

Islamic Republic of Afghanistan

Rural Microfinance and Livestock Support Programme (RMLSP)

Supervision report

Main report and appendices

Mission Dates: 3 May to 16 May 2013
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Abbreviations and acronyms

AFA	Afghanistan Microfinance Association
AFMIS	Afghanistan Financial Management Information System
AWPB	Annual Work Program and Budget
BVW	Basic Veterinary Worker
BYP	Backyard Poultry
CDC	Community Development Council
CLAP	Community Livestock and Agriculture Project
CFA	Community Female Activist
DAIL	Department of Agriculture, Irrigation, and Livestock
DCA	Dutch Committee for Afghanistan
DGAH&P	Directorate General of Animal Health & Poultry
FAO	Food and Agriculture Organization of the United Nations
FM	Financial Management
FMFB	First Microfinance Bank of Afghanistan
FY	Fiscal Year
GoA	Government of Afghanistan
GOIRA	Government of Islamic Republic of Afghanistan
HH	Household
ICARDA	International Center for Agricultural Research in the Dry Areas
IFAD	International Fund for Agriculture Development
KDU	Khatij Dairy Union
KM	Knowledge Management
MAIL	Ministry of Agriculture, Irrigation, and Livestock
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MIS	Monitoring Information System
MISFA	Microfinance Investment Support Facility of Afghanistan
MoU	Memorandum of Understanding
MTR	Mid-Term Review
NVDA	Nangharhar Valley Development Authority
PCU	Project Coordination Unit
PIM	Project Implementation Manual
RIMS	Result Implementation Management System
RMLSP	Rural Microfinance and Livestock Support Programme
SP	Service Provider
SPC	Special Procurement Committee
TA	Technical Assistance
ToR	Terms of Reference
TUP	Targeting the Ultra-Poor
VFF	Village Female Facilitator
VFU	Veterinary Field Unit
VPL	Village Poultry Leader
VPPG	Village Poultry Producers Group
YPP	Young Professional Program

Rural Microfinance and Livestock Support Programme (Project No. 1460/Grant No. 8033)

Supervision Mission: 3-16 May, 2013

Supervision Report

Program 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

Program purpose: 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 (nomad livestock holders) – to appropriate microfinance services and technical livestock packages and the skills required to engage in new, more productive or more profitable economic, livestock-based enterprises

Program components: (1) Rural Microfinance: (1.1 Innovation Facility; 1.2 Financial Graduation of the Ultra-Poor; 1.3 Technical Support and Capacity Building for MFIs; 1.4 Management Support); (2) Support to Livestock Sector (2.1 Integrated Dairy Scheme; 2.2 Livestock Services in the North; 2.3 Backyard Poultry Development; 2.4 Dairy Goat Development); (3) Program Management and Coordination (3.1 Program Coordination Unit; 3.2 Young Professional Program; 3.3 Special Financing Activities)

Total cost: US\$ 26.01 million

IFAD contribution: US\$ 23.62 million (SDR 16 million)

Approval date: 30 April 2009

Effectiveness: 24 August 2009

Mid-Term Review: 16-30 April 2012

Current project completion date: 30 September 2014

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 goal of the programme is “to reduce the vulnerability and improve the livelihood means, incomes, food security and nutritional status of poor and vulnerable rural households on a sustainable basis in selected areas of Afghanistan”. 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 2 to 17 May 2013 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 Project Coordination Unit (PCU), Service Providers (FAO, ICARDA, DCA, and MISFA), beneficiaries and key stakeholders at both central and provincial/district level. The mission visited three provinces and 6 districts² as well as

¹ Mission composition: Mr Matteo Marchisio (Country Program Manager, IFAD); Mr Rab Nawaz (Institutional Specialist); Mrs Lucy Maarse (Livestock Specialist); Mrs Atifa Sadaat (National Livestock Specialist); Mr Rauno Zander (Rural Finance Specialist); Ms Judith D'Souza (Gender and Poverty Specialist); Ms Lisa Huber (M&E Specialist); Mr Claudio Mainella (Finance Officer, IFAD); and Mr Qaim Shah (Country Program Officer, IFAD).

² The mission members were divided in three teams. A first team travelled to the Balkh province from 8 to 11 May to look specifically at the poultry activities. A second team travelled to Nangarhar from 7 to 12 May to look specifically at the integrated dairy scheme and dairy goat activities. A third team travelled to Badakhshan from 8 to 11 May to specifically look at the ultra-poor activities. The first team should have travelled to Badakhshan from 11 to 13 May to look specifically at the animal health

selected villages and primary cooperatives (the mission itinerary and a list of the people consulted is presented in Appendix 9).

4. A debriefing session was organized in Kabul on 14 May to present and discuss the main findings and conclusions of the mission, and seek feedback on the proposed actions. A wrap-up meeting chaired by Mr. Mohammad Asif Rahimi, Minister, Ministry of Agriculture, Irrigation and Livestock (MAIL) was held in Kabul on 16 May.

5. The mission would like to thank Mr. Abdul Latif Zahed, Project Director, the partner organizations (FAO, ICARDA, DCA, 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.** Most 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 is scope for scaling-up.

7. **Annual implementation progress and progress in addressing previous mission recommendations.** There has been generally positive progress on recommendations made in the Mid Term Review report of April 2012 (e.g. extension of the project completion date; amendments of the contracts between MAIL and the Service Providers; 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; . Annual implementation progress is on track.

8. **Total disbursement** as of 31 March 2013 is US\$ 14.842 million, against the total programme budget of US\$ 23.897 million or 62%. However, the programme is well set to further accelerate disbursement over the coming months. Summary budget execution under three programme components is reflected in the following table.

	Component 1 Rural Microfinance	Component 2 Livestock Support Component	Component 3 Project Management & Coordination	Unallocated	Total (US\$)
Cumulative since inception to April 2013					
Budget*	8 196 488	12 615 957	2 956 000	128 415	23 896 860
Actual	4 475 980	8 947 059	1 418 642		14 841 681
% execution	55%	71%	48%		62%

(*) Considering the financing is granted in SDR, the historical values above expressed in US\$ are subject to variation throughout the implementation period.

9. The **component 1 (Rural Microfinance)**, that had shown very little progress till MTR, has considerably picked up pace since then with recruitment of specialized PCU staff for the component and pro-active engagement of stakeholders. Product design was completed for a number of new loan types. Subsequent piloting and full scale application has produced good results. With the framework conditions now in place and most of the product design and refinement work completed, acceleration of impact at ultimate client level is expected during the final period of the project.

activities. Unfortunately the flight to from Balkh to Badakhshan was cancelled, and thus the field trip to this Province has been cancelled. Cross cutting issues were looked at transversally by the three teams.

- (a) **Sub-component 1.1 (Innovation Facility):** on account of slow progress, MTR recommended that on-going pilot 'innovations' should be completed and no additional 'innovations' should be undertaken. Since MTR, demand has accelerated again and it is recommended to include activities under this sub-component again in the forthcoming work plan and budget for 2013-14.
 - (b) **Sub-component 1.2 (Financial Graduation of the Ultra-Poor).** Targeted beneficiaries were doubled in Bamyan Province under BRAC implementation. In a new Province, Badakshan, MISFA initially carried out the TUP itself to ensure accelerated project progress, and is now in the process of handing implementation over to local NGOs.
 - (c) **Sub-component 1.3 (Technical Support and Capacity Building for MFIs)** has seen an exposure visit of MFIs, MISFA and the PCU to an MFI in Tajikistan. Trainings in sharia compliant microfinance were provided to one MFI as well. Altogether, the considerable scope for joint learning and exchange of experience (domestic and international) that this sub-component offers were not utilized to the extent foreseen at appraisal.
10. The **component 2 (Livestock Support)** is also on track towards achieving, and in some cases surpassing, most of its targets.
- (a) In **sub-component 2.1 (Integrated Dairy Scheme)**, Dairy Union and its affiliate secondary and primary cooperative are established and functional. Dairy plant procurement has suffered delay due to land availability issues which pushed the completion timelines back by two years. The plant has now been procured and is likely to become functional in December 2013. With FAO contract slated for completion in April 2014, this would leave very little time for building dairy union's capacity for successful commercial operation. Dairy Union's extension, animal health, AI and cattle management activities are being implemented quite well with positive impacts. Transfer of responsibilities from FAO to Dairy Union has been initiated but pace remains slow, and an exit strategy aimed at early building the Dairy Union capacity and effective operation of cooperatives at all levels needs to be quickly formulated - including an interim strategy for an extended support to Dairy Union beyond the current FAO contract termination (i.e. April 2014).
 - (b) **Sub-component 2.2 (Veterinary Services in Northern Region)** has maintained its positive progress. Access to quality animal health services and coverage continues to improve. A good M&E system has been developed by DCA in collaboration with the PCU with good potential for mainstreaming in MAIL.
 - (c) **Sub-component 2.3 (Backyard Poultry Development)**, has greatly evolved and improved in terms of quality and impact since the MTR. There is great promise for up-scaling the activity to benefit poor rural households. M&E requires further refinement and there is need to identify gainful employment opportunities for the Village Poultry Trainers sponsored by the project.
 - (d) In **sub-component 2.4 (Dairy Goat Distribution)** almost all key targets have been achieved. Post-project sustainability of redistribution system remains suspect in the absence of a proper exit strategy and post-project institutional responsibility. Once that is resolved, the activity can be further scaled up and geographically expanded since it has demonstrated great impact on poor women beneficiaries.
11. In **Component 3 (Programme Management & Coordination)** the quality of programme management and coordination functions continues to improve. Most of the MTR recommendations have been positively responded. Government counterpart participation at all levels of implementation has been commendable. Integration and synergy between components at central and provincial level and engagement of national and provincial counterparts has improved. However, there is still room for improvement in horizontal and vertical information flows and further strengthening and formalization of government counterparts ownership and participation for the sake of post-project sustainability. Financial management is another area requiring urgent attention in terms of capacity building and compliance.

12. **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, and despite several progress have been made in consolidating the project activities and handing-over the implementation responsibilities to beneficiary organizations and government institutions, post-project sustainability remain at risk.

13. **Impact of the security situation:** Security situation continues to be an important challenge in programme progress. However, despite the volatility and uncertainty of the security situation in many project target areas, it goes to the credit of PCU and SPs that programme implementation and quality remained more or less on track.

C. Outputs and outcomes

I. Component 1: Rural Microfinance [Moderately Satisfactory]

Component objective: to increase access by an estimated 20,000 (revised 12,000) rural clients with a focus on women to a wider range of microfinance products and services adapted to the specific needs in the agriculture sector, especially livestock.

Allocated budget: Post MTR Revised Budget US\$ 8.196 million (including government in-kind contribution estimated at US\$ 0.17 million)

Sub-components: (1.1) Innovation Facility; (1.2) Financial Graduation of the Ultra-Poor; (1.3) Technical Support and Capacity Building for MFIs; (1.4) Management Support.

Implementing Agency: MISFA

14. **Overall progress.** Overall disbursement under the rural microfinance component is US\$ 4.476 million or 55% and thus the comparatively lowest performing component in RMLSP.

15. **Sector and policy issues and impact on project implementation.** The security situation continues to affect the work of the Microfinance Institutions (MFIs), and, as a result, the microfinance sector has entered a process of consolidation with fewer MFIs operating - only 5 remained at present nationwide plus the FMFB with its commercial bank license. The trend of these few remaining actors is for cautious growth emphasizing quality loan portfolios and operational sustainability over outreach and quick business expansion.

16. The total reach of the Afghan MF sector (end February 2013) stands at 195,500 borrowers with a gross loan portfolio of USD 106 million for the entire sector. 59% of these borrowers are women, and the average loan size of micro loans in Afghanistan at present stands at USD 544. Even though there have been breakthroughs in reaching full operational self sufficiency for some of the MFIs, the average operational self sufficiency of the sector stands at only 78.6%. All MFIs are still dependent on funding from the Microfinance Investment Support Facility (MISFA) for sustaining their operations, a pattern which is not going to change in the foreseeable future. Deposit taking is not a viable option. For that to happen, the internal capacities and readiness need to be developed in parallel with a conducive legal environment which is under preparation and at present, none of the MFIs would be financially robust enough to commence the mobilization of internally generated resources.

17. Multiple borrowing and fraudulent transactions become a more imminent challenge of the gradually maturing microfinance sector in Afghanistan. Implementation of all rural microfinance activities, launched by the project, are influenced by important policy parameters. These partly concern still prevailing deficits at the meso level, mainly the absence of a collateral registry and the need for an encompassing credit information system. Sharia finance requires legal and supervisory guidance. Ad-hoc arrangements in the different localities are not conducive to product sustainability, and a uniform system for approving and overseeing Sharia finance products in the country needs to be worked out between the central bank and the responsible scholars and their advisory councils.

18. **Reduction of Program target.** Against these less than ideal sector conditions, the Programme target of 20,000 households to be reached is reduced following reductions in budget for component 1 after the MTR and, equally important, in line with wider sector developments. The expected growth momentum for rural microfinance between 2009 and 2014 has not materialized. The sector is hardly growing and lags far behind previous growth targets for microfinance clients. Reaching 12,000 clients is therefore still ambitious, but can be achieved if the good efforts of the PCU and MISFA over the past 12 months are continued up to project closing.

19. The focus of new versus already serviced clients should also be considered in line with microfinance good practices in volatile sector environments. Financial outreach, paired with overall consolidation and risk reduction in the portfolio, can best be reached by mixing lending to new clients with expanding services to already existing clients. Client targeting strategies up to project closing should follow this trend and include at least 50% first time clients while also maintaining business relations with existing clients. Client retention is one of the major factors affecting overall sustainability of an MFI and should be an objective equal in importance to reaching new and first time clients.

20. **Recommendations:**

- (a) Considering effective demand for the services under the innovation facility, but recognizing the limited time still available under this programme, proposals of MFIs should be accepted if they have a quick implementation perspective (actionable six months after submission of proposal to MISFA), focus at product refinement and have an inclusive client focus in line with IFAD's wider mandate.
- (b) Ensure TUP implementation with a view to reaching integration of the targeted women into financial services and consider involvement of BRAC in TA capacity into end line and post project quality assessment surveys.
- (c) Further strengthen the capacities of the PCU senior rural microfinance specialist with a view to expedite a smooth exit of the programme microfinance activities.

Agreed action	Resp.	Agreed date
Accelerate policy dialogue on key issues affecting rural microfinance devpt.	PCU / MISFA	Immediate
Provide possibility for capacity development course of PCU microfinance officer	PCU	Immediate
Accelerate efforts for component synergy during final 12 months of project	PCU	Immediate

Sub-component 1.1 - Innovation Facility [Moderately Unsatisfactory]

Sub-component objective: to encourage and support MISFA partner organizations to offer a wider range of sustainable financial services in rural areas to address market demand by smallholders.

21. Different products launched and refined under the RMLSP Innovation Facility are starting to have an impact on the business of the MFIs. An agricultural lending product was launched and scaled up in four provinces through the First Microfinance Bank of Afghanistan (FMFB) with 4,562 borrowers and US\$ 5.2 million loans disbursed so far, more than 4 times the original target. This product can generate substantially more reach and is going to be introduced in three more provinces by the bank. The product revision financed by the project produced an adequate and scalable product that contributes positively to the bottom line of FMFB branches involved. Collaboration with this modern type of microfinance bank has been recommended repeatedly for outreach and sustainability of IFAD microfinance operations worldwide, but there are few other precedents in the IFAD microfinance portfolio so far. Emphasis needs to be paid on making the product better targeted to IFAD specific clientele, target actively operating farmers and keep up post disbursement supervision to avoid unwanted leakage of funds.

22. A simple Sharia compliant microfinance / leasing product has been launched through Mutahid with 10 loans disbursed so far but significantly more clients are likely to be reached in the coming months. A contract under the innovation facility with the MFI Oxus was cancelled, however, since the product did not find enough takers as it was designed. MFIs continue to show interest and request guidance and TA for these products. Mutahid was well advised to commence its sharia finance with a simple leasing type of product. Increasing complexity of the products requires better informed MFI staff and adequately briefed clients. There are also lessons to be learnt from Oxus unsuccessful launch of its sharia product, and it is useful that this MFI is requested to re-access the innovation facility to simplify the product and make it more accessible to smaller borrowers.

23. MTR had recommended closure of further use of innovation facility for any new products. Considering effective demand for the services under the innovation facility, but recognizing the limited time still available under this project, proposals of MFIs should be accepted if they have a quick implementation perspective (actionable six months after submission of proposal to MISFA), focus at product refinement and have an inclusive client focus in line with IFAD's wider mandate.

24. The synergies between microfinance and livestock development, that governed project design and were recalled during MTR and its recommendations, are not realized. The PCU should accelerate its efforts to harmonize the two components which operate parallel and without docking points or joint action areas at present.

25. Policy dialogue to be accelerated by the microfinance specialist in the PCU and MISFA should focus on the establishment of a pledge registry for non-movable collateral and review of existing arrangements for sharing credit information, not just between MFIs but also including commercial banks and other financial institutions. A legal framework for Islamic financing, either stand alone or as part of a revised Banking Law is equally important to ensure smooth implementation of sharia compliant products.

26. The exit strategy for sharia related products needs to focus on the policy environment to ensure scalability and sustainability of the efforts made so far by the PCU.

Agreed action	Resp.	Agreed date
Prepare an Exit strategy for Agricultural loan product – fine-tune design to make it more inclusive and relevant to IFAD priority target i.e. small farmers	MISFA, PCU	Immediate
Innovation facility to resume with quickly actionable and pro poor product refinements	MISFA, PCU	Immediate

Sub-component 1.2 - Financial Graduation of the Ultra-Poor [Satisfactory]

Sub-component objective: to pilot test and develop a methodology appropriate for Afghanistan which will help in the financing graduation of the poorest who are generally not included in micro-finance programmes.

27. The Targeting the Ultra Poor Project (TUP) was initially implemented through BRAC Afghanistan in Bamyan Province. This process is almost completed with 400 beneficiaries reached. The direct Implementation Partner for component 1 and wholesale financing agency for microfinance, MISFA, replicated in Badakhshan directly with 800 beneficiaries. This direct implementation will remain an exception and preparations are being made to involve local NGOs in the management of TUP implementation in Badakhshan province.

28. In line with MTR recommendations, the TUP implementation was expanded successfully to one more province (Badakhshan). All output indicators have been achieved in terms of beneficiaries. 30% beneficiaries have come out of extreme poverty within one year while 92% beneficiaries have improved access to food. It is also about to be completed in Bamyan Province with fully satisfactory results after initial issues with client targeting and corrective measures initiated through MSFA as a result. This overall fully satisfactory implementation progress of TUP through RMLSP in Bamyan and Badakhshan has created interest with a number of other donors and as a result, possibilities for significant scaling up as a result of the IFAD project within the provinces and beyond are emerging.

29. The comparatively high costs per beneficiary of between USD 2,000 (MISFA Badakhshan) and USD 2,400 (BRAC Afghanistan) indicate that interest of external funding agencies needs to be maintained to ensure that the TUP product continues beyond the life span of RMLSP. Identifying other sources of funds therefore constitutes a vital element of ensuring sustainability for this product and both GoA/MAIL and MISFA need to secure these funds for scaling up. The PCU needs to continue to accompany implementation through visits and spot checks. MISFA engagement should remain at wholesale level, even though the exceptional direct implementation in Badakhshan has produced good results so far.

30. Ensure TUP implementation with a view to reaching integration of the targeted women into financial services and consider involvement of BRAC in TA capacity into end line and post project quality assessment surveys

Agreed action	Resp.	Agreed date
Prepare an Exit strategy from TUP and seek additional funds from other interested sources for scaling up	MISFA, MAIL /GoA	Immediate
For TUP replication in Badakhshan - encourage involvement of local NGOs in implementation	MISFA, PCU	July 2013
TUP replication in Badakhshan: detailed focus on financial linkage at the tail end of the programme to be reflected in operating systems and procedures	MISFA, PCU	Immediate

Sub-component 1.3 - Technical Support and Capacity Building [Moderately Satisfactory]

Sub-component objective: to provide MFIs with the necessary technical assistance, capacity building and operational support to develop innovative financial products and to help enhance their capacity through staff training for financial product identification, assessment, and risk measurement.

31. The PCU organized an exposure visit to Tajikistan in November 2012. The visit to a Tajik MFI produced immediately transferable cross learning and resulted in the purchase from Tajik suppliers of front end automated teller machines for off-branch access to MFI accounts through clients (Mutahid).

32. A Pakistani service provider trained MUTAHID staff on sharia compliant Islamic financing. This training was organized for a week and took place in Kabul. Other smaller learning events in Herat and Kabul were also carried out after recruitment of the PCU rural microfinance specialist.

33. As a member owned platform for learning and dissemination of microfinance good practices, the Afghanistan Microfinance Association (AMA) is emerging as an important knowledge management and technical support center for associated microfinance institutions. With support from USAID, the AMA budget for 2013 was approved, but from 2014 onwards, AMA needs to source its administrative and operational budget independently.

Agreed action	Resp.	Agreed date
MLSP to contribute USD 10,000 to the 2014 budget of AMA	MISFA, MAIL /GoA	2014

Sub-component 1.4 - Management Support

Sub-component objective: to increase MISFA's capacity to manage a growing number of partner organizations and help in knowledge management and policy development for the sector.

34. Based on MTR recommendation, a full time dedicated specialist has been engaged by PCU to provide technical back-up and guidance for the implementation of the activities supported under this component. This improved PCU capacity has resulted in more pro-active pursuance of the activities and much better progress. There is a need for further capacity development of PCU Microfinance Specialist

35. Led by the PCU senior rural microfinance specialist, the PCU should work closely with MISFA on development of an "Exit Strategy" for RMLSP from programme microfinance activities by end of programme period.

II. Component 2: Livestock Support [Satisfactory]

Component objective: to strengthen the livestock production systems of poor rural households, while developing their marketing opportunities, and improve local livestock production, productivity and income.

Allocated budget: US\$ 12.56 million (SDR 8.532 million)

Sub-components: (2.1) Integrated Dairy Scheme (US\$ 5.37 m (SDR 3.64 m); (2.2) Veterinary Services in the Northern Region (US\$ 3.917 m (SDR 2.66 m); (2.3) Backyard Poultry Development (US\$ 1.160 m (SDR 0.788 m); (2.4) Dairy Goat Development (US\$ 2.168 m (SDR 1.47 m).

36. **Overall assessment.** Cumulative disbursement under the component till end March 2013 is US\$ 8.94 million against total revised budget of US\$ 12.56 million or 71%. The overall physical and financial progress of this component can be rated as satisfactory. Considerable improvements have taken place in all sub-components since MTR and response to almost all MTR recommendations has been positive. Substantive progress has been made in terms of sustainability, innovations and development of alliances with DAIL and other institutions (VFUs, Dept. of Economic Affairs, Dept. Women Affairs, etc) at district and provincial level. However, the progress on integrated dairy development suffered delays due to land allocation issue. PCU's livestock related professional staff successfully strengthened engagement of government counterparts at central and provincial levels but have had limited success in improving synergy and integration of activities implemented by Service Providers, primarily due to the limitations imposed by nature of SPs' contracts and geographical spread of the programme activities.

Sub-component 2.1 - Integrated Dairy Scheme [Moderately Satisfactory]

Sub-component objective: to improve the production and efficiency of milk production and processing, and to establish a member-owned network of dairy producers.

Allocated budget: US\$ 3.52 million (SDR2.39 million); **Revised Budget:** 5.37 million

Implementing Agency: FAO

37. **Overall progress.** Against the revised sub-component budget of US\$ 5.370 million, financial progress is US\$ 2.816 million or 52%. The beneficiary based institutional structures including apex Khatij Dairy Union (KDU) (July 2010), 5 secondary cooperatives at district level and 17 primary milk cooperatives at village level have been established and are active. Current membership is 1,429 (20 women). KDU Cooperative office has been constructed and technical staff, including a General Manager, engaged. The Cooperative is running an effective extension, animal health, AI and fodder/feed improvement programme through revolving funds in the member cooperatives with technical support from FAO staff. Revolving funds have been transferred from FAO to KDU. KDU is also successfully operating a feed-mill financed through funds received from FAO (machinery only) and IFAD (building) and sales are constantly picking up (10 tons during April 2013). Building for the dairy plant is nearing completion (80%) and machinery has been ordered. The plant faced considerable delays first due to land allocation delays by the government and then procurement snags (bids were much higher compared to estimated budget provisioned by FAO). The plant is likely to be operational in December 2013. The chilling units of 3,000 ltr capacity for milk collection centres have been recently ordered whereas the display cabinets for outlets have already been purchased. FAO is maintaining a technical support unit in Jalalabad to support KDU, further backed up by international and national staff based in Kabul through periodic visits. Although implementation of MTR recommendations has in most cases started, in various cases progress has been limited. And although some activities aiming at handing over the responsibilities of implementation from FAO to the KDU and ensuring post-project sustainability have started, there is not yet a formal business plan or road map based on an articulated exit strategy.

38. **Main outputs.** Training of household (HH) members in livestock production practices and technologies was 500 during the current year and the cumulative achievement is 1500 which happens to be the total project target. The number of HHs engaged in commercial fodder – and milk production is 430 HHs against project target of 300. 1597 HHs participated in commercial dairying training. In addition, 1 farmer field day was organised and attended by about 400 participants. As data are not sex segregated it is less clear how many women and men are actively involved. Nonetheless, records indicate that a considerable number of women participate in the women training classes (health, milk hygiene, housing, etc.). During the period and as per plan, 2 new producer cooperatives were formed which also allocated land for the construction of milk collection/animal health centre. The fact that land, which is of high value in this region, has been allocated by cooperatives at their own cost definitely shows commitment on the part of the community.

39. The transition of implementation responsibility from FAO technical team to KDU has commenced (e.g. two letter of agreements have been signed with KDU; KDU has hired a professional manager; an advisory committee has been formed at DAIL level; etc.) - though at a slower pace than anticipated during MTR. However the process has started and would further pick-up as the capacities at the KDU are further built. The revolving funds for AI, fodder seed, vaccination etc. have been transferred by FAO to KDU. A strategy and plan for the production of fodder seed is in place whereby the KDU produces sorghum seeds while Nangharhar Valley Development Authority (NVDA), under a MOU with KDU, has assumed responsibility for production of sorghum (non-hybrid), Berseem, Lucerne and Oats. In addition, 183 HHs established fodder seed multiplication plots while 580 HHs established demonstration plots during the reporting period. In the villages visited by the Mission, there was widespread evidence of adoption of improved fodder seeds.

40. **Main outcomes.** More HHs now obtain an income from selling fodder seeds and incidence of tick-born diseases has been reduced (both cases concern 85% of cumulative target set). HHs make use of the artificial insemination and animal health services offered by KDU on payment of fee and there has been an increasing trend of buying feed produced by the recently opened feed mill established at KDU compound and managed by KDU. In general, the dairy cows and young stock are in good condition and production levels have witnessed marked improvement (anecdotal evidence). Although not detailed, production records (milk yields per lactation period, milk yields per HH, etc.) and reproduction records (calving interval, services per conception, age of first calving, etc.) were

made available. However, the impression given is that these records are kept. The fact that the dairy plant is not yet operational reduces the pulling factor of an organised milk outlet and thus HHs are not yet investing in maximising the milk yields.

41. **Key challenges.** The operation of KDU plant still faces considerable challenges. The first such challenge is availability of reliable grid power which requires extension of power lines by Provincial Electricity Board from considerable distance. The absence of grid power would mean reliance on very expensive diesel generator seriously compromising KDU's profitability. The second important challenge is impending completion of FAO contract in April 2014, which means there would be very little window available after December 2013 for building KDUs capacity to effectively and efficiently operate the plant. This would be only possible if a suitable mechanism for extended support to KDU is devised. Although efforts are made, in collaboration with DAIL, to address this issue, at the moment this still represents a considerable challenge to the post-project sustainability of this sub-component. The third challenge, based on experience gained in previous dairy processing plants in Kabul and Herat, is the time involved before KDU could reach a break-even/profitability stage. This would require provision of viability gap funding to the KDU for a minimum period of 24 months in shape of some of their overhead costs like staff and some of the collection, processing and marketing operations. The fourth challenge is timely investing in the downward chain (various collection centres not yet in place³) and training of primary cooperative and district cooperative in milk quality/milk standards & testing. In addition, currently DG AH&P and DAIL, Nangarhar have no capacities for dairy related technical support. For post project sustainability and assurance of technical backup, it is essential to build dairy related capacities at both levels - central and provincial.

42. In terms of **overall cooperative management**, there is scope for improvements in terms of managing existing revolving funds, transparency towards members regarding utilisation of funds, planned and implemented activities, etc. There is also need for encouraging members to contribute more to the members' contribution to further build the capital base of the KDU to meet upcoming business challenges.

43. The **reporting standards** within this sub-component need considerable improvement, especially in ensuring inclusion of RIMS indicators on outputs and outcomes.

44. **Recommendations.** In order to address the challenges mentioned in preceding paragraphs, PCU and SP need to develop a comprehensive Exit Strategy for the sub-component covering phased/incremental handing over of responsibility from FAO to KDU, concurrent building of KDU capacity, rationalization of FAO budget to align it with the road map defined in exit strategy and calculation and provision of a "viability gap funding" for the KDU for a period of 24 months. On Mission's request, KDU and FAO both prepared proposals for the proposed extended support. The KDU proposal was found excessive both by the Mission as well as FAO. It can be however rationalized in consultation with all stakeholders from its current excessive level of US\$ 1.1. million. The PCU will need to engage suitable technical expertise to prepare a well-rounded plan in this regard including the mechanism for management of viability gap funds after the closing of RMLSP. This can be in the shape of a trust fund under the care of incremental dairy staff provided to DG AH&P or a small unit based in PCU, CLAP.

Agreed action	Responsibility	Agreed date
An exit strategy will be formulated soonest possible through engagement of suitable technical assistance; the strategy will cover realignment of FAO budget with current extended support needs of KDU, incremental draw down of external support and capacity development of KDU, updating of KDU Business plan, calculation of viability gap fund/KDU support etc.	FAO/KDU/PCU	July 2013
Provision of grid electricity to the KDU Milk plant be ensured at an earliest date	FAO/KDU/PCU	Sep 2013
Immediate training of primary cooperative and district cooperative in milk quality/milk standards & testing, cold chain management etc. to be implemented prior to completion of plant	FAO/KDU/DAIL	Sep 2013

³ Considering the processing plant is expected to be in place in December 2013, the Dairy Union will start the recruitment of milk collectors and plant staff in June/July 2013.

Dairy Union: the issues of transparency, management of revolving funds, female membership, specific women's interest and capacity development in extension approaches, should be strengthened as part of the consolidation period	FAO/KDU/DAIL/PCU	Aug 2013
Resources will be provided from unallocated budget to DG AH&P and DAIL, Nangarhar for engagement of dairy related staff (3 and 1 respectively). After project, this staff shall be absorbed on government roll.	PCU, DG AH&P, DAIL	Aug 2013

Sub-component 2.2 - Veterinary Services [Satisfactory]

Sub-component objective: to strengthen the system of animal health service provision on a sustainable basis in eight provinces in the North, so as to improve livestock production and productivity, and to help livestock owners to retain greater value for their livestock products.

Allocated budget: US\$ 3.917 million (SDR 2.66 million).

Geographical area: Badakhshan, Takhar, Kunduz, Baghlan and Bamyan;

Implementing Agency: Dutch Committee for Afghanistan.

45. **Overall progress.** The sub-component continues to make good progress in all 5 target provinces. Overall disbursement against the sub-component budget of US\$ 3.917 million stands at US\$ 2.60 million or 66%. DCA is doing the commendable job of recruiting and keeping on board female professionals, who in turn managed extension activities with women self-help groups to upgrade skills, which led to commercially viable milk marketing initiatives⁴. Training, coaching and monitoring of private para professionals and basic veterinary workers (BVWs) and the establishment of VFUs in remote locations took place as planned. DCA recently took the commendable initiative to develop a M&E system jointly with the M&E staff of PCU, facilitated by an international consultant on veterinary epidemiology, serving the interests of both DCA and RLMSP (RIMS indicators)⁵. The system is not only relevant for DCA and RMLSP but also for the new CLAP programme and MAIL/DAIL too.

46. Flight schedules did not permit the Mission to undertake field supervision of DAC implemented activities and the Mission had to rely on meetings with concerned staff and progress reports for its findings. The annual outcome survey team of PCU, who conducted the survey in the Northern Provinces, has noted that there is a high demand for micro finance services and developed the idea of establishing such services next to VFUs, while the mission observed that champions, space and drivers are present for up-scaling within - and in neighbouring communities.

47. **Main outputs.** Extension activities were conducted for male and female farmers in the targeted provinces as per schedule; 1,755 participants (Jan – April 2013), while cumulative 6,227. New extension topics were developed, radio messages broadcasted, extension materials produced. As regular need assessments at HH, BVWs and Extension workers levels are conducted, extension topics and materials are up-dated or newly developed on the basis of feedback. The recently covered themes include livestock marketing and business, development and management of feed/fodder banks, women in livestock production etc.

48. During the period (Jan – April, 2013) 523,089 animals were vaccinated, 143,058 treated and 324,442 dewormed. In cumulative terms the figures were 3,163,486 (80%) (vaccinations), 856,557 (78%) (treated) and 1,266,811 (101%) (dewormed), while the number of livestock keepers with access to veterinary and extension services are 282,258 (62% of the target set). It is expected that the targets shall be easily achieved by project end as various para-vets currently undergoing training will be able to operate the established VFUs. In total, 115 VFUs have so far been established, which are run by para-vets (121 male -including 3 kuchi- and 4 females) and BVWs (71 of which 16 female and 23 are Kuchi).

49. The work with women self-help and business groups continued and 23 new groups were formed. First livestock producer groups were also formed with the involvement of CDCs. Overall, the range of planned activities are on track, while the newly produced extension material display primary MAIL and IFAD logos giving due credit to the Government and project for support. There has been a

⁴ See for details the Working Paper on Support to Livestock Sector.

⁵ Reference: C. Bartels, 2013. 'Impact Assessment for RMLSP', DCA, 2013.

high involvement of professional women at all levels including DCA HO and Extension Teams. A survey conducted by PCU revealed that 66% of the HHs rated sub-component performance as 'very satisfactory' and 32% 'moderately satisfactory. Follow-up visits were highly appreciated (extension, vet services) and cooperation with DAIL has become an integral part of DCAs field work.

50. **Main outcomes.** The step wise up-gradation of skills has led to sustainable marketing initiatives undertaken by the women using their group borrowing system. Spontaneous adoption of improved stables has taken place and, as per PCU survey, project interventions have contributed to improved food security, additional sources of income, increased livestock numbers as well as to increased income. Extension and veterinary service activities around livestock production, value addition and marketing has registered visible impact resulting in improved housing for livestock, increased milk production (minimum 1 ltr, average 6.5 ltr, peak 40 ltr), increased income from sale of livestock and less informal borrowing compared to non-beneficiaries (for consumption as well as income generating activities). There is currently a high unmet demand for micro finance services.

51. The **main challenges**, which affect and concern all livestock sub-components, are: (i) lack of privatization protocol (preventing illegal and counterfeit medicines & vaccines); registration of veterinary para-professionals and professionals, public vs. private sector vet practitioners' roles etc.); affecting short and long term sustainability as enabling environment is not yet in place; and (ii) insufficient cross learning in terms of approaches and development of extension and training materials among the SPs.

Agreed action	Resp.	Agreed date
Ensure that the set-up, monitoring and functioning of VFUs is in line with the Government Strategy to avoid the creation of parallel structures	DCA/PCU/MAIL/DAIL	Continuing
Support adoption of M&E system contained in DCA's 'Report on Impact'; developed by DCA/PCU M&E and facilitated by consultant (epidemiologist)	DCA/PCU/MAIL	Sep 2013
Apart from PCU M&E, the monitoring conducted by Livestock staff of PCU to be aligned accordingly; annual survey should strategically supplement the 'impact monitoring system' proposed,	PCU	Continuing
Provide priority to this mutual (DCA – RLMSP) beneficial monitoring system with involvement of MAIL and seeking further alignment of M&E systems accordingly	DCA/ PCU/ MAIL/other SPs	Continuing
Prioritising policy and advocacy work regarding approval of Animal Health Act, - Professional and Para-professional Act, - Veterinary Medicine Act.; it is a priority issue for creation of an enabling environment that is crucial for the animal health sector and also affects Goats, Poultry and Dairying	MAIL/DCA/PCU/ Other SPs	Dec 2013
Promote cross learning through workshops and conferences i.e. others can learn from DCA approach and vice versa from the first female farmer field (FFFS) school activities (poultry), passing-on-the gift approach, community-based adaptive research, group formation, association and cooperative development, etc.	PCU/DCA/all SPs	Continuing

Sub-component 2.3 - Backyard Poultry Development [Satisfactory]

Sub-component objective: to provide 3,000 poor women and women heads of households with the skills, knowledge and initial inputs they require in order to engage in backyard poultry raising activities.

Allocated budget: US\$ 1.160 million (SDR 0.788 million)

Implementing Agency: FAO

52. **Overall progress.** Against the MTR revised budget of US\$ 1.160 million, the cumulative disbursement stands at US\$ 1.160 million or 100%. This sub-component's performance has witnessed consistent improvement over the last three years. While it faced considerable issues and set-backs in the first target district, it showed considerable improvement in the second district and this year, in the third district, the progress has been exceptionally good.

53. The teams involved in this sub-component have truly undergone a learning curve by taking the criticism, observations and recommendations made by the supervisory and mid-term review missions seriously. They reflected upon what was going right and wrong at individual, group and community level and consistently adjusted the approach and practices. A rather prescriptive BYP model, which had been promoted from the late 90's onwards, is now successfully evolving towards an effective flexi

BYP model with great potential for scaling-up and expansion (for more detailed analysis see the Working Paper).

54. **Main outputs.** All planned activities and targets have been achieved 100%. In total 3000 targeted women (1000 per district) were trained, received the inputs (15 pullets of which 1 cockerel, feed, wire mesh, drinkers, and feeders). Coop construction was contribution of participating woman and the women were organised in village poultry producer groups (VPPGs), while their elected leader (Village Poultry Leader –VPL-) was given special training in poultry health care. During the reporting period, the main activities took place in the third district (3rd batch), but follow-up activities were implemented in the previous two districts as well including the development of back – and forward linkages; VPPGs were brought in contact with Veterinary Field Units (veterinary advice, sourcing of medicines and vaccines), input suppliers (feed) and market outlets. In the 3rd district, these linkages were built in from the onset while also the VPL, being provided with seed funds (feed, vaccines, medicines, etc.) learnt to provide services and inputs against costs.

55. Efforts were made for the involvement of DAIL through various initiatives such as on-the-job training for the male staff of Provincial Poultry Department and female staff through participating in the training for village poultry trainers, appointment of focal points, sharing of monthly reports and pro-active participation in relevant district and provincial meetings of DAIL.

56. **Main outcomes.** The fair pricing of the feed input supply chain has been established and is functioning. Along similar lines, the link to pullet suppliers is organised. Prices however change as per season but since many more suppliers are currently established in the province (feed mills, hatcheries) with outlets at district level, competition is allowing women to apply their developed business skills⁶ to secure better prices. Price setting is also discussed in the VPPG meetings. Apart from sourcing pullets from hatchery outlets (provincial and district level), group members themselves undertake natural hatching⁷ using turkeys and local birds, raise the day-old-chicks until pullet age of 4 weeks and sell these to other members as well as non-members. For the period Jan – Dec 2012, among the VPPGs in Balkh, 1,514,674 eggs were collected, of which 409,393 were consumed and 1,101,281 sold. Among the VPPGs in Nahri Shahi district, for period May – December 2012, 791,681 eggs produced, of which 287,892 were consumed and 503,789 sold. Thus, about 70% of eggs are used for sale and 30% for home consumption. The average annual income was 150\$ per HH. Field realities however show that HHs are busy increasing their poultry flock, setting up mother units (rearing pullets for sale), while district authorities indicated that only BYP eggs are nowadays found in the market (daily supply was estimated at 5,000) as these are preferred; they are brown, have no stamp, are larger and taste better.

57. **VPLs** met by Mission (4) are **business and service oriented**, ensure administering and deworming as per schedule, provide and charge for their services within and beyond the group, are able to negotiate with pullet suppliers, follow stipulated monitoring format, provide strict advice regarding hygiene⁸, etc. The introduction of the **female farmer field school approach** is highly appreciated, creating enthusiasm in sharing practical experiences and generating innovative solutions (e.g. winter feeding using grain and legume sprouts; cock rotation, improved natural hatching, renting out hen with fertile eggs, cock services, etc.). **Back and forward linkages established** are managed by the VPLs as well as individual members: fair pricing and good quality birds - all poultry stock observed was healthy. Groups showed commitment, enthusiasm, solidarity (assisting those who met misfortune such as mortality; reaching out to non-group members which showed interest), and vision for their community in particular regarding health care (high awareness of Avian Flu risk). CDC leaders and elders, DAIL head/poultry division, District Administrators convinced of relevance of improved backyard poultry; i.e. aim at **scaling up**. Through poultry project the Implementing Partner 'Balkh Livestock Development Union' benefited (sharing overhead, staff, etc.)

58. **Remaining challenges.** (i) outcomes measured in eggs produced, sold and consumed only has limitations as not presented against number of laying hens, eggs used for natural hatching, eggs production level per HH, etc. In addition, cost – benefit analysis are not conducted; (ii) earnings from

⁶ Negotiating exchange of pullet in case of deaths during first 3 days, exchange of cockerel against pullet when too many cockerels were included, etc.

⁷ Poultry experts might wonder whether the laying capacity of 2nd, 3rd etc. generation of 'Golden' laying birds remain stable. Women exchange cockerels among themselves and firmly explain that the laying capacities remain high as long as sufficient and balanced feed is supplied. According to them, the feed is most crucial.

⁸ E.g quarantine of 2 wks when birds are brought from outside, keeping compound clean (after scavenging hours), etc.

producing on farm chicks through natural hatching and raising pullets not monitored, while it concerns an important benefit; (iii) monitoring income of VGLs on sample basis is not done; (iv) monitoring of DAIL poultry division vs. project monitoring: alignment, cross learning, capacity building not yet developed; (v) flow of communication and reporting not yet smooth; reports reach director (DAIL/MAIL) but not head of relevant divisions (Province) and units (MAIL); (vi) CDCs are interested in up-scaling but not certain how this could be done; (vii) in total 3 X 60 village poultry trainers trained of which 3 x 20 were contracted for 10 months of which 2 per district have been retained for monitoring and follow up; this is not efficient use of trained pool of workers; (viii) there is a high demand as well as space for up-scaling but project period too short to materialise; (ix) the IP⁹ is a member based (producer) cooperative and has Women Training Wing; topics as cattle management, milk hygiene, health care, breeding, etc. are handled. Poultry training is now also conducted and capacities in female farmer school approach developed. It lacks however a vision namely reasoning what the added value is for its' members when developing towards an IP.

Agreed action	Resp.	Date
Development of exit strategy for the remaining project period (until April 2014)	FAO/ DAIL/PCU/ VPPGs	Dec 2013
Explore options for upscaling through internal/external allocations	IP/DAIL/VPPGs/ CDCs	When opportune

Sub-component 2.4 - Dairy Goat [Satisfactory]

Sub-component objective: to provide 1,000 poor women and women heads households with the skills, knowledge and initial inputs they require in order to engage in small-scale dairy goat production.

Allocated budget: US\$ 2.168 million (SDR 1.472 million).

Implementing Agency: ICARDA.

59. **Overall progress.** Against the sub-component budget of US\$ 2.168 million, the cumulative disbursement thus far has been US\$ 2.111 million or 97%. Assets building through passing-on-the gift (credit-in-kind product) accompanied with facilitation in group formation and skill building in goat husbandry (feeding, fodder production, health, housing, etc.) and milk processing and marketing form the core of this component. Through community-based adaptive research with the female goat keepers, fodder and forage species are tested, and appreciated species are multiplied in nurseries. Selected poor households (HHs) receive a doe (nanny goat) and one of the offspring (kids) has to be passed on according to set criteria to other members of the group. The group also receives a buck for providing breeding services. The Afghan Gujiri breed is introduced as it is known for its milk potential attributes and hardiness. The breed performs well in mountains terrains but less at low altitudes. The villages in Nangharhar represent a less suitable environment for these goats, but as goats are taken out for grazing in the mountains, the overall performance is in line with those kept in high altitude areas (Baghlan Province). Regarding the offspring, the average weight at 7 months was 20,7 kg, max 23 and minimum 19, while the lactating nannies would produce in a time span of 3 month (April, May, June 2012) on average 87 liters, maximum 122 and minimum 47, depending on lactation stage and rations offered. Several service providers/technical partners are involved such as DAIL-BGN/NGR, DCA, SERVE-Afghanistan, Ministry of Women Affairs, DDA/CDCs + District extension workers.

60. **Main outputs.** 1,049 women in 22 villages have benefitted out of which: (i) 34% are classified as "poorest of the poor"; (ii) 27% are widow/woman-headed households; (iii) 26% are landless livestock owners; (iv) 3% are kutchis (nomadic ethnic community); (v) 6% are handicapped; and (vi) 4% are categorised as addicted or returnees. The selection of women relies on targeting criteria and participative methodology at village level with the involvement of the CDC. A total of 134 women groups have been formed (134% of achievement) with the objective to form 22 producer organisations at village level (presidents and cashiers already in place) to be aggregated in two secondary cooperatives that could be linked to the dairy union. There is one Village Female Facilitator (VFF) and one Community Female Activist (CFA) in each village, originating from the same village, and receiving small cash incentives from the project. The role of these VFF and CFA is to animate the groups, maintain records and income books (milk production, cheese production, cheese sold for each woman, etc.) and provide services (fodder chopper, goat breeding buck and milk processing

⁹ The IP concerns the Balkh Livestock Development Union, established 12 years ago, with 1,200 members (dairy farmers), a dairy plant with a capacity of 10,000 litres (2 shift), collecting, processing and marketing about 4,000 litres per day. The BLDU concerns one of the earlier FAO IDS projects.

equipment) from their home base. The meetings held at their homes provide a forum for the women to discuss goat husbandry/fodder production/feeding experiences and practices, marketing, economic and social issues.

61. The women received nanny goats – 1,010 distributed out of which 388 from the passing-on-the-gift transferred to 194 women (86% of achievement) – and related animal health services (vaccination, de-worming, etc.). They also benefit from trainings in various areas: animal health, milk processing, mulberry and forage production practices, legume production and food processing, cashmere collection. In terms of animal services, 3 Basic Veterinary Worker (BVWs) that have been trained (60% achievement) and ICARDA has included budget for the training of the BVW by DCA to upgrade them as para-vets and for the establishment of a VFU. The activities related to upward chain development are still limited to milk processing (quality goat cheese production) and more could be done on marketing this cheese as there is a high demand including niche markets in Kabul. It would be more lucrative for the women to sell cheese compared to selling the fresh milk to KDU. ICARDA also conducted training for 20 DAIL staff and community members in animal husbandry.

62. As planned, two community-based artiplex demonstration plots were established with a 30% contribution of villages and 6,250 mulberry trees were planted with an average survival rate of 87%. Improved chickpea variety (Madad) was also introduced leading to average increase in yield of 20% and to 16 % higher protein rich residue that can be used as fodder for the goat. The community based adaptive feeding trials have started with the objective to study the most cost-effective feed composition for the target groups based on local roughages.

63. Through improving the animal health services (schedules for administering vaccinations and deworming), the earlier encountered high mortality rates have been solved and currently the mortality rates are low even during winters.

64. **Main outcomes.** Women report milk production of around 2L/day per goat out of which a part is kept for the children and the goat kids, while the rest is processed. The improved milk processing which mainly concerns keeping the process hygienic has been well adopted resulting in tasty quality goat cheese much appreciated by consumers. Local group strategies also emerged such as pooling the milk for a most efficient cheese production but the marketing is not yet sufficiently addressed albeit vendors come to the villagers and buy the cheese. It is estimated that the introduction of chopper and using improved milk processing equipment has reduced the labour by 20%. The impact in terms of net cash income through sale of cheese is about 1,000 Afn per week, while in addition the value of the goat stock increases through growth and offspring.

65. **Remaining challenges.** The challenges are mainly related to the sustainability at three main levels: (i) the institutional set up that would enable the sustainability of the pass-on-the-gift approach beyond three generations, especially by involving further the CDC, community leaders, elders, etc.; (ii) the upward value-chain development through further linkages between the village level cheese producers and the market outlets; and (iii) the income generation by VFF to sustain themselves through service provision against a cost; renting out of equipment, providing breeding services, production seedlings and fodder seeds, etc.). Ensuring that these aspects are developed and put in place, up-scaling would be feasible.

66. The community-based adaptive research approach deserves much more attention and recognition as it leads to optimal fodder and feeding practices conducive for the given environment and HH setting, albeit being currently costly. Its' strengths is not at all recognised by technical experts including PCU who tend to promote so called blanket messages.

67. This sub-component has huge potential for up-scaling and expansion within the same villages and additional villages within the target districts.

Agreed action	Responsibility	Agreed date
Invest in upward chain development of marketing goat cheese; learn from successes made by women groups involved in milk marketing in Northern Provinces (niche market in Kabul is present)	ICARDA/related partners, women producers groups	Sep 2013
Look into options to sustain services of group facilitators: combining business and service provision (e.g. learn from successes of village poultry leaders)	idem	Dec 2013
Prepare (capacity building) relevant institutions (CDCs, DAIL extension workers,	idem	Sep 2013

etc.) for coaching, monitoring and up-scaling passing-on-the gift approach (accompanied by health care, goat husbandry practices, goat milk processing and marketing)		
Be more pro-active in involving DAIL/others in on-farm trials (community-based adaptive research) including timely sharing and interpreting of tentative results; the approach deserves more attention (cross learning with other SPs, in particular fodder production under IDS)	idem; FAO IDS	Sep 2013
Attention for goat health care (administering vaccinations and deworming in particular) for all goats in the area; implies prioritising the establishment of the VFU	idem DCA	Dec 2013
Documenting the learning cycle made and Good Practices developed; i.e. also include cost – benefit analysis	idem	Sep 2013
Be more aggressive in promoting the community-based adaptive research approach.	ICARDA	Immediate
Consider up-scaling and expansion of project resources permit	PCU	Sep 2013

III. Component 3: Program Management and Coordination

Sub-component 3.1 - Programme Coordination Unit (Ref. Project Management Performance in Section D).

Sub-component 3.2 - The Young Professional Programme (YPP) [Satisfactory]

68. The programme continues to perform very well, is considered a best practice, and can be scaled-up. The project is currently limiting itself to ten graduates a year, which provides additional resources to undertake research and conduct surveys, whilst also working alongside project colleagues and with SPs in the field. Presently there are 18 YPCs in the project. They were provided with training at the GDAH&P for a period of five days on animal health and livestock housing. The training included practical classes on blood sampling collection, autopsy methods, and organic changes after death. Last year DCA requested the PCU to provide them with ten YPC (two in each of their operational province). As a result the number of YPCs this year will tremendously increase. Three of them resigned during their initial period of employment and found appropriate jobs elsewhere.
69. The PCU proposes to send 3 to 4 YPCs to study dairy related subjects abroad, with the objective to absorb them in the dairy unions once they finish their studies. The mission supports this request, provided sufficient budget is available.
70. Among the challenges, there is a very low number of applications of women YPCs for this programme. The programme needs to find ways, including expansion of eligibility and skill criteria, to encourage more women to apply for the programme. Some recommendations are highlighted in the Section on Gender.

D. RMLSP implementation progress

71. **Overall assessment.** All three components have shown positive progress since the MTR. Component 1, microfinance, with considerable pre-MTR lags, has also picked up and promises good progress over the coming months. Livestock support component has continued to perform well both in terms of quality and quantity. The dairy goats and backyard poultry sub-components have been almost completed. DAC implemented veterinary support service sub-component continues to make excellent progress with very visible positive impacts. The Dairy sub-component suffered delays due to land allocation issues which now stand resolved and the plant is likely to be in place and operational by December 2013. Good progress has been made on institutional aspects but the Dairy Union would require extended support to make it a viable commercial operation. With FAO contract coming to an end in April 2014, a suitable extended support mechanism along with financial support in the shape of “viability gap funding” would be required for a period of at least two years. PCU would need to engage a suitable short-term technical expert to design the framework for extended support and management mechanism for Viability Gap Fund during and post-project. Capacity development of DG, AH&P and Nangarhar DAIL in dairy sector is also essential for the future sustainability of current and pipeline dairy initiatives and RMLSP shall provide the requisite support for this. Project management component has shown consistent improvement in overall management and coordination. There is still

room for further improvement in inter-component integration and synergies, sharing of inputs and outputs, cross-learning and national/provincial counterpart engagement in project activities. An important area of focus in coming months shall be formulation of exit strategies for key project investments and interventions and preparing the successor entities for hand-over.

I. Project Management Performance [Satisfactory]

72. **Overall assessment.** The quality and the overall performance of the programme management and coordination functions is overall satisfactory. The Project Coordination Unit (PCU) has generally responded proactively and adjusted to the challenges of the programme, and managed its SPs 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 be achieved. Reporting quality, regularity and consistency has also improved since MTR due to internalization of various recommended corrective actions. Engagement of additional technical staff for microfinance, livestock, knowledge management and procurement, among others, has resulted in definitive improvement in overall programme management and a proactive engagement with micro-finance partners.

73. **Main challenges.** Despite the overall satisfactory performance, the PCU is still facing a number of challenges:

- (a) The project financial management appears weak and needs substantial improvements to be realigned to acceptable standards (ref. Section on Fiduciary Aspects);
- (b) Vertical and horizontal flow of information among components and with government counterparts needs further refinement to keep all stakeholders abreast of all development. There is a need for comprehensive review of current information sharing tools and levels to plug any gaps;
- (c) Despite the increased quality of coordination and reporting of the SPs, this area has margins for improvement;
- (d) The coordination and monitoring role of provincial DAIL has considerably improved but still needs to be formalized through formal notification of persons, TOR, forums and membership etc.;
- (e) PCU monthly review meetings should be further strengthened with special focus on further strengthening integration of activities and developing uniform approaches and strategies
- (f) More attention is required to lesson learning and information sharing within and without programme and with other stakeholders and interested entities. While all other SPs have adopted project specified reporting formats, FAO is still struggling between its own institutional reporting requirements and programme specified formats.

74. The upcoming major challenge for the PCU is formulation of suitable exit strategies for the programmes key interventions and components. PCU will need to take a lead role in this and assist the SPs and IPs in preparing comprehensive strategies in this regard including identification of successor management entities, capacities required to be built, operational budgets to be allocated/required, timelines for each step etc. In case PCU faces any difficulty in carrying this out on its own or through SPs, then the unutilized budget available for technical assistance may be used for this purpose and necessary proposal and TOR be furnished to IFAD for approval.

75. **Utilization of funds.** The programme has considerable unutilized budgets for various budget lines as well as savings which ought to be worked out and utilized where necessary for further consolidation or expansion of programme's successful interventions. PCU need to work out all such savings and funds and furnish a comprehensive proposal for consideration of IFAD. Where required, such funds may be considered for supporting formulation of exit strategies. A proposal for the utilization of the unallocated budget (US\$ 128 000) is summarized below.

Proposed activity	Budget (US\$)
- Recruitment of 3 staff members to strengthen the capacity of the GDAH&P (1 year) and 1 staff member to strengthen the capacity of DAIL Nangarhar (1 year)	80,000
- International Financial Management consultant to strengthen the FM capacity of the PCU (3 months)	25,000
- Support to Afghan Microfinance Association	10,000
- Purchase Accounting Software	5,000
- Implementation of Gender Strategy	4,000
- Purchase e-attendance devices	4,000
	128,000

Agreed action	Responsibility	Agreed date
Formalize the engagement of government counterparts at the provincial and district levels through formal notification of focal persons, forums and TOR covering their engagement and responsibility for the project related activities	PCU	Sep 2013
Engage required technical consultancies from unutilized TA budget for preparation of proper exit strategies for all key project interventions including preparatory steps, successor entities, future government operational liability etc.	PCU	Dec 2013
Identify all savings and un-utilized budgets and prepare comprehensive proposal for their usage for IFAD approval	PCU	June 2013

II. Planning, Monitoring & Evaluation [Moderately Satisfactory]

76. **Overall assessment.** The PCU is staffed with one M&E officer and one MIS officer. Most of the recommendations of the MTR were followed, especially regarding M&E tools and the M&E plan but challenges are persistent in how to use the M&E tools, which roles for all the actors involved, and for which purpose M&E serves. Regarding monitoring, data on activities and outputs are collected by the SPs, reported to the PCU using reporting formats on a monthly, half yearly and yearly basis, and entered in the PCU's and MAIL's MIS by the MIS officer of the RMSLP. Annual outcome surveys and concurrent assessments are conducted on an annual basis by the M&E officer as well as the livestock officers and shared with SPs. Annual RIMS reports are submitted to IFAD. A major weakness has been noticed with regards to the total number of beneficiary households with double-counting, integration of non-relevant figures for DCA (number of services instead of number of households) and use of different units (households, individuals). On evaluation, a RIMS midterm survey was carried out in 2012 with control group but no RIMS baseline is available. Several baselines were however established for the livestock sub-components and TUP. A major achievement was the work undertaken by DCA with the PCU's M&E on outcome and impact indicators in link with the RIMS: definition of outcome and impact indicators along the result chain and introduction of new evaluation tools (household panel with control group to measure impact).

77. **Main challenges.** Current PCU challenges in M&E are mostly due to missing initial phase building blocks – no RIMS survey, no training on RIMS and AOS, various sets of indicators –, as well as the management structure of the project itself with various SPs using their own M&E system. The role and responsibilities of the PCU (M&E officer, KM officer and technical officers), the SPs and the DAIL/MAIL are still not well defined neither properly internalized at all levels which leads to both gaps and overlaps (data collection, data analysis, quality control, etc.). In this regard, the M&E plan should be discussed with all these M&E stakeholders to ensure its implementation. Capacities at PCU and SP level are also an issue for in-depth analysis of outcomes and impacts, as well as the lack of knowledge of overall M&E instruments for IFAD-financed project (RIMS, no linkages with outcome and milestone indicators of the COSOP framework, etc.).

78. These aspects partly explained the following main issues noticed by the mission:

- (a) **Incomplete monitoring of project performance areas:** many data are available on the effectiveness of the project but information is lacking with regards to project efficiency (cost/benefit analysis of models promoted, ROI), project impact (income, etc.), project targeting (accurate total outreach, gender disaggregation usually missing, no reporting on socio-economic characteristics of beneficiaries) and project sustainability (economic, institutional);

- (b) **Low quality of data collected, analysis and reporting:** many irregularities and different figures according to the report (SPs, PCU and RIMS reports), difficulties in establishing a rigorous total outreach figure (households), reports focusing almost only on inputs and outputs with no real analysis on outcome or sustainability, indicators not related to the data being collected, low quality of annual outcome survey in terms of indicators monitored and analysis (no comparison with previous years, no linkages along a clear result-chain from output to impact); and
- (c) **Limited use of M&E for learning and result-based planning and decision making:** M&E of the PCU used as controlling tool rather than learning and emulating tool with and among the SPs to improve activities and approaches, insufficient link between M&E and actual project management decisions at planning (AWPB) and implementation stages and their follow-up. Coordination meetings between SPs and with DAIL/MAIL limited to activities and outputs progress review with no in-depth discussion on improving project efficiency, impact, or targeting based on M&E data. Involvement of DAIL/MAIL in its monitoring mandate is currently limited to field visits with the PCU staff.

79. The **project logframe** was revised during the mission to integrate RIMS indicators, reduce complexity and ensure correct data are monitored for the right indicators since discrepancies were noted (as reflected in RIMS report). The total target of beneficiary for the subcomponent 1.1 was changed from 20,000 to 12,000 beneficiaries to be more realistic (ref. Section C, Component 1). Corrections of the RIMS report for 2012 should also be fully internalized for next year. The possibility to drop the PCU MIS should be considered since MAIL's MIS software is of equal quality, includes two local languages and strengthens government's ownership.

80. **Lessons learnt.** The various lessons learnt were highlighted by the supervision mission and will be detailed in a working paper with practical recommendations and tools.

Agreed action	Responsibility	Agreed date
Share the revised logframe with SPs and ensure its internalize in the SPs' M&E system	M&E officer/tech. officers/SPs	May 2013
Establish tracking sheets for the SPs based on the revised logframe indicators at output and outcome level, <u>gender disaggregated</u>	PCU M&E officer	May 2013
Revise the total number of beneficiary with the SP using on unique unit (household)	PCU M&E officer/SP	May 2013
Focus of monthly data on updating database; half yearly and annual reports should integrate more in-depth analysis of all project SPs	SPs/PCU	Continuous
Include the monitoring of targeting in half yearly and yearly reports	PCU M&E officer/SPs	Continuous
Improve quality and analysis of 2013 AOS (based on IFAD guidelines) and involve SPs, PCU professionals and DAIL/MAIL	PCU M&E officer	End 2013
Evaluate the possibility to use only the MAIL's MIS	PCU	July 2013
Prepare the RO-AWPB for 2014 based on previous M&E analysis	SPs/PCU	October 2013
Switch from output-centred coordination meetings to agenda-based thematic meetings	SPs/PCU	Continuous
Conduct final RIMS and impact survey	PCU	June 2014
Prepare for project completion mission	PCU	July 2014
Identify the RMLSP's contribution to the COSOP	PCU	July 2014
Undertake all <i>preparatory M&E activities for the CLAP</i> based on the lessons learnt from the RMLSP (RIMS+ baseline, etc.)	PCU	Aug 2013

81. **Baseline Study:** There is a baseline for each component, but no RIMS baseline (for RIMS indicators) which supports the project in assessing project impact as per RIMS indicators. In view of the start-up of the new project, CLAP, the PCU needs to ensure a RIMS+ baseline, i.e. a baseline with RIMS and non-RIMS indicators.

III. Gender [Moderately Satisfactory]

82. **Overall assessment.** Considering the socio-cultural environment, progress towards gender can be considered moderately satisfactory. One of the primary target groups for most of the interventions like the TUP, the dairy goat, the veterinary services and the backyard poultry is women. Since the MTR, there is significant work carried out to build the social capital and technical knowledge of women.

83. **Implementation level.** About 400 extremely poor women have been targeted under the TUP and have shown tangible signs of moving out of poverty by being able to generate income from the assets distributed (178 from sale of milk, 388 from sale of animal dung and 83 from the sale of yogurt). With the income many of them have purchased assets like house extensions, mobile phones and solar panels. In the dairy goat project five women livestock specialists from the villages attended a training abroad with the full approval of their family and without a male companion from their family. The Integrated Dairy Scheme has strategized most of its trainings at the village level to allow for more women to participate. However, disappointingly in the Rural Agricultural Product, only 8% of the loans were provided to women.

84. In the dairy goat project 1049 women are organized in 134 groups and in 2 cooperatives. The project has trained more than 700 beneficiaries on the importance of balanced diets, and preparation of protein rich food items using locally available legumes. In the dairy cow project, about 1252 selected women from farmers' families were trained on cattle rearing at the household level and animal health care. The project organises the trainings mainly at the village level and this has allowed for more women to participate. However there are still only 20 women members in the cooperative as compared to over 1400 men. About 3000 community women were trained in poultry rearing and formed into 61 village level groups with a leader. DCA has mobilised 1912 women into three different types of groups (extension groups, self help groups and poor farmers extension groups) and has provided them with technical training on business and marketing (for the self help groups) and the different aspects of animal health to the other groups. They have also formed 50 female extension groups.

85. The field visits confirmed that women were beginning to assert themselves at the household level. With the new sources of income, their negotiation skills within the house and with the market were slowly building up. This was visible but however not tangible as no studies have been conducted on the empowerment status of women. Through the technical training, women have been able to diversify their livelihoods like the purchase of more breeding chicks, cheese making etc. This diversification makes smart business sense for the women as now they can multiple their sources of income and reduce risks. The Village Group Leaders of the Backyard Poultry Project were able to establish small farms to create businesses where they sold pullets, feed, vaccines, and feed equipment thus making it a more integrated service centre for the entire village. DCA has trained 16 women Basic Veterinary Workers and 2 women graduated from the DCA Herat training center after completing a 6 months Paravets course. This achievement will be able to allow community women to access basic veterinary services through these women paravets.

86. One of the bigger issues at stake here is the need for an identity card (Tazkera) for the women to be able to join the cooperative under IDS. This identity card allows the women to be able to access government schemes and benefits, employment etc. This has prevented many interested women from being able to take part in the benefits of the milk cooperative. MISFA has been able to accomplish this for only the TUP beneficiaries.

87. Gender as a social concept, affecting relationships and balance of power is not yet been internalised. It is still seen as a women-men separation of duties. Through the sub components, many women are being able to negotiate within the households and take decisions on several issues. Men folk are supporting the women in their livelihoods thus bringing about incremental changes in the power structure. There is a need to understand roles and responsibilities of the household members – adult women and men, elder women and men and children girls and boys. This understanding will help the project to be able to work along those lines in mainstreaming gender at the implementation level.

20. **Institutional Level.** Gender Mainstreaming at the organisational level in terms of organisational development is yet to be achieved fully. The PCU, has recently recruited a full time Gender Officer who has extensive experience in rights based approach. They have also developed a gender strategy

which however has not yet been implemented yet. There have been recurrent problems in recruitment of a Gender Officer over the last year as many are not willing to go on field visits. Currently there is a large imbalance between the numbers of female and male programme staff as well as staffing within service providers field staff. Across the project there are 228 staff out of which only 104 are women. Most of the women staff are concentrated at the field level with very few at middle or senior management. ICARDA and the backyard poultry project have the highest number of women while Veterinary service/ DCA and the IDS/FAO have the lowest number of women. At the PCU level, there does not seem to be enough incentives to attract women to the workspace. The MIS and M&E system in the PCU does not as yet capture sex disaggregated data even though this issue was raised in the MTR. Though this data does exist in some form at the SP individual level, this has not been able to be consolidated at the national level. Taking gender into account, the M&E of the programme will require a partial re-design to capture the dynamic nature of individual, group and community changes, including changes in gender relations. However, a more robust M&E system that focuses on both qualitative and quantitative data collection will allow analysis of any specific gender issues and outline appropriate actions that will be taken to address them during implementation.

88. The YPP has provided a unique opportunity for graduates of Agriculture Faculties from several universities to acquire practical first-hand work experience. This on-the-job training approach under the supervision of Service Providers avails an excellent opportunity for the graduates to gain practical skills in community mobilisation, field surveys and the application of technical knowledge on the ground. Nevertheless the program has also not been able to attract women. This is due to the low number of women graduating from veterinary sciences and livestock faculties. To ensure that this position attracts more women, the scope of the programme needs to be broadened, by, for instance, enrolling women with other educational background than veterinary (e.g. Business Administration, Management, Economics, Finance and Accounting, etc.), restructuring the ToR of the program for women candidates, and providing different incentives and benefits for women candidates.

89. **Main challenges.** (i) The issuance of the Tazkera for women to be able to join the Dairy Union of the IDS (ii) The M&E system at the PCU still needs to work on collecting sex disaggregated data from the SPs. (iii) The female to male proportion of staff mainly at management levels of the project can still be increased and the new strategy proposes certain affirmative actions to accomplish this. (iv) There is a concern regarding the lack of women candidates for the Young Professionals Programme and there is an immediate need to expand the scope of the program and offer incentives for women to join (v) Gender as a social concept has not been internalised in the project at all most all level. It is still seen in terms of male –female segregation and is looked at reaching targets.

Agreed action	Responsibility	Agreed date
PCU to test pilot interventions in collaboration with provincial authorities for issuing Tazkera for interested women members for the dairy cooperative	PCU and FAO	Sep 2013
Gender strategy to be implemented; Need for more affirmative action in PCU and cooperatives to have more women; incentives for women	PCU and FAO (for the women)	Sep 2013
Pilot flexible initiatives for the YPP like broadening the education base for women; scope to include transversal issues – M&E, Management, KM, finance; re structuring of TOR; incentives for YPP women	PCU	Sep 2013

IV. Poverty [Satisfactory]

90. Poverty is very much differentiated across the areas of operation where economic poverty is exacerbated by remoteness and isolation in pockets. The PDR give a very precise description of who should fall into the poverty grouping for this project. The field visits of the mission corroborated the sharp poverty focus of the dairy goats and poultry components. There is a strong empowerment and rights based approach to institutional building and project implementation for the formation of groups which has helped in building strong, cohesive social capital for women. The SPs (DCA, ICARDA and FAO) have managed to find ways around elite capture and this has kept it to the bare minimum.

91. It is worthwhile to mention here that PDR on the Integrated Diary scheme mentions that IFAD would like to see at least 15% of the families are without ownership of land and small holder farmers having less than two cows (Targeting Strategy in the PDR) but the present data indicates only 10% of

the farmers have less than 2 cows. The IDS component by itself is faulty in design with regards to poverty targeting as such activities may not necessarily target the really poor households. Poverty focus of Agriculture Loans also needs to be improved. There are no clear targets set in the Appraisal Report as it strongly suggests context specific targeting with only broad indications of target groups.

V. Targeting [Moderately Satisfactory]

92. The process for the beneficiary selection has been through the CDCs followed sometimes by a physical verification (Backyard Poultry and Dairy Goat). The PDR have given detailed selection criteria for targeting within the components. The targeting of Kutchis was done with the collaboration of the Kutchis Representative. Resettled Kutchis have lost their cattle or their access over traditional pasture areas and do not currently have the financial means to restart their traditional productive livelihoods. The Micro Finance component has a self targeting strategy and is demand driven with a special focus on IFAD's target groups (as per the PDR) but there is little data to corroborate this last aspect though most of the agriculture loans have gone to middle class beneficiaries. The TUP is an example of good ultra poor targeting. BRAC selected 400 TUP beneficiaries by using Participatory Rural Appraisal (PRA) techniques which includes social mapping, wealth ranking and interview. Based on the results of PRA, the bottom 20% house were identified (647 households) and finally using the criteria for selection, 400 TUP beneficiaries were identified. All TUP beneficiaries are women.

93. However the targeting has been most appreciated in spite of the unstable situation prevalent in the rural areas especially where the project is being implemented. DCA and ICARDA have gone the extra mile to include the Poorest of the Poor households and women headed households wherever they are working.

Households	Appraisal target	Covered till date
Total households covered	6150	6550
Female headed households	50%	23.21%
Landless households	15%	18.20%
Small farmers less than 0.5 ha	20%	12.00%
Kutchis (Pastorals)		17.00%
Poorest of the Poor		50.65%
Families with disabilities		4.16%
Afghan Returnees		5.10%
Landed households with more than 1 ha		12.00%
Households with one and two cows	10%	66.00%
Households with three to four cows		29.00%
Households with more than four cows		4.00%
Others (may be elite capture)		2.70%

94. Targeting in the project needs to develop a more flexible but contextual approach. A mix of poverty and accessibility criteria, with focus on the most remote districts and villages, as well as local demand for proposed activities was the main criteria for the activities. However some of the targeting criteria have been found to be unsuitable to the activity itself like the IDS activity (one needs a certain number of cows to be able to be part of the union and sell the milk. In most situations, those households with less than 2 cows prefer to consume the milk instead). With the poultry project, it was observed that though most of the beneficiaries were of the target group, there were many more households who could have ideally participated in the poultry. However the criteria for being part of the project was the willingness to build the poultry coop which cost about USD 80. This raises issues of equity in a village setting where the number of target group households exceeds the pocket of services the project can provide or participate due to the criteria. The targeting of the poor may in some cases lead to creating disparity in the village as identified by a CDC member. This maybe counteracted by spreading the resources of the project services to cover the entire village but the principle of equity will need to be applied strongly as this approach would mean project services also

reaching those who do not necessarily fit into the targeting group. This is further elaborated in the working paper on gender and poverty.

95. **Effectiveness of targeting approach.** Mission's visits to the field and interaction with cross-section of potential beneficiaries and implementing partners have validated the appropriateness of project's target group(s). The PCU have developed an elaborate targeting strategy which has laid down targeting criteria for each component based on the PDR. Overall there are eight criteria out of which four are to be selected as informed to the mission. This raises issues of subjectivity and which criteria can be considered negotiable and non negotiable. The PCU was collects data from the SPs only on a six monthly basis and this gap can lead to weak links in monitoring the global targets. Targeting however has not been monitored at the PCU level but at the SP level. This needs to be included in the MIS at the PCU level at the earliest to be able to monitor targeting. The wealth ranking exercises carried out by SPs followed different methodologies and parameters leading to differences in poverty assessments across the board. There is an urgent need to develop a uniform wealth ranking criteria and methodology. This will also be beneficial to the new project as it will be able to monitor the number of people overcoming poverty as per the contextual indicators.

Agreed action	Responsibility	Agreed date
Need to include poverty targeting indicators and targets in programme MIS to track poverty targeting accurately with the support of SPs	PCU	July 2013
Need to standardize wealth ranking criteria and data across board with SPs	PCU and SP	July 2013

VI. Innovation, learning and knowledge management [Moderately Satisfactory]

96. The project generated a significant body of knowledge in terms of innovations, best practices, and lessons that should be properly recorded, documented and disseminated, both nationally and internationally. However, the way this knowledge is captured and managed has significant margins for improvement.

97. **Institutional level.** The project has prepared a KM Strategy and plan which is being implemented by the KM and M&E Officer. The MIS of the project has been linked to the MIS of MAIL to be able to report as per the government's requirement. The project has taken out several advocacy materials for their national and provincial audience and has organised the SPs to take part in the bi-annual Afghan Agro Fair held at the centre and at the province level. Complying with the MTR recommendations, a number of coordination activities have been organised horizontally and vertically across the project.

98. Through the monthly meetings at the PCU level, there is an attempt to have more knowledge sharing about best practices. SPs are interacting with each other on complimentary interventions - DCA has been able to provide services to the distributed livestock of the TUP members in Bamyar and Badakhshan having established extension groups among them. ICARDA has been working closely with DCA for vaccines and medicines for the dairy goat project. There has been an increase in the number of coordination meetings among the SPs, MAIL, GDAH&P at the central level and DAIL and the SPs and IPs at the provincial level. The link between KM and M&E needs to be enhanced though the inherent flaw is the period of collection of data. PCU collects project data from the SPs on a bi annum basis and this long gap does not aid in strengthening the gap between KM and M&E. The PCU has introduced government-project monitoring visits to support MAILs' directive in being a body of oversight, monitoring and quality control. How much this has led to improving efficiency of the project is yet to be assessed.

99. **Program Level.** At the SP level there are many knowledge products being generated for the beneficiary and the development sector at large. However there is not much of sharing of extension material across the SPs especially when the activities are complimentary. The coordination meetings still have the potential to act as knowledge sharing platforms and it is recommended that quarterly meetings are held in the PCU with the SPs and project focal points in the DGAH&P to aid in the communication gap that may exist. There is no budget line for training handouts for beneficiaries in

some of the project activities (backyard poultry). For future trainings, SPs should have a budget line that will enable them to produce low cost training handouts to the training participants. These pictorial handouts are important tools for poor illiterate women to act as learning aids.

100. The most striking aspect of the IFAD investment is the work with the Kuchis pastoralists and the poorest members of the rural population for which innovative extension models are being tested. The Poultry project has seen some very creative mechanisms developed by the women themselves to make the model more inclusive and to diversify their livelihoods. These aspects need closely documentation as models for pro poor replicability. The PCU needs to commence on identifying potential best practices that need to be documented in a systematic manner for wider dissemination among national and international audience. The working papers on all the components expand the identification of such studies and need to be referred to.

Agreed action	Responsibility	Agreed date
Quarterly coordination meetings to be organized where project focal points from DGAH&P to attend	PCU	Continuing
SPs to create budget line for pictorial extension material to be provided to trainees	PCU and SP	Immediate
PCU to commence with studies on best practices in all components catering to different audiences (national and international)	PCU	Immediate
PCU to organise write shops in all provinces for a qualitative impact case study compilation	PCU	Quarterly

VIII. Partnerships [Satisfactory]

101. **Partnerships:** RMLSP has entered into a number of important and mutually beneficial partnerships for the cause of poverty alleviation and rural development. These partnerships cover actors ranging from UN agencies, international NGOs and government agencies at the central, provincial and district levels. The direct implementation partners include FAO, ICARDA and DAC and MISFA. In government sector, DG, AH&P has emerged as an important partner for the dairy, poultry and livestock sectors. At the beneficiary level, partnerships have been developed with Dairy cooperatives and dairy unions as well as CDCs.

E. Fiduciary Aspects

I. Financial management [Moderately Unsatisfactory]

102. Financial management (FM) of RMLSP appears to be in need of substantial improvements; not all FM functions are well linked and correlated. While budgeting and flow of funds are completely under control, the accounting, reporting, and audit functions need substantial improvements. Also the internal control environment needs to be strengthened in terms of improved segregation of duties. The Finance Manager is supported by another Finance Officer which however is only marginally involved in the overall administration of the project. The Finance Manager reports to the Project Coordinator. Financial transactions are recorded in excel on a monthly basis on the receipt of the bank statement from the Central Bank, this to allow booking of transactions considering the foreign exchange rate applied by the Central Bank. No operational bank accounts are established as in Afghanistan the physical management of financial resources is completely centralized at the MoF. Transactions are recorded in excel in accordance with the Financing Agreement categories based on supporting documentation. The Finance Manager prepares interim financial reports to the Project Coordinator based on available data elaborated in excel. Project accounts are maintained at the MoF and updated upon receipt of requests for disbursement (M-16 form). This is common practice in Afghanistan. No reconciliation exercise is in place between excel accounts kept at project level and the project accounts kept in MoF using the national FM software named AFMIS (Afghanistan Financial Management Information Software). The Finance Manager directly input financial transactions in

excel without any kind of assistance or authorization procedure, based on available supporting documentation.

103. The Finance Manager also manages autonomously the petty cash (which can reach an amount equivalent to USD 10,000) with relevant indications provided by the Project Coordinator which is not a sound financial management practice. The project has adopted a PIM currently under review for update. The PIM contains generic reference to FM functions and procedures. It would be appropriate to prepare a proper Accounting Manual. In addition, considering the considerable amount of petty cash transactions and recording of these in excel, there is a high risk of errors and loss of data unless a regular cash count and signoff system is adopted.

104. Keeping in view the current weaknesses in the Finance wing and its operations, there is a need for external consultancy support to assist the Finance Unit to build its technical, functional and organizational capacity. In addition it is necessary to pursue a dialogue at MAIL level to obtain the recruitment of 1 or 2 internal auditors at directorate level to assist all 8 external funded projects hosted at MAIL and support these in introducing and maintaining best practices to obtain efficiencies and effectiveness in their operations.

105. From the review of the taxation status of the project, and as follow up to a previous recommendation, emerged a different taxation treatment between expenditures incurred directly by the project PCU and expenditures incurred by the project through Service Providers (FAO, ICARDA, MISFA and DCA). While Service Providers have a tax exemption status and don't pay any duties on their operations, all expenditures borne directly by the PCU are subject to a 2% taxation regime. Considering the tax exemption provisions contained in the RMLSP Financing Agreement, the mission has identified tax related expenditures equivalent to USD 28 373 which are not eligible as per terms of IFAD Financing Agreement. This represents 2% of all expenditures incurred by the PCU since project inception to April 2013. This amount will have to be refunded in the RMLSP Special Account. In addition the mission recommends RMLSP and MAIL to explore all the possibilities to obtain tax exemption status from the Government also by the means of a legal opinion from the government Legal Office on the applicability of IFAD/GOIRA Financing Agreement. Alternative arrangements can be sought through the inclusion on a permanent basis into the MAIL budget of a contingency to refund expenditures declared ineligible by IFAD or through a GOIRA/MAIL cash contribution to RMLSP budget to balance tax paid with IFAD financing.

106. Since inception up to April 2013, 62% of the overall project budget executed. A summary of the financial performance of the project is shown into the following table:

	Component 1 Rural Microfinance	Component 2 Livestock Support Component	Component 3 Project Management & Coordination	Unallocated	Total (US\$)
Cumulative since inception to April 2013					
Budget*	8 196 488	12 615 957	2 956 000	128 415	23 896 860
Actual	4 475 980	8 947 059	1 418 642		14 841 681
% execution	55%	71%	48%		62%

107. Considering that the financing is granted in SDR, the USD historical values expressed above are subject to variation throughout the implementation period. In fact, based on the current exchange rate between USD and SDR, it is likely a revaluation of the USD in respect to values at appraisal. **The mission recommends the Finance Manager to request to IFAD confirmation of residual available balance in SDR after the disbursement of every withdrawal application.**

108. Service Providers are tasked with the implementation of project's components 1 and 2, representing approx.87% of all project activities. The mission visited the offices of FAO, ICARDA, DCA and MISFA to discuss financial management arrangements in place for the administration of IFAD funded projects. In all cases the financial management appeared to be sufficiently solid to allow a correct administration of IFAD/Project resources. Only risk areas identified during the visits are in relation to the transfer of cash from the Kabul head offices to province. In one case funds are

transferred to the personal bank account of the staff which then withdraw the cash for subsequent use (DCA), in the other case funds are transferred using Western Union, the staff in the province collects funds for subsequent use (ICARDA). FAO does not manage funds at provincial level, while MISFA uses micro-credit institutions. DCA and ICARDA, while acknowledging that these procedures are not best practice, justified this modus operandi as obliged by the weaknesses in the Afghan banking system and the overall country environment. The table below describes the status of implementation of contracts with Service Providers:

Implementing Partner	Revised contract amount	Total expenditures	% of expenditures	Residual available
MISFA	8.196.488	4.475.980	55%	3.720.508
FAO – Poultry	1.160.250	1.160.250	100%	-
FAO – Dairy	5.370.028	2.816.361	52%	2.553.667
ICARDA	2.167.819	2.110.819	97%	57.000
DCA	3.917.860	2.859.630	73%	1.058.230
TOTAL	20.812.445	13.423.040	64%	7.389.405

109. Management of contracts with service providers it is not documented. **The mission recommends the set-up of contract monitoring forms for all contracts with service providers.** These forms will include contract amendments and status of payments.

110. **Status of implementation of recommendations issued by previous missions.** The MTR mission, held in April 2012, issued 9 recommendations in the fiduciary area. Of these, 7 have been implemented by the project and 2 have not been implemented as detailed below:

The MTR mission recommended RMLSP and MAIL to formally approach MOF to clarify tax exemption entitlements on goods and services procured under the project, but to date for RMLS/MAIL has not been possible resolve the issue.

The MTR mission recommended the purchase of an accounting software to properly manage project's financial transactions and reporting, but to date this recommendations has not been implemented. **This needs to be expedited**

II. Disbursement [Moderately Satisfactory]

111. As at 30 April 2013, the overall disbursement percentage was 62% in US\$ terms and 57.70% in SDR (SDR 9.232 million out of a total of SDR 16 million). The project has been already extended for one year due to delays encountered in microfinance and dairy plant activities. Both components have now overcome the major difficulties and progress since MTR has been reasonably good. PCU will have to maintain a close watch on any further slippages if the project has to disburse all funds till closing date. PCU also needs to identify all the existing savings in technical assistance and other sub-categories and propose to IFAD at the earliest there use on activities identified during the current Mission including the unallocated funds of US\$ 128,000.

112. **Special account and SOEs review.** The special accounts of the project is managed by the Central Bank. The bank account is not operated by the project directly but through the MoF and used to receive contributions and execute payments (form M-16) in the form of cheques and electronic bank transfers. Operations into the special accounts are approved by the Project Coordinator, relevant MAIL and MoF authorities before execution. Bank reconciliations are performed on a monthly basis, but don not add much value to the FM of the project as bank statements are mainly used to perform entries in excel. The overall management of the special accounts is in line with acceptable practices and by a rigid authorization system. During the period under review 8 withdrawal applications have been submitted to IFAD for disbursement; The mission executed SOEs test on all WAs in accordance with new operational procedures. The withdrawal application passed the test in terms of supporting documentation, correct categorization, and eligibility for funding. The accuracy in the preparation and prompt matching between supporting documents and WA is not immediate.

III. Counterpart funds [Satisfactory]

113. RMLSP does not envisage cash counterpart funding by the Government in cash. Minor in-kind contributions are budget by the Government and have been made timely available to the project. MISFA provided USD 1 560 306 to the project by co-financing services contracted by RMLSP. In addition, the Provincial Government of Nangarhar provided a land parcel in the outskirts of Jalalabad to the project for the construction of the dairy processing plant. The mission also observed voluntary beneficiary contributions, for instance through the allocation of their home space or their land to the use of the Dairy Unions.

IV. Compliance with loan covenants [Moderately Unsatisfactory]

114. The project complies with all financing covenants, except article 1, Schedule 2 in relation to the tax exemption status of project's expenditures, and consequent ineligibility of tax expenditures under IFAD financing. In accordance with IFAD rule and regulations, prolonged non adherence to financing covenants and non refund of expenditures declared ineligible can bring to suspension of disbursement under the project and ultimately also to the full portfolio in the country.

V. Procurement [Satisfactory]

115. Reviewed the approval of the revision of service provider contracts for MISFA (USD 8 196 488), FAO-Dairy (USD 5 370 028), DCA (USD 3 917 860), FAO-Poultry (USD 1 160 250 – no change) and ICARDA (USD 2 167 819). Afghan procurement procedures require the annual approval of contracts for amounts above USD 100 000 from the Special Procurement Committee (SPC) at MoF. Reviewed relevant documentation, no exceptions to report. Reviewed also minor procurements for balance purposes. Procurement of rent of vehicles; overall contract amount is USD 26 400. The contract was divided in 2 allotments, one for 3 months (Jan-March 2012) and 9 months (April-Dec. 2013) as availability of funds was limited for the FY end. For the first allotment the methodology used was RFP. RFP was advertised for 21 days on the web and newspaper; the winning company was awarded for AFG 339 000 (approx. USD 3 400). Reviewed the file everything found in order, no exceptions to report. Procurement of audit services; overall contract amount is AFG 250 500 (approx. USD 4 700). The methodology used was RFP and QCBS with technical evaluation at 80% and cost evaluation at 20%. The RFP was advertised for 21 days on the web and newspaper. Reviewed the file everything found in order, no exceptions to report. The mission commends the project. As services provider were identified at appraisal level, for the procurement of these have been used the Single Source Selection, which does not represent best practice, but was imposed by the conditions. The national procurement thresholds (USD 10 000 for mandatory NCB) sometimes make the procurement process lengthy also for items of medium value.

VI. Audit [Moderately Unsatisfactory]

116. The audit for the FY ended in March 2012 were due 30/09/2012 and received well on time and almost complete as inclusive of the audit of the PCU, ICARDA, DCA and MISFA. FAO did not provide an audit report, but only SOEs, this is acceptable considering the status of the Organization. All auditors conducted the audit according to International Standards on Audit. Auditors of RMSP expressed an unqualified opinion on the use of the Special account and on the SOEs procedures, and a qualified opinion on the consolidated financial Statements of the PCU due to the fact that FAO (as service provider of RMLSP) did not provide RMLSP with audited financial statements and that DCA and MISFA had a different FYE, therefore the auditors could not certify with certainty the impact of the implementing agencies in the Financial statements of the PCU. To mention that the reporting period differs of only 11 days. Auditors of MISFA, DCA and ICARDA expressed an unqualified opinion on the Financial Statements of the service providers for RMLSP. The mission noted that the project currently passes relevant accounting data to auditors which prepare financial statements and express an audit opinion on these. This is not best practice with the risk of non acceptability of audit reports from IFAD. **The mission recommends that the preparation of financial statement is assigned to the finance unit with subsequent submission to auditors for review and expression of audit opinion.**

VII. Financial Management Assessment Questionnaire (FMAQ) and Risk Summary Table [Medium Risk]

117. The mission performed the FMAQ and rated the overall outcome of the fiduciary review as medium risk due to 7 observations of high severity in the organizational, internal control and accounting areas and 29 observation of medium severity throughout all the areas.

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk	H	
Control Risks		
1. Organization and Staffing	M	As per mission recommendations and as per the fiduciary technical annex
2. Budgeting	L	
3. Funds flow & Disbursement Arrangements	M	
4. Internal Controls	M	
5. Accounting Systems, Policies and Procedures	H	
6. Reporting and Monitoring	M	
7. Internal Audit	L	
8. External Audit	M	
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

VIII. Revised Project Implementation Manual (PIM)

118. "The PIM generally includes all relevant administration/FM related provisions with the exception of the accounting structure (which basically does not exist because there is no accounting software in place), data security (back-up, etc.) and external audit arrangements. In order to proceed with the approval it is suggested the inclusion in the PIM of a short narrative on accounting procedures, data security and external audit arrangements. In addition, it is recommended the preparation of a detailed accounting manual for the use of the finance unit of RMLSP (and then CLAP). This manual should contain in detail all procedures used by the finance unit.

Agreed action	Responsibility	Agreed date
Government to reimburse ineligible expenditure on taxes. PCU obtain tax exemption status from the Government or Alternative arrangements like inclusion on a permanent basis into the MAIL budget of a contingency to refund expenditures declared ineligible by IFAD or through a GOIRA/MAIL cash contribution to RMLSP budget to balance tax paid with IFAD financing.	PCU/MAIL	immediate
An accounting software will be procured to improve the quality and reliability of project's financial data. IFAD will support providing basic technical specifications.	PCU	31 July 2013
A FM expert will be engaged for a period up to 3 months, to support the development of the Finance unit from a technical, functional and organizational point of view.	PCU	31 July 2013
An accounting manual will be prepared detailing all policies and procedures currently used by the finance unit. To be submitted to IFAD for no objection before adoption.	Finance Manager – PCU	31 July 2013
Relevant counterparties in MAIL and MoF will be contacted to obtain direct access to AFMIS with read only rights. In the interim, control unit of MAIL will be contacted to have copy of AFMIS records on a monthly basis for reconciliation purposes.	PCU Project Coordinator and Finance Manager	31 July 2013
A cashier will be hired to support the Finance Manager. Roles and responsibilities of FM staff will be clearly defined and included in the PIM and in the accounting manual to be prepared..	PCU Project Coordinator and Finance Manager	30 September 2013
Finance Manager will request IFAD for confirmation of residual available balance in SDR after the disbursement of every withdrawal application.	Finance Manager PCU	immediate
Preparation of financial statement will be assigned to the finance unit with subsequent submission to auditors for review and expression of audit opinion.	PCU Finance Manager	immediate
Cash count, print out and sign-off of petty cash transactions will be carried out on a monthly basis by the Finance Manager and the Project Coordinator.	PCU Project Coordinator and Finance Manager	immediate
Contracts Register will be maintained and contract monitoring forms for all contracts with service providers will be updated. These forms will include contract amendments and status of payments.	PCU Finance Manager	immediate
Before submission to IFAD, withdrawal applications will be submitted to the IFAD consultant based in Pakistan for prior review.	PCU Finance Manager	immediate
PCU will pursue a dialogue at MAIL level to obtain the recruitment of 1 or 2 internal auditors at directorate level to assist all 8 projects hosted at MAIL	PCU Project Coordinator	Continuous
Formal proposal for use of unallocated amount of US\$ 128,000 be submitted for IFAD approval as per Mission recommendations	PCU	Immediate
Complete the amendment of the PIM to ensure inclusion of relevant provisions for the description of the project's accounting procedures, data security and external audit arrangements	PCU	July 2013

F. Sustainability

119. All project activities are being implemented through service providers and this approach makes question of sustainability central to all project interventions. MTR recommendations put emphasis on the need to consolidation project activities, handing over implementation responsibilities to beneficiary organizations, and formalizing government functions for the post-project period. However, although some actions were taken and some progress made in this area, overall progress proceeded slower than expected, and post-project sustainability remain at risk. None of the components/sub-components has yet developed a clear exit strategy. Uncertainty and limited clarity in a number of policy/regulation areas (e.g. registration of para-veterinaries; animal health; registration/standardization of veterinary pharmaceuticals), including in the microfinance sector, undermine the long-term sustainability of several achievements of the project. It is thus critical that the project develop clear exit strategies from now till end of project to define a roadmap for the handover of completed activities to relevant public sector and community based entities for the continuation of project interventions after project completion, and that Government addresses some of the policy issues that constrain development in the livestock and microfinance sectors.

120. The M&E system of the PCU should provide more information on the sustainability – economic, institutional, etc. – of activities using a combination of qualitative and quantitative methods. Qualitative tools are already in place (concurrent assessments, etc.) but more emphasis should be put on quantitative aspects especially regarding the economic sustainability of the activities promoted. In particular, the profitability of dairy goat, poultry and other economic activities as well as the relevance in comparison to other models (home cheese processing vs milk selling to the cooperative, etc.) should be analysed using quick cost-benefit methods. In addition, the performance of the livestock enterprises (poultry, dairy goats and – cattle) over a longer period of time (2-3 years) should be assessed; i.e. analysing production and reproduction data, for instance, against costs and benefits. In this way, more insights in terms of impact can be obtained.

121. **Empowerment [Satisfactory].** Though there is no data to back up this score, the field visits demonstrated a high sense of empowerment among the beneficiaries. There are many 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. There are presently no clear empowerment indicators developed by the project to be able to monitor empowerment at the outcome level. This is elaborated in the working paper on gender and poverty. The Annual Outcome Survey did not capture empowerment related to the project and will need to include this in the next survey to be held this year.

Attributes of Empowerment through RMLSP	Achievements
Social and women 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
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; increase in incomes
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.

G. Impact

122. **Impact on incomes.** The beneficiaries of the Integrated Dairy Scheme report increase in production from less than 2l/day/cow up to 6-7 l/day/cow. 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 1,000AFN/7kg and a processing cost of 110AFN/7kg. Even after integrated the fixed costs related to the goat (800AFN for 50kg of feed, fodder) on the 1,000AFN per week (around 18USD), the additional income seems substantial, especially in more remote villages (around 14USD). The BY 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, which 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.

123. **Impact on food security.** The additional milk production from cows and goats contribute to food security in two ways: (i) availability of milk for the children; and (ii) increase in income from milk products (cheese, etc.) spent in food products not available at the household level and thus contributing to the diversification of food intakes (nutritional security). In other cases, namely poor HHs keeping a small poultry flock, sell eggs (protein) and/or pullets and buy in return grain (starches) ensuring two meals per day.

H. Conclusion

124. RMLSP has performed quite well since the MTR in almost all aspects of project implementation. The programme is well set to achieve its physical and financial targets in the remaining life of the programme. From now until the project completion (September 2014), the focus of the project should be on:

- (a) Consolidating and enhancing the impact of project activities with particular focus on pro-poor interventions;
- (b) Developing and implementing an exit strategy for the various components/sub-components with the objective of ensuring post-project sustainability;
- (c) Gradual handover of the implementation responsibilities to the beneficiary organizations, with incremental reduction in the role of Service Providers and concurrent strengthening of the capacity of the beneficiary organizations;
- (d) Formalizing and strengthening the coordination, monitoring, quality control and support functions of the government institutions at central, provincial and district level through necessary notification and terms of reference;
- (e) Strengthening the quality of financial management of the project and addressing the tax issue, as these may have an impact on the broader IFAD portfolio in Afghanistan;
- (f) Properly recording, documenting, and disseminating the significant body of innovations, best practices, and lessons generated by the project.

Appendix 1: Summary of project status and ratings

Project 1460 [8033]; Rural Microfinance and Livestock Support Programme; Supervision Mission. May 2013

Basic Facts

Country	Afghanistan			Project ID	1460	Loan/DSF Grant No.	8033
Project	Rural Microfinance and Livestock Support Programme					Supp. Loan/DSF Grant	
Date of Update	01-May-2012					Financing terms	D
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	4	No. of Implementation Support/Follow-up missions		3			
Last Supervision	March 2012	Last Implementation Support/Follow-up mission		December 2012			

					USD million	Disb. rate %
Approval	30-Apr-2009			Total costs	26.01	
Agreement	07-Jul-2009	Effectiveness lag	3.9	IFAD Total	23.62	
Effectiveness	24-Aug-2009	PAR value	Not at risk	IFAD loan		
MTR				DSF grant	23.62	62
Current completion	30-Sep-2014	Last Amendment	23 Aug 20	IFAD grant		
Current closing	31-Mar-2015	Last Audit	31 Dec 2012	Domestic Total	2.22	
No. of extensions	1			Government (National)	0.00	
				Domes. Fin. Inst.	2.22	
				Co financing Total		

Project Performance Ratings

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

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

B.5 Justification of ratings

- The project remains on track in achieving most of the targets. Impact on the ground is becoming visible. Component 1 (Rural Microfinance), after the initial delays, has started to pick up, 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 showed slow progress until MTR, finally picked-up. The component is rated satisfactory. The project

generated a number of 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 remains satisfactory. However, the project financial management was rated moderately unsatisfactory mainly because of non-compliance with loan covenants (taxation), and weaknesses in the systems. Disbursement rate is 62%, however, the programme is well set to further accelerate disbursement over the coming months. Special attention would need to be given in the next few months to ensure effective usage of unallocated funds and savings under various budget lines.
- 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. All components/sub-components should develop and implement an exit strategy.

Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	4
C.3	Overall implementation progress (Sections B1 and B2)	4	5
Rationale for implementation progress rating			
C.4	Likelihood of achieving the development objectives (section B3 and B4)	4	4
<ul style="list-style-type: none"> - The project, particularly under component 2 (Livestock Support), is on track towards achieving (and in some cases exceeding) most of its targets, and some of the results are becoming visible. Component 1 has also picked up pace since MTR, although considerable institutional and policy issues still remain. There are indications that both food and nutritional security improved as well as net-income of participating households. Certain activities targeting the very poor (TUF, Dairy Goats, etc.) contributed to asset building and empowerment of women and hold great potential for further scaling up. - Although post-project sustainability prospects have greatly improved with one year extension in project, 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. All components/sub-components should develop and implement an exit strategy. 			
Risks			
C.5	<i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
	Fiduciary aspects: <ul style="list-style-type: none"> - Tax on PCU expenditures is violation of Financing Agreement and need to be addressed forthwith by PCU and MAIL. - Finance Section need to be strengthened through recruitment of a Cashier and clear division of responsibilities. 		
	Project implementation progress: <ul style="list-style-type: none"> - Security remains a factor of risk for project progress and outreach. - There is strong potential for aligning microfinance with livestock activities and this needs to be actively pursued during remaining project period. - The steering of the SPs by PCU/MAIL needs to be further deepened to ensure that cross cutting themes (gender, knowledge management, etc.) and synergies among the components and sub-components (livestock) materialises. 		
	Outputs and outcomes: <ul style="list-style-type: none"> - The project generated a significant body of knowledge in terms of innovations, best practices, and lessons that should be properly recorded, documented and disseminated, both nationally and internationally. 		
	Sustainability: <ul style="list-style-type: none"> - Given the spread and involvement of multiple SPs for implementation of various sub-components, it is essential that well delineated exit strategies are developed for all key interventions, with full involvement of SPs and concerned Government agencies for the post-project handover of responsibilities to ensure their sustainability. - Uncertainty and limited clarity in a number of policy/regulation areas (e.g. registration of para-veterinaries; animal health; registration/standardization of veterinary pharmaceuticals, etc.) undermine the long-term sustainability of several achievements of the project and need to be quickly addressed. 		

	-	Institutional and policy framework for the Microfinance Sector needs serious attention for this sector to realise its full potential.	
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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* % of households experiencing two hungry seasons* 	Baseline, RIMS mid-term and completion surveys. SP's own baseline surveys 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"> 6,100 households reporting an increase in income from livestock, by source (milk, dairy, poultry, meat, etc.) <ul style="list-style-type: none"> ✓ 1,900 producers reporting an increase in income from milk production^{1*} ✓ 3,000 women reporting an average increase in income of USD 150 from poultry raising ✓ 1,000 women reporting an increase in income from dairy goat production ✓ Average annual income from fodder production increased to 500USD/farmer Outreach: 102,708 households receiving project services*, by type (women or men headed households) 	PCU reports PCU Annual Outcome Survey MISFA Reports, MFI Independent assessments	Men do not prevent women from participation in programme activities. No prolonged and severe droughts. The security situation allows reasonable programme implementation in rural areas
COMPONENT 1: MICROFINANCE SERVICES			
Sub-component 1.1: Innovation facility			
Outcome 1.1: 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)	<p><u>Effectiveness:</u></p> <ul style="list-style-type: none"> Improved access to the poor to financial services* <ul style="list-style-type: none"> ✓ 12,000 rural people accessing rural 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 PCU reports	Security situation allows MFIs to operate in rural areas. Rural people need financial services. Religious standard setting bodies certify new Sharia-compliant microfinance products and services. Agricultural and livestock activities generate sufficient income to pay the interest rate required to sustain rural finance services.
Output: A range of innovative microfinance products and services pilot tested and adapted to the needs of rural	<ul style="list-style-type: none"> 3 financial institutions participating in the project* 12,000 active borrowers (individuals)^{1*}, 50% of women (equivalent to % accessing a loan from 	MISFA and MFI reports PCU reports	

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
households, farmers and livestock owners	MFI) <ul style="list-style-type: none"> 3 MFIs submit proposals and 80% approved Average loan size by product line 		
Sub-component 1.2: Financial graduation for the ultra-poor			
Outcome 1.2: <i>Pilot-test a model for the inclusion of those who are currently excluded from microfinance services by building their skill and asset base and graduate them into service provision.</i>	<u>Effectiveness:</u> <ul style="list-style-type: none"> % of beneficiaries connected to a MFI as active borrowers 	MISFA and MFI reports PCU reports and assessments	Security situation allows MFIs to operate in rural areas. Rural people need financial services. Religious standard setting bodies certify new Sharia-compliant microfinance products and services. Agricultural and livestock activities generate sufficient income to pay the interest rate required to sustain rural finance services.
Output: Skill training and provision of asset to TUP beneficiaries in the pilot-test model completed.	<ul style="list-style-type: none"> 1,200 beneficiaries trained in financial services^{1*} 1,200 beneficiaries trained in livestock production practices and technologies^{1*} 	MISFA and MFI reports PCU reports	
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 PCU reports	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.
COMPONENT 2: Livestock support programme			
Sub-component 2.1: Integrated Dairy Scheme			
Outcome2.1: <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 1,500 farmers reporting at least a 30% increase in milk production per lactating cow^{1*} 1,500 farmers engaged in commercial fodder production 700 ha additional of fodder crops grown At least 2 million litres of milk collected annually <u>Sustainability:</u> <ul style="list-style-type: none"> 18 dairy producers' group operational/functional* 	Annual Outcome Survey Project MIS of SPs	Local powerbrokers let farmers participate in programme implementation. Security situation in the programme area remains stable.
Outputs: Improved production and efficiency of milk production and processing in Nangarhar and to establish a member-owned network of some 1,500 milk and dairy producers.	<ul style="list-style-type: none"> 1,500 farmers trained in crop production practices and technologies^{1*}(commercial fodder) 1,500 farmers trained in livestock production practices and technologies^{1*} (milk production) 16 dairy production groups formed^{1*} (15 producers associations and 1 dairy union) 1 dairy processing facility constructed * 5 milk collection points established 	Review and monitoring reports	Opium cultivation does not take off in the Northern provinces. The programme, its actors and donors are socially accepted by the local population. Men do not prevent women from participation. Drought does not worsen and livestock and fodder production remain economic viable

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Sub-component 2.2: Veterinary Services in the North			
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"> No of 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	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"> 200 additional Basic Veterinary Workers selected, trained and equipped 30 veterinary clinics constructed or refurbished No of farmers trained in post-production, processing and marketing^{1*} (production of quality cashmere and karakul or milk processing and hygiene) 	SPs reports PCU, MAIL and DAIL monitoring reports	
Sub-component 2.3: Backyard Poultry Project			
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* 	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 from backyard poultry rearing.	<ul style="list-style-type: none"> 3,000 women trained in livestock (poultry) production practices and technologies* 3,000 women provided with basic inputs and equipment 50 female community members trained as trainers 60 livestock production groups formed/strengthened* No of households facilitated to access poultry health services* 	SPs reports	
Subcomponent 2.4: Dairy Goat Project			
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"> 100 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.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<p>Output: Poor rural women derive and retain increased income dairy goat production.</p>	<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 ▪ 100 livestock (dairy goat) producers' groups formed/strengthened* ▪ 50,000 goats vaccinated ▪ 1,000 households (women) receiving facilitated animals health services* 	<p>SPs reports</p>	

Appendix 3: Physical progress measured against AWP&B and appraisal targets

Period: Project inception to 31 December 2012				
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*	400 Ultra poor families	3	4
	Child malnutrition (under 5 yrs old: chronic, acute, underweight) ¹	35% (mid term data)	1	2
	Nb of hhs reporting an increase in income from livestock, by type of livestock ₂	5900	4	4
	Nb of hhs reporting improved food security(according to different target groups)	5900	4	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 Mutahid and FMFB	3	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.	-		3
	The population in 5 provinces with regular access (quality/quantity) to essential animal health services (according to different target groups F/M).	338130	4	4
	50% reduction in animal death (due to disease) and increase of livestock productivity by 20%, as compared to baseline, in Programme villages.	-	4	4
	5,500 households with reduced vulnerability and poverty from milk, dairy or poultry	60% of the covered HHs are food secure now	3	4

	production, or the sale of meat and animal product (according to different target groups F/M).			
Outcome level				
<i>Component 1</i>	Increase in the number of active microfinance clients (loans, savings, insurance, remittances, etc.) in rural areas by 20,000 (12,000 revised target) of which at least 50% are women by March 2015 through the Innovation Fund <u>and</u> through MFI own funds.	3252 active clients	3	3
	USD 5.5 million of MFI funds newly used. At least 20,000 rural people (12,000) with access to microfinance by PY5 (*).	\$3,721,648	3	3
	At least 2MFIs have increased their outreach in rural areas (by client types/target group categories).	2	3	3
	4 provinces covered by these MFIs by PY5	4	3	3
	% of beneficiaries who access a loan from regular MFIs	6%	2	2
	% of beneficiaries enabled to generate a regular income..	-	-	
<i>Component 2</i>	Some 6,100 hhs with improved income from milk, dairy, poultry production, the sales of meat or animal products* (monitor gender of the household head)	6100	3	3
	% of supported hhs reporting an increase in herd size*			
	Nb of livestock owners with their cattle vaccinated at least once a year against major diseases.	338130	3	3
	1,100 milk producers organized in financially viable associations	15 primary coops established	3	3
	Volume of milk additionally produced, in MT/year.	-	Not yet started	

	Nb of milk producers reporting an increase in income	-	Not yet started				
	Average, net annual profit generated by producers’ associations	-	Not yet started				
	70% capacity utilisation of the plant in the next 3 years	-	Not yet started				
	Nb of livestock owners in the 5 targeted provinces with regular access to essential veterinary services	241394	3			3	
	A regional veterinary association affiliated to AVA established	- (this activity was erased from AWP&B)	Dropped				
	A model for service provision to poorest hhs successfully piloted	1	4			4	
	Two value chains (cashmere and karakul) promoted and developed for export	2 value chain promoted and developed	3			3	
	At least 3,000 women reporting an increased income from poultry raising	3108254 eggs produced and by 3000 women	4			4	
	% of farmers reporting increase in average in annual income deriving from poultry raising	70%	3			4	
	80% VPGs sustainable and effective at the end of 2 years since their recruitment.	50%	3			3	
	At least 1,000 women reporting an increased income from dairy goat production	1000	2			3	
	Number of additional beneficiaries provided with bucks and does through the “pass on the gift” policy	322	2			3	
	Component 3						
	Output level						
	Outputs by component	Indicator	(Physical) Targets				
AWP&B (planned)			Actual (achieved)	%	Appraisal (Global)	Cumulative (so far)	%
Component 1 - Sub-component 1.1							
Output 1.1.1	5 MFIs submitting proposals and80% approved	-	-	-	2	2	100%
A range of innovative microfinance	At least 2 pilots	2	2	100%	2	2	100%

products and services pilot tested and adapted to the needs of rural households, farmers and livestock owners	launched in PY3.						
	10,000 active borrowers, by gender, provinces and districts in PY4 and PY5	800	3252	100%	20000	3252	6%
	10,000 savers, by gender, provinces and districts. In PY4 and PY5.	800	3252	100%	20000	3252	6%
<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 Average 3 days of TA provided, by year and MFI	Open	131		200	131	65%
	Value of Gross Loan Portfolio (loans outstanding) of 4 participating MFIs AFS 120 million in PY5.	Open	3,721,648		Open	3,721,648	
<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	1200 beneficiaries trained (according to different target groups F/M)	400	400	100%	1200	400	33%
	1200 beneficiaries provided with an asset (according to different target groups F/M).	400	400	100%	1200	400	33%
Component 2 - Sub-component 2.1							
<i>Output 2.1.1:</i> Improved production and efficiency of	Nb of hhs supported to engage in commercial fodder and in milk production (according to different target	300	430	143	1500	1597	100%

milk production and processing in Nangarhar and to establish a member-owned network of some 1,500 milk and dairy producers	groups F/M).						
	Nb of milk collection points established.	0	0	0	15	0	0
	People trained in livestock production practices and technologies (*).	500	500	100%	1500	1500	100%
<i>Output 2.1.2:</i> Improved availability of affordable feed resources	Average annual income from fodder production / farmer.	300	225	75%	700	600	85%
	Nb of MT of concentrated feed produced.	NT	9MT		NT	9 MT	-
<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.	40	40	100%	90	77	85%
<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	-	-	-	15	15	100%
	At least 2 million litres of milk collected annually	-	-	-	2 Million	0	0
Component 2- sub component 2.2							
<i>Output 2.2.1:</i> A self-sustaining network of high quality, animal health service providers established in the northern region.	People accessing facilitated advisory services(*)	1000	2280	228%	3000	4560	100%
	Households receiving facilitated animals health services (according to different target groups F/M).	21775	21616	99%	77208	42299	54%
	200 of additional Basic Veterinary Workers selected, trained and equipped	3	3	100%	60	48	80
	30 veterinary clinics constructed or refurbished	6	6	100%	30	26	86%
	% of VFUs financially	20	20	100%	80	70	87%

	self-sufficient						
	Nb of farmers reporting an increase in livestock production, productivity and incomes	-	-	-			
Component 2- sub component 2.3							
Output 2.3.1. Poor rural women derive and retain increased income from backyard poultry rearing	People trained in livestock production practices and technologies(*)	1000	1000	100%	3000	3000	100%
	People accessing facilitated advisory services(*)	1000	1000	100%	3000	3000	100%
	Households receiving animals from redistribution/restocking	1000	1000	100%	3000	3000	100%
	Households receiving facilitated animals health services.	3000	3000	100%	3000	3000	100%
	3,000 women trained in poultry production and provided with basic inputs and equipment	1000	1000	100%	3000	3000	100%
	50 female community members trained as trainers	20	20	100%	60	60	100%
Component 2- sub component 2.4							
Output 2.4.1. Poor rural women derive and retain increased income dairy goat production	People trained in livestock production practices and technologies(*)	1000	1000	100%	1000	1000	100%
	People accessing facilitated advisory services(*)	1000	1000	100 %	1000	1000	100%
	Households receiving animals from redistribution/restocking (acc to different target groups F/M)	Completed	Completed		1000	1000	100%
	Households receiving facilitated animals health services (acc to different target groups F/M).	1000	1000	100%	1000	1000	100%
	1,000 women trained in dairy goat production and provided with basic inputs and equipment	Completed	-	--	1000	1000	100%

	100 Women producers' groups established and strengthened Nb of goats vaccinated.	Completed	-	--	100	134	100%
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Appendix 4: Progress against previous mission recommendations

S/N	Agreed action	Resp.	Agreed date	Status
1	Request for project extension should be submitted to IFAD	MAIL, PCU	Immediate	This done. The request has been approved by both MAIL/MOF and IFAD
2	Complete the ongoing pilots under the Innovation Facility sub-component. No additional innovations" should be undertaken. Expand the Financial Graduation of the Ultra-Poor sub- component to one additional province.	MISFA, PCU	Immediate	<p>Status of the MTR recommendations;</p> <p>FMFB Rural Agriculture product was designed and rolled out on 01-Oct-12. As of the first week of December, 1,088 loans were disbursed in four original targeted provinces (Badakhshan, Takhar, Kunduz and Baghlan) amounting US\$ 1,279,740. While the target for the 6 months pilot was 900 loans amounting US\$ 1.14m which has been surpassed.</p> <p>OXUS Sharia product: designed and piloted in two provinces Faryab and Herat, as of second week of December, one SME loan amounting US\$1m disbursed.</p> <p>Mutahid Sharia Product market research, product design completed, Fathwa from the Ulama Supreme Council for the Murabaha product received. Branch office for the Sharia product set up in Herat province. Establishment of Sharia board, staff training in progress. Product roll-out will begin in January 13 and will continue for nine months. Mutahid has the intention to pilot the sharia product in Kabul as well.</p> <p>TUP Bamiyan is in full implementation, 80% of the 400 beneficiaries are ready for graduation, 30-40% of the beneficiaries have been already linked with financial institutions and the remaining will be linked in coming six months.</p> <p>TUP Badakhshan is also in implementation stage. So far 800 beneficiaries have been selected; training is in progress, while the productive assets will be given to them in March, not now because of the expected harsh winter in Badakhshan province</p>
3	Strengthen the technical and institutional capacity and ensure a gradual hand-over of the project responsibilities to Dairy Unions and Cooperatives.	FAO	Immediate	

4	Strengthen the capacity and formalize the role of MAIL/DAIL staff in taking over, planning, monitoring, quality control and support functions after project completion	All SPs (2.1-2.4)	Immediate	Training provision to Gov staff to build technical and general skills to understand activities and project monitoring
5	Create a Microfinance Specialist and a Procurement Specialist Positions to strengthen the capacity of the PCU to technically back-up the project and improve the quality of its financial management	PCU	Immediate	Both positions are filled
6	Reallocate budget within components/sub-components, as proposed. Submit a request for budget reallocation to IFAD. Contracts between MAIL and SPs should be amended accordingly, and PCU and SPs should develop a detailed WP to implement mission recommendations taking into consideration the extended project duration.	PCU, SPs	Immediate	Done. Contracts have been revised, cleared by IFAD and SPC and approved by MAIL minister
7	MAIL to revisit the original conditions of all SP contracts, clearly defining a greater role of oversight for the project, and ensuring unambiguous reporting expectations and lines of communication.	MAIL, PCU, SPs	Immediate	This is done. A few clauses were added in order to give a greater role to MAIL
8	The balance funds of the Innovation Facility should be reallocated to support the expansion of the Financial Graduation of the Ultra-Poor sub-component to one additional province and to component 2.	MISFA, PCU	Immediate	US\$ 1,575,000 has been re-allocated to the expansion of the TUP in Badakhshan and one million and one hundred reallocated to component two. (MTR Recommendation).
9	To expand the Financial Graduation of the Ultra-Poor sub-component to one additional province (The selection of executing agency should be done through an open bidding process).	PCU, MISFA	Immediate	The project is being replicated in Badakhshan Province. So far 800 beneficiaries have been selected. The project targets two districts i.e. Faizabad (center of Badakhshan) and Khash Districts. The project is being directly implemented by MISFA
10	Timely hand-over the Feeding and Fodder as well as Extension/Training services to the Khatiz Dairy Union, so that hand-holding and coaching can still FAO be provided during the project period. Integrate the Animal Health/A.I. into the Dairy existing Veterinary Fields Units (VFUs) through a Memorandum of Union Understanding13,14.	FAO/DAIRY UNION	Post MTR	The process has already started. FAO has signed a MOU with the dairy union. Moreover, FAO has placed one of their staff with the KhDU.

11	Increase the budget allocated to support the recruitment of Young Professional Consultants (YPC) during the project extension period.			This is done
12	Give more emphasis on dairy value chain and reduce the efforts for Karakul value chain. Liaise with other SPs (via PCU) to exchange information/experience/best practices on collection, processing and marketing.	DCA/PCU	August 2013	Well in progress now. 200 women already trained in Baghlan, Kunduz and Takhar Provinces. Links established between farmers groups (male and female) to dairy factories in Baghlan and Kunduz. Hygiene kits and churning machines already started to be distributed.
13	There are some concerns on the long-term sustainability of the poultry model. There are number of assessments about to be finalized on the impact and sustainability of these models. Wait until the results of these assessments are available before suggesting any change in the model adopted by the project.	PCU, FAO	As soon as the Assessments are available	
14	Analyze how the dairy goat program could be up-scaled. Document the good practices (e.g. improved home goat milk processing; Atriplex, etc.).	ICARDA, PCU	Post MTR	For the purpose a concept note has been developed. The same is cleared by the line directorate and approved by the ministry. The project will be expanded as per the concept note immediately begging of year 2013
15	Amendment or re-negotiation of SP contracts to ensure more uniform and coherent terms and conditions to allow the PCU coordination and oversight	PCU	Immediate	The contracts have been revised.
16	The Project will finalize a proposal and budget for a structured learning approach and training for the next round of YPCs.	PCU	July 2012	This is done.
17	Complete the detail M&E plan including the M&E Matrix clearly defining the scope of the M&E system post the MTR.	Manager M&E at the PCU & Ps	By end August 2012	Done
18	Prepare the RO-AWPB by initiating a participatory and bottom-up planning process and include a narrative text to the RMLSP AWPB.	Manager M&E at the PCU	By October 2012	Partially done
19	PCU to review the M&E systems of SPs and revise the data collection tools for the MIS based on the revised set of indicators in the log frame and RIMS to capture impact data on, women's empowerment, food and nutrition	M&E of the PCU and SPs	Complete by July 2012	Done

	security and contribution of the sub-sectors to household income.			
20	Project to conduct AOS and complete RIMS survey with comparison/control group. RIM survey equipment has to be procured from IFAD.	Manager M&E at the PCU & SPs	Starting December 2012 for AOS and Starting July 2012	Done
21	SP and MAIL officials jointly conduct Concurrent Assessment of the delivery system, adoption, scaling-up, and performance of institutional arrangements and monitoring of emerging issues including those related to women's empowerment at the provincial level.	Programme Director	Starting September 2012	Done
22	PCU to simplify half-yearly and annual reports and submit RIMS Annual Report to IFAD.	Manager M&E At the PCU	Complete by August 2012	Done
23	Build capacities of PCU staff and M&E focal points of SPs through hands-on training on quality assurance of M&E and MIS.	Programme Director	Completed by December 2012	Done but MAIL quite often does not approve international trainings.
24	Formulate a simple gender strategy with a doable and realistic action plan, development of a check list for livestock sub-components to steer gender responsive service delivery	PCU, SPs, MAIL	By December 2012	Done
25	Gender-mainstream the M&E system as per the revised log-frame and conduct assessment of gender issues and interventions related to women's empowerment.	PCU, SPs, MAIL/DAIL	By December 2012	Done
26	In the extension period of the project and for the extending the target beneficiaries, the SPs will need to have a sharper target focus on the poorer households especially in the IDS.	PCU, SPs	By December 2012	Done
27	The PCU should encourage the adoption of a knowledge sharing culture within the organization	PCU PCU,SPs	Post MTR Onwards Post MTR	Done. For the purpose a simple KM plan has been developed
28	Initiate the process of linking the M&E to feed in to the knowledge management of the project	PCU,SPs MAIL/DAIL	By December 2012	Done
29	MAIL formally approaches MOF to clarify the tax exemption entitlements of goods procured under the project	MAIL, PCU	By 2012	Tax issue is very sensitive and MOF won't exempt any tax particularly on staff salaries and small valued goods.

30	For future audits, the project should require the registration with any international auditing body as an audit firm.	PCU, MAIL	By 2012	It's a continuous process. To support this a clause has been added in the revised contracts
31	PCU should monitor the appointment of auditors by other SPs, including MISFA. Single sourcing for selection of auditors should not be allowed in future.	PCU	Immediate	This is has been communicated with the Service providers
32	FAO should provide its internal audit report to the PCU.	SP (FAO)	Immediate	Done. But FAO can't provide project specific report to the PCU. FAO only shared the FAO corporate audit report
33	Audit deliverables (including those of the SPs) should include detailed Management Letters, which should be reviewed by PCU for corrective action by SPs.	PCU, all SPs	Immediate	Where possible this is been done
34	The mission recommends procurement/ adoption of proper Financial Management software, which should be aligned with current project requirements and volume of transactions, and provides stronger system-based accounting controls			The recommendation given by the audit regarding the Financial Management Software is a double entry system, but the government of Afghanistan has its own financial software and has a single entry system. We won't therefore be able to implement this recommendation.
35	The PCU along with SPs need to explore the possibilities for initiating participatory bottom-up planning process by involving community institutions, DAIL, and IPs. Service Provider plans will be required to look at interventions and activities addressing sustainability of outputs and outcomes reflecting reorientation of coordination with the Private Sectors and IPs.			<p>This is done at various level. In a nutshell, below activities have been undertaken:</p> <ul style="list-style-type: none"> • Respective consultations and discussions regarding Dairy Goat project with RMLSP, PCU, and DAILs were completed. • Regarding establishment of revolving fund were discussion were made with the poultry beneficiaries especially with the VGLs and after that a revolving Fund in the form of stock of feed (10 bags), medicine and vaccine for VGLs established. • The idea of feed bank establishment was discussed with the community and they recommended establishment of additional five such feed banks as well. During the feasibility study and discussions with the community, it was realized that the feed bank brought more and more demand for better quality feed on community level. • Under the integrated dairy project a five-member advisory committee has been formed at the DAIL level. The committee includes two members from DAIL, two KhDU executive committee members and one senior FAO staff. The committee is chaired by DAIL director. This committee is responsible to meet on a monthly basis, discusses plans, progresses, issues and way forward.

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

Table 5A: Financial performance by financier as at 30 April 2013

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD grant	23,89	14,27	62%
Co-financier	2,22	1,56	70%
Government	0,17	0,17	100%
Total	26,28	16,00	61,51%

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

Component	IFAD grant			Co-financier			Government			Total		
	Approved	Actual	%	Approved	Actual	%	Approved	Actual	%	Approved	Actual	%
Rural Micro-finance	8,19	4,47	55%	2,22	1,56	70%	0,17	0,17	100%	10,58	6,20	58%
Livestock Support	12,61	8,20	71%	-	-	-	-	-	-	12,61	8,20	65%
Project Management	2,95	1,60	48%	-	-	-	-	-	-	2,95	1,60	54%
Unallocated	0,13	-	-	-	-	-	-	-	-	0,13	-	-
Total	23,89	14,27	62%	2,22	1,56	70%	0,17	0,17	100%	26,28	16,00	61,51

Table 5C: IFAD loan disbursements (SDR, as at 30 April 2013)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	Balance	Per cent disbursed
1	Rural Microfinance	6 000 000	5 330 000	2 894 857	2 435 142	54%
2.1	Integrated Diary Scheme	2 385 000	2 865 000	1 810 231	1 054 768	63%
2.2	Veterinary Services	1 800 000	2 410 000	1 842 626	567 374	76%
2.3	Backyard Poultry Development	685 000	685 000	759 547	-74 547	110%
2.4	Dairy Goat	740 000	1 375 000	893 925	481 074	65%
3.A	PCU-Goods and Equipment	150 000	150 000	144 379	5 620	96%
3.B	PCU-Technical Assistance, Consultancies, Studies	560 000	585 000	39 642	545 357	7%
3.C	PCU-Training and Workshops	435 000	435 000	31 107	403 892	7%
3.D	PCU-Salaries, Travel and operating Studies	340 000	650 000	359 556	290 443	55%
4	Special Financing Facility	1 450 000	575 000	-	575 000	-
	Unallocated	1 455 000	940 000	-	940 000	-
	Initial advance			456 695	- 456 695	
	Total	16 000 000	16 000 000	9 232 569	6 767 430	57%

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Schedule 2, Article 1	IFAD financing is exclusive of taxes and duties imposed within the territory of the recipient	immediate	Non compliance	The only relevant agreement clause in non compliant status

Appendix 7: Knowledge management: Learning and Innovation

Learning: What has worked particularly well in this project during this period? What have been the reasons for this?

1. The Project/FAO has finally found the best model for backyard poultry in their third district of implementation, named as flexi Model. The model offers great scope for u-scaling and expansion
2. Dairy Goat Model and TUP are another two models, targeted at poorest women and resource poor households which have had a very quick positive impact which can be up-scaled and expanded.
3. The TUP has used asset distribution to help women come out of their poverty status. The implementing agency has also worked extra hard on facilitating the access of the identity cards called Tazkera for the omen beneficiaries.

The main reasons in both cases have been:

- i. Good targeting – strong pro poor focus in implementing agencies
 - ii. Learning from implementation experience and adopting to ground realities
 - iii. Effective follow up, support and mentoring of women groups
 - iv. Support in development of market linkages
 - v. Active role assigned to CDCs in targeting and group monitoring
-

Learning: What has not worked so well? What have been the reasons?

1. Microfinance Innovation Facility has not really picked up – the main reason has been institutional and regulatory inadequacies of the sector and security situation
 2. Linkages between Livestock and micro—finance facility remain weak. This is not allowing the successful livestock interventions like dairy goat and BY Poultry to develop independent links to sources of financing – The main reason is inability of micro-finance component to keep move at the same pace and same geographical regions as Livestock
 3. The project along with the service providers have worked extra hard in coordinating activities among themselves and with the provincial and central government. In some cases this ahs worked to the advantages of the project and has helped move it in other cases the coordination still needs to be enhanced and the ownership of the project needs to be increased.
-

Innovation: Describe any interesting innovation noted during supervision

1. BY Poultry's "flexi model" has been a great innovation including hatching of improved breed with local hens, adoption of local models of low cost coops etc. Please check WP on poultry for the same.
 2. Pooling of dairy goat milk by sub-groups of women on rotational basis has been another excellent innovation allowing each member access to sizeable pool of milk for cheese making leading to economy of scales, lesser labour and marketing efficiencies and better returns.
-

Innovation: How might this be replicated by others, or upscaled here?

Both interventions (poultry and dairy goat milk) need to be upscaled through provision of additional resources. This should include greater coverage within the existing target districts and villages and expansion to neighbouring villages and districts.

One important aspect to also be included is the space to be provided to the beneficiaries to improvise and come up with economically viable models. This will help the project to adapt to local contexts and be available to a greater number of poor people.

Person to contact – Mr Abdul Zahed, Project Director RMLSP, abdul.latif@mail.gov.af

Appendix 8: Mission Schedule and List of Persons Met

Date	Time	Location	Detail
3/5/2013		Kabul	Arrival of team members (Serena Hotel)
4/5/2013	Morning	Kabul	Security Briefing (FAO)
	Afternoon		Meeting with the PCU
5-6/5/2013	All day	Kabul	Meeting with Relevant MAIL Directorates, SPs (FAO, ICARDA, DCA, MISFA), and key Development Partners
7-12/5/2013	5 days	Field trips	Field visits: Visit dairy goat project, TUP and Vet projects and IDS projects (3 groups travelling to Northern Region/Sari Pul, Bamyan, and Nangarhar)
08-11 May 08-11 May 11-13 May 07-12 May	3 days 3 days 2 days 5 days	Balkh Badakhshan Badakhshan Jalalabad/ Nangarhar	Poultry Sub-component (Lucy, Judith & Dr. Mariam) TUPP & DCA (Rauno and Matteo) TUP & DCA sub-components (Lucy and Dr. Mariam) Integ. Dairy and Dairy Goats (Rab Nawaz, Lisa and Atifa)
13-14/05/2013	All day	Kabul	Follow-up meetings with PCU and SPs (FAO, ICARDA, DCA, MISFA) (Stakeholder workshop?) Aide Memoire write up
15/05/2013	All day	Kabul	Aide Memoire write up
16/05/2013	Morning	Kabul	Wrap-up
17/05/2013			Departure of Mission members

List of Persons Met

Kabul

- | | |
|-----------------------------|---------------------------------------|
| 1. Mr. Mohammad Asif Rahimi | Minister, MAIL |
| 2. Mr. Abdul Latif Zahed | Programme Director, RMLSP |
| 3. Dr. Muhammad Asghar | Livestock Coordinator, RMLSP |
| 4. Dr. Mariam Habib | Livestock Coordinator, RMLSP |
| 5. Mr. Saleem Mirani | Finance Manager, RMLSP |
| 6. Ms. Angela Rouki | Gender Officer, RMLSP |
| 7. Ms. Farkhanda | Executive Assistant, RMLSP |
| 8. Mr. A. Battar | Manager, M&E, RMLSP |
| 9. M. Haleem Ibrahim | Livestock Specialist, RMLSP |
| 10. Dr. Mir Ahmad | Director, Veterinary Services, MAIL |
| 11. Mr. Shafiq Ahmad | Dairy Team, MAIL |
| 12. Dr. Ibrahim Frotan | Head of DCP, MAIL |
| 13. Dr. S.A. Hussain Qanee | Head, EPI, MAIL |
| 14. Dr. M. Ayub Ahady | Head, AB Division, MAIL |
| 15. Mr. Ziarat Gul Rahel | Director General, NVDA, MAIL |
| 16. Mr. Raymond Briscoe | Executive Director, DCA |
| 17. Mr. Faridoon Qaumi | DCA |
| 18. Mr. Anthony Bennett | Livestock Industry Officer, FAO, Rome |
| 19. Mr. Tek B. Thapa | CTA, Dairy project, FAO |
| 20. Mr. Lutfullah Rlung | NPO, Dairy, FAO |
| 21. Mr. M. Aqa | Assistant Repp. FAO |
| 22. Mr. J. Rizvi | Country Manager, ICARDA |

23. Mr. Baheer
24. Mr. M. Akbar
25. Mr. Ladisay Komba Chengula

Director, MISFA
Rural Finance Specialist, MISFA
Senior Agriculture Economist, WB, Kabul

Nangarhar province

1. Mr. Muhammad Hasan Safi
2. Mr. Muhammad Nabi
3. Dr. Nisar Ahmad
4. Dr. Muhammad Gulab
5. Dr. Zafar

Director, DAIL
Chairman Khatij Dairy Union
Manager, Khatij Dairy Union
Chairman, Kama Dairy Cooperative
Head, FAO Nangarhar Office

Darra i Noor District

1. Mr. Mirza Mohammad (District Governor)
2. Mr. Mumtaz (DDA)
3. Mr. Humayoon (District Extension worker)
4. Mr. Rahimullah (Private Sector)
5. Mr. Mr. Mohammad Alam (CDC head, Bakhshsee village)
6. Mr. Mohammad Akram (CDC head, Fathih Khan village)
7. Mr. Abdul Ghafar (CDC head, Bar Fathih Khan)
8. Mr. Abdul Ahmad Khan (CDC head, Sheerum Village)
9. Mr. Malham Khan (CDC head, Bar Sheerum village)
10. Mr. Janan Khan (CDC head, Sargalak village)
11. Mr. Rohullah (CDC head, Adel Shah village)
12. Mr. Shamshir Khan (CDC head, Asad Khan)
13. Mr. Emal Khan (CDC head, Boontha)

Women Meeting participants:

S/N	Name	District	Remarks
1	Habiba	Behsood	
2	Mariam	Behsood	
3	Zainab	Behsood	
4	Pari Gul	Behsood	
5	Zaiton	Behsood	
6	Khanum Gul	Surkh Rood	
7	Pashton Gul	Surkh Rood	
8	Zia Gul	Surkh Rood	
9	Reza Gul	Surkh Rood	
10	Par Mina	Kama	
11	Bas waro	Kama	
12	Bakht Mina	Kama	
13	Gul Maki	Kama	
14	Jamila	Ghani khel	
15	Hajira	Ghani khel	
16	Halima	Ghani khel	
17	Gul dasta	Ghani khel	

Meeting in Benegah Village of Behsood District

S/N	Name	District	Village
1	Qari Afsar Khan	Behsood	Benegah
2	Meer Azam	Behsood	Benegah
3	Noor Rahman	Behsood	Benegah
4	Ahmadzai	Behsood	Benegah
5	Abdul Qauim	Behsood	Benegah
6	Aman Gul	Behsood	Benegah
7	Mohammad Hazrat	Behsood	Benegah

8	Shir Agha	Behsood	Benegah
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Meeting in Nari Veyala of Kama District

S/N	Name	District	Village
1	Shaista Gul	Kama	Nari Veyala
2	Juma Gul	Kama	Nari Veyala
3	Dost Mohammad	Kama	Nari Veyala
4	Mohammad Gulab	Kama	Nari Veyala
5	Khawani	Kama	Nari Veyala
6	Hasti Gul	Kama	Nari Veyala
7	Mirza Gul	Kama	Nari Veyala
8	Gula Jan	Kama	Nari Veyala

Meeting with Khatiz Dairy Union

S/N	Name	Designation	Remarks
1	Mohammad Nabi	Chair person	
2	Jahan Ger	Vice chair person	
3	Mohammad Hassan	Sectary	
4	Ajmal	Cashier	
5	Muhabat Khan	Member	
6	Malak Ahmad	Member	
7	Mir Azam Gul	Member	
8	Yahya Khan	Member	
9	Khaili Gul	Member	

Meeting with DAIL staff:

S/N	Name	Designation	Remarks
1	Mohammad Hussain	Director	
2	Abdul Basir Hameedi	Coops head	
3	Ghulam Hassan	Livestock and Vet Head	
4	Jabar Khel	MIS/ Planning officer	
5	Mohammad Afzal	AI officer	
6	Abbasi	DAIL Staff	

Appendix 9: Summary of Implementation Support Provided by IFAD

1. Post MTR revision of the Financing Agreement in the light of MTR Recommendations and revision of project budgets
2. A follow up Mission in December 2012 to review progress on MTR recommendations and assist PCU in addressing emerging issues and challenges
3. Timely and efficient processing of Withdrawal applications and prior-review requests for procurements

Appendix 10: Audit Log

Sl. No.	Financial year	risk	Audit observation	Total Amount per Observation (Afg)	Action taken by the project /PMU(Reply of para wise)	Total amount not settled/ outstanding (Rs)
1	2010-11	medium	Non Compliance with OSS – 3 POs PSS rating has dropped below threshold. approvals were in order at that time		Remedial action being taken – in case of Asasah. Considerable restructuring being done – this highlights the importance of IA based action plans, remedial action is more than satisfactory.	na
2	2010-11	medium	misappropriation of funds in Asasah	10,3	Court cases were initiated to deal with staff and recover funds, internal controls strengthened, provision made to cover losses. Out of court settlement is being pursued.	10,3
3	2010-11	medium	misappropriation of funds in BRAC	0.3m	Funds recovered from staff, internal controls strengthened.	0
4	2011-2012	medium	Lack of segregation of duties	n/a	a cashier is under recruitment	na
		Sub Total:				