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AFGHANISTAN

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FACT SHEET

Agricultural Credit Enhancement

OVERVIEW

In July 2010, a 100-million-dollar USAID grant to Afghanistan's Ministry of Agriculture, Irrigation and Livestock (MAIL) established the Agricultural Development Fund (ADF) to provide credit to small commercial farmers and agribusinesses. This grant also launched a technical assistance effort under a 50-million-dollar Agricultural Credit Enhancement (ACE) project. This project manages ADF lending and supports value chains in the agricultural sector, especially those engaged in the production, processing and export of high-value crops. The ADF channels credit through financial and non-financial institutions.

MAIN ACTIVITIES

- The ADF/ACE Project is working aggressively to introduce innovative risk management mechanisms through non-financial institutions and agribusiness. This is in response to a slow uptake of funds from financial institutions.
- It is strengthening strategic agricultural value chains.
- Borrowers receive technical assistance to increase the probability of success of their venture.
- ACE/ADF developed and launched ZAHRA, an innovative Islamic financial product for female farmers and agribusiness entrepreneurs.

RESULTS TO DATE

- On November 12, 2012, the Afghan Ministerial Cabinet approved the establishment of ADF as a legal institution within GIRoA. This will allow approved loans to finally be released and an additional tranche of on-budget funds to be placed with the ADF for disbursement to approved applicants.
- ADF/ACE has processed loans worth more than US\$ 38 million, including \$23 million that was disbursed directly benefiting, at least 16,000 farmers in 28 of Afghanistan's 34 provinces.
- Two women-owned businesses received loans under the ZAHRA program, which will benefit more than 200 rural women.
- On June 17, 2012, the Project held the first ever Inter-Ministerial Committee Meeting to advise the Agricultural Development Fund.
- On July 4, 2012, the Project held the inaugural meeting of the ADF Sharia Advisory Board, which certifies that all the financial products comply with Islamic principles.
- PAYWAND, an interactive database in Dari, Pashto and English, which will inform business and policy decisions in agriculture, has been launched. This database can be accessed at <http://paywand.mail.gov.af>.
- Developed and introduced a range of Islamic financial products, named Murabaha, Salam, Ijara and Wakala.
- Facilitated borrowers' participation in several national and International trade events.
- Organized more than 30 agricultural credit shuras in 20 provinces to build awareness about lending opportunities and Islamic financial products.