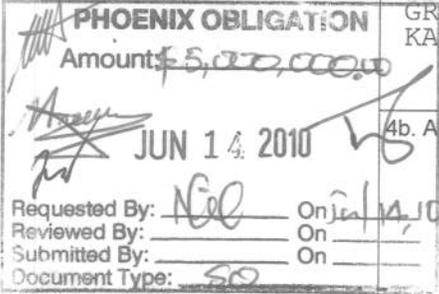


**UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT**

1. Country of Performance: 306		Adv. & Asst. Services Yes [ ] No [ ]
2. Contract (Incorporating FAR and AIDAR Clauses):  Contract No: EDH-I-00-05-00004      Order No: EDH-I-14-05-00004		
<b>NEGOTIATED PURSUANT TO THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED AND EXECUTIVE ORDER 11223</b>		
3. CONTRACTOR (Name and Address): DAI 7600 WISCONSIN AVENUE SUITE 200 BETHSDA 20814 USA TIN: 52-0904808 DUNS: 06-0678-1956		4a. ISSUING OFFICE: ACQUISITION & ASSISTANCE OFFICE USAID AFGHANISTAN GREAT MASOUD ROAD KABUL, AFGHANISTAN
<p align="center"><b>PHOENIX OBLIGATION</b> Amount \$ 5,000,000.00 JUN 14 2010</p> <p>Requested By: <i>[Signature]</i> On: <i>[Date]</i> Reviewed By: <i>[Signature]</i> On: <i>[Date]</i> Submitted By: <i>[Signature]</i> On: <i>[Date]</i> Document Type: <i>[Signature]</i></p>		4b. ADMINISTRATION OFFICE:  See 4a Above
5. TECHNICAL OFFICE:  USAID/CAG/KABUL		6. PAYING OFFICE. SUBMIT INVOICE TO: OFFICE OF FINANCIAL MANAGEMENT USAID/Afghanistan Great Masoud Road Kabul Afghanistan EMAIL: KabulAIDevouchers@usaid.gov
7. EFFECTIVE DATE: 07/15/2010		8. ESTIMATED COMPLETION DATE: 01/15/2015
9. ACCOUNTING AND APPROPRIATION DATA:  TOTAL ESTIMATED COST: \$49,134,816.00 AMOUNT OBLIGATED: \$5,000,000.00  PLEASE SEE SECTION G.5 FOR DETAILED ACCOUNTING AND APPROPRIATION DATA.		
10. The United States of America, represented by the Contracting Officer signing this Order, and the Contractor agree that: (a) this Order is issued pursuant to the Contract specified in Block 2 above and (b) the entire Contract between the parties hereto consists of this Order and the Contract specified in Block 2 above.		
11a. NAME OF CONTRACTOR:  BY: <i>[Signature]</i>  NAME: <b>Valmore L. Bloomberg</b> TITLE: <b>Director, Procurement and Subcontracts</b> DATE: <i>15 July 2010</i>		11b. UNITED STATES OF AMERICA Agency for International Development  BY: <i>[Signature]</i>  NAME: James D. Goodwin TITLE: CONTRACTING OFFICER DATE: <i>14 Jul 2010</i>

**UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT**

1. Country of Performance: 306		Adv. & Asst. Services Yes [ ] No [ ]
2. Contract (Incorporating FAR and AIDAR Clauses):  Contract No: EDH-I-00-05-00004                      Order No: EDH-I-14-05-00004		
<b>NEGOTIATED PURSUANT TO THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED AND EXECUTIVE ORDER 11223</b>		
3. CONTRACTOR (Name and Address): DAI 7600 WISCONSIN AVENUE SUITE 200 BETHSDA 20814 USA TIN: 52-0904808 DUNS: 06-0678-1956		4a. ISSUING OFFICE: ACQUISITION & ASSISTANCE OFFICE USAID AFGHANISTAN GREAT MASOUD ROAD KABUL, AFGHANISTAN
		4b. ADMINISTRATION OFFICE:  See 4a Above
5. TECHNICAL OFFICE:  USAID/OAG/KABUL		6. PAYING OFFICE. SUBMIT INVOICE TO: OFFICE OF FINANCIAL MANAGEMENT USAID/Afghanistan Great Massoud Road Kabul Afghanistan EMAIL: KabulAIDevouchers@usaid.gov
7. EFFECTIVE DATE: 07/15/2010		8. ESTIMATED COMPLETION DATE: 01/15/2015
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11a. NAME OF CONTRACTOR:  BY: _____  NAME:  TITLE:  DATE:		11b. UNITED STATES OF AMERICA Agency for International Development  BY: _____  NAME: James D. Goodwin  TITLE: CONTRACTING OFFICER  DATE:

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**SECTION B – SUPPLIES OR SERVICES AND PRICE/COSTS**

**B.1 PURPOSE**

The United States Agency for International Development (USAID), USAID/Afghanistan Office of Agriculture requires support to implement the Agricultural Credit Enhancement (ACE) Program in Afghanistan as outlined in the Statement of Work in Section C of this Task Order.

**B.2 CONTRACT TYPE**

This is a Cost Plus Fixed Fee, completion contract with option years. For the consideration set forth in the contract, the Contractor shall provide the deliverables or outputs described in Section C and comply with all contract requirements. Option years will be exercised subject to availability of funds, satisfactory performance of the contractor and continued relevance of the project to USAID. The Contracting Officer will notify the Contractor at least three months in advance regarding the intention of USAID to exercise each of the option years

**B.3 BUDGET**

The Total Estimated Cost of this Task Order is: \$ 46,429,072

The Fixed Fee is: \$2,705,744

**The Ceiling price for this Task Order is: \$49,134,816**

The contractor will not be paid any sum in excess of the ceiling price i.e. \$49,134,816. Below are summary details of the budget.

Cost Element	Base Year	Option year 1	Option Year 2	Option Year 3	Option Year 4	Total
<b>Total Direct Labor</b>						
Salary and Wages	\$2,415,555	\$1,542,016	\$1,317,657	\$943,960	\$346,498	\$6,565,686
Fringe Benefits	\$762,827	\$349,106	\$297,698	\$221,961	\$103,194	\$1,734,786
<b>Travel, Transportation, and Per Diem</b>						
	\$651,197	\$355,068	\$201,862	\$126,663	\$61,261	\$1,396,051
<b>Equipment &amp; Supplies</b>						
	\$512,860	\$15,495	\$15,960	\$104,333	\$16,931	\$665,579
<b>Subcontractors</b>	\$2,356,001	\$1,696,519	\$1,335,437	\$206,402	\$89,298	\$5,683,657
<b>Allowances</b>	\$1,446,700	\$767,799	\$629,695	\$471,654	\$216,518	\$3,532,366
<b>Direct Facilities Cost</b>	\$1,781,851	\$1,585,133	\$1,632,642	\$1,369,050	\$544,403	\$6,913,079
<b>Other Direct Cost</b>	\$267,393	\$341,635	\$346,781	\$254,557	\$404,434	\$1,614,800
<b>ACE Grants</b>	\$1,250,000	\$1,100,000	\$1,100,000	\$1,000,000	\$550,000	\$5,000,000
<b>Security</b>	\$1,314,924	\$1,309,091	\$1,306,473	\$1,029,184	\$324,734	\$5,284,406
<b>Indirect Cost</b>						
Overhead	\$1,659,115	\$987,166	\$843,215	\$608,610	\$234,739	\$4,332,845
G&A	\$1,266,577	\$874,422	\$781,455	\$540,210	\$243,153	\$3,705,817
<b>Total Estimated Cost</b>	\$15,685,000	\$10,923,450	\$9,808,875	\$6,876,584	\$3,135,163	\$46,429,072
<b>Fixed Fee</b>	\$921,100	\$637,807	\$570,932	\$396,595	\$179,310	\$2,705,744
<b>TOTAL COST PLUS FIXED FEE</b>	<b>\$16,606,100</b>	<b>\$11,561,257</b>	<b>\$10,379,807</b>	<b>\$7,273,179</b>	<b>\$3,314,473</b>	<b>\$49,134,816</b>

Task Order #  
EDH-I-14-05-00004-00  
Agricultural Credit  
Enhancement Program

#### **B.4 PAYMENT**

The paying office is shown under *box 6* of the cover page (page 1).

**END OF SECTION B**

## SECTION C – DESCRIPTION / SPECIFICATIONS/STATEMENT OF WORK

### C1. EXECUTIVE SUMMARY

Access to finance for agriculture is highly constrained in Afghanistan, especially for the small commercial producers (those with holdings of 1-30 hectares of irrigated land). Rural and agricultural lending is not attractive to commercial banks, and the availability of other delivery channels that could potentially fill this void are either weak or non-existent. This market imperfection not only circumscribes the development of Afghanistan's agriculture sector, it also contributes to the Government of the Islamic Republic of Afghanistan's (GIROA) inability to ensure immediate stability and sufficient security, reinforcing long-standing dissatisfaction with a government perceived as ineffective in delivering services.

To address this gap, the Ministry of Agriculture, Irrigation and Livestock (MAIL) requested USAID support to meet the needs of these small commercial farmers. In response, USAID will create an Agricultural Development Fund (ADF) through a grant of \$100 million from USAID to the GIROA/MAIL. These funds are intended to be lent to intermediaries in the agricultural sector, who will then on-lend these funds to small commercial farmers. Intermediaries that will on-lend ADF funds include financial institutions, such as banks, credit unions and micro finance institutions (MFIs), as well as non-financial intermediaries such as cooperatives, farm stores, agricultural depots, food processors and other informal providers of finance.

Concurrent with the establishment of ADF, USAID will establish the "Agricultural Credit Enhancement" (ACE) project, which is designed to manage all operations of the ADF, as well as provide technical assistance to strengthen agricultural value chains. ACE is a \$45-\$50 million, four and a half year activity. The objectives of this project are:

- (i) To provide an exponential increase in the availability of agricultural credit, primarily through ADF, particularly for the small commercial farmers (from 1-30 hectares) who comprise 40 percent of the rural population and contribute over 80 percent of total agricultural output.
- (ii) To support Afghan financial and private sector intermediaries to provide sustainable agricultural lending initiatives and develop alternative financing channels to augment commercial bank lending.
- (iii) To strengthen agricultural value chains and find increased market opportunities for Afghanistan agricultural products. Value chain improvements may include development of the cold chain, expanding processing capacity, and increasing farm productivity.
- (iv) To build Afghan capacity to provide the services targeted under this Task Order.
- (v) To support MAIL in better coordinating and rationalizing the many donor-funded rural and agricultural initiatives in place.

The ACE project is a new and important component in a holistic development strategy for supporting agricultural modernization, with profound effects on incomes, employment, food security, and national prosperity. This approach includes a package of integrated components to improve agricultural productivity, upgrade high-potential value chains, and develop new markets for Afghan production, while increasing access to credit for agriculture related investment and building the capacity of financial institutions and other intermediaries to sustainably provide rural and agricultural credit.

A key element of the project will be the management of the soon to be established Agricultural Development Fund (ADF), intended to promote lending throughout the agricultural value chain by a broad range of participating intermediaries (PIs). PIs will include not only banks, but also non-bank channels such as microfinance providers, leasing, supply-chain financing, forward contracts, trade credit through farm stores, and possibly financing through cooperatives and informal service providers. This multi-pronged approach recognizes that agricultural finance can be provided by retail stores and value chain actors, as well as financial institutions, all of which participate in the value chain for reasons that distinguish their approach to financing.

ACE will also support the USG's Agriculture Strategy for Afghanistan (see attachment J.1) to mobilize support for the Afghan government, MAIL and the private sector to revitalize Afghanistan's agricultural economy and increase income and jobs. Shared objectives of MAIL and the USG include:

**Increasing agricultural sector jobs and income**

- Increasing agricultural productivity by increasing farmers' access to inputs and effective extension services
- Invigorating agribusiness by increasing linkages between farmers, markets, credit, and trade corridors
- Rehabilitating watersheds and improving irrigation infrastructure

**Increasing Afghans' confidence in their government**

- Increasing MAIL's capacity to deliver services and promote the private sector and farmer associations through direct budget and technical assistance

Additionally, one of the key strategic objectives of the U.S. Government (USG) strategy is "Afghanization" through implementing a policy of "Afghan First" (see attachment J.2). Core values of the "Afghan First" policy include: Afghan leadership and ownership; Afghan participation; Afghan capacity development and Afghan sustainability. In this regard, the contractor shall build Afghan capacity to provide the services targeted under this contract, employ Afghan citizens in key personnel positions and source local Afghan services and products to the fullest extent possible.

The tasks and deliverables presented below are illustrative interventions that USAID believes will contribute to Afghanistan's agricultural development. These interventions should not be self-limiting and should not be considered a checklist of items that the contractor is required to address.

**C2. ANALYSIS**

When the Taliban fell from power in 2001, Afghanistan's national finance system, not to mention its rural finance system, had totally collapsed: there was no operative Central Bank, and the private sector was encumbered by a regulatory vacuum left by decades of war and destruction; the state-owned agriculture development bank had been a moribund, dilapidated institution since 1978; the commercial banking sector was non-existent; and the microfinance sector included an estimated 12,000 clients. Given this backdrop, rebuilding lending capacity across the country, particularly in rural areas, has been a critical component of the U.S. Government's strategy to promote economic recovery and stabilization in Afghanistan.

Despite these challenging conditions, financial sector development across the country has surpassed expectations as donors have made significant inroads into building the basis for a finance system that is led by the private sector. Today, Afghanistan's national financial sector hosts 11 microfinance institutions (MFIs) with nearly 400,000 active clients; one credit union network with 27 outlets and over 11,000 borrowers; and 17 licensed commercial banks with over \$3 billion in assets. These remarkable achievements are all the more impressive given the myriad complexities of Afghanistan, not to mention the resurgent conflict affecting many parts of the country today.

Total outreach to the agricultural sector, however, remains dismally low relative to the total projected market. Without access to formal or semi-formal financial services, most farmers meet working capital needs by relying on informal sources of finance, such as family and friends, forward contracts provided through the value chain, mortgaging of land, in-kind credit, delayed payment of goods, or financing through the Hawala network. These channels, however, are generally expensive and inadequate to meet longer-term borrowing needs, making it difficult for farmers and agribusinesses to expand output, or invest in production or post-harvest technologies that could increase incomes and enhance employment.

In recent years, the microfinance sector has begun to offer a significant addition to these channels. Approximately 30 percent of the sector's total portfolio currently benefits agriculture and livestock needs, and the Microfinance Investment Support Facility for Afghanistan (MISFA), an apex institution serving the microfinance sector, is in the process of bringing on a rural credit specialist to identify new partners for expanding market penetration during the coming years. However, while these inroads are important, microfinance loan terms often don't accommodate the bulky investments and cyclical cash flows that characterize the agriculture sector. More significantly, with loan sizes averaging US\$300, they are targeted mostly at subsistence farmers, who do not play a large role in producing the surplus output that will ultimately drive the country's growth.

In this vein, the "small commercial farmer," who comprises 40 percent of the rural population and produces 80 percent of total agricultural output, accounts for a major financing gap in Afghanistan's financial sector landscape. Agricultural production and agribusiness investment loans targeting this demographic are unattractive for commercial banks, owing to the perceived high risk, the lack of market information, and the high transaction costs stemming from a limited branch network outside of the major cities. And while a network of *Sharia*-compliant credit unions – known as Islamic Investment and Finance Cooperatives – has achieved notable success at reaching micro and small farmers in Afghanistan that banks typically shun, this network on its own is far from meeting the sector's needs.

Development of high value agriculture in Afghanistan doesn't just hinge on the availability of a robust agricultural credit system which meets the needs of the small commercial farmer, it also hinges on a credit system which ensures that financial products and services can flow to all points of the agricultural value chain. Indeed, when processors or traders are forced to extend in-kind credit to small commercial farmers to ensure adequate levels of production, they rarely have sufficient liquidity themselves to invest in technologies that could increase the productivity of the entire chain.

GIRoA recognizes that development of the agricultural sector is the most critical component of the strategy to help rebuild the Afghanistan economy and has rightfully included it as a

prominent objective within the Afghanistan National Development Strategy. Given that agriculture constitutes nearly 53 percent of licit GDP and provides employment and livelihoods for about 80 percent of the population, the rate of recovery in the sector will largely determine the nation's overall rate of economic recovery and poverty reduction. GIRoA also recognizes that agricultural development is a key to stabilization, particularly since the "small commercial farmer" often wields the dominant political influence in their respective communities. By addressing the credit needs of this critical population, GIRoA won't just address the longer-term need for improved agricultural opportunities and incomes in Afghanistan; it will also help defeat destabilizing elements by providing an economic alternative to the insurgency.

It was initially proposed that the Agricultural Development Bank be revived to provide the conduit for agricultural credit. The Bank had approximately 13 branches across the country and extended nearly 150,000 loans from 1970 to 2005. Ultimately, however, it was determined that revival is a practical impossibility at this time. The original Bank was established in 1954, but went into decline in 1978 after the Russian invasion and has been in liquidation since 2006. There were several attempts to revive it in the years following the fall of the Taliban, all of which ultimately failed due to the low capacity of its employees.

One model that has been relatively successful at promoting development of the financial sector is MISFA. MISFA is a quasi-governmental, second-tier financial institution which was established by the donor community in 2003 to promote development of the microfinance sector, and later expanded to include a window for SME lending. The institution channels and coordinates donor funds, subsidizes early year MFI operating losses, and provides subsidized wholesale capital to facilitate the sector's growth. Today the institution channels resources to 14 MFIs and one credit union network, which together serve nearly 450,000 clients in 26 provinces across Afghanistan.

However, despite MISFA's success in recent years, it is not an agricultural finance institution, nor does it have capacity to promote finance along the agricultural value chain. Clearly, a new, holistic development strategy is needed specifically for agricultural finance, one that builds upon the successes and failures of the experience to date. There already exists in Afghanistan an inventory of financial intermediaries, including banks, credit unions, non-bank financial institutions and MFIs; there is also a robust network of cooperatives, farm stores, ag depots, cooperatives, value chain actors and other informal providers of finance. Rather than building new retail financial institutions dedicated to agricultural finance, it would be faster and more efficient, particularly given the political imperative for rapid results, to build on existing potential channels of credit.

But while access to credit is a necessary condition for agricultural modernization and development of agricultural value chains, it is not a sufficient condition. Support is also required at all levels of the agricultural value chain – beginning with a policy and enabling environment which fosters commercial agriculture, identification and development of new markets for Afghan produce, and establishment of value chain linkages and infrastructure, to support producers to meet ever demanding market requirements.

To this end, USAID will support agricultural modernization in Afghanistan through a two-pronged program that will collaborate with MAIL to: (i) strengthen agricultural value chains (with particular attention to high-potential value chains); and (ii) increase access to finance for agriculture related investment through the use of the Agricultural Development Fund (ADF), which will be separately established by USAID, but managed by the ACE. Utilizing a range of catalytic tools,

the ACE project will manage the ADF to support a wide range of private sector intermediaries to finance the agricultural sector. This multi-pronged, private sector-led approach to agricultural modernization is expected to deliver more sustainable, effective economic growth since it will be holistic in nature, driven by market demands and not subject to the vulnerabilities of one sector-specific financial institution.

### **C3. STATEMENT OF WORK**

#### **A. Overview**

The Agricultural Credit Enhancement (ACE) activity is designed to provide the following:

- Manage the \$100 million Agricultural Development Fund (ADF), which will be established by a USAID grant to GIRoA separately from the ACE activity. ACE will manage ADF to ensure rapid disbursement of agricultural credit through participating intermediaries (PIs), who will on-lend these funds to small commercial farmers and agribusinesses. The PIs will include not only banks, but also non-bank channels such as microfinance providers, leasing, supply-chain financing, forward contracts, trade credit through farm stores, and possibly financing through cooperatives and informal service providers (the Hawala network). This multi-pronged approach recognizes that agricultural finance can be provided by retail stores and value chain actors, as well as financial institutions, all of which participate in the value chain for reasons that distinguish their approach to financing.
- Support for agricultural modernization and value chain development by: (i) identifying and developing new market opportunities; (ii) upgrading high-potential agricultural value-chains and building market linkages; (iii) supporting agricultural producers to meet new market requirements; and (iv) improving the agricultural policy/enabling environment.

To manage the ADF funds, the ACE project will serve as the 'ADF Management Unit', which will assess funding requests from participating intermediaries to the Fund, and provide technical assistance to strengthen agricultural value chains. In addition to a project office located at MAIL's facility in Kabul, it is expected the Contractor will establish three field offices throughout Afghanistan to facilitate support to agricultural value chains. USAID anticipates these three field offices will be in Herat, Mazar-e-Sharif and Jalalabad, although different locations may be selected if greater impact can be achieved by other field office locations. These field offices may be stand alone facilities or co-located with other projects. In consultation with MAIL, staff in all locations will be hired, trained and managed by the Contractor. Ultimately, USAID expects the Contractor to transition ACE from expat management to local management by year four of project activities.

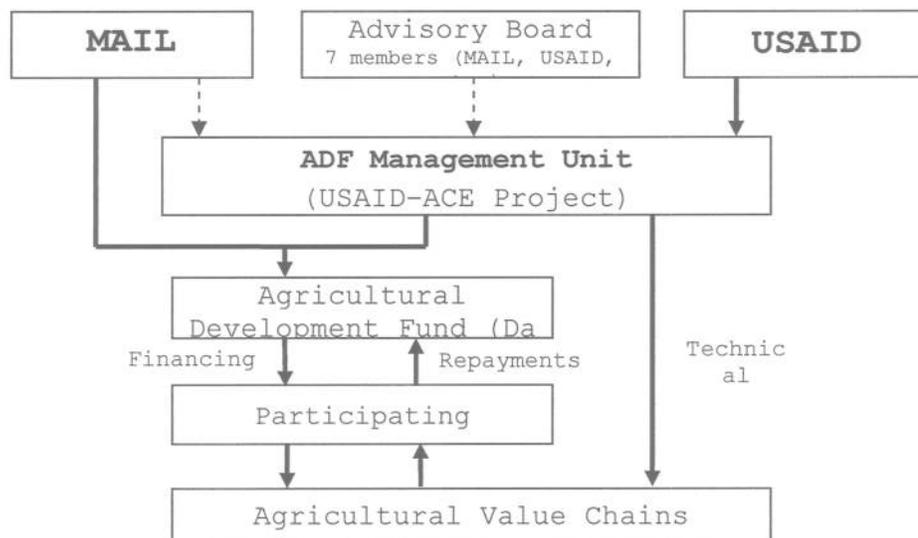
A continuing theme of the ACE activity will be its close collaboration with MAIL, and the development of local staff to assume responsibility for all project activities during the later stages of the project. The outcome of the project will be improvements in agricultural production and agricultural exports, resulting in job creation and increased incomes, ultimately resulting in enhanced allegiance of the small commercial farmer to the GIRoA.

ADF (Fund) will support expansion of rural and agricultural credit through PIs to eligible end-borrowers (farmers, farmer groups and agriculture-related businesses).<sup>1</sup> USAID expects the Fund to be fully drawn within three years. It will be a revolving facility, expected at a minimum to generate not less than \$450 million of *additional*<sup>2</sup> agriculture related term loans over a ten year life. As Afghanistan is a war zone, it is recognized that lending under such circumstances requires an increased acceptance of risk, yet to the greatest extent possible, the Contractor is expected to adhere to sound lending principles. All lending recommendations by the Contractor will be first cleared with USAID and MAIL. Once cleared, disbursements from the Fund will require joint approval of the Contractor and MAIL. USAID will incrementally fund the ADF account at Da Afghanistan Bank as demand warrants.

After the Fund is operational and pending USAID and MAIL agreement, other donors and international finance institutions (IFIs) may be solicited to contribute loan or grant funds to the ADF. The contractor will take the lead from MAIL and USAID as to how this solicitation will be pursued.

An ADF Advisory Board will be established, with MAIL and USAID (or USAID designee) participation, whose role is to provide strategic guidance to the project. It is anticipated the Board will need time to develop its capacity to guide the ADF Management Unit, thus USAID will play a strong role, with input from MAIL, guiding the ACE project during years 1 – 3.

Communication between the Contractor and MAIL will be facilitated through a designated contact/office at MAIL, and all activities will closely collaborate with MAIL. The Contractor will support MAIL in coordinating with other donor funded agricultural finance programs in order to ensure ADF is aligned and compliments other lending activities.



<sup>1</sup> The Fund will have the authority to act as a direct lender – but will do so only in the event that other intermediation channels prove ineffective and with the express approval of USAID and MAIL..

<sup>2</sup> Additional loans are loans which would not have been made were the ADF not in place.

As the ACE project will be located at MAIL premises, the Contractor will make every effort to conform to the working standards of MAIL, such as the work week. USAID's intention is that the ACE will be an effective collaborating partner of MAIL; therefore, the Contractor must be sensitive to establishing a workplace that minimizes possible barriers or work place differences between MAIL and ACE employees and activities.

ADF funds will be lent to PIs, such as existing banks as well as non-bank financial institutions (NBFIs) and, potentially but only if specifically approved by USAID, direct to borrowers in the form of full-recourse loans. Loans to PIs are primarily intended to be issued on a back-to-back basis (loans to PIs to mirror loans to individual end-borrowers), although with the option to provide them on a wholesale basis. When lending through non-bank channels, the Contractor will perform a rigorous credit review process to properly assess the capacity of the participating intermediary to repay. "Challenge Grants" will also be available to encourage PIs to engage in agricultural lending. Challenge Grants are payments made to PIs as recompense for the higher risks and transaction costs associated with rural and agricultural lending, and must be used by recipient PIs for purposes of expanding rural and agricultural lending (branch expansion, training, etc.). "Innovation Grants" will be made available as well and awarded on a competitive basis in the form of cost sharing grants for innovative proposals associated with agricultural credit (i.e. lending with new technologies, etc.). Of the \$100 million in ADF funds, as much as \$15 million will be available for Challenge and Innovation Grants.

PIs will be selected through an open process (all qualifying intermediaries will be eligible to participate), however, will be subject to individual lending limits. Lending and grant criteria (eligible use, reporting requirements, and financial terms) will be established by the Contractor, in consultation with MAIL, and subject to USAID approval.

The Fund may be used for a number of purposes to include:

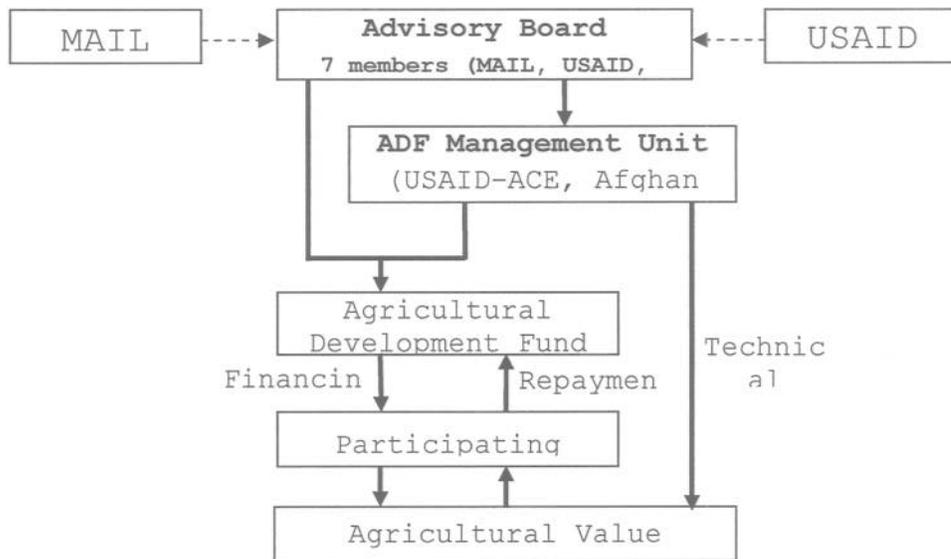
- 1) Commercial Bank On-Lending – On-lending through commercial banks for commercial agricultural investment, to include:
  - *Production/working capital loans*: Loans to commercial farmers for seasonal inputs. Estimated loan size from \$1,000 to \$10,000.
  - *On-farm irrigation, equipment and nursery and livestock loans*: Loans to commercial farmers and farmer groups for purchase of agricultural equipment (e.g., tractors, sprayers, irrigation pipes, drip irrigation systems, tunnels, and trellises), nursery stock (orchards and vineyards) and livestock. Estimated loan size from \$2,000 to \$25,000.
  - *Smaller post-harvest investment loans*: Loans to commercial farmers, farmer organizations and rural entrepreneurs for post-harvest investments (e.g., cold storage and packinghouse operations, field cooling units, primary processing facilities and refrigeration trucks). Estimated loan size from \$2,000 to \$100,000.
  - *Larger post-harvest investment loans*: Loans to farmer organizations, businesses and entrepreneurs wishing to make larger post-harvest investment (e.g., 200 to 2,000 ton cold storage and packinghouse operations, regional warehouses and processing units). Estimated loan size from \$100,000 to \$500,000.
  - *Loan Guarantees*: Partial loan guarantees to participating intermediaries that facilitate increased on-lending to the agricultural sector. Presently, USAID funds Development Credit Authority (DCA) loan guarantee. If additional loan guarantees are to be established through the ADF, these guarantees should complement, not duplicate, existing loan guarantee mechanisms.

- 2) Alternative Intermediation Channels – On-lending through non-bank financial intermediaries and other channels for production loans and equipment financing, to include but not limited to micro-finance institutions, leasing, dealer financing, trade credit through farm stores and ag depots, supply-chain financing, forward contracts, cooperatives, and credit unions. Expected uses to include:
- *Production/working capital requirements:* Financing for commercial farmers with 1-30 ha for crop cycle inputs, primarily to be delivered through farmers' cooperatives, credit unions and microfinance institutions as well as the agricultural input supply chain. Estimated loan size from \$1,000 to \$10,000.
  - *On-farm irrigation and equipment:* Equipment financing, primarily through dealers and leasing companies. Estimated loan size \$2,000 to \$20,000.
  - *Subordinated debt requirements:* Subordinated/risk capital loans in circumstances in which an investor has the capacity to access bank loans but require financing to bridge the gap between the level of credit the bank will extend against collateral value of the investment and equity provided by the investor. (For example, a cold storage unit of \$100,000 against which a bank will lend 50%, the investor can put up 20% leaving a 30% shortfall.)
- 3) Challenge and Credit Innovation Grant Facility – A \$15 million facility to fund incentive/challenge grants to institutions or organizations that can facilitate increased credit to targeted agricultural groups. These grants will be awarded on an open and transparent basis in accordance with a Grants Manual, which will be developed by the Contractor, in consultation with MAIL, and subject to USAID approval.

Additionally, the grants facility will be available for providing cost-sharing grants for innovative approaches to expanding agricultural finance (e.g., mobile banking and e-banking). Innovation grants will be awarded on competitive basis, and in accordance with the Grants Manual, which will be developed by the Contractor, in consultation with MAIL, and subject to USAID approval.

USAID and MAIL will participate on the Advisory Board, and it is anticipated the Board will consist of 7 members, although final agreement has not been reached. The Contractor is expected to support the establishment and development of an Advisory Board that will provide strategic oversight to ADF. Ultimately, as the Advisory Board strengthens, it is expected to provide growing guidance and oversight to the ADF Management Unit, which will be critical to a seamless transition during ACE's final year of activities to a successor status for ADF.

During year 2 and 3 of project activities, the Contractor will develop a transition plan, with input from USAID and MAIL that provides a path to a sustainable activity for use of the ADF funds once the ACE project concludes its activities. Given the challenging environment in Afghanistan, the ACE project is expected to learn which of its activities and interventions result in greater impact on the agricultural sector, and based on these experiences a realistic transition plan will be prepared by the Contractor, in consultation with USAID and MAIL. One possible option is to transition the ADF Management Unit into a self sustainable, quasi-governmental organization that can sustain itself on interest earnings from ADF loans. To prepare for the conclusion of ACE activities, the ADF Management Unit will transition during year 4 to increasing direction and oversight of daily activities by the Advisory Board. A management structure at conclusion of ACE activities could appear as follows:



## B. Project Components

### COMPONENT I: MANAGEMENT OF ADF

An important element of ACE's technical assistance will be facilitation of lending to the agricultural sector through ADF, and assisting agricultural borrowers in their efforts to secure financing. US interests require an aggressive launch of the ADF, as soon as possible after Contractor selection. USAID's goal is to on-lend \$18 – 24 million by December 31, 2010. Meanwhile, USAID insists upon prudent ADF lending practices, thus requiring the Contractor to plan carefully to reach USAID's lending goal by December 31, 2010, yet achieve this result in a responsible manner. It is anticipated that some initial ADF lending activities may be 'fast-tracked' in order to meet USAID's aggressive timeline. However, while some initial lending may be fast-tracked, the Contractor is also expected to establish appropriate ADF policies and procedures to support the long-term success of the ADF.

**Task One: Establishment of ADF Operations** - As soon as possible following contract commencement, the Contractor shall launch the ADF. Preparation activities include:

Task 1.1 – Finalize ADF Policies and Procedures – The Contractor will prepare, in consultation with USAID and MAIL, the ADF Policies and Procedures Manual which will detail all aspects of ADF administration, including but not limited to eligibility criteria for end-borrowers and PIs, roles and responsibilities of the parties, loan documentation, funds flow and accounting, reporting requirements, and monitoring and collection responsibilities. In finalizing the Policies and Procedures, the Contractor shall take all measures to ensure that: (i) loans generated through the ADF are additional (would not have been made without ADF); and (ii) that lending inducements from the ADF to PIs are provided at the minimal level needed.

Task 1.2 – Conduct Public Awareness of the ADF - Create public awareness of the ADF to both PIs and potential end-borrowers, to include but not be limited to outreach to potential PIs and end-borrowers to explain ADF terms and conditions and participation procedures.

Task 1.3 – Solicitation of Participating Institutions – ACE will solicit for and accredit PIs. This will include, but not be limited to: (i) public announcement of solicitation for participation; (ii) supporting prospective PIs in submitting participation requests; (iii) reviewing and verifying participation requests; and (iv) providing recommendations on eligibility and participation ceilings to the Advisory Board and USAID.

Task 1.4 – Develop a Grants Manual – The Contractor will develop a Manual for Challenge Grants and Innovation Grants. The intent is to encourage lending to targeted borrower groups, but at the minimal cost necessary to create inducement. While USAID encourages creativity when developing Challenge Grants, the Contractor is expected to explore if proven mechanisms employed in other developing economies can be replicated in Afghanistan.

Task 1.5 – Support PIs in Preparing for ADF Participation – Ensure that PIs understand participation requirements and procedures and support PIs in applying for participation. In this regard, the Contractor will make particular efforts to identify and encourage participation by non-bank intermediaries such as leasing companies, equipment dealers and input dealers. Particular attention should be given to strategies for wholesale purchases of agricultural equipment such as tractors and irrigation equipment to lower costs for farmers.

Task 1.6 – Prepare Readiness Report – Soon after contract signing, the Contractor will prepare a report that addresses all steps necessary for complete ADF launch. While some selective lending may be fast tracked to achieve USAID's aggressive lending target of December 31, 2010, the contractor will periodically update this report to ensure all steps are addressed to achieve a full operational status for the ADF.

**Task Two: Management of ADF** –The Contractor, in consultation with MAIL, shall provide continuing management and oversight of the ADF.

Task 2.1 Verify Eligibility and Creditworthiness of PI loan requests – As PI loan requests are submitted to the ADF Management Unit, the Contractor will ensure that the loan request package complies in all respects to eligibility criteria, specifically: (i) that the PI remains eligible to participate; (ii) that the proposed loan to the end-borrower meets the eligibility criteria; and (iii) that the loan request package (the required documents and analysis to be included as part of the loan request package) are creditworthy.

Task 2.2 Monitor the PIs and End-Borrowers – The ADF Management Unit will have responsibility for ensuring initial and continuing compliance of PIs and end-borrowers. This will include but not be limited to random on-site reviews of PIs and end-borrowers.

Task 2.3 Support Advisory Board in Reviewing and Modifying ADF Policies and Procedures as Necessary – On a periodic basis, the Contractor, in consultation with MAIL, will propose modifications to the ADF as needed to improve performance and reduce risk. As part of this effort, the Contractor will solicit input from PIs, end-borrowers, and the Advisory Board. Any proposed modifications will require USAID approval, in consultation with the ADF board and MAIL.

Task 2.4 Administer Challenge Grants – PIs will be eligible to receive Challenge Grants based upon lending to specified targets. The Contractor will manage and administer the Challenge Award program, to include but not be limited to: (i) notification to PIs of Challenge Grant procedures; (ii) development of Challenge Grant award proposals; (iii) assuring conformance with established procedures (as defined in the ADF Grants Manual) for awarding Challenge Grants to each PI; (iv) reporting to USAID and the Advisory Board of usage of Challenge Grant awards for purposes stipulated.

Task 2.5 Administer Innovation Grants – The Contractor will manage and administer the Innovation Grants program, to include but not be limited to: (i) development of Innovation Grants policies and procedures (as established in the Grants Manual); (ii) public awareness; (iii) establishment of selection criteria; (iv) report to USAID and the Advisory Board on usage of Innovation Grants in accordance with ADF Grants Manual.

Task 2.6 Develop Innovative Credit/Financial Mechanisms – Presently many agricultural producers rely upon traditional, Islamic compliant lending mechanisms that are often family or community based. Additionally, many farmers currently rely on USAID funded vouchers for the purchase of subsidized inputs, which is not sustainable in the long-term. The Contractor will work with PIs to develop innovative credit products that are Islamic compliant, and also develop sustainable lending mechanisms that shift farmers away from heavily subsidized vouchers as USAID curtails its voucher program. The Contractor will assess other financial mechanisms, such as micro insurance and risk sharing arrangements as a means of facilitating increased lending.

Task 2.7 Build Capacity of ADF Management Unit to Independently Manage ADF Following Project Close – After conclusion of ACE activities, the Fund is expected to continue operating as a facility that on-lends to the agricultural sector. Although it's now unclear how ADF will operate after USAID support concludes, it's critical that the Contractor continually develop local staff to assume all management activities of the ADF Management Unit by year 4 to prepare for USAID exit.

**Task Three: Transition the Fund and the ADF Management Unit to a Local Organization** – USAID desires that ADF's credit facilitation and ACE's technical value chain assistance should continue after this contract ends. The Contractor will transition ADF and ACE activities into a local entity(s), either within GIRoA or as a separate entity, by the end of year 4 of this contract activity.

Task 3.1 Develop ADF and ADF Management Unit's Transition Plan – The contractor will develop a detailed transition plan, in consultation with MAIL and USAID, by the end of year two that explains in detail how ADF and ADF Management Unit's activities can continue after USAID funding ends. It's possible that some value chain assistance activities should be absorbed into MAIL, while ADF and its management should transition into a self sustaining, quasi-governmental organization. USAID expects the Contractor to develop detailed recommendations that are supported by financial projections.

Task 3.2 Conversion to Agriculture Development Bank – If the decision is made to convert the ADF into a retail Agriculture Development Bank, the Contractor, working with the Advisory Board and MAIL, will provide support toward transition to a bank. Activities will include, but not be limited to: (i) developing recommended policies and procedures, and (ii) developing recommended staffing requirements and skills.

Expected results for year one of the project:

- \$18 million – 24 million in ADF funds will be disbursed by December 31, 2010.
- The Advisory Board is established and appropriate governance processes in place by December 31, 2010.
- At least 15 participating intermediaries are actively on-lending funds from ADF by end of year one.
- Two new, innovative lending products are established by participating intermediaries by end of year one, which results in significantly increased lending to the agricultural sector.
- \$up to 5 million in challenge and innovation grants are disbursed by end of year one.

Expected results for life of the project:

- \$up to 65 million in ADF funds will be disbursed by end of year two.
- \$up to 100 million in ADF funds will be disbursed by end of year three.
- ADF loan losses resulting from ACE lending recommendations are not expected to exceed 5% over the life of the project.
- \$15 million in ADF challenge and innovation grants disbursed by end of year three, which result in increased agricultural lending and the development of innovative lending products.
- A minimum of 12,000 farmers benefit from on-lending activities through the ADF participating intermediaries by the end of year one, and a minimum of 60,000 by the end of the project.
- Household income for ADF on-lending beneficiaries increases by 10% per year.
- A robust, active Advisory Board that provides strategic direction and oversight of ADF is fully functioning by year four and capable of inheriting USAID's leadership role once the ACE project is concluded.

In addition to the above tasks and expected results, additional tasks and results may be added to achieve project objectives.

## **COMPONENT II: AGRICULTURAL MODERNIZATION AND VALUE CHAIN DEVELOPMENT**

Technical assistance will be provided for agricultural modernization and development of high-potential agricultural value chains, which will enhance the effective demand for financing throughout the value chain. Support will be provided in five areas:

**Task Four: Market Intelligence and Market Opportunities** – ACE will develop market information and facilitate new market opportunities:

Task 4.1 – Development of a Market Intelligence Capability for High-Value Agriculture (HVA) - Establish a data point for producers, post-harvest providers, entrepreneurs and investors for information pertaining to Afghanistan HVA, to include national, regional and global and consumption figures, market prices, production prices, import certification requirements, market quality and quantity requirements, etc. The Contractor will implement this activity, or assist MAIL in standing up this capacity within MAIL, drawing from data developed by current and past donor activities, as well as enhancing these materials or developing new materials when judged appropriate. The end-goal is to provide materials that address markets and market segments in which Afghanistan HVA can be competitive.

Task 4.2 – Support to Identify and Develop Market Opportunities – Building upon data developed and/or available through the above task, ACE will identify opportunities for Afghan HVA in import substitution and export creation. This could include but not be limited to: (i) establishing an export development capacity; (ii) supporting a network of brokers; (iii) identification of global or regional corporate entities with potential appetite for Afghan HVA and interest in investment, and (iv) assess the opportunity to develop a “Buy Afghan” initiative, and implement such a program if deemed viable.

Task 4.3- Packaging of Market Information and Dissemination – Conduct a market information analysis and packaging relevant information by value chain as well as by production regions and disseminate information to relevant actors in value chain, which may include 1) regular broadcast/dissemination of commodity prices in major markets; 2) targeted (value chain or regional basis) traders conference/meet to discuss recent developments/ trends in major export markets; and 3) exporters/traders meet to discuss the tariff and non-tariff actual practical issues/hurdles faced by traders in a value chain.

**Task Five: Technical Support for Development of the Value Chain** – Support will be provided to develop agricultural value chains, to include:

Task 5.1 – Develop a Support Network for Value Chain Development – Develop a network of international and domestic HVA and business development services providers that can support farmers, farmer groups, rural entrepreneurs and investors in development of value chain investments that are bankable and also guide them in accessing financing. Services will be provided on a cost-sharing basis (in conjunction with a grant mechanism).

Task 5.2 – Demonstration Projects – In selected value chains, develop demonstration projects to build the value chain in conjunction with local farmers, farmer groups and rural entrepreneurs to provide successful demonstrations for integrated HVA value chain initiatives. These demonstration projects could include marketing trips, trade fairs as well as the provision of new technologies in the value chain.

Task 5.3 – ACE Grants Mechanism – To encourage development of the value chain, ACE will provide upwards of \$5 million in selective cost sharing grants to local organizations that result in increased efficiencies, adoption of new and appropriate technologies, improved marketing or other activities that increase the overall competitiveness of the agricultural sector. This \$5 million grants mechanism will be separate and in addition to the \$15 million ADF grants mechanism described earlier. The contractor is expected to develop a grants manual for this activity, which will be subject to USAID COTR clearance and Contracting Officer approval.

**Task Six: Access to Finance for Agricultural Modernization and Value Chain Investment** – Support will be provided to facilitate financing for agricultural value chain participants, such as on-farm and post-harvest equipment and infrastructure:

Task 6.1 – Expand Supplier and Dealer Finance Networks – Develop supplier and dealer networks to reliably and cost effectively provide inputs and agricultural equipment (tractors, greenhouses, irrigation equipment, etc.).

Task 6.2 – Support Financing for Value Chain Investments – Many prospective agricultural borrowers are inadequately prepared when approaching a lending institution. To address

this need the Contractor will stand up a network of Afghan business service providers to support farmers, farmer groups and rural entrepreneurs in developing bankable proposals and seeking financing for value chain investments (storage facilities, packing and sorting, cold storage, transportation equipment, etc.). As part of this effort, the contractor is encouraged to collaborate with Alfalah Bank in an effort to increase their utilization of the current DCA loan guarantee facility established at that bank.

Task 6.3 – Collaboration with USAID-FAIDA Project – USAID will soon establish a new project, called FAIDA, which is intended to strengthen the banking sector ability to lend to the business community, including the agricultural sector. While FAIDA works within the banks, it will be ACE's task to strengthen the financing requests from prospective borrowers to the banks. USAID expects ACE and FAIDA to collaborate and coordinate each project's activities so that the agricultural sector is being serviced by financial intermediaries to the greatest extent possible.

Task 6.4 – Lending to Women – Women are actively engaged in agriculture, yet do not have easy access to lending institutions due to cultural barriers. ACE should explore and develop mechanisms to encourage increased lending to the women to support expanded credit to the agricultural sector.

Task 6.5 – Global Development Alliances and DCA – Encouraging the development of partnerships and leveraging other USAID mechanisms can significantly contribute to ACE's success. While USAID presently funds another activity to manage existing Global Development Alliances, ACE is expected to formulate new GDA concepts. Additionally, ACE is expected to develop new and expanded uses of DCA for the benefit of the agricultural sector.

**Task Seven: Support to Producers** – Afghan farmers are capable of growing the types of high value fruits, nuts and vegetables with export potential. However, wholesale buyer requirements with regard to quality, volume, and consistency are beyond the ability of individual smallholders to meet. The Contractor will provide technical assistance that encourages producers to be more efficient, productive and meet market demands. As there are presently donor funded activities in some geographical areas of Afghanistan addressing the agricultural sector, the Contractor will need to collaborate with these activities and use ACE resources judiciously to achieve project results.

Task 7.1 – Provide support to producers to upgrade production to meet domestic and export domestic market requirements – The Contractor will collaborate with farmer service intermediaries (extension services, farm service centers, etc.) to support HVA production as required to meet market requirements.

Task 7.2 – Strengthen formal and informal HVA business and marketing cooperatives and associations – The Contractor will strengthen Afghan HVA oriented cooperatives and associations, and where necessary, encourage the formation of cooperatives, farming groups and marketing associations to gain access to new market opportunities.

**Task Eight: Policy and Enabling Environment** – A necessary but not sufficient requirement for expansion of HVA is development of a conducive policy environment. The contractor shall identify policy and enabling environment constraints and propose how these constraints should be addressed. To avoid duplication of effort, all policy activities and proposed interventions

must be considered in coordination with other assistance activities. In some instances ACE may serve as a source of input and validation regarding proposed policy changes, while the policy reform efforts are performed by other donor projects.

Task 8.1 – Technical policy advice to create conditions conducive to competitive export of HVA products – Support MAIL in indentifying and advocating for/implementing policy reforms as needed to create conducive agricultural environment that encourages increased investment in the agricultural sector and increased exports.

Task 8.2 – Establish trade certifications system and procedures to support exports – To the extent that Contractor resources are available and appropriate, the Contactor will support MAIL in establishing certification systems, trade standards, improving inspection processes and better compliance with international SPS measures, and expanding testing capacity.

Expected results over the life of the project:

- Two new loans are approved under the DCA mechanism by end of year one, and eight additional DCA loans by the end of the project.
- One new Global Development Alliances are established by end of year one, and six Global Alliances are established during the project life.
- \$1 million in ACE grants provided by end of year one, and \$5 million in ACE grants provided by end of project.
- Exports of Afghanistan agricultural products, for value chains supported by ACE, increase by 10% by end of year two, and by 30% by the end of the project.
- Annual sales growth of 10% per year in value chains assisted by ACE.
- MAIL is strengthened and recognized as an institution that is proactive and responsive to the needs of the agricultural sector.

In addition to the above tasks and expected results, additional tasks and results may be added to achieve project objectives.

### **COMPONENT III: COORDINATION AND KNOWLEDGE MANAGEMENT**

The Contractor will support MAIL in coordinating donor/IFI agriculture related initiatives, particularly those activities related to agriculture finance. The Contractor will also implement a knowledge management facility that gathers and builds a credible repository of information about Afghanistan's agricultural sector. This knowledge management facility should have the capacity to address ad-hoc analysis as requested by USAID and MAIL.

**Task Nine: Coordination** – The Contractor will support MAIL in coordinating donor/IFI agricultural development initiatives, especially credit initiatives, with the objective of ensuring that development initiatives work in harmony and in line with MAIL objectives. This may mean establishing a working group that periodically meets to address agricultural credit constraints and incentives that encourage new, innovative lending mechanisms that result in increased agricultural lending. For example, the Afghan Rural Enterprise Development Program is establishing village savings and loan groups and will try to facilitate increased lending to agricultural areas. ACE should collaborate and build synergies with this and other credit initiatives.

**Task Ten: Knowledge Management** – The Contractor will establish a knowledge management facility that builds an accessible repository of information regarding Afghanistan's

agricultural sector, specific value chains, market opportunities, sources of agricultural credit and other related topics.

Task 10.1 – Knowledge Management Facility – The Contractor will develop an efficient mechanism for the collection and distribution of information regarding the agricultural sector. The materials collected and developed in Task 4.1 – 4.3 of this task order will form the basis for this facility. USAID’s intention is that the knowledge management facility will disseminate credible and current information about the agricultural sector that will inform MAIL, USAID and other donors as they consider interventions to assist the agricultural sector.

Task 10.2 – Ad-Hoc Reports – The Contractor will respond to ad-hoc requests from USAID to conduct analysis and prepare reports regarding the agricultural sector.

Expected results over the life of the project:

- The agricultural credit working group, established with ACE support, is recognized for encouraging the development of innovative lending products to the agricultural sector, and initiatives to remove constraints to agricultural lending.
- A knowledge management facility is established by the end of year one, and becomes recognized over the life of the project as one of the primary sources of credible agricultural information in Afghanistan.

In addition to the above tasks and expected results, additional tasks and results may be added to achieve project objectives.

#### **C4. REGIONAL STRATEGIES**

While ACE will focus on expanding access to agricultural credit across the country, a national project cannot be successfully carried out in Afghanistan without placing the country’s multi-faceted development needs in a regional, as well as a national, context. Indeed, Afghanistan is a complex country: not only is it landlocked, mountainous and bordering six different countries, it also has a tumultuous history that has resulted in a complex ethnic, cultural and religious mix that is highly segmented by geography, with a pronounced divide between the troubled south of the country and the more stable north.

As part of the U.S. Mission’s new approach in Afghanistan, there is now an explicit recognition that the USG is pursuing development within the context of a broader regional strategy, with emphasis on the southern and eastern regions. There is a requirement for a high degree of flexibility, adaptability, and creativity throughout the implementation process on the part of the Contractor. As the overall project moves forward, the Contractor may be required, in conjunction with USAID and GIRoA, to emphasize different geographic areas of the country as appropriate.

#### **C5. COORDINATION WITH GIRoA**

A driving theme of the ADF is to facilitate MAIL strengthening its national ownership of the agricultural development process, in particular its ability to encourage increased lending to the agricultural sector. To this end, ACE will work with and through Afghan governmental counterparts to align assistance with GoIRA priorities, systems, and procedures, and achieve sustainable economic growth. An illustrative list of counterparts and potential synergies/interventions includes (in alphabetical order):

- **Afghanistan Investment Support Agency (AISA).** Facilitates the registration, licensing and promotion of all businesses in Afghanistan, including non-profit LLCs and corporations.
- **Da Afghanistan Bank (DAB).** Collects statistics on the economic transactions of banking and other financial sector institutions and houses an anti-money laundering program to which financial entities are obligated to report. (Note: As a non-deposit-taking institution, the ADF will not be supervised by DAB.)
- **Microfinance Investment Support Facility for Afghanistan (MISFA).** Facilitates the development and growth of a long-term, strong and healthy microfinance sector in Afghanistan through a grant and loan process that identifies strong partner organizations and encourages “best practice” delivery of appropriate microfinance products and services by these partners.
- **Ministry of Agriculture, Irrigation, and Livestock (MAIL).** Works to restore Afghanistan's licit agricultural economy through increased production and productivity, enhanced natural resource management, improved physical infrastructure and market development. Under the new NADF framework, works to facilitate financial services for agricultural development through collaboration with credit institutions, research on development of credit products, and linkages between producer organizations and credit providers.
- **Ministry of Finance (MOF).** Coordinates the development activities of foreign governments and oversees the national budget process, ensuring that overall investments meet national priorities and are coordinated among government ministries
- **Ministry of Rural Rehabilitation and Development (MRRD).** Implements the Afghanistan Rural Enterprise Development Program (AREDP), which is a comprehensive rural development initiative that is mobilizing village savings and loan groups, providing business services, and facilitating forward linkages with the rural market.

## **C6. LINKAGES AND SYNERGIES WITH USAID AND OTHER DONOR INITIATIVES**

The US government and other donors presently fund many activities in Afghanistan, often directed to small, subsistence farmers in rural areas. While ACE is intended to reach small commercial farmers, some of these same farmers already rely on current USAID programs for support. Therefore, ACE will need to coordinate with other donor activities and build on their experiences and program efforts. The contractor shall leverage other project resources, including Commander's Emergency Response Program (CERP) funds, to create real synergies that result in strengthened agricultural value chains and increased lending to the agricultural sector. CERP funds enable the US military to rapidly respond to urgent humanitarian and reconstructions efforts. Activities typically are small-scale projects at the community level that address food production, irrigation, provision of electricity, education, transportation, etc.

### **Relevant Projects:**

The **Accelerating Sustainable Agriculture Program (ASAP)** is working to develop a dynamic agriculture system capable of adapting to market forces by activities that: 1) increase competitiveness of Afghan agriculture products in domestic and international markets for high value commodities; and 2) improve public policies and institutions in support of more competitive agriculture and agribusiness. To achieve competitiveness and a sound policy environment, ASAP improves market linkages, farm technologies and practices, and post harvest treatments to meet market requirements. It also develops and enhances business organizations providing support services to small and medium scale agribusinesses, and assists

in production and post harvest infrastructure construction. ASAP is implemented by Chemonics.

The **Afghanistan Vouchers for Increased Production in Agriculture (AVIPA) and AVIPA-Plus Program** began in late 2008 (implemented by IRD) as a \$60 million one-year program designed in close cooperation with Afghanistan's Ministry of Agriculture, Irrigation and Livestock (MAIL) and jointly funded by USAID, the Government of Afghanistan, and the United Kingdom's Department for International Development (DFID) to address the 2008 food crisis. Vouchers, or rather coupons, were provided to selected farmers (the "vulnerable but viable") across 14 districts of the North and West entitling the selected farmers to pay only a basic cost-share of 15% for subsidized wheat seed and fertilizer. These inputs were "sold" via private sector agricultural input dealers and the cost-share split between covering costs for the private input dealers and the creation of a training fund with an Afghan seed sellers association. In June 2009, **AVIPA Plus** was created as another one year follow-on program to 1) replicate the wheat seed and fertilizer voucher program for the 14 provinces of the North and West for the Fall 2009 planting (\$50 million), and to 2) create a stabilization program for the South (\$250 million), especially in Helmand and Kandahar provinces. This allows IRD to follow with "hold" activities such as vouchers for farmers for more permanent replacements for poppy (tree and vine crops), labor-intensive community infrastructure programs, and grants-in-kind to local organizations and communities.

The **Incentives Driving Economic Alternatives North and East (IDEA/NEW)** is a five year cooperative agreement with DAI and sub-grantees ACDI-VOCA and Mercy Corps to implement alternative development programs in North, East, and Western provinces formerly targeted by recently concluded programs. The project provides incentives for sustainable growth of the licit agricultural economy. It continues USAID's alternative development of legal productive agriculture, improved economic opportunities in rural areas, and reduced dependency on illicit opium production. The activity works in collaboration with national, provincial, and district level government offices to increase agricultural production, rural enterprise and related infrastructural development, access to financial services, and overall value-chain development and integration for key regional industries

The **Alternative Development Program South-West (ADP/SW)** implements alternative development programs in the south. The program is primarily in Farah Province due to the significant increase of poppy production in the past two years. To date, ADP/SW has succeeded in creating employment and agricultural opportunities in every district of Farah Province, including improved land management of more than 20,000 cultivated hectares. The program's poultry, keyhole gardening, gabion weaving, and tailoring activities benefited over 1,400 women; especially the disadvantaged and widowed. Furthermore, in Farah this past year, poppy production decreased by 2,500 hectares and in Helmand by 33,000 hectares. ADP/SW is implemented by ARD.

**Commercial Horticulture and Agricultural Marketing Program (CHAMP)** is a program that will reduce poverty among 26,000 rural Afghan farmers by dramatically increasing the productivity of existing vineyards, and the conversion of former wheat, poppy, and maize fields to more profitable orchards and vineyards. The program helps farmers upgrade their crops from cereal crops and poppies to grapes and pomegranates in Helmand and Kandahar provinces, as well as apples, cherries, and almonds in the south central region. In the south – Kandahar, Uruzgan, Helmand, and Zabul – the program focuses on trellising existing vineyards, which will double the farmers' income within two years. Farmers will contribute \$4.5 million of their own

funds to pay the costs of the new orchards and vineyards. CHAMP is implemented by Roots for Peace.

The **Afghanistan Farm Service Alliance (AFSA)** seeks to lay a strong foundation for long-term agricultural development, resulting in increased rural family incomes by catalyzing the growth of rural Farm Service Centers (FSC) providing input supply and output marketing services and linkages. The program has already established seven cooperatively-owned Farm Service Center enterprises, which, over the life of the program, will provide quality inputs and services to approximately 20,000 Afghan farmers. AFSA is implemented by CNFA.

The **Afghanistan Water, Agriculture and Technology Transfer Project (AWATT)** is a 3-year program implemented by New Mexico State University. The goal of the program is to link U.S. universities with Afghan Universities and Ministries to extend information and knowledge on appropriate technology, enhance the management of water resources, and develop a policy framework for land tenure in rural areas. The main objective of AWATT is to improve the community and farm level management of the supply and demand of irrigation water resources for increased agricultural productivity and food security. AWATT provides technical assistance to the Ministry of Agriculture, Irrigation & Livestock (MAIL) at the national, provincial and district levels to assess and improve watershed management, irrigation management, and agricultural technology transfer. AWATT also supports MAIL's Natural Resource Management program whose objective is to ensure that Afghanistan's natural resource base is rehabilitated and used in a productive and sustainable way. This requires a supportive policy and regulatory framework at the national level, and participatory planning methods with advanced technical opportunities in natural resource planning and management at the local level.

**Global Development Alliance (GDA) for Strengthening Market Chains for Afghan Grapes and Pomegranates** is public-private partnership program implemented by Mercy Corps, Bagram Fruit and Non-Alcoholic Beverage Co., Ltd. (Bagram) and Roshan Social Programs (Roshan). This program will increase capacity, jobs and sales for Afghan grape and pomegranate value-chains by meeting domestic, regional and international product quality standards. Project activities achieve this through improved production techniques, processing for added value, technical assistance and resources for business expansion and growth, and improved marketing channels and linkages. Mercy Corps and Alliance members Bagram and Roshan facilitate linkages between Afghan producers and rural and urban markets in Afghanistan, as well as open new regional and international export markets. The program is made sustainable by ensuring the interventions are based on sound market principles and market-driven solutions. The active engagement of stakeholders along the value chain will strengthen the overall agribusiness market and ensure market linkages long after the activity has ended.

**Global Development Alliance for Advancing Afghan Agriculture Alliance (A-4)** is a program implemented with Purdue University that provides technical assistance to the Ministry of Agriculture and Kabul University. The technical assistance provided supports curriculum reform at Kabul University, establishes or strengthens linkages between the University and related Ministries, strengthens the skills of professors, and strengthens agriculture extension and research activities of the Ministry of Agriculture. Major components include: 1) short term training for University staff; 2) long-term training for Masters and Undergraduates at regional universities; 3) job placement and internship activities; and 4) development of new course curricula and support materials. The program will increase the capacity of participating Afghan universities to provide quality education to their students. Additionally, the program will raise the level of expertise of graduating students to

provide Afghanistan with an educated workforce required for successful development of the agriculture sector.

The **Agro-enterprise Development Alliance Afghanistan** is a cooperative agreement with Catholic Relief Services that has four key activities: 1) watershed restoration program in Ghor province; 2) water-related hygiene and sanitation in Ghor; 3) developing sustainable agricultural livelihoods for rural and peri-urban households; and 4) market development. The livelihoods component provides technical assistance to establish sustainable agricultural production in tandem with the development of agro-enterprises. Located in central and western provinces of Afghanistan, selected products with high value-added potential and market demand are produced, processed and traded.

The **Pastoral Engagement, Adaptation and Capacity Enhancement Project (PEACE)** is a program with the University of California (UC-Davis) to develop the livestock sector by supporting policy planning, pastoral land tenure conflict resolution, introduction of new technologies to improve rangeland management, livestock production, and marketing. Project components are: 1) a satellite-based Livestock Early Warning System providing information on forage conditions for herders and rangeland decision makers; 2) a livestock nutritional profiling system, which is a risk management tool generating data on forage quality; 3) livestock market information network, including price and quantity to give pastoralists access to improved market and 4) pastoral conflict resolution and rural land tenure policy which will use a participatory approach to resolve resource use and access conflicts. Expected results are the institutionalization of technologies that will improve livestock production and management of Afghanistan's rangelands; a reduction in the social and economic risks associated with raising livestock; a decrease in conflicts associated with land access; nation-wide communication of livestock market reports; and formation of self-sustaining herder alliances.

The use of **Development Credit Authority (DCA)** loan portfolio guarantee with Bank Alfalah will mobilize up to \$20 million in financing for small and medium agribusinesses. To date no loans have been posted under this guarantee.

The **Afghanistan Small and Medium-Sized Enterprise Development (ASMED)** project increases opportunities for trade, employment, and investment by improving private sector productivity. Through ASMED, USAID provides a full range of business development services to small and medium-sized enterprises and their supporting private sector institutions, advocates for policy reforms to eliminate barriers to establishing and sustaining successful businesses, supports the development of local business infrastructure, facilitates public-private partnerships, supports practical business training for private sector leaders, and facilitates internal and external market linkages for Afghan SMEs. The five specific activities financed under this project are: 1) Market Information, 2) Business Associations, 3) Business Development Services, 4) Global Development Alliance (GDAs) and 5) Human Capacity Building. ASMED is implemented by DAI.

The **Rural Finance and Cooperative Development (RUF COD)** utilizes a proven methodology to deliver financial services in rural and insecure areas to build self-sustaining and permanent Afghan-owned and governed financial institutions. USAID is supporting World Council of Credit Unions (WOCCU) to establish a network of credit unions that are Sharia-compliant (known in Afghanistan as Islamic Investment and Finance Cooperatives, or IIFCs), owned and operated by Afghans, and whose management and financing products have been adapted to the culturally and religiously conservative rural areas of Afghanistan. The WOCCU model offers

financing (credit) that is approved by local religious authorities. Governance of the IIFCs is executed through Shura councils drawn from respected members of the community, thereby linking repayment to the informal tribal structure. RUF COD will focus on expanding services to an additional 225,000 borrowers/savers in the east and south.

The **Trade and Accession Facilitation for Afghanistan (TAF A)** project will generate economic growth, trade, and investment by improving the conditions for international and cross-border trade and transit. The project will help the Government of the Islamic Republic of Afghanistan (GI RoA) and the private sector to realize the advantages of greater regional and global trade linkages and export-oriented business development, and to reduce impediments affecting Afghanistan's trade and investment environment through assistance in three categories: 1) trade policy liberalization, 2) trade facilitation and customs reform, and 3) public outreach on trade-related issues. TAF A will also increase GI RoA's capacity to effectively contract for services that utilize Afghan assets and promote public-private partnerships. The project supports regional coordination with a program in Pakistan. In coordination with Regional Commands (RCs), sub-national efforts will focus on five key provinces: Herat, Mazar-i-Sharif, Jalalabad, Kunduz and Kandahar. TAF A is implemented by Chemonics.

**Financial Access for Investing in the Development of Afghanistan (FAIDA).** (future activity)

This project will build a sustainable, diverse and inclusive financial sector that can generate quality employment to meet the needs of micro, small and medium enterprises (MSMEs) throughout Afghanistan, with a special focus on the agricultural sector and the south and east. Activities will focus on creating "quick response" points of access to credit while building a national-level foundation for a sustainable and inclusive financial system that will expand access to enterprises across the country. The project will support a range of institutions to meet the private sector's demand for financial services through provision of wholesale lending capital, support for bank loan officer training, seed funding to support the Central Bank's program for deposit insurance, and technical assistance to develop new products for agricultural lending, Sharia-compliant products, housing, leasing, mobile banking, and support microfinance and commercial bank's association to advocate for the financial sector's development.

**END OF SECTION C**

## SECTION D – PACKAGING AND MARKING

### D.1 AIDAR 752.7009 MARKING (JAN 1993)

(a) It is USAID policy that USAID-financed commodities and shipping containers, and project construction sites and other project locations be suitably marked with the USAID emblem. Shipping containers are also to be marked with the last five digits of the USAID financing document number. As a general rule, marking is not required for raw materials shipped in bulk (such as coal, grain, etc.), or for semi-finished products which are not packaged.

(b) Specific guidance on marking requirements should be obtained prior to procurement of commodities to be shipped, and as early as possible for project construction sites and other project locations. This guidance will be provided through the cognizant technical office indicated on the cover page of this contract, or by the Mission Director in the Cooperating Country to which commodities are being shipped, or in which the project site is located.

(c) Authority to waive marking requirements is vested with the Regional Assistant Administrators, and with Mission Directors.

(d) With reference to Section 320.3.2.2 of ADS 320, below is the required Branding Implementation

#### **Plan:**

DAI will use full branding and the USAID tagline “This assistance is from the American People jointly sponsored by USAID and the Government of the Islamic Republic of Afghanistan” on materials and communications. Co-branding and no branding will only be considered on a case by-case basis as considered appropriate by the COTR and CO.

**Audiences:** Subject to approval by USAID, ACE’s target audience will be the citizens of Afghanistan and the Government of the Islamic Republic of Afghanistan (GIRoA).

**Messages:** In all materials and events, the project will be branded as from the American People jointly sponsored by USAID and the GIRoA and prepared by DAI as part of ACE. All materials will acknowledge that they were produced with support “from the American people jointly sponsored by USAID and the Government of the Islamic Republic of Afghanistan.” In some cases, the appropriate translation into Dari or Pashto will be used in branding the program, depending on the context and target audience.

**Tools:** The following communication tools may be used: press releases; press conferences\*, media interviews\*, site visits, VIP visits, success stories, beneficiary testimonials\*, professional photography, public service announcements\*, videos\*, and webcasts, e-invitations, or other emails sent to group lists, such as participants for a training session blast emails or other internetactivities.\* (\*Will need to work with the COTR before the event.)

Key milestones are anticipated to generate awareness that the program is from the American people jointly sponsored by USAID and the GIRoA. These milestones may be linked to specific points in time, such as at the beginning or end of a program, or to an opportunity to showcase reports or other materials. These include, but are not limited to launching the program, announcing research findings, publishing reports or studies, spotlighting trends, highlighting success stories, featuring beneficiaries as spokespeople, securing endorsements from partner municipalities, ministry or local organizations, marketing agricultural products or locally

produced crafts or goods, promoting final or interim reports, and communicating program Impact/overall results.

The following acknowledgement will be included on ACE publications as appropriate: This document was produced for review by the United States Agency of International Development. It was prepared by DAI for the USAID/Agricultural Credit Enhancement (ACE) program, contract number 306-I-00-10-00030.

All documents will follow USAID Branding guidelines, however if during the course of the program, other major sponsors are involved, we will advise the COTR of their involvement and request permission to include them as necessary. These groups could include Host-Country Governments other Host Country Partners, and other International Organizations. A copy of any specific marking instructions or waivers from marking requirements is to be sent to the Contracting Officer; the original should be retained by the Contractor.

## D.2 BRANDING STRATEGY FOR ACE ACTIVITY

The branding strategy for this contract as specified in USAID ADS 320.3.2.1 is as follows:

- Program Name : Agricultural Credit Enhancement (ACE) Program
- Branding : The branding shall incorporate the message: The assistance is "From the American People jointly sponsored by USAID and the Government of the Islamic Republic of Afghanistan"
- Desired Level of Visibility : USAID identity must be prominently displayed in commodities or equipment; printed, audio, visual or electronic public communications; studies, reports, publications, web sites, and all promotional and informational products; and events.
- Organizations to acknowledge : The branding may acknowledge other organizations deemed partner of event or a deliverable.

## D.3 BRANDING AND MARKING POLICY

In accordance with provision D.2 above, and where applicable, the Contractor shall comply with the requirements of the policy directives and required procedures outlined in USAID Automated Directive System (ADS) 320.3.2 "Branding and Marking in USAID Direct Contracting" (version from January 8, 2007) at <http://www.usaid.gov/policy/ads/300/320.pdf>; and USAID "Graphic Standards Manual" available at [www.usaid.gov/branding](http://www.usaid.gov/branding), or any successor branding policy.

**END OF SECTION D**

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Agricultural Credit  
Enhancement Program

## **SECTION E - INSPECTION AND ACCEPTANCE**

### **E.1 TASK ORDER PERFORMANCE EVALUATION**

Task order performance evaluation shall be performed in accordance with Rural and Agricultural Incomes with Sustainable Environment (RAISE PLUS) IQC # EDH-I-00-05-00004-00, Section E.2.

**END OF SECTION E**

## SECTION F – DELIVERABLES OR PERFORMANCE

### F.1 PERIOD OF PERFORMANCE

The period of performance for this Task Order is as follows: One year base period plus three one-year option periods and one six-month option period. The contractor will be subject to a rigorous annual performance review that will determine the basis for continued support. The performance period is indicated under box 7 and 8 of Task Order cover page.

### F.2. DELIVERABLES

In addition to other required reports and deliverables in this Task Order, the Contractor shall deliver the following:

#### **Performance Monitoring Plan (PMP)**

The Contractor shall submit a draft Performance Monitoring Plan (PMP) to the COTR within 60 days of the effective date of this Contract. The PMP will cover the entire period of the contract and shall include, but not necessarily be limited to, the following: (1) the results to be achieved by the project; (2) the indicators to be used to measure achievement of the results; (3) the method of data collection to be used to obtain the indicator data and the frequency at which each will be collected (monthly, quarterly, semi-annually); and (4) targets for each indicator year. USAID will review the draft PMP and provide comments/suggestions within 30 days of receipt. The Contractor shall then submit a final PMP to the USAID COTR for approval not later than 15 days from receipt of USAID's comments/suggestions.

#### **Annual Work Plan (AWP)**

The Contractor will prepare for the COTR's review and approval an Annual Work Plan (AWP) setting forth in reasonable detail the Contractor's plans for pursuing activities set forth in this RFTOP and detailing additional proposed activities that may substantially contribute toward the project goal, as required. The work plan should also delineate project work by provinces, where appropriate. The draft AWP covering the first year of the project will be provided in the context of the RFTOP proposal process, with a final version provided to the COTR no later than four weeks after the start of the project. Draft work plans for subsequent years shall be submitted to the COTR at least 45 days prior to the start of each corresponding project year. As may be necessary due to circumstances beyond the Contractor's control, and subject to the COTR's approval, the AWP may be amended and benchmarks added, deleted, or revised from time to time.

The AWP shall include a schedule of activities and tasks planned to be conducted, and the inputs planned to be provided by the Contractor, including a description of planned activities and tasks and an estimated budget – organized by component and, as appropriate, by sub-component. The AWP should also break out activities by province for the benefit of coordinating efforts with USG and GIRoA partners in the field. The AWP must be linked to the performance indicators set forth in the PMP. Annual work plans will also highlight the transfer of responsibilities with appropriate benchmarks and milestones.

The Contractor will incorporate any required revisions into a final AWP no later than 15 days after receipt of such comments. The USAID COTR will provide a written approval of the final work plan to the Contractor. Should revised activities, performance indicators or performance targets become necessary, the Contractor shall submit a revised work plan to USAID for approval.

### **Deliverables by Project Component**

#### **Component 1: Technical Assistance for Managing the ADF**

- Deliver a Policies and Procedures Manual that addresses all aspects of the ADF administration. (60 days after award)
- Deliver a written report of credit assessment procedures/processes for assessing ADF credit requests in a transparent manner. (60 days after award)
- Prepare and deliver a public awareness plan that addresses how ADF will create awareness among participating intermediaries and potential end borrowers of the Fund. (90 days after award)
- Prepare a document that addresses how ADF challenge and innovation grants will be addressed, terms and conditions of grants, and how grant requests will be accessed. (120 days after award)
- Prepare and deliver materials that enable the Advisory Board to be established and operate successfully. (120 days after award)
- Develop a transition plan for the ADF. (end of year two)

#### **Component 2: Technical Assistance for Agricultural Modernization and Value Chain Development**

- Grants manual prepared that addresses how ACE's grants will be provided. (120 days after award)
- A minimum of ten meeting events are conducted that bring members of the value chain together to promote increased market opportunities and removal of value chain constraints. (180 days after award)
- Five GDA concepts will be developed. (365 days after award)
- A minimum of ten marketing/trade facilitation trips conducted. (365 days after award)
- A minimum of fifteen value chain analyses are completed. (365 days after award).

#### **Component 3: Collaboration and Knowledge Management**

- In collaboration with MAIL, ACE establishes a working group that meets regularly to address agricultural credit facilitation. (180 days after award)
- A transition plan is prepared by end of year two that addresses how the knowledge management facility can be absorbed into a local organization by the conclusion of project activities.
- Ten ad-hoc reports are prepared upon request of USAID by the end of project.

Note: The above project component deliverables are subject to review and revision after each year of project activities.

See Section C for full information. All of the evaluation findings, conclusions, and recommendations shall be documented in the Final Report. All written deliverables shall also be submitted electronically to the TO COTR. Bound/color printed deliverables may also be required, as directed by TO COTR.

### **F.3 TECHNICAL DIRECTION AND DESIGNATION OF RESPONSIBLE USAID OFFICIALS**

The Task Order Contracting Officer (TOCO) shall be as follows;

Stanley Canton  
Contracting Officer  
Acquisition and Assistance Office  
USAID/Afghanistan  
Great Massoud Road  
Kabul Afghanistan  
Tel: 202-216-6288

The Contracting Officer Technical Representative (TO COTR) will be designated by the Contracting Officer in a separate letter that will be copied to the Contractor.

The contracting and technical office addresses are as follows:

#### **CONTRACT ADMINISTRATION OFFICE**

Office of Acquisition and Assistance  
USAID/Afghanistan  
Great Massoud Road  
Kabul, Afghanistan

Telephone: 202-216-6288

#### **TECHNICAL OFFICE**

Office of Agriculture  
USAID/Afghanistan  
Great Massoud Road  
Kabul, Afghanistan

Telephone: 202-216-6288

### **F.4 PLACE OF PERFORMANCE**

The place of performance under this Task Order will be principally in Afghanistan.

### **F.5 AUTHORIZED WORK DAY / WEEK**

1. No overtime or premium pay is authorized under this Task Order.
2. Non-overseas Employees.

The length of the contractor's U.S., non-overseas employees' workday shall be in accordance with the contractor's established written policies and practices.

### 3. Overseas Employees

The work week for the Contractor's overseas employees shall not be less than 40 hours and shall be scheduled to coincide with the work week for those employees of the USAID Mission and the Cooperation Country associated with the work of this contract. A six day work week is authorized for U. S. expatriates and Third Country Nationals while working under this contract in Afghanistan. No premium pay is authorized.

## F.6 REPORTS AND DELIVERABLES OR OUTPUTS

In addition to the requirements set forth for submission of reports in Sections I and in accordance with AIDAR clause 752.242-70, Periodic Progress Reports, the Contractor shall submit reports, deliverables or outputs as further described below to the COTR (referenced in Sections F.3 and G.2).

All reports and deliverables shall be submitted electronically to the USAID COTR, with a copy to the Contracting Officer and to any other USAID personnel upon request. As feasible, the Contractor shall also develop a web-based information system for public access to information, as well as for internal information management. As necessary, the COTR may direct the Contractor to provide hard copies of reports and any of the deliverables described below.

All reporting (whether programmatic or financial) will need to be both consolidated nationally and disaggregated by regions corresponding to the military regional commands and by province. The Contractor will need to be able to provide upon request, as well as periodically specified, a list of activities that ACE has accomplished, and that are planned, nationally, regionally and by province. ACE will need to quantify both direct and indirect expenditures, past and planned, nationally, regionally and by province, district and village.

### **Weekly Status Report**

Weekly reports ("weeklies") are intended to be brief highlights of achievements across components. Such reports are meant to be shared with the USG community, as well as other donors and Afghan counterparts, to highlight progress and milestones achieved. Creation of Dari and Pashto versions must be considered as part of the public outreach effort.

### **Monthly Performance Reports**

The Contractor shall prepare and submit monthly reports. The monthly reports, which shall be submitted electronically to the COTR by the 10<sup>th</sup> business day of the month following the month being reported, are intended to be concise reports that summarize progress toward accomplishment of the benchmarks set forth. The monthly reports should: (1) identify implementation issues; (2) give an update of progress made toward fulfillment of the project results, including a report on monthly PMP indicators; (3) contain a discussion of obstacles encountered and possible delays, if any, in fulfillment of activities included in the work plan; (4) set forth proposed changes, if any, to the work plan; and (5) contain a forecast of activities for the month period immediately following the period being reported.

## **Quarterly Performance Reports**

The Contractor shall submit brief quarterly performance reports to the COTR within 30 days of the end of each calendar quarter reflecting results and activities of the preceding quarter. The report shall describe the plan for the reporting period (as set forth in the AWP) and report on progress to date for PMP indicators for that quarter. A description of the specific accomplishments of the Contractor and any STTA should also be provided, including information on all activities, both ongoing and completed, by component, and geographically by province. The quarterly reports shall highlight any issues or problems that are affecting the delivery or timing of services provided by the Contractor. These reports should summarize project progress against tasks and benchmarks, including tasks assigned through technical directives and identify implementation issues that may inhibit or enhance contractor performance. In each quarterly report, the Contractor shall include success stories which provide information that demonstrates the impact that the activity/program has had during the reporting period through materials such as stories, quotes and photos. The reports will also discuss interaction with counterparts, and any necessary alterations to the work plan and initial timetable.

As agreed upon by the COTR, quarterly reporting shall begin after the end of the first quarter from the contract award. The quarterly report is due to the activity manager and/or the COTR on or before the last day of the month following the end of each quarter. The COTR may make exceptions to this schedule depending on when exactly the contract is signed; for example, if the project begins in November, the time remaining in Q1 may be incorporated into the quarterly report for Q2.

As agreed upon by the COTR, a brief summary of quarterly activities and achievements in local languages Pashto and Dari should be considered.

Quarterly Reports Schedule for Submission:

- Q1: January 1 to March 31 - Report due April 30
- Q2: April 1 to June 30 - Report due July 30
- Q3: July 1 to September 30 - Report due October 30
- Q4: October 1 to December 31 -Report due January 30

## **Quarterly Financial Reporting**

The Contractor shall submit to the COTR and to the USAID Financial Management Officer brief quarterly expenditure reports, which will contain a summary page which shows spending by category for the quarter, cumulative spending to date, available funding for the remainder of the activity and any variances from planned expenditures. The quarterly report will also outline expenditures by results, as well as by province and regional command. If there are significant accrued expenditures for the quarter being reported upon which for some reason have not yet been billed to the contract, the Contractor will include a brief note to that effect, with the specific amount involved, thus enabling the COTR to accurately track ACE's expenditure rate. These reports will be submitted within 45 days from the end of each quarter. The precise deadline each quarter for the submittal of the financial reports will be specified by USAID.

## **Project Annual Report**

For the project annual report, the Contractor shall submit a draft report, capturing results against the project PMP in a format agreed to by the COTR. The COTR will provide comments within 15 days, and the Contractor shall then submit a final draft to the COTR for approval within 15 days of receipt of the COTR's comments.

## **Foreign Assistance Framework ("F") and other Reporting**

The Contractor shall provide input to the Mission's annual Operational Plan (OP), the Mission's Performance Plan and Report (PPR), and USAID Afghanistan's Afghan Info database. The purpose of the Mission's Operational plan, completed each fall, is to set targets for results projected for the following fiscal year. The purpose of the PPR, completed each spring, is to capture results achieved by USAID/Afghanistan during the prior fiscal year and report against targets that were outlined in the OP. Afghan Info is populated at a minimum on a quarterly basis.

As part of its input for these reports, the Contractor is required to set targets for and report on "standard indicators" under the "F" framework, in addition to "custom" indicators that it develops under its PMP. The "F" indicators are subject to change as the "F" process evolves.

The ACE project falls under Program Elements 5.4.1 Agricultural Enabling Environment and 5.4.2 Agricultural Sector Capacity Building.

## **Short-Term Consultant Reports**

Unless otherwise agreed to in writing by the COTR, the Contractor will submit within 10 days following departure of a Consultant, a brief written report that describes the purpose of the consultancy, progress made, and any observations to be shared; identifies issues and/or problems encountered; and details expected follow-on activities by resident Contractor staff, as well as actions to be performed by participating counterparts.

## **Other Project Reports**

The Contractor shall prepare and disseminate, as directed in the AWP and approved by the COTR, other reports and deliverables needed to accomplish the purpose of this contract, such as technical reports prepared by in-country staff and short-term consultants, studies of policy and other issues, products, sectors, markets, technologies, etc. The contractor shall prepare these reports in English, Dari and Pashto.

## **Closeout Plan**

The Contractor shall submit a Demobilization Plan for COTR approval six months prior to project closeout. The Demobilization Plan shall include an illustrative Property Disposition Plan, a plan for the phase-out of in-country operations, a delivery schedule for all reports or other deliverables required under the Contract and a timetable for completing all required actions in the Demobilization Plan, including the submission date of the final Property Disposition Plan to the Contracting Officer.

## Final Report

The Contractor shall prepare and submit electronically to the COTR, no later than the estimated end-date of this contract date, a detailed final/completion report which summarizes the accomplishments and impact in relation to the expected results and PMP, and recommendations regarding future and unfinished work. The report will include, but not be limited to:

- A discussion of the impact of the project as compared to baseline conditions and data and an analysis of Afghanistan's agriculture credit sector overall;
- A description of all institutions and organizations worked with in connection with project components and an evaluation of their strengths and weaknesses;
- A discussion of problems encountered, objectives not fully achieved and lessons learned, and suggest ways to resolve identified constraints;
- Incorporation of any additional/available evaluative data compared to project results and any explanatory background; and
- A final financial report.

The final/completion report shall also contain an index of all reports and information products produced under this contract. The completion report may provide recommendations for follow-on work that might complement the work completed under the contract. The COTR will provide written comments, and the Contracting Officer may likewise add written comments, which the Contractor will address in revising the draft and submitting a final completion report. The contractor shall prepare these reports in English, Dari and Pashto.

The COTR shall document/certify in the official COTR file on a quarterly basis confirming that the Contractor is complying with specific reporting/delivery requirements.

**END OF SECTION F**

## SECTION G – TASK ORDER ADMINISTRATION DATA

### G.1 CONTRACTING OFFICER'S AUTHORITY

The Contracting Officer is the only person authorized to make or approve any changes in the requirements of this task order and notwithstanding any provisions contained elsewhere in this task order, the said authority remains solely in the Contracting Officer. In the event the Contractor makes any changes at the direction of any person other than the Contracting Officer, the change shall be considered to have been made without authority and no adjustment shall be made in the contract terms and conditions, including price.

### G.2 TECHNICAL DIRECTION

The USAID Office of Agriculture (OAG) shall provide technical oversight to the Contractor through the designated COTR. The Contracting Officer shall issue a letter appointing the COTR for the Task Order and provide a copy of the designation letter to the contractor.

### G.3 ACCEPTANCE AND APPROVAL

In order to receive payment, all deliverables must be in accordance with the Task Order requirements and accepted and approved by the COTR.

### G.4 PAYMENT OFFICE AND INVOICES

One (1) original of each invoice shall be submitted on an SF-1034 Public Voucher for Purchases and Services Other Than Personal to:

The Office of Financial Management (OFM),  
USAID/Afghanistan  
Great Massoud Road  
Kabul, Afghanistan

One copy of the voucher and the invoice shall also be submitted to the COTR and the Contracting Officer.

Electronic submission of invoices is encouraged. Submit invoices to the paying office at the following email address: [KabulAIDevouchers@usaid.gov](mailto:KabulAIDevouchers@usaid.gov)

The SF-1034 must be signed, and it must be submitted along with the invoice and any other documentation in portable document file format (PDF).

If submitting invoices electronically, do not send a paper copy.

**G.5 ACCOUNTING AND APPROPRIATION DATA**

The following is the obligations Status to the Task Order

Contract Ceiling: \$49,134,816  
Current Obligation Amount: \$5,000,000

**FUNDING DATA**

FUND CITE MAARD: 306-MAARD-10277  
APPROPRIATION: 729/01037-90  
FUND CODE: ES-SUP/2009/2010  
PROGRAM AREA: A18  
PROGRAM ELEMENT: A073  
CO REFERENCE: 306-SOAG-306-05-0005.00.—5  
CO ACCOUNTING LINE#: 25  
EOCC: 4100301

Funds obligated hereunder are available for expenditures through October 1, 2010.

**END OF SECTION G**

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## **SECTION H – SPECIAL TASK ORDER REQUIREMENTS**

### **H.1 KEY PERSONNEL**

The contractor shall provide the following key personnel for the performance of this Task Order:

1. Team Leader/Chief of Party
2. Senior Rural Financial Analyst
3. Senior Agribusiness Development Specialist
4. Senior Level Sector Policy Analyst:

All key personnel shall be approved by the COTR and USAID reserves the right to adjust the level of key personnel during the performance of this task order.

### **H.2 LANGUAGE REQUIREMENTS**

All deliverables shall be produced in English. Contractor personnel and/or consultants shall have English and local language proficiency as needed to perform technical services.

### **H.3 GOVERNMENT FURNISHED FACILITIES OR PROPERTY**

The Contractor and any employee or consultant of the Contractor is prohibited from using U.S. Government facilities (such as office space or equipment) or U.S. Government clerical or technical personnel in the performance of the services specified in the Task Order unless the use of Government facilities or personnel is specifically authorized in the Task Order or is authorized in advance, in writing, by the COTR.

### **H.4 CONFIDENTIALITY AND OWNERSHIP OF INTELLECTUAL PROPERTY**

All reports generated and data collected during this project shall be considered the property of USAID and shall not be reproduced, disseminated or discussed in open forum, other than for the purposes of completing the tasks described in this document, without the express written approval of a duly-authorized representative of USAID. All findings, conclusions and recommendations shall be considered confidential and proprietary.

### **H.5 CONTRACTOR'S STAFF SUPPORT, AND ADMINISTRATIVE AND LOGISTICS ARRANGEMENTS**

The Contractor shall be responsible for all administrative support and logistics required to fulfill the requirements of this task order. These shall include all travel arrangements, appointment scheduling, secretarial services, report preparations services, printing, and duplicating.

### **H.6 MAXIMIZING USE OF LOCAL GOODS AND SERVICES INCLUDING DDR DISARMED EX-COMBATANTS**

The contractor will channel a portion of the program implementation costs toward Afghan implementers for the carrying out of these activities. In keeping with the principles of designing a program for Afghanistan, and where the contractor determines that program content and efficiency of implementation will be beneficial, the contractor is strongly encouraged to sub-

contract with local NGOs, local offerors and other Afghan entities in the implementation of the program.

Also, in maximizing the benefits and sustainability of the Demobilization, Disarmament and Reintegration (DDR) program in Afghanistan, it is essential that attempts are made to give priority to employing local entities – particularly those former Soldiers (ex-combatants) who participated in the DDR program.

#### **H.7 COMPENSATION, ALLOWANCES, DIFFERENTIALS FOR THIRD COUNTRY NATIONALS (TCNs)—Waiver under AIDAR 722-170**

By Action Memorandum of November 15, 2003, the USAID Afghanistan Mission Director has approved that USAID contractors are exempt from the restrictions of AIDAR 722-170 regarding the TCN compensation, allowances and differentials.

#### **H.8 PROPERTY**

a. Title to nonexpendable property acquired with Task Order funds shall vest in the cooperating country in accordance with AIDAR 752.245-71, Title to and Care of Property, unless the Contracting Officer approves otherwise. The Contractor shall care for and maintain an inventory of such property in accordance with applicable IQC and Task Order property clauses; or, for grants awarded under the Task Order, in accordance with appropriate USAID ADS 303 Grants and Cooperative Agreements to Non-Governmental Organizations provisions.

b. All purchases of nonexpendable property must be approved for purchase by the Contracting Officer. Such approval does not include the subsequent required consent to subcontracts as may be required by FAR 52.244-5. The contractor is hereby authorized to purchase the following equipment: List of equipment contained in the Contractor's July 1, 2010 cost proposal. Any equipment purchase beyond the approved list and whose value is above \$5,000 shall require Contracting Officer approval.

#### **H.9 DATABASE REPORTING REQUIREMENTS**

USAID/Afghanistan uses a management information system to track program and project information for all mission-funded activities at the provincial, district, and village levels. The purpose of this database is to track the location of project implementation to the nearest village or geospatial coordinate, document the use of funds at the district level, and monitor the performance of development projects, while maintaining coordination between USAID/Afghanistan, USAID/Washington, Congress, implementing partners, the Government of Afghanistan, and other donors. This reporting process supports the Government of Afghanistan's requirement that USAID provide information to the Ministry of Finance in order to track ongoing and completed donor-sponsored development activities.

The Contractor shall provide at least a quarterly update of information on the activities under the Task Order by entering this information into the USAID/Afghanistan management information system. The Contractor shall enter information via an Internet website or a Microsoft (MS) Access Database; USAID will provide the URL address or Access Database, and a user ID/password. A comprehensive user manual will be provided that details data requirements and processes needed for managing the information in USAID/Afghanistan information system.

**H.10 Authorized Geographic Code**

The authorized geographic code for this procurement is 935.

**H.11 Approved Subcontractors**

The following Subcontractors have been approved under this Contract:

1. ACDI/VOCA
2. Edinburg International

**END OF SECTION H**

SECTION I – CONTRACT CLAUSES

**I.1 Reference:** Rural and Agricultural Incomes with Sustainable Environment (RAISE PLUS) IQC.

**I.2 Task Order Clauses Incorporated by Reference – Federal Acquisition Regulation (FAR) and AID Acquisition Regulation (AIDAR)**

The following are pertinent Task Order clauses and provisions which are hereby incorporated by reference (by Citation Number, Title, and Date) in accordance with the clause at FAR "52.252-2 CLAUSES INCORPORATED BY REFERENCE" of the basic IQC. See FAR 52.252-2 for an internet address (if specified) for electronic access to the full text of a clause.

SOURCE & NUMBER, TITLE & DATE

AIDAR 752.228-9, Cargo Insurance

AIDAR 752.231-71, Salary supplements for HG employees (Oct. 1998)

AIDAR 752.229-70, Federal, State and Local Taxes

FAR52.225-19 Contractor Personnel in a Designated Operational Area or Supporting a Diplomatic or Consular Mission outside the United States

FAR 52.245-1, Government Property (June 2007)

AIDAR 752.247-70, Preference for Privately Owned U.S.-Flag Commercial Vessels (OCT 1996)

END OF SECTION I

*Task Order #  
306-I-00-10-00030-00  
Agricultural Credit  
Enhancement Program*

**SECTION J – LIST OF DOCUMENTS EXHIBITS AND OTHER ATTACHEMENTS**

**SECTION J - LIST OF ATTACHMENTS**

<b>Attachment Number</b>	<b>Title</b>
J.1	Agriculture Assistance Strategy Framework for Afghanistan
J.2	Afghan First Policy

END OF SECTION J