



# AGRICULTURAL DEVELOPMENT FUND (ADF)

DEPARTMENTAL GOALS AND RESULT FRAMEWORK  
WORK PLAN FOR 2019 (1398)



**BAKHAR FLOUR MILLS (PVT) LTD IS AN ADF EXISTING CLIENT IN KABUL THAT HAS RECEIVED AN ADF LOAN OF AFN 82 MILLION TO PURCHASE WHEAT SEED FROM FARMERS TO FURTHER ENHANCE THEIR PRODUCTION CAPACITY**

# Agricultural Development Fund (ADF)

## Departmental Goals and Result Framework - Work Plan for 2019 (1398)

### ADF MISSION STATEMENT

The mission of the ADF is to contribute to Afghanistan's economy and to improve the lives of farmers and rural populations by financing agriculture. It has a dual objective of financing agriculture and facilitating agricultural development.

### BUSINESS DEVELOPMENT

**Goal:** To expand a strong credit portfolio by providing credit to small commercial farmers, agribusinesses, financial and non-financial intermediaries.

**Development Objectives:** To focus on generating new businesses and expanding the loan portfolio while facilitating growth within the agriculture sector in Afghanistan.

**Intermediate Objectives:** To make agricultural credit available across the country; identify farmer communities including cooperatives, unions, and associations to meet their credit needs.

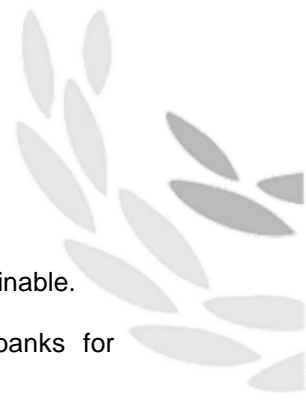
#### Outcome:

- ❖ Increase the income of ADF by disbursing more loans to cover its operating costs as well as to return surplus to existing capital;
- ❖ Create job opportunities within the organization as well as within the agribusinesses that benefit from the ADF loans.
- ❖ Increase the sales and incomes of agribusinesses that utilize the ADF loans
- ❖ Disburse AFN 1 billion to agribusinesses and farmer communities
- ❖ Reach a minimum of 4,000 new farmers to benefit from the on-lending activities through the ADF-participating intermediaries by end of 2019

Indicators	Current Status	Achieved in 2018	Expected Results in 2019
Number of farmers benefited from ADF loans since inception	42,041	1,513	4,000
Value of loans disbursed to agribusinesses and financial intermediaries since inception	6,898,873,371	582,311,118	1,000,000,000
New job opportunities created by the agribusinesses as a result of ADF loans since inception	2,736	251	300
Percentage change in sales of agribusinesses supported through ADF loans (Export) 2018	NA	73%	75%
Percentage change in sales of agribusinesses supported through ADF loans (Domestic) 2018	NA	70%	75%

**Methodology and Approach:** In order to reach the above goal and objectives, ADF has already approved loans of AFN 589,750,000 which will be disbursed during 2019. In addition, ADF has a robust pipeline of AFN 511,790,000 from all its regional offices; the pipeline will be executed firmly.

ADF will execute its marketing plan to achieve its targets and attract new businesses. Besides marketing, ADF is persistently exploring venues to channel its fund through commercial banks, microfinances (MFIs), non-bank institutions, USAID projects i.e. AVCC, AVCL, RADP-E, ACEII. ADF is currently working with First Microfinance Bank, OXUS Afghanistan, FINCA Afghanistan, and will soon start working Islamic Bank of Afghanistan.



## FINANCE

**Goal:** To develop a strong and diversified investment portfolio to make ADF financially sustainable.

**Development Objectives:** To focus on financial market, especially on commercial banks for conventional and Islamic investments venue locally and overseas.

**Intermediate Objectives:** To generate income through interest-bearing instruments on substantial surplus funds available.

**Outcome:**

- ❖ Increase income from investments with the banks to cover remarkable percentage of the operating costs.
- ❖ Generate income from Islamic Funds which are yet to be utilized due to unavailability of investment opportunities.

Particulars of Investment	Current Status	Achieved in 2018	Expected Results in 2019
<b>Conventional Funds</b>			
US\$	32,000,000	48,000,000	48,000,000
Afghani	700,000,000	700,000,000	900,000,000
<b>Islamic Funds</b>			
US\$	-	-	2,500,000
Afghani	-	-	200,000,000
<b>Total Investments</b>			
US\$	32,000,000	48,000,000	<b>50,500,000</b>
Afghani	700,000,000	700,000,000	<b>1,100,000,000</b>

Particular of Earnings	Current Status	Achieved in 2018	Expected Results in 2019
Income from Investment	NA	AFN 41,340,856	AFN 86,715,250

**Methodology and Approach:** ADF Finance Department looks at the portfolio and the timeline of the funds being available. Then, the Department approaches different local banks for rate of returns. After obtaining rates from good rated banks, the Department recommends the best option to the ADF Treasury Committee for their final go-ahead.

## TECHNICAL SERVICES

**Goal:** To support the ADF multifaceted value chain lending and developmental objectives.

**Development Objectives:** To assist ADF to manage credit risk by assessing the technical feasibility of the loan applications; provide training and technical assistance to the ADF borrowers in production, processing and market development and increasing their likelihood of success and therefore increasing the probability of loan repayment.

**Intermediate Objectives:** To conduct technical reviews, supports lending team in all stages of loan applications and oversees the ADF's compliance to national and international environmental, food and health safety standards and any associated reporting

**Outcome:**

- ❖ Increased access to finance
- ❖ Improved social and economic development in the country

- ❖ Reduced credit risk by assessing feasibility of loan applications
- ❖ Increased likelihood of clients success in the ADF loan investment
- ❖ Increased probability of repayments
- ❖ Compliance to national and international environmental, food and health safety standards

Given the disbursement amount of AFN 1 billion as projected for 2019, the technical team predicates that their activities in terms of technical assessment of the loan applications, compiling of environmental compliance review reports, and pre and post-disbursement visits to loan applicants will be doubled. The below table shows activities completed in 2018 and projected activities to be undertaken by the technical team in 2019.

Province	Number of Technical Review/ Assessments Conducted in 2018	Technical Review/ Assessments expected to be in 2019	Number of post-disbursement assessment conducted in 2018	Post-disbursement assessment to be undertaken in 2019
Kabul	8	16	6	12
Herat	4	14	13	18
Kandahar	7	12	6	10
Nangarhar	3	5	-	3
Balkh	13	17	8	14
Bamyan	3	6	0	6
Other	0	6	0	6
<b>TOTAL</b>	<b>38</b>	<b>76</b>	<b>33</b>	<b>69</b>

Particulars	Central	Northern	Southern	Eastern	Western
Environmental Compliance Review Reports Prepared in 2018	8	11	6	2	3
Environmental Compliance Review Reports to be prepared in 2019	22	18	12	5	14

**Methodology and Approach:** The Technical Service Unit of the ADF is composed of professionals with vast experience in horticulture, livestock production, agricultural economics and environmental sciences. The team basically accompanies the lending officers to pay initial site visits to potential borrowers. The team will consider all aspects of businesses and provide appropriated recommendations whether proceed with next steps or desist from further process.

## INTERNAL AUDIT

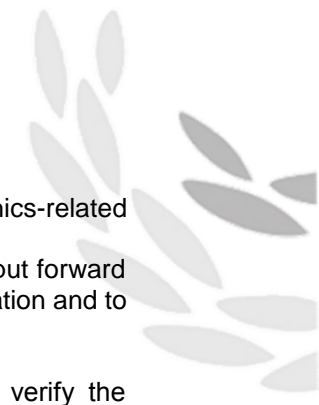
**Goal:** To offer and serve as an independent evaluation and appraisal of the ADF activities aimed at adding value to its services through improving operational efficiency, governance, compliance, risk management, internal control system and conducting risk analysis to review critical areas of the organization's operations.

### Development Objectives:

- ❖ To suggest opinions and recommendations on risk management, internal control and corporate governance to reduce risk exposure to an acceptable level.
- ❖ To concentrate on the execution of the annual internal audit plan that utilizes risk analysis to review critical areas of business operations.

### Intermediate Objectives:

- ❖ To evaluate data and information (operational, financial, managerial) ensuring they are accurate, reliable and timely available.
- ❖ To evaluate the compliance with laws, regulations, and policies and procedures, including Govt. laws and regulations and donor requirements.



- ❖ To evaluate the design, implementation and effectiveness of the organization ethics-related objectives, programs and activities.
- ❖ To evaluate that the business operations are being carried out as planned and to put forward recommendations to bring the operations in line with overall strategy of the organization and to add further value.
- ❖ To ensure that continuous improvements are fostered in the control processes.
- ❖ To review the means of safeguarding the entity's assets and, as appropriate, verify the existence of such assets.

**Outcome:**

- ❖ By providing and offering independent risk based audit services and implanting the annual audit plan 2019, the efforts will have significant impacts on ADF reach to its annual goals.

**Methodology and Approach:** In order to reach the above goal and objectives, the Internal Audit Department intends to undertake risk based audit and concentrate the following types of audits / review services within ADF. a) Regular Audit (including audits of regional offices), b) Management Audits, c) Policy, Procedure and Manuals Review, d) Fraud Investigation / Inquiry and e) Special Audits.

**CREDIT AND RISK MANAGEMENT**

**Goals:** To identify potential problems before they occur so that risk-handling activities may be planned and invoked as needed across the life of the product, Loan and an action to mitigate adverse impacts on achieving objectives.

**Development Objectives:** Achieve a better understanding of risk for competitive advantage; build safeguards against earnings-related surprises; build and improve capabilities to respond effectively to low probability, critical, catastrophic risks; and achieve cost savings through better management of internal resources.

**Intermediate Objective:** To separate minor acceptable risks from the major risks, and to provide data to assist in the evaluation and treatment of risks.

**Outcome:**

**1. Credit risk:**

- ❖ Reduce non-performing assets rate
- ❖ Reduce repayments delinquency
- ❖ Reduce collateral risk

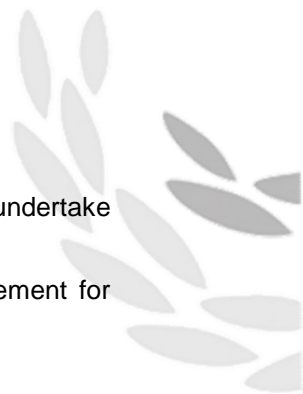
**2. Operational Risk**

- ❖ Minimize fraud risk
- ❖ Minimize liquidity risk
- ❖ Minimize legal risk
- ❖ Minimize human resource risk
- ❖ Minimize technological risk

**3. Mitigate Market Risk**

In terms of loan collection and recovery, the team is set to follow the below targets for 2019.

Particulars of Delinquent Loans	Current Status	Achieved in 2018	Expected Results in 2019
Non-performing Loans Collection	455,111,433	409,378,445	400,000,000
Written-Off Loans Recovery	281,628,523	9,875,000	15,000,000



**Methodology and Approach:** In order to reach the above goals and objectives, the team will undertake the followings:

- ❖ All department policies and procedures will be reviewed and suggest the management for necessary amendments in the policies.
- ❖ Risk Department will prepare internal rating standards.
- ❖ Risk Department will visit and review of all ADF existing clients.
- ❖ Risk Department will prepare the risk register book
- ❖ Risk Department will prepare the risk matrix for ADF

## **OPERATIONS**

**Goal:** To provide excellent, timely, and cost-effective services to entire teams across the board; to promote a safe and healthy work environment for every employees to experience job satisfaction.

**Development Objectives:** To procure 45 brand new desktop and laptop computers as the existing computers have been used for the last nine years, they have outlived their useful life and are difficult to respond to today's needs; fill the vacant positions, and hire additional staff to expand the ADF business to reach its disbursement targets for 2019.

**Intermediate Objectives:** To provide staff with services, tools and equipment required to effectively conduct the business to reach the organizational mission and the program's goals.

### **Outcome:**

- ❖ Increase efficiency and effectiveness by providing the staff with the latest computers and required accessories.
- ❖ Expand the organizational structure by filling the vacant positions and recruitment of new workforce that is actually needed to smoothly run the ADF business.
- ❖ Equip the teams logistically to have the needed equipment and services to run the ADF business smoothly

**Methodology and Approach:** The Operations team is committed to manage the ADF procurement activities to achieve the maximum value for money in contracts and the acquisition of goods and services. The Department will conduct its procurements in a manner that ensures the ADF obtains the best value products and services. Both in terms of procurement of goods and services, and recruitment of staff, the team will follow the Procurement and Human Resources Manuals.