 5 targeted provinces with regular access to essential veterinary services	103956 HH	3	
	A model for service provision to poorest hhs successfully 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	13699482 eggs have been collected out of which 70% is sold and 30% have been consumed by producers	5	
	% of farmers reporting increase in average in annual income deriving from poultry raising	75%	3	
	80% VPGs sustainable and effective at the end of 2 years since their recruitment.	70%	4	
	At least 1,300 women reporting an increased income from dairy goat production	1294	4	
	Number of additional beneficiaries provided with bucks and does through the "pass on the gift" policy	363	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							
<i>Output 1.1.1</i> A range of innovative microfinance products and services pilot tested and adapted to the needs of rural households, farmers and livestock owners	5 MFIs submitting proposals and 80% 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	6594	100%	20000	26511	100%
<i>Output 1.1.2</i> 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	340,295,400		Open	1,498,768,443	59%
<i>Etc.</i>							

Component 1 - Sub-component 1.2

<i>Output 1.2.1</i> Skill training and provision of asset to TUP beneficiaries in the pilot-test model completed	1756 beneficiaries trained (according to different target groups F/M)	556	556	100%	1756	1756	100%
	1200 beneficiaries provided with an asset (according to different target groups F/M).	0	0	100%	1756	1756	100%

Component 2 - Sub-component 2.1

<i>Output 2.1.1:</i> 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	1900	2055	100%
	Nb of milk collection points established.	0	0	100	15	17	100%
<i>Output 2.1.2:</i> 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	-
<i>Output 2.1.3:</i> Improved animal health and husbandry practices and increased milk production assured	Milk production per lactating cow increased by 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%
<i>Output 2.1.4:</i> 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	18	100%

Component 2- sub component 2.2

	Households receiving facilitated animals health services (according to different target groups F/M).	completed	completed	100%	95000	950000	100%
	Women trained in milk processing and hygiene	0	0	100%	4500	4473	99%
	Repair of Solar Fridges	32	18	56%	83	69	83%
	Local Female Extension Worker	12	17	100%	30	39	100%
	Vaccination of Livestock	1200000	1112992	92%	4000000	8310996	100%
	Treatment of Livestock	800000	247057	30%	1100000	2310960	100%
	Livestock Dewormed	500000	470856	94%	1252369	3433639	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	2000	14156	100%	10972	192342	100%
	One new package Zoonotic Diseases	500	430	86%	1000	430	43%
	Farmers Field Days and Workshops	3	2	67%	5	2	40%
	Refresher training of VFU staff	32	12	37%	40	12	30%
	Kuchi farmers with BVW service access	0	0	100%	3567	10898	100%
Component 2- sub component 2.3							
	Households receiving animals from redistribution/restocking	0	0	0	5800	4400	75%
	Households receiving facilitated animals health services.	4400	4400	100%	5800	4400	75%
	5800 women trained in poultry production and provided with basic inputs and equipment	1400	1400	0%	5800	4400	75%
	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)	-	-	-	1300	1294	98%
	Households receiving facilitated animals health services (acc to different target groups F/M).	1300	1300	100%	1300	1300	100%
	1300 women trained in dairy goat production and provided with basic inputs and equipment	Completed	-	--	1000	1000	100%
	Number of goats vaccinated	3000	7550	100%	50000	48181	96%
	Number of goats de-wormed	3000	2935	98%	50000	22334	45%
	100 Women producers' groups established and strengthened	Completed	-	--	100	134	100%
	Nb of goats vaccinated.	1000	4778	100%	6000	34677	100%

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

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	-	-	-
IFAD grant	29,897	25,011	83.66
Co-financier	2,218	-	-
Government	2	95	4,750.00
Beneficiaries	-	-	-
Total	32,117	25,106	78.17

Table 5B: Financial performance by financier by component (USD '000)

Component	IFAD loan			IFAD grant			Co-financier			Government			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Rural Micro Finance	-	-	-	9,935	7,951	80.03	2,218						-	-	-	12,153	7,951	65.42
Livestock Support	-	-	-	16,250	14,501	89.24		-					-	-	-	1,6250	14,501	89.24
Project Management and Coordination	-	-	-	3,712	2,559	68.94		-		2	95	4750	-	-	-	3,714	2,654	71.46
Total	-	-	-	29,897	25,011	83.66	2,218	-		2	95	4750	-	-	-	32,117	25,106	78.17

Table 5C: IFAD loan disbursements (SDR, as at 31 July 2015)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
073083	Authorized Allocation - Special Account	0		183,126	158,803	-183,126	
117115	Rural Microfinance - (Component 1)	5,500,000	6,630,000	5,177,195		1,452,805	78.09
117116	Integrated Dairy Scheme (Sub Component 2.1)	3,600,000	4,050,000	3,758,020		291,980	92.79
117117	Veterinary Services in the Northern Region (Sub Component 2.2)	2,620,000	3,610,000	3,400,419		209,581	94.19
117118	Backyard Poultry Development (Subcomponent 2.3)	780,000	1,370,000	958,295		411,705	69.95
117119	Dairy Goat (Subcomponent 2.4)	1,450,000	1,840,000	1,419,585		420,415	77.15
117120	Programme Coordination and Management (Component 3.1) Goods and Equipment	200,000	200,000	181,573		18,427	90.79
117121	Programme Coordination and Management (Component 3.2) Technical Assistance , Consultancies and Studies	600,000	600,000	304,279		295,721	50.71
117122	Programme Coordination and Management (Component 3.3) Training and Work Shop	170,000	170,000	74,323		95,677	43.72
117123	Programme Coordination and Management (Component 3.4) Salaries , Travelling and Operating Costs	1,080,000	1,440,000	905,073		534,927	62.85
	Total	16,000,000	19,910,000	16,361,888	158,803	3,548,112	82.18

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 (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 and accepted by the fund .	On Grant effectiveness	Complied	
Grant Agreement Article II – Section 2.03 (c)	The MoF shall maintain in its books a Programme Special Account in the name of the programme denominated in local currency for the purpose of registering all transactions effected from the Special Account	Throughout the programme period	Complied	
Grant Agreement Article III – Section 3.02	The LPA shall submit the draft AWPB to the fund no later than sixty days before the beginning of the relevant project year	On an annual basis throughout the programme period	Not Complied	There was delay in submission of the AWPB by almost 4 months
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 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 through the PST the statement of sources and uses of funds in respect of each fiscal year within two months of the end of each fiscal year.	Throughout the programme period	Complied	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
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.	Throughout the programme period	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	Throughout the programme period	Complied	Audited Accounts for the year ended 20 December 2014, were sent to IFAD within time stipulated.
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 should be submitted to the recipient through the PST, within five months after the end of each fiscal year.	Throughout the programme period	Complied	
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 favourable 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	
Article XI Section 11.01 of the General Conditions	The proceeds of the financing shall not be used for the payment of taxes	Throughout the programme period	Complied	

Appendix 7: Knowledge management: Learning and Innovation

Learning

Innovation: Describe any interesting innovation noted during supervision

Young Professional Consultant sub-component recruits young graduates from relevant faculties of national universities network. Whilst graduates were almost all male at the beginning, the number of females inductees has grown in proportion over the life of the project. Led by the Gender Officer in coordination with the Ministry of Women's Affairs (MoWA), displays consistent progress with seven newly graduated women recruited between January 2014 and August 2015. During their tenure, the programme offered on-the-job training in their respective education background such as animal health and economics in the programme areas or in the PST. Many of these women gained employment in government institutions, INGOs and UN agencies after completing their assignments. The main issue to be mitigated is the coordination of information dissemination to the provinces to ensure that women have easy access to job vacancies.

This entry-point provides excellent professional exposure and work experience for young men and women who are unable to apply for numerous jobs that require experience. The YPC is now being replicated by MAIL and is being looked upon as a highly successful initiative.
