



USAID
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AFGHANISTAN

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Public Information Office: +93 (0)70-234-236 x4037
E-mail: kabulusaidinformation@usaid.gov
<http://afghanistan.usaid.gov>

FACT SHEET

Agricultural Credit Enhancement

OVERVIEW

For over 25 years Afghan farmers did not have access to agricultural credit, which seriously constrained the growth of the agricultural sector. To address this constraint, in July 2010 USAID established two collaborative initiatives totaling \$150 million: a \$100 million grant to the Ministry of Agriculture, Irrigation and Livestock (MAIL) to establish the Agricultural Development Fund (ADF), and the \$50 million Agricultural Credit Enhancement (ACE) project that manages ADF lending activities and provides support to agricultural value chains. The purpose of the ADF is to provide credit to small commercial farmers, and agribusinesses engaged in distribution of agricultural inputs, producers of high-value crops, processors and exporters of agricultural products. ADF functions as a wholesale lender, channeling credit through financial and non-financial institutions.

CURRENT ACTIVITIES

- In view of a slow uptake of funds from financial institutions, ACE is aggressively working through non-financial intermediaries to make credit available to farmers. This has required the development and introduction of institutional innovations as risk management mechanisms.
- ACE is facilitating and strengthening links in strategic agricultural value chains, while also providing ADF clients with technical assistance to increase the probability of success of their operations.
- Developed and introduced a range of Islamic financial products such as Murabaha, Salam, Ijara and Wakala.
- Held the Inaugural meeting of the ADF Sharia Advisory Board. The Sharia Advisory Board approved the Audit Manual for Islamic financial products in February 2013. The Board also certifies the compliance of financial products with Islamic principles.

ACCOMPLISHMENTS

- Processed loans worth more than US\$70.4 million to agribusinesses, financial and non-financial intermediaries, directly benefiting 19,686 farm families in 30 provinces
- Eight women-owned businesses received loans under the *ZAHRA* program, an innovative Islamic financial product to cater specifically to women farmers and agribusiness entrepreneurs
- Launched *PAYWAND*, the largest and most important repository of agriculture information in Afghanistan. *PAYWAND* can be accessed at <http://paywand.mail.gov.af>, and is available in Dari, Pashto, and English
- Facilitated the participation of ADF clients products in 10 national and International trade events, with encouraging results
- Organized over 70 Agricultural Credit Shuras in 30 provinces to raise awareness regarding ADF lending opportunities and Islamic financial products