



AFGHANISTAN

Independent Evaluation of the AREDP REDKAN and RED-Helmand projects

Final Report

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MAP OF AFGHANISTAN



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ACRONYMS AND ABBREVIATIONS

AFS	Afghanis (currency, AFG 56 = USD 1)
ANDS	Afghanistan National Development Strategy
AREDP	Afghanistan Rural Enterprise Development Program
ARTF	Afghanistan Reconstruction Trust Fund
BDS	Business Development Services
BDSO	Business Development Service Officer
BDTP	Business Development Training Provider
CAD	Canadian Dollars
CDC	Community Development Council
CPAP	Country Programme Action Plan
CSP	Country Strategy Paper
DfID	Department for International Development (UK)
EV	Economic Viability
FAO	Food and Agriculture Organization of the United Nations
GBP	Great Britain Pounds (Sterling)
GoIRA	Government of the Islamic Republic of Afghanistan
HPG	Helmand Growth Program
IFC	International Finance Corporation
ILO	International Labour Organization
M&E	Monitoring and Evaluation
MAIL	Ministry of Agriculture, Irrigation and Livestock
MDG	Millennium Development Goal
MFI	Micro-Finance Institution
MISFA	Microfinance Investment Support Facility for Afghanistan
MoF	Ministry of Finance
MRRD	Ministry of Rural Rehabilitation and Development
NABDP	National Area-Based Development Program
NRVA	National Risk and Vulnerability Assessment 2008
NSP	National Solidarity Program
PA	Producer Association
PRGF	Partial Risk Guarantee Facility
PSA	Provincial Situational Analysis
RED-Helmand	Rural Enterprise Development in Helmand
REDKAN	Rural Enterprise Development Program in Kandahar
SACCO	Savings and Loan Cooperative
SME	Small and Medium-sized Enterprise
SNGDS	Sub-National Governance and Development Strategy
TF	Technical Feasibility
UNAMA	United Nations Assistance Mission to Afghanistan
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
USD	United States Dollars
VF	Village Facilitator
VSLA	Village Savings and Loan Association

Executive summary

The Afghanistan Rural Enterprise Development Project (AREDP) is a project of the Ministry of Rural Rehabilitation and Development (MRRD) funded by the World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF). The objective of AREDP is to increase employment and incomes of rural men and women, as well as the sustainability of targeted local enterprises. AREDP is linked with the National Solidarity programme (NSP) and the National Area-Based development Programme (NABDP).

The Rural Enterprise Development (RED) projects in Kandahar and Helmand (REDKAN and RED-Helmand) were originally not part of the AREDP design; they were added because they were priority provinces for particular donors, CIDA and DfID. Unlike the other five AREDP provinces, REDKAN and RED-Helmand were funded through UNDP – but still nationally implemented by MRRD like the rest of AREDP and following the same design and procedures.

AREDP has two Programme components and one functional and support component:

- A: Community-based Enterprise Development which provides knowledge-based and financial services to community-based rural enterprises
- B: SME Development which provides business advisory and financial services to rural SMEs.
- C: The Programme Management Support component to plan, manage, supervise and monitor the implementation of all Programme activities.

The evaluation of REDKAN and RED-Helmand took place in February and March 2014.

Summary conclusions

The Ultimate Outcome of both projects was: *“The achievement of higher market participation of targeted rural enterprises, resulting in increased income and sustainable employment opportunities for men and women”*.

For Component A, an Intermediate Outcome was formulated as: *“Improved access and linkages for men and women to financial resources, and relevant business knowledge delivered to targeted rural enterprises to enhance sustainable livelihoods activities”*. The delivered business knowledge and training in literacy and numeracy has enhanced the sustainable livelihoods of the targeted enterprises, but the linkages between SGs, EGs and VSLAs to financial resources beyond their own savings have not materialised. An Immediate Outcome formulated as: *“Targeted male- and female-led community enterprises demonstrate increased sales”* that should lead to the Intermediate and Ultimate Outcomes has been broadly been achieved, but without fully reaching the end objective.

In the case of Component B, the Intermediate Outcome was expected to be that *“Targeted Small and Medium Enterprises (SMEs) have increased access to credit and technical knowledge to improve their sales and productivity”*. Whereas the technical knowledge has been increased through massive exposure trips and other training, the access to credit finance has not increased. This very central objective in the project design has not been fulfilled, which is linked to the non-availability of sharia-compliant banking products that are acceptable to the enterprise owners. The Immediate Outcome that would support this was that *“Targeted SMEs demonstrate increased sales, sustainable employment growth and increased backward linkages to the rural economy through local purchasing”*. This has largely been achieved, although not much evidence was available to show backward linkages to the rural economy. The main value chains link up with Pakistan

rather than with the local economy. Overall, higher market participation, increased incomes and sustainable employment opportunities for men and women was achieved to a reasonable degree.

There was an expectation in the early documents that the two projects would in due course fully become part of AREDP. This has not happened, and it will not happen in the future as Kandahar and Helmand are not included in the ten provinces that are now being planned to be added in AREDP Phase II.

The **project design** was overly optimistic in terms of timing. The setting up of a project organisation took longer than was anticipated, and the expected delivery rate once it was established was unrealistic. The design is built on an economic model with rational actors optimising their resources in the marketplace, with little regard to local cultural and political conditions that strongly influence people's decision-making.

The objectives of REDKAN and RED-Helmand are **relevant** to the policies and priorities of the GoIRA/MRRD, the UNDP, and the donors, as well as to the intended target groups. Overall, the quantitative targets have been reached or even exceeded.

Community enterprises function well with their own savings plus some seed capital.

The **SMEs have improved their businesses within their own means**, created employment and are now ready to expand and invest, but effectively cannot access sharia-compliant finance capital. This has led to frustration, and there is a real risk that they will not be able to make use of what they have learnt. In which case the investment in their training will be partially wasted.

The 2012 World Bank MTR of the AREDP found shortages in the performance of Component C which were later addressed through a restructuring, and it now looks as if the **outcomes are closer to being achieved** in terms of improved procedures, project coordination, learning, and quality enhancement.

The provision of training and other BDS through a project modality that involves massive exposure trips abroad is **a costly way of building the capacity** of the SMEs. However, in the present environment in Afghanistan it may still be the best if not the only way. In a longer development perspective, the solution will be to establish training and other institutions in the provinces that can offer the same services to more people, at lower cost and better adapted to the local conditions.

With MRRD implementation under the National Implementation Modality (NIM), UNDP has functioned as a channel for donor funding without having added substantive value as the UN's global development agency. However, external donor funding through UNDP falls in the "off-budget" category with the MoF, which has helped shortening the administrative procedures and made for smoother progress in Component A.

UNDP is currently planning its new Country Programme for 2015-2019, and some lessons from REDKAN and RED-Helmand can be useful in that exercise. The UNDP Subnational Governance Strategy (SNGS) was prepared in broad consultations throughout 2013. The SNGS has a target that is formulated as to "*Strengthen community resilience*". This can draw on the REDKAN Component A experience.

UNDP can use the lessons learned from Kandahar and Helmand by walking on two legs – in transforming the strategic recommendations into 1. institution strengthening at central and local level, as well as 2. to strengthen community resilience on the ground with the experience obtained from Component A of REDKAN.

UNDP would serve in an advisory capacity as a close development partner in the Government's efforts to build up public institutions in a democratic and enabling environment for the enterprises. This is central to UNDP's mandate and role vis-à-vis the Government. The sectoral resources available in the specialised UN agencies in Afghanistan should be drawn upon to ensure the UN speaks with one voice.

While institutional development is a long-term undertaking, there will still be room for direct action to alleviate the widespread poverty in Afghanistan, and donor support may still be relevant for quite some time to come. It would fall within the SNGS target to strengthen community resilience if UNDP would attract whatever donor funds may be available, to be channelled to livelihoods projects of the kind seen in Component A in REDKAN that directly reduce poverty and gender inequality. The modality should clearly be through outsourcing, without submitting implementation to complicated, lengthy and costly procedures.

Recommendations

To MRRD/UNDP/DfID – on REDKAN & RED-Helmand it is recommended that:

1. RED-Helmand is granted a no-cost extension by DfID to 31. December 2014 to complete its current work with the SMEs.
2. REDKAN and RED-Helmand prepare an exit strategy by 30. April 2014 and communicate it widely to SGs, EGs and SMEs. The exit strategy should include, inter alia:
 - Maximum enrolment of women in literacy classes. There is sufficient budget available to make this an offer to all female members of enterprise groups in Kandahar and elsewhere.
 - No new groups or SMEs should be included for project assistance after 30. June 2014.
 - Focus on consolidation and sustainability of what has been learned (no new initiatives).
 - Collect lessons learned at outcome level for inclusion in AREDP Phase II. This is especially the case with lessons from the outsourcing of Component A which has been successful.

To MRRD/AREDP/UNDP it is recommended that:

3. Commercial farming is excluded from the definition of SME in AREDP II. The needs of the agricultural sector are different from SMEs and are not well catered for in the AREDP setup. Instead it is recommended that MRRD and UNDP will actively encourage the Government to formulate an enabling policy environment for the agriculture sector.
4. Give priority to the following SMEs in AREDP II:
 - Non-farm rural enterprises that directly support agriculture (upstream & downstream). These can include: improved seeds, plant nurseries, milling, processing, grading, equipment hire and repair, transport, packing, storage, etc.
 - Urban SMEs with growth potential
 - SMEs in sectors with limited need for finance capital – to avoid the need for non-available banking products.
5. Continue livelihoods support through lessons learnt from Component A; reduce expectations with regard to the commercial potential of this component; rather see it as means of poverty reduction with limited value addition but high relevance for rural livelihoods.

6. Encourage the Government to develop a national policy for sharia-compliant banking. The absence of suitable banking products is a main obstacle for the expansion of rural enterprises.

To UNDP, it is recommended to consider – in cooperation with private and public partners as well as specialised UN agencies – the following in the planning of the new Country Programme:

7. Support enterprise development through institution strengthening and policy dialogue, especially in favour of:
 - Policy development in order to increase Afghan enterprises' competitiveness and remove obstacles to local production and trade
 - Strengthening Technical and Vocational Education and Training (TVET) institutions to be able to meet demand for skills in the labour market; make entrepreneurship and BDS part of TVET curriculum. Consult ILO on this component.
 - Support the establishment and/or strengthening of agricultural research & extension stations and rural technology centres at district level, to become service centres for farmers and SMEs through exposure to new crops, methods and technologies, extension services, and disease control in livestock and plants. Consult FAO on this component.
8. Support poverty reduction and gender equality directly through support to livelihoods through AREDP-type Savings Groups, Savings and Credit Cooperatives (SACCOs), or other self-help modalities, as stand-alone donor-funded projects. Consult ILO on SACCOs for small enterprises. In the absence of any effective security nets there will be a need for such projects for a long time to come as an addition to the long-term institutional development. Use a direct implementation modality with full outsourcing to reputable local or international consulting firms or NGOs through competitive bidding, ensuring a low profile free of UN bureaucracy and security.

Lessons learnt

1. The projects have repeated a well-known general lesson, which is that unrealistic timeframes adversely impact on project implementation. Progress is seen as too slow, and project staff work under conditions where their contracts are due to end all the time, which is not good for the motivation. Things take time, and start-up time in particular must be given due consideration. This has general applicability but is very often not given enough attention.
2. One size does not fit all. The projects followed a standard economic design with little appreciation of local culture and conditions. As a consequence, the potential for expansion of SMEs was overestimated. The lesson is that it is not enough to look at the value chain; the physical, legal, economic and cultural environment must be understood as well, since many "external" factors beyond the control of a project are bound to influence its success or failure.
3. UNDP's role in the projects has been discussed and its rationale has been questioned. UNDP has not functioned as a major intellectual source of development experience and inspiration but rather as a practical conduit of donor funding. The main lesson however, is that this has in fact been helpful in several ways, and something that UNDP can repeat and improve upon. The future of Afghanistan is the subject of much current speculation, and the good answers are few. However, even with the most positive scenario, field-level activities will remain difficult and unsuitable for implementation

by UN agencies in the foreseeable future. If UNDP can take the lessons above into consideration and ensure a more thorough understanding of the local conditions and more realistic project formulation, there would appear to be an open space for UNDP to play an important role in strengthening community resilience with donor funding.

4. The final lesson points to the importance of the overall policy and institutional environment. This is an area in which UNDP is typically involved in many other countries, and analytical capacity is present in the organisation as well as in its sister UN agencies, ready to be deployed. The institutional obstacles to enterprise development are many, some of them being outlined in this report. Without tackling those, the effect of building up capacity at individual SME level will remain limited.

1. Introduction

The Afghanistan Rural Enterprise Development Project (AREDP) is a project of the Ministry of Rural Rehabilitation and Development (MRRD) of the Government of the Islamic Republic of Afghanistan (GoIRA). AREDP is active in five provinces – Herat, Bamyan, Balkh, Parwan, and Nangarhar – with funding through the World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF). Implementation began on 14 June 2010 and ends on 31 December 2014. The objective of AREDP is to increase employment and incomes of rural men and women, as well as the sustainability of targeted local enterprises. AREDP is national in scope and operation and builds on other development initiatives of the GoIRA, donors, private sector MFIs, national and international stakeholders. AREDP is particularly linked with the National Solidarity programme (NSP) and the National Area-Based development Programme (NABDP).

In addition to the five AREDP provinces, the Rural Enterprise Development (RED) projects in Kandahar and Helmand (REDKAN and RED-Helmand) are being implemented by MRRD under the overall administration of UNDP. The two projects have been designed to support local economic development using the AREDP model focusing on supporting community enterprises and small and medium enterprise (SME) development in Kandahar and Helmand. REDKAN is funded by the Canadian International Development Agency (CIDA) with a budget of 9.5 million Canadian Dollars (approx. USD 7,669,910 on the date of signature, 23.03.2010), while RED-Helmand is funded by the Department for International Development (DfID) of the United Kingdom in an amount of USD 2.889.246¹.

The present evaluation is commissioned by UNDP and is concerned with REDKAN and RED-Helmand. The two projects are linked to the Country Programme Document (CPD) of UNDP Afghanistan, more specifically to its Outcome 6 which reads: *“Increased Opportunities for income generation through promotion of diversified livelihoods, private sector development and public private partnership”*.

AREDP has two Programme components and one functional and support component. The programme components are:

- A: Community-based Enterprise Development which provides knowledge-based and financial services to community-based rural enterprises
- B: SME Development which provides business advisory and financial services to rural SMEs.
- C: The Programme Management Support component was designed to plan, manage, supervise and monitor the implementation of all Programme activities. In addition to Programme management functions, it consists of two units that handle policy issues for rural enterprises, plus research and technical support services. M&E and gender work across all programme components.

Grant agreements were signed in 2010 with CIDA for Kandahar and 2011 with DfID for Helmand, initially for two years. No-cost extensions were later requested and granted for Kandahar, while an approval for Helmand is still pending. If granted, this time frame will synchronise them with the UNDP Country Programme Action Plan (CPAP) for 2010-2014. UNDP is considering further investment in rural livelihood and

¹ Initially, an amount of 4.5 million Pound Sterling (approx. USD 7.5 mill.) was allocated to RED-Helmand, however this was reduced to a more realistic level as a consequence of low expenditure

enterprise development in the new CPAP, and the recommendations of the present evaluation should provide inputs to the priority-setting in that regard.

The evaluation took place between the 10th February and 22nd March 2014. It was carried out by Erik Lyby (Team Leader) and Sayed Ahmad Rohani. The team consulted with officials of the MRRD, the World Bank and UNDP in Kabul, and visited the projects in Kandahar and Lashkar Gah (Helmand). The team wishes to thank all those who gave their time and who contributed in numerous ways, in spite of many obstacles related to the insecure situation in the project areas, to establishing a robust framework for the evaluation. Please see Annex 2 for a list of the main contacts. Needless to say, the findings, conclusions and recommendations in this report are those of the independent evaluation team and do not necessarily reflect the policies or opinions of the GoIRA, the UNDP, or other authorities in Afghanistan.

2. Evaluation methodology

2.1 Scope and objectives

The purpose of the evaluation is formulated as follows in the Terms of Reference (ToR):

- To provide an independent assessment of the RED-Helmand and REDKAN, employing the standard UNDP evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability. Special emphasis will be placed on Gender within each evaluation criteria.
- To generate lesson learned and recommendations which are expected to identify appropriate strategies and operational approaches to strengthen the envisaged UNDP new economic generation programmes across Afghanistan. Based on the lessons learned the evaluation will provide recommendations on the future design for the two projects.

The two objectives are interrelated but also fairly distinct. The first objective is concerned with harvesting lessons from the on-going projects through established criteria, but also needs to see the two projects in the context of the overall AREDP and with its ties to the NSP through the Community Development Councils (CDCs). The second objective will place the lessons learned in a different and much wider context, namely the UNDP country programme for the next five years. Please see the full ToR in Annex 1.

As the projects will come to their end in 2014, the main audiences for this evaluation are the strategy and programming sections of UNDP, while the secondary audience consists of MRRD and the World Bank who may hopefully also find the recommendations of use in their second phase of the AREDP (without Kandahar and Helmand).

2.1.1 Evaluation questions

The ToR list five general questions to which the specific evaluation questions should be aligned. The proposed specific questions as related to the general ones in the ToR are shown in table 1.

Table 1: Evaluation questions

Evaluation Criteria	General Questions from the ToR	Project-Specific Evaluation Questions
Relevance	Are the projects (REDKAN and RED-Helmand) relevant in the context of UNDP's role as a development actor, the function and mandate of MRRD/REDKAN/HELMAND and the situation in Kandahar and Helmand?	<ul style="list-style-type: none">• Are the objectives in keeping with real needs and priorities of the implementing partners as well as those of the intended beneficiaries?• Do the projects contribute to fulfilment of the CPAP?• In which ways have gender equality and environmental sustainability been relevant as cross-cutting issues?
Design	What are the lessons learned to inform UNDP, where design could have been better?	<ul style="list-style-type: none">• Have any logical design flaws been identified?• Are the projects built on explicit and realistic assumptions?• To what extent has the market demand for goods and services been considered in the design?
Effectiveness	Have the projects been effective in achieving their goals and objectives? If not what could be the reasons?	<ul style="list-style-type: none">• Have SGs and EGs fulfilled the foreseen requirements wrt. savings and internal lending? Have the members reaped economic benefits from SGs or EGs?• To what extent have VSLAs been able to function as village banks?

		<ul style="list-style-type: none"> • To what extent have the projects led to more employment and growth of SMEs? • To what extent have SMEs increased their access to finance? • What are the main technological and logistical challenges to the effective delivery of the projects? • What unexpected results were encountered?
Efficiency	What are the lessons learned to inform UNDP, where design, implementation and oversight could have been better?	<ul style="list-style-type: none"> • Are there sufficient resources to realize the objectives of planned activities? Have the resources been delivered in an efficient manner? Were serious delays in delivery encountered? • To what extent has literacy training contributed to effective management of SGs? • To what extent have cultural factors influenced the efficient delivery? • Has the training extended to BDSOs and SMEs been an effective means in the delivery? Has field staff (PEFs, VFs, BDSOs) had the required competencies to ensure the efficient delivery of the projects? • To what extent have security concerns influenced the efficient delivery? • How did the partners (MRRD, donors, beneficiaries) view UNDP efficiency? • Did M&E and communication channels function effectively?
Impact	How can the lessons learned be correlated with the impact on UNDP programming in the area of rural enterprise development, job creation and income generating activities?	<ul style="list-style-type: none"> • Have the projects contributed to any substantial change in the local areas? • How many people have been affected? • Are there instances where AREDP activities have had negative impacts on women, men, or children?
Sustainability	Do the projects have any potential for long term growth impact and sustainability of the job creation activities and income generating activities?	<ul style="list-style-type: none"> • Can the EGs, SMEs and VSLAs be expected to continue after the end of support from the projects? • Are the benefits of UNDP interventions sustained and owned by national stakeholders once interventions have been completed? • Should the projects continue in their current direction or should their main tenets be reviewed for a new set of activities?
Cross-cutting issues	Have the projects been successful in taking the rights based approach? Are they gender sensitive?	<ul style="list-style-type: none"> • What are the social, cultural or economic factors that impede women in getting the full benefits of the projects?

An evaluation matrix was developed based on the questions above. It combines the Project-Specific Questions with sets of Indicators of Achievement and Sources of Information. Whereas the indicators served as overall guidance for the evaluation, the extent to which it was possible to establish sufficiently quantitative data to meet them obviously depended on the quality of the monitoring.

Please see the full evaluation matrix in Annex 3.

2.2 Approach and methods

Given the time and resources available, the nature of the evaluation is predominantly one of qualitative assessment. Within these constraints, all data are analysed and validated with considerable rigour. The common methods used for collection and analysis of evaluative information include:

- Literature/web search
- Desk study
- Key informant interviews (MRRD, UNDP, World Bank, AREDP project staff)
- Focus groups (Savings Groups, Enterprise Groups, SMEs)
- Triangulation of information
- Field visits (Kandahar and Lashkar Gah)
- Direct observation.

Key informant interviews (KII) and focus group discussions (FGD) were carried out with:

Organization/location	Key Informant Interviews	Focus Group Discussions	Remarks
MRRD Kabul	9 officials		
UNDP Kabul	5 officials	7 officials	
World Bank Kabul	2 officials		
DfID	2 officials		
Kandahar	<ul style="list-style-type: none">• Project management and UNDP;• 2 students having participated in study tour to India.	<ul style="list-style-type: none">• 20 project staff and consultants;• 12 Savings Group, Enterprise Group and VSLA members;• 8 SMEs	Male and female SGs, EGs VSLAs and SMEs separately
Helmand	<ul style="list-style-type: none">• Project manager,• M&E officer,• BDS Specialist• 3 SMEs individually at their place of work	<ul style="list-style-type: none">• 8 field staff• 11 SMEs	Male and female SMEs separately.

Due to security concerns, in Kandahar it was not possible to interview project beneficiaries at their place of work; the interviews therefore took place in the project office. In Helmand, in addition to interviews at the project office it was possible to visit three SMEs at their workplace: one poultry farmer, a carpenter, and a female handicraft business.

2.3 Workplan

The evaluation was carried out in accordance with the following workplan.

Table 2: Evaluation Workplan

Dates 2014	Location	Activity
01. – 09.02	Denmark/Kabul	Desk review
10.02	Kabul	Arrival T/L
11. - 16.02	Kabul	Administrative matters Security briefing Preparation of field trips Consultations with UNDP and key stakeholders in Kabul Production of inception report
17. – 20.02	Kandahar	Field visits to selected project sites in Kandahar
21. – 22.02	Kabul	Drafting notes on Kandahar
23. – 25.02	Lashkar Gah	Field visits to selected project sites in Helmand
26. – 27.02	Kabul	Consultations with UNDP and other stakeholders on inclusion of rural enterprise development in the future programme
28.02 – 01.03	Kabul	Drafting first version of evaluation report
02.03	Kabul	Presentation of findings to stakeholders
03.03	Air travel	Departure of T/L
04. – 07.03	Denmark/Kabul	Finalisation and distribution of draft report including initial comments
08. – 14.03	Denmark	Waiting for comments
17. – 21.03	Denmark	Incorporating stakeholder comments and submission of final report

3. Findings

The evaluation findings are organised in accordance with the following criteria²:

Relevance – concerns the extent to which a development initiative and its intended outputs or outcomes are consistent with national and local policies and priorities and the needs of intended beneficiaries.

Effectiveness – is a measure of the extent to which the initiative's intended results (outputs or outcomes) have been achieved or the extent to which progress toward outputs or outcomes has been achieved.

Efficiency – measures how economically resources or inputs (such as funds, expertise and time) are converted to results.

Impact – measures changes in human development and people's well-being that are brought about by development initiatives, directly or indirectly, intended or unintended.

Sustainability – measures the extent to which benefits of initiatives continue after external development assistance has come to an end.

3.1 Relevance

The evaluation questions related to relevance were:

- Are the objectives in keeping with real needs and priorities of the implementing partners as well as those of the intended beneficiaries?
- Do the projects contribute to fulfilment of the CPAP?
- In which ways have gender equality and environmental sustainability been relevant as cross-cutting issues?

As an addition to the original five-province AREDP design, REDKAN and RED-Helmand form part of a major GoIRA programme and are therefore in line with the Afghanistan National Development Strategy (ANDS). The NSP brought infrastructure to the rural communities and organised them in local CDCs, and the AREDP is seen as a logical follow-up aimed at contributing to market-led economic development in which the CDCs would be the starting point.

From the donor perspective, the two projects are intended to increase the development footprint in the priority districts of Kandahar and Helmand, thereby supporting Canada's and the UK's stabilization goals in the Southern provinces of Afghanistan.

The UNDP country programme document (CPD) for Afghanistan for 2010-2014 is designed to promote stabilization, state building and governance, and strengthening democratic institutions in Afghanistan. It reflects the national development priorities (ANDS) and the United Nations Development Assistance Framework (UNDAF) priorities. The UNDP CPD addresses six development outcomes of which development of livelihoods, private sector and public-private partnerships are in focus under the Outcome 6, which is formulated as: Increased opportunities for income generation through the promotion of diversified livelihoods, private sector development and public-private partnerships. Whereas the overriding orientation

² Short definitions taken from the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results: <http://web.undp.org/evaluation/handbook/ch7-4.html>

of the CPD is stabilization and governance through public institutions, Outcome six is the only outcome specifically targeting poverty at the local level. It contributes to the CPAP, has an explicit strategy in favour of gender equality, and is therefore highly relevant to UNDP's mandate.

The two targeted provinces have some common characteristics³:

- Both of them border Pakistan and are faced with tough economic competition from licit and illicit cross-border trade.
- Both are highly insecure and unstable with regard to insurgency attacks which are frequent.
- Both are broadly considered as being among the most conservative in the country.
- Gender inequality is severe. Adult female literacy (above the age of 16 years) is extremely low at 1 per cent only. Corresponding rates are 17 % for Balkh, 16 % for Herat, and 12 % for Badakhshan – which is also less than impressive but still far above Kandahar and Helmand.
- The poverty rates (per cent of population 7 below the poverty line) are less than elsewhere in Afghanistan – 23 % in Kandahar and 9 % in Helmand against 58 % in Herat, 60 % in Balkh, and 61 % in Badakhshan. However, both provinces are also characterized by a highly informalised economy, low productivity, and lack of job opportunities. Rural poverty and dependency among the landless is widespread.
- The provinces are relatively well off with regard to food and agriculture. Still, 29 % in Kandahar suffer from calorie deficiency (getting less than 2100 calories per day), while the corresponding figure for Helmand is 20 %. In Herat it is 25 %, in Balkh 54 % and in Badakhshan a frightening 67 %.

The choice of the two provinces for inclusion in the AREDP has been questioned with reference to their relative “prosperity”⁴. However, from a strategic stabilization point of view, they are very important. In addition, they possess potential to increase their contribution to national food security and economic development. Poverty and dependency/patronage arrangements are widespread, as is unemployment. All brought together, and in spite of donor preferences having played a role in the selection, Kandahar and Helmand must be considered relevant recipients of assistance through AREDP.

3.2 Effectiveness

The evaluation questions related to effectiveness were:

- Have SGs and EGs fulfilled the foreseen requirements with regard to savings and internal lending? Have the members reaped economic benefits from SGs or EGs?
- To what extent have VSLAs been able to function as village banks?
- To what extent have the projects led to more employment and growth of SMEs?
- To what extent have SMEs increased their access to finance?
- What are the main technological and logistical challenges to the effective delivery of the projects?
- What unexpected results were encountered?

³ The statistics below are from the 2007/08 National Risk and Vulnerability Assessment (NRVA)

⁴ Evaluation of CPD Outcome 6: Diversified Livelihoods, Private Sector Development and Public-Private Partnership. UNDP 2013

3.2.1 Component A – Community Enterprises

Component A is only part of the Kandahar project; RED-Helmand has only Components B and C. The design of Component A is briefly outlined in Box 1.

Box 1: Component A - Community Enterprises

The component has established and supported Saving Groups (SG), Enterprise Groups (EGs) and PAs (Producer Associations). The approach is built up by pairs of female and male Provincial Enterprise Facilitators (PEFs) at the provincial level (responsible for 10-15 communities), who will train and assist female and male pairs of Village Facilitators (VFs) chosen from each village by the project and the community. This facilitation team is tasked with the formation of Savings Groups, Enterprise Groups and possibly at a later stage clustering these groups into Producer Associations and Village Saving and Loan Associations (VSLAs).

The entry points for the project are the Community Development Councils (CDCs) established under the NSP project. The PEFs present the project objectives and methods to CDC members and invite the CDC to provide a short list of 3 to 4 women and a similar number of men, who are trusted and accepted by the community and who have had no connections with armed groups, to act as Village Facilitators. The VFs are tasked with assessing entrepreneurial activity in their community using the Enterprise Assessment Tool developed by MRRD; facilitating the formation of Enterprise Groups of common interest; and facilitating the establishments of Savings Groups and the clustering of SGs into formal Village Savings and Loan Associations (VSLA). As the Enterprise Groups may have difficulty obtaining credit from banks or other financial institutions since the banks' need for collateral requires clear ownership, the VSLAs will be able to act as village banks and lend money to the EGs based on their knowledge of the loan applicants.

The female and male savings groups normally have 10 to 15 members who are encouraged to save at least 30 Afghanis per week on a regular basis, and trained in keeping ledgers and savings books. After a period of typically six months, each SG will have saved around AFS 15,000 (US\$300) and will have started to lend money for productive purposes between the different members of the group. A "borrowing fee" will be charged to maintain the value of the savings while avoiding the application of interest.

Saving Groups that demonstrate their maturity (regularity of meetings and savings, management of loan for productive activities, repayment and re-lending) will be encouraged to form a VSLA that will be eligible for a one-time grant of seed capital of up to USD 10,000 to increase their capital portfolio and create a revolving loan fund for members.

Finally, market linkages in the value chain will be established by the project. The project PEF and/or Business Development Officers (BDOs) will identify traders/transporters registered with the Ministry of Commerce and Industry, or the Municipality of Kandahar, and work to facilitate sales contracts where possible.

The implementation of Component A is outsourced to a consultancy firm, AICB. The main objective in relation to the SGs is to impart a basic understanding of saving, lending and borrowing money for productive purposes. Some borrowing also goes into activities that are not strictly productive but rather serve as consumption smoothing as part of a household's coping strategy. This was not part of the original AREDP design which focused strictly on economic gains; however, as it was realized that consumption smoothing is critical the maintenance of sustainable livelihoods, the World Bank and MRRD accepted it as part of the approach.

It was also found that, in order to manage the savings and loans, there was a need for training in literacy and numeracy, especially for the women SGs. In May 2013, AREDP signed a Memorandum of understanding (MOU) with the Deputy Minister of Education (Literacy) as an offer to all female SG members.

REDKAN encourages members of savings groups who are engaged in similar enterprises or value chains to organize themselves into an enterprise group. The members of these EGs are mainly engaged in small scale trading of vegetables, grains, livestock, setting up flour mills, setting up shops and/or adding grocery items in their existing shops, undertaking animal husbandry activities, poultry farming, dairy products and embroidery, etc. Further, the PAs link EGs which produce similar products/services, or are part of the same value chain, to share information and knowledge on products and markets. So far the repayment rates in the SGs have been very high and close to 100 %.

Some cases of SG and EG activity as explained to the Evaluation Team are illustrated in Box 2⁵.

Box 2: Community Enterprises – activities

Case 1 – Savings Group

10 members saved 30 Afs. per week, altogether 118,000 Afs., and gave out three loans. All members must pay every week, if necessary a member must borrow from other sources to pay up and remain a member. In the absence of a bank, the savings are kept in the home of the elder (chairperson). Most members have no land of their own but cultivate vegetables, tomatoes, pomegranate, apples and other crops in their garden.

One member borrowed 5,000 Afs. to buy chickens. The chickens were fed for three months and then sold for a total of 7,000 Afs. The member returned the 5,000 Afs. plus half of the profit, i.e. 1,000 Afs. to the group.

Another member bought a goat for 5,000 Afs., sold it after a week for 6,000 and bought another goat. This was repeated several times over three months, the total profit being 3,000. The member returned the loan of 5,000 plus half of the profit 1,500 = 6,500 Afs. to the group.

Case 2 – Male Enterprise Group

3 groups of 10-12 members each contribute 8,000 Afs. per group to a poultry project. They buy 70 layers and sell the eggs to buy feed and increase the number which grows to 300 layers after a few months. A profit of 9,000 Afs. is divided between the three members who have taken care of the birds. Each person returns 1,500 Afs. to the group and keeps 1,500 for himself.

Case 3 – female Enterprise Group

Had only access to informal burrowing before project. Now they produce handicrafts for market. The savings are lent to a woman every month to start a new business. They bring their production to their meetings and sell together.

⁵ Interviews in Kandahar

The progress in terms of outputs by the end of 2013 is shown in the table below.

Table 3: Component A - Outputs

Activity	Target	Status
Savings Groups (no.)	2,000	2,100 (1,272 male, 828 female)
• Internal savings		40 mill. Afs. (USD 693,000)
• Internal lending		12.7 mill. Afs. (USD 219,550)
• Literacy (no. of students)		1,650 women in Kandahar ⁶
VSLAs (no.)	170	220 (149 male, 71 female)
Enterprise groups (no.)	400	450 (318 male, 132 female)
Producer Associations	15	15 (12 male, 3 female)

The original project document did not indicate clear quantitative targets – numbers of SGs, EGs and VSLAs to be formed. However, targets were developed later and, as can be seen, REDKAN with AICB reached or exceeded the targets. The groups are obviously at different stages of development, with some of them being quite strong and experienced, and others less so.

3.2.2 Component B: Small and Medium Enterprise Development

The Small and Medium Enterprise (SME) development component is active in both REDKAN and RED-Helmand. It supports SMEs with business advisory services and is aimed at connecting them to available credit and other financial services. The SME BDS team also works to establish links to other BDS providers as required and would assist with SME formal credit applications. Furthermore, a Partial Risk Guarantee Facility was meant to provide comfort to the participating financial institutions that would provide SME loans.

The process begins with a Provincial Situational Analysis (PSA) to identify sectors and enterprises with growth potential. This is followed by an awareness campaign by which interested enterprises can apply for inclusion in the programme through a competitive process. Technical Feasibility (TF) and Economic Viability (EV) studies are carried out, and those who pass the initial screening are registered with the programme. A BDS officer is assigned to the SME to help develop business support action plans. These plans are meant to pave the way for SMEs to become “bankable” vis-à-vis commercial finance institutions. This process is supported by a massive, targeted exposure-cum-training action by which the SME should become technically stronger and get new and innovative ideas for his or her business. The training consists of both “soft skills” relating to accounting, marketing and the like, as well as participation on expositions in Kabul and elsewhere, and exposure visits to other parts of Afghanistan or abroad. Examples on exposure includes study tours to India on poultry and dairy farming and cotton seed production; training of women in marketing in Islamabad; as well as value chain training and laboratory testing of foodstuffs in Turkey.

The SMEs interviewed for the evaluation expressed much appreciation for the training they had been given; many new ideas had come up that they wanted to introduce in their businesses. Some ideas that did not require much investment could materialize immediately with own resources or informal borrowing. However, access to finance on a larger scale – which is a major part of the AREDP approach – could not be assured since sharia-compliant banking products are not available to them and they are not prepared to

⁶ With CIDA funding from REDKAN, 6,475 members of female saving groups participated in 257 literacy courses

accept other types of loans. In fact, this issue is repeated as a standard paragraph in all the quarterly, bi-annual and annual progress reports from the two projects– see box 3 for a quote.

Box 3: On Islamic banking – excerpt from progress reports

Non-availability of Islamic Banking Product in the Market:

Most of the SMEs in Kandahar/Helmand are religious sensitive and demanding Islamic banking Products or Sharia Compliant Products which are not available in the market. Therefore, the SMEs and EGs seem reluctant in applying for conventional loan. AREDP is working with MISFA and other financial institutions to develop Islamic products for rural SMEs of seven AREDP covered provinces and particularly Kandahar/Helmand.

A manual on Islamic Finance was prepared by AREDP but no substantial progress on this matter could be noted at the time of the evaluation.

In addition to the lack of access to finance, the SMEs explained a range of other challenges they were faced with, most of them of a nature that must be dealt with at a higher level than the projects. Challenges included the competition from Pakistan which was felt as being unfair with taxes being applied to Afghan producers and not to Pakistanis; lack of electricity from a network instead of using expensive diesel-driven generators; lack of other infrastructure; etc.

A problem with regard to poultry was identified as being a lack of capacity to diagnose diseases in chickens and subsequently treat them and thereby reduce losses. Both projects took initiatives to establish such disease control facilities in the provincial capitals in cooperation with the Dept of Agriculture. In fact, the original design of AREDP foresaw strong synergies between the programme and the Ministry of Agriculture, Irrigation and Livestock (MAIL) as the primary governmental provider of agricultural extension services. Likewise, the Ministry of Labour and Social Affairs (MoLSA) would be approached for the programme to provide skills training in non-farm skills. Apart from the case of the establishment of the poultry lab with MAIL, little cooperation with the other government departments was detected during the evaluation.

It was initially anticipated that management and oversight for REDKAN and RED-Helmand activities would shift over to AREDP at the end of the projects and be subsumed into the national AREDP programme. This continuity of service delivery was regarded as critical to the creation of private sector entities that take several years to become fully sustainable. However, no signs towards such integration of Kandahar and Helmand into the AREDP Phase II were to be seen during the evaluation and the two projects will have to close in 2014.

The AREDP was planned to hold an annual Business Innovation Award competition for innovative businesses. Awards of a maximum value of USD 10,000 would be made as in-kind grants of goods, works, and services to the SME according to the details of the request. No cash awards were to be given. Criteria and procedures for the application format and the composition of the Awards Committee were developed.

The number of Innovation Awards was originally set at three per province per year; however, this was later raised to 12. At the time of the evaluation, the procedures had been in place for a considerable amount of time, but only four Innovation Prizes had yet been awarded in Helmand and none in Kandahar. This was due

to the procedures not having been cleared by the MRRD and the Ministry of Finance – however, these obstacles were now said to have been removed and the process could move on. Since the projects were coming towards their conclusion it was considered reasonable, in coordination with the World Bank, to award all the remaining prizes for three years – i.e. 36 prizes per province – in 2014.

Creation of additional employment opportunities for women and men is an important objective of the AREDP. Most of the interviewed SMEs reported job increases in their businesses. Some of these jobs are full-time of a permanent nature, while others are part-time and/or seasonal. In addition to the directly generated jobs there will also be an effect in the wider market in the form of indirect job creation. The number of jobs directly created as a consequence of the programme was given as 751 for Kandahar and 636 for Helmand. These numbers remain within a credible range when compared with those obtained from the sample interviewed in the field.

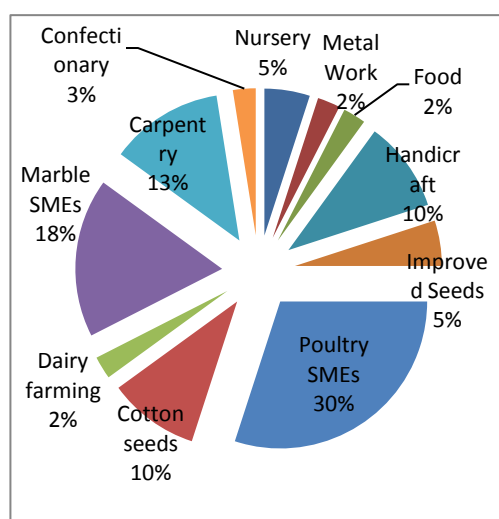
Table 4 summarises the main achievements of Component B. Please note that “SMEs supported” refers to those having undergone substantive training from the projects – those who were registered with or without having a business plan developed but later fell out or are still waiting for support in 2014 – are not part of the Target or Status columns.

Table 4: Component B - Outputs

Activity	Target		Status	
	Kandahar	Helmand	Kandahar	Helmand
SMEs supported (no.)	50 ⁷	50	58 (9 F)	63 (4 F)
Innovation prize	36	36	0	4
Employment			751	636

Around 120 SMEs had received substantive support by the end of 2013, creating some 1300 jobs. 13 were female SMEs involved in home-based handicraft production. Figure 1 shows the distribution between sectors in Helmand. Enterprises involved in direct agricultural production (poultry and dairy farming) constitute 1/3 of the total number. In Kandahar they make up 2/3 of all supported enterprises.

Figure 1: SME sector distribution in Helmand end 2013⁸



⁷ The targeted number of supported SMEs in Kandahar (80) was considered unrealistic as many SMEs did not qualify for support. On February 26, 2011, UNDP asked CIDA to agree to a reduction in this number to 50. This was granted by CIDA

⁸ MRRD: Helmand Annual progress report 2013

3.3 Efficiency

Efficiency measures the outputs – qualitative and quantitative – in relation to the inputs. Relevant questions are:

- Were activities cost-effective in terms of resources (human and financial) applied?
- Were objectives achieved on time?
- Were the projects implemented in the most efficient way compared to alternatives?

Component A.

This component was fully outsourced to a consultancy firm, the Afghanistan Innovative Consulting Bureau (AICB). The company has long experience in project management and community-oriented fieldwork in Kandahar through its previous association with CIDA, the CIMIC-PRT, and USAID. AICB staff work as Provincial Enterprise Facilitators and select the local pairs of Village Facilitators in four districts who are instrumental in the formation of savings groups and Enterprise Groups. AICB coordinates closely with the REDKAN office in Kandahar.

This arrangement was more smoothly implemented than in other provinces that are part of the AREDP but funded under a grant from ARTF or an IDA credit and directly implemented by MRRD. The latter type of funding requires adherence to standard MoF procedures for the National Budget, whereas REDKAN and RED-Helmand fall in an “off-budget” category due to their funding being “external” and channelled through UNDP. This is reported to have considerably shortened the administrative procedures. This has contributed to the high achievement of established SGs, EGs, VSLAs and PAs.

Component B.

The SME-component is directly implemented by MRRD with field offices in Kandahar City and Lashkar Gah. The work has included the development of a large number of MoUs, business plans, ToR for consultants, planning of business and technical training events, exposure visits, supervision of enterprises, and much more. The implementation has followed the overall AREDP procedures as agreed with the World Bank, by which most activities required approval from MRRD Headquarters in Kabul. This would include putting all consultancies up for competitive bidding on the MRRD-AREDP website, calling for proposals and selecting candidates. This procedure in particular was seen as lengthy and a cause of long delays (in all fairness it also possible that some of the requests were late to come from the field).

Partly due to these procedures and partly as a consequence of a steep learning curve in the early stages of the AREDP, there have been many complaints about slow implementation. It is unavoidable that a complicated concept such as the AREDP takes time to come to full steam. However, the start-up phase where staff is hired, equipment procured, procedures are put in place, and mistakes are corrected does not allow for quick disbursement of funds. The level of expenditures has been low compared to plans.

Field staff that already possessed the qualifications needed for the projects were available, and the new staff underwent considerable training in order to be able to fulfil their functions professionally. This capacity was

especially important to create as BDSOs are expected to become BDS Providers on a consultancy basis once the projects have finished. However, the training took time and money.

Component C

In AREDP, the programme management structure is treated as a third project Component C. This component covers the establishment of the project monitoring and lessons learned systems (e.g. a Research and Technical Unit and a Monitoring Information System), a mechanism for collaboration with partners, hiring Provincial Enterprise Facilitators and Business Development Officers, and creating a functioning mechanism for handling complaints stemming from project implementation⁹.

Component C is implemented by a number of international and local advisers placed at MRRD HQ. A major task for them is to facilitate work on the ground in accordance with GoIRA rules and regulations, e.g. in the identification and selection and procurement of service providers. Monitoring and evaluation is done through a structure with M&E officers in the provinces who feed data into the central MIS system as well as to the AREDP M&E Unit. The latter follows up on the information entered into the MIS on a monthly basis, and returns reports to the field with comments and corrections. The M&E Unit also performs regular field visits to check on particular issues or. In this way M&E assumes an active role in the implementation of the projects.

In Kandahar, the approximate division in per cent between the components in terms of the overall budget is as follows:

Table 5: REDKAN Budget breakdown in %

Component A Community enterprises	40 %
Component B – SME development	40%
Component C – Programme management	13 %
UNDP General Management Services Fee	7%
Total	100 %

The budgetary situation at 31.12.2013:

Table 6: Budgetary status end 2013

Project	Commitment	Expenses previous years	Other revenue	Expenses 2013	Closing balance
DFID-Helmand	2.889.246	587.957	42.352	824.025	1.519.616
CIDA-REDKAN	9.475.781	2.823.336	-	3.692.746	2.959.699

Restructuring

The AREDP was subjected to a Mid-term Review (MTR) by the World Bank in October 2012. As a consequence of some of the issues mentioned above, the MTR found a need to restructure the programme

⁹ Project Approval Document for REDKAN, 01.05.2011

and cut the proposed budget, targets and activities. The ratings by the MTR of the different components were as follows¹⁰:

- Component A (Community enterprises) and the results with regard to Gender were rated as *Satisfactory*
- Component B (SME development) was rated as *Moderately Unsatisfactory*
- Component C (Programme Management) as well as the implementation progress were rated as *Unsatisfactory*.

The rationale for the restructuring was given as follows:

“The project is being restructured because of its overly ambitious and complex project design, coupled with sub-par performance of the implementation agency due to the following reasons: limited technical capacity and inexperience of majority of project staff, delayed start after Board approval, long delayed procurement of works, goods and consultants, and slow disbursement of IDA and ARTF funds. This has led to unsatisfactory project implementation performance at the time of the mid-term review (MTR) mission, which was held in October 2012¹¹.”

The outcome targets were consequently revised downwards, as were the indicators of progress. The following table shows the initial indicators against the new (revised) ones. In addition, for reasons to be discussed elsewhere, the Partial Risk Guarantee Facility (PRGF) that was intended to help SMEs get access to finance capital was cancelled and the savings allocated to other activities, including new pilots on involvement of Kuchi (nomads), people with disabilities, and the introduction of the one-district one-product production model.

Table 7: Revised Project Outcome Indicators after restructuring¹²

	Indicators EPP Project Outcome Indicator	Revised Project Outcome
a.	70% of Enterprise groups will have increased their net revenues by over 50%. At least 35% of these will be female EGs.	40% of the enterprises ¹³ will have increased their net revenues by at least 20%. 35% of these will be female enterprises.
b.	At least 30% of participating SMEs and EGs will have increased direct and/or indirect employment by at least 30%; Of these at least 35% will be women.	At least 20% of participating enterprises will have increased direct and/or indirect employment by at least 30%; Of these at least 35% will be women.
c.	On an average, SMEs will report at least a 50% increase in purchase of inputs from rural areas.	<i>Removed</i>
d.	50% of enterprises supported by the Project will still be operating 2 years after start-up. At least 35% of these will be female Enterprises.	40% of enterprises ¹⁴ supported by the Project will still be operating 2 years after start-up. At least 35% of these will be female Enterprises.
e.	NA	Number of direct beneficiaries of which 35 % will be female.
f.	NA	At least 60% of project beneficiaries have access to financial services ¹⁵ .

¹⁰ World Bank MTR Aide-Mémoire October 2012

¹¹ Restructuring Paper on a proposed restructuring of the Rural Enterprise Development Project. The World Bank, October 26 2012

¹² Restructuring Paper, op. cit.

¹³ Enterprises include EGs, SMEs, micro enterprises and individual entrepreneurs

¹⁴ Enterprises include EGs, SMEs, micro enterprises and individual entrepreneurs

¹⁵ Financial services include: Savings, loans, leasing and financial literacy

In addition to the reduced targets and budget, the restructuring also led an attempt to introduce more efficient procedures, with some functions being deconcentrated out of Kabul. After a period with unclear rules while the new procedures were put in place, the new arrangements now contribute to a smoother implementation as shown in a recent review by the World Bank which found important improvements with new ratings as follows:

- Progress towards achieving Project Development Objective – *Moderately Satisfactory*
- Project Implementation - *Moderately Satisfactory*
- Financial Management - *Satisfactory*
- Procurement - *Moderately Unsatisfactory*
- Safeguards – *Satisfactory*
- M & E – *Satisfactory*.

The efficiency of projects being implemented in highly insecure provinces is bound to be affected by the security situation. Field staff has been threatened and chased away, especially in the early stages, and there has been a relatively high turnover of staff. In view of these security challenges the projects can be said to have done well.

The identification of female illiteracy as an important obstacle to the success of savings groups was handled with the inclusion of literacy and numeracy training by which members are brought to better understand the nature of savings and credit. This element was not initially foreseen in the design but it is one that can be expected to contribute to the effective implementation.

While negotiating the no-cost extension for REDKAN, it was agreed between CIDA and UNDP that the literacy component could be made universal to all AREDP provinces with funding allocated for REDKAN. In this way, the number of women benefiting from literacy training was extended to include 6,475 members of female saving groups in 257 literacy courses in six AREDP provinces (1,650 female SG members in Kandahar).

3.3.1 UNDP's Role

The donors – CIDA and DfID – were active in the two provinces with stabilisation and reconstruction through both military deployment and civil means on a large scale. They originally saw AREDP as an important programme that could benefit the two provinces, and consequently wanted to fund AREDP there. DfID is an important contributor to AREDP through ARTF. However, in the planning of AREDP, it was decided for security and other reasons, that Kandahar and Helmand should not be part of the World Bank managed AREDP. It was following this decision that CIDA and DfID approached UNDP to act on their behalf as channel of their funding – hence the special status of REDKAN and RED-Helmand as part of AREDP and implemented by MRRD following the procedures agreed with the World Bank – but funded through UNDP. Clearly, no technical role was foreseen for UNDP in the arrangement. A management fee of 7 % was charged by UNDP.

With an essentially administrative role, UNDP did not undertake M&E missions to the projects as this was done by MRRD for all AREDP provinces. No field visits from the UNDP Country Office were recorded, and the UNDP office in Kandahar only kept an informal relationship with REDKAN. Given the tense security situation in Kandahar and Helmand, any supervision by the UNDP Country Office would have been subjected to heavy UN security measures which would have been costly and could have had an adverse impact by attracting attention to the projects from local people who might be against them. MRRD staff can move more easily and as such the arrangement was more efficient than if UNDP had directly overseen the field activities.

UNDP kept the relations with the donors and MRRD and asked for two no-cost extensions when activities fell behind schedule. UNDP also kept the project accounts on behalf of the donors. Whereas the accounts are generally well kept in the ATLAS system, the evaluation team was surprised to detect an error¹⁶ in the financial status for 2013.

As mentioned, the arrangement made possible the outsourcing of Component A without having to be subjected to the strict rules for the national budget, as is the case for ARTF/IDA funded projects. This has added to the efficiency of the projects.

3.4 Impact

Impact measures changes in human development and people's well-being that are brought about by development initiatives, directly or indirectly, intended or unintended. Questions:

- Have the projects contributed to any substantial change in the local areas?
- How many people have been affected?
- Are there instances where AREDP activities have had negative impacts on women, men, or children?

Component A

Participation in Savings Groups or Enterprise Groups has had a considerable impact on livelihoods of many poor people. According to information gathered by the Evaluation Team the SG members made their living on non-farm activities, or in asymmetrical relationships with landowners, or a mix of both. Informal borrowing as part of their coping strategies was common and put them in debt to their relatives and the more well-off members of the community. Having access to their own group savings is appreciated as an important alternative to informal lending and contributed to consumption smoothening through the year, and to gradual economic improvement through the small economic activities made possible through the group loans.

As such, the impact of Component A in Kandahar Province is strong at the household/enterprise level; it also wide as it reaches out to many people (say 20,000 to 25,000 if each group has around 10 members); it has a strong poverty focus; and the number of female beneficiaries is high when considering the conservative male-dominated environment.

Component B

Some 120 SMEs have so far benefitted from technical and management training by the two projects. The number may increase to 150 in the remaining months of 2014. The impact at the level of the individual enterprise is high, and they have managed to grow and increase their number of (full- or part-time) employees by some 1,300 after the training.

Given the highly informalised economy of Kandahar and Helmand, with tens of thousands of small- and medium enterprises, the impact reflected in these numbers remains limited to the small number of SMEs who have received substantial support. Any long-term growth impact on the market is insignificant.

No negative impacts on specific population groups or on the environment have been observed.

¹⁶ The error was simple – instead of using a standard addition code in Excel, an entry had been typed directly with the consequence that the remaining amount for 2014 was almost double the size of the real figure. We made the point and the figure was corrected

3.5 Sustainability

Sustainability measures the extent to which benefits of initiatives can be expected to continue after external development assistance has come to an end. Questions:

- Can the SGs, EGs, SMEs and VSLAs be expected to continue after the end of support from the projects?
- Are the benefits of UNDP interventions sustained and owned by national stakeholders once interventions have been completed?
- Should the projects continue in their current direction or should their main tenets be reviewed for a new set of activities?

The Savings Groups under Component A have shown a capacity to look after their savings and the repayment rate on internal loans is high. The money belongs to them as a group – it is their own money; to this has been added some small seed capital from the project as a grant.

The groups are still supported by a Village Facilitator on a regular basis. It is the intention that this arrangement will continue after the completion of the project, but by then the salary of the VF is to be paid directly by the groups.

A similar situation exists with regard to the BDSOs who support the SMEs. While these are currently employed by the projects they are in the future expected to become BDS Training Providers on a commercial (consultancy) basis, whose services will continue to be in demand by the SMEs and directly paid for by them. It is a central question to what extent the community enterprises and SMEs will in fact be willing and able to pay for these services, and what the effect of not doing so will have for the businesses.

Component B works with existing SMEs that were already active before the project. There is no reason to think that the majority of them would not continue after the project. The benefits they have received in the form of training and exposure can be sustained as long as they don't require large amounts of finance capital, since they are adamant on the issue of Islamic banking products that are not available. The benefits will therefore be limited to what they can achieve with their own savings and informal borrowing.

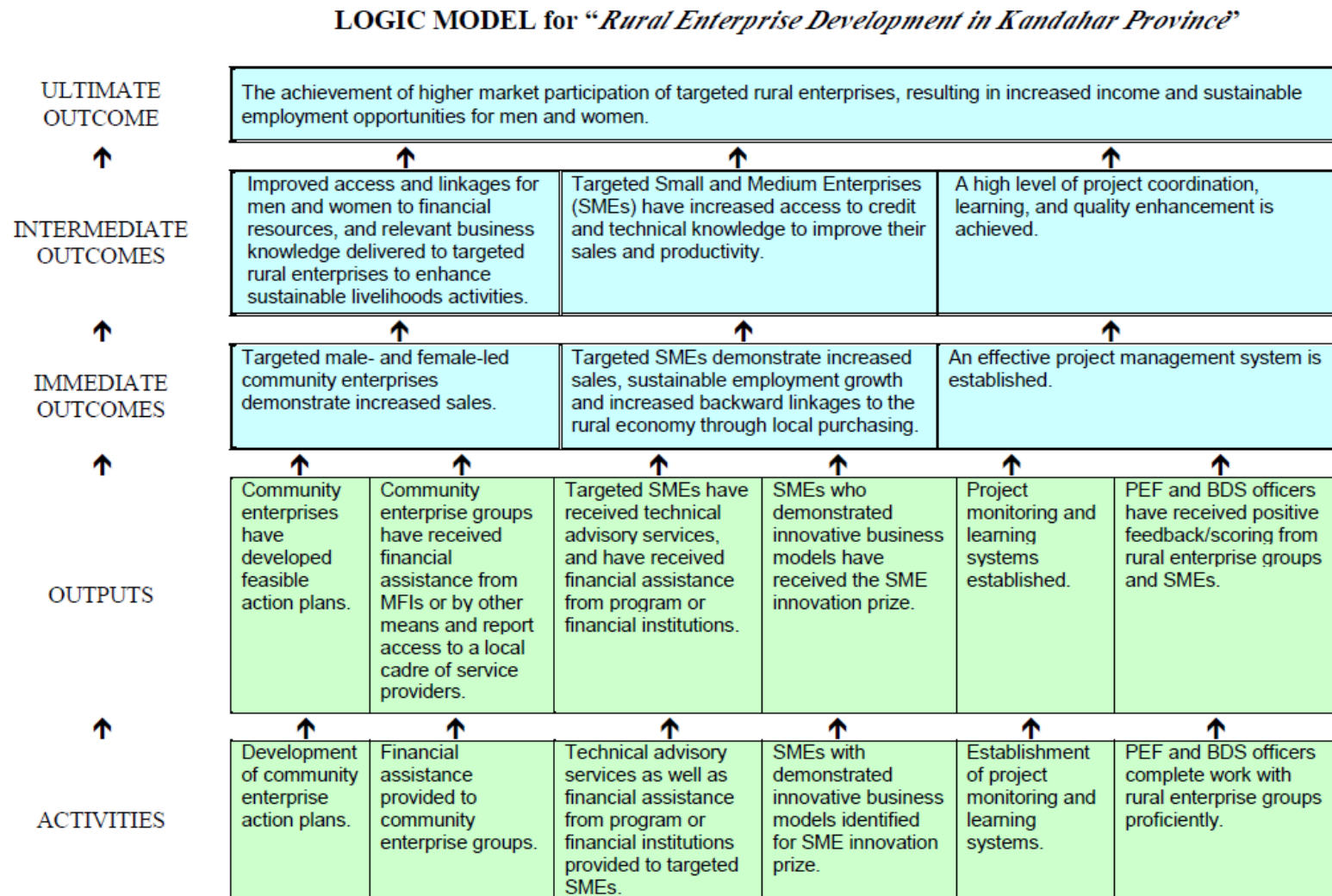
The community enterprises do not have an issue with Islamic banking in their mode of operation as they use mechanisms for their small loans that are sharia-compliant. Many of these groups can be expected to survive and continue to meet, as the benefits from the group are evident to them. Others will most likely be hijacked by elites. As money accumulates in the community enterprise it also becomes more interesting for commanders and other strong local leaders who have the power to interfere. The CDCs established by the NSP have seen many examples of this happening¹⁷.

3.6 Gender

The project design has a strong orientation towards gender equality. In view of the conservative environment the projects have managed to benefit high numbers of female SGs, EGs and SMEs.

¹⁷ Some such cases were narrated to the Evaluation team by Enterprise Group members who had direct experience with strongmen taking over the NSP shura in contradiction to the rules and against the majority wishes

Figure 2: Theory of Change – REDKAN



4. Conclusions

Section 3 has mostly addressed the output level – what the projects have produced directly compared to their plans. The Theory of Change model shown in Figure 2 links the project activities of REDKAN to its outputs and outcomes. The degree to which the outputs have contributed to the achievement of the intended outcomes will be reviewed in the following with reference to Figure 2.

The Ultimate Outcome is formulated as: *“The achievement of higher market participation of targeted rural enterprises, resulting in increased income and sustainable employment opportunities for men and women”*. Three Intermediate Outcomes are intended to contribute to this, one for each project component.

For Component A, this should be achieved through the Intermediate Outcome: *“Improved access and linkages for men and women to financial resources, and relevant business knowledge delivered to targeted rural enterprises to enhance sustainable livelihoods activities”*. The linkages between SGs, EGs and VSLAs to financial resources beyond their own savings have not materialized. However, the delivered business knowledge and training in literacy and numeracy has enhanced the sustainable livelihoods of the targeted enterprises. An Immediate Outcome formulated as: *“Targeted male- and female-led community enterprises demonstrate increased sales”* that should lead to the Intermediate and Ultimate Outcomes has been broadly achieved, but without fully reaching the end objective.

In the case of Component B, the Intermediate Outcome was expected to be that *“Targeted Small and Medium Enterprises (SMEs) have increased access to credit and technical knowledge to improve their sales and productivity”*. Whereas the technical knowledge has been increased, the access to credit has not. This is very central element in the project design that has not been fulfilled. The Immediate Outcome that would support this was which that *“Targeted SMEs demonstrate increased sales, sustainable employment growth and increased backward linkages to the rural economy through local purchasing”* has largely been achieved, although not much evidence was available to show backward linkages to the rural economy. The main value chains seem to link up with Pakistan rather than with the local economy.

Overall, higher market participation, increased incomes and sustainable employment opportunities for men and women has been achieved to a reasonable degree.

4.1 Project design

The project design was overly optimistic in terms of timing. The setting up of a project organization takes longer than was anticipated, and the expected delivery rate once it was established was unrealistic. This has led to repeated requests for no-cost extensions from the donors in order to reach the targets. At the time of writing, REDKAN is extended to the end of 2014 and a similar request has been made for RED-Helmand, however without being granted as yet. Even with the extensions the projects may face difficulties with exhausting their budget allocations within the time frame.

The project design is fairly complicated and builds on assumptions that do not correspond to the realities in Kandahar and Helmand. The design is built on an economic model with rational actors optimizing their resources in the marketplace. Although sharia-compliant banking is sporadically mentioned in the project documents, the seriousness by which the absence of such banking products is taken by the enterprises has been gravely underestimated, thereby reducing considerably their potential for growth.

The local conditions, not least relating to security but also to the conservative culture in the project areas, were not fully considered and have affected the project implementation.

The design combines two (or three) target groups within one overall objective. The target group of Component A comprises people with few resources and limited education, mostly living on non-farm activities or as farm labourers under different types of arrangements. Their main objective is not commercial but livelihoods-oriented. Component B addresses existing business people, many of them being commercial farmers (the third target group). Some linkages between the groups were foreseen, with the first to become suppliers to the latter, but no such linkages were observed in the evaluation. In practice, the different geographical location of the various actors makes linkages rare. The increased market penetration is relevant for the SMEs but much less so for the community enterprise. In fact, the target groups might have been better served through two projects with distinct objectives tailored to them than being combined in one.

REDKAN and RED-Helmand have been special add-ons to the AREDP. Kandahar and Helmand provinces were not part of the AREDP design, and they were added because they were priority provinces for particular donors. Instead of being funded through ARTF and IDA as the other AREDP provinces, REDKAN and RED-Helmand were funded through UNDP – but still nationally implemented by MRRD like the rest of AREDP and following the same design and procedures.

There was an expectation in the early documents that the two projects would in due course fully become part of AREDP. This has not happened, and it will not happen in the future as Kandahar and Helmand are not included in the ten provinces that will be added in AREDP Phase II.

4.2 Implementation

The previous sections have shown that the objectives of REDKAN and RED-Helmand are relevant to the policies and priorities of the GoIRA/MRRD, the UNDP, and the donors, as well as to the intended target groups. They have also shown that overall the quantitative targets have been reached or even exceeded. Community enterprises function well with their own savings plus some seed capital. EGs and SMEs have received massive exposure and training, and the principle of *“Seeing is believing”* has been effective.

The SMEs have improved their businesses within own means, created employment and are now ready to expand and invest, but effectively cannot access sharia-compliant finance capital. This has led to disappointment, and there is a real risk that they will not be able to use what they have learnt. In which case the investment in their training will be partially wasted.

The original no-grant philosophy of the AREDP has gradually been diluted in the implementation. Small seed capital was already included in the project design, to be supplemented with innovation prizes to a small number of outstanding SMEs. With the delays encountered as many as 36 innovation awards may be given in each province in 2014. In this way close to half of all the supported SMEs may receive an award. Adding to this, it has been agreed that the budget that was set aside for the Partial Risk Guarantee Facility (which was dropped in the restructuring) can be reallocated to other purposes including “simple technologies” to be given to SMEs for free. These grants in kind can be of great help to the SMEs who will receive them, but it is also clear that the projects are no longer limited to training and advice but also includes grants.

Agricultural enterprises dominate component B, especially in poultry and dairy farming. It is not clear that SME support is the best way to support commercial agriculture; judging from the challenges reported to the Evaluation team by representatives of these enterprises – lack of livestock services, electricity,

infrastructure, unfair trade regulations, taxes etc. – it would appear that their needs would be better catered for within a supportive sector policy framework for the agriculture sector. The MAIL is the obvious Government body in this respect rather than MRRD that is concerned with the broader development of the rural areas, including the non-farm activities that occupy a large proportion of the rural population.

The 2012 World Bank MTR found shortages in the performance of Component C which were later addressed through the restructuring, and it now looks as if the outcomes are closer to being achieved in terms of improved procedures, project coordination, learning, and quality enhancement.

The provision of training and other BDS through a project modality that involves massive exposure trips abroad is obviously a costly way of building the capacity of the SMEs. However, in the present environment in Afghanistan it may still be the best if not the only way. In a longer development perspective, the solution will be to have training and other institutions in the provinces that can offer the same services to more people at lower cost and adapted to the local conditions. This should be at the centre of future rural enterprise development.

4.2.1 UNDP

While it can be argued that the rural enterprise development projects have somehow contributed to the CPAP and MDGs, UNDP can claim little credit for the results. MRRD has been fully in charge of the implementation under the National Implementation Modality (NIM). UNDP has functioned as a channel for donor funding without having added substantive value as the UN's global development agency with a vast international experience to draw upon. The NIM modality effectively limits UNDP's scope for drawing on its development experience for the benefit of field projects. However, "external" donor funding through UNDP falls in the "off-budget" category with the MoF, which has helped shortening the administrative procedures and made for smoother progress.

UNDP's comparative advantage has been that of an honest broker between the donors and the MRRD. UNDP has kept the accounts and done the paperwork on the donors' behalf and stayed away from direct involvement in the field. The present implementation arrangement may well have been the best of the available options, since UNDP's comparative advantage is more in project administration than in field project implementation, especially in a context such as the one in Afghanistan where overly bureaucratic UN procedures and high security measures in an unstable environment would make direct implementation by UNDP nearly impossible. UNDP's experience in project administration and accountability, together with the possibility of outsourcing Component A, has contributed to a relatively efficient implementation.

UNDP is currently planning its new Country Programme for 2015-2019, and some lessons from REDKAN and RED-Helmand can be useful in that exercise. The directions in the new CP can be seen in the UNDP Subnational Governance Strategy¹⁸ that was prepared in close consultation with key GoIRA policymakers and officials, with development partners active in this thematic area as well as representatives from Afghan civil society throughout 2013. The Strategy addresses subnational governance and rural development and service delivery over the coming 5 – 8 years and is as such a relevant framework to guide future programme development and policy advisory support by UNDP in these areas.

¹⁸ Concept Note: Programmatic Intervention on Subnational Governance and Development in Afghanistan. UNDP 2014

The Strategy is based on two pillars: Pillar A – *Strengthened subnational governance to ensure more effective and responsive local service delivery*, and Pillar B - *Demand-Driven Accountability and Voice*. The Strategy emphasizes the need to work within and strengthen existing institutions, and avoid parallel structures.

The lessons from REDKAN and RED-Helmand are particularly relevant to the partial target under Pillar A that is formulated in the Results and Resource Framework (RRF) as to “*Strengthen community resilience*” through the following activities:

- Primary drivers of vulnerability including access to resources through rural development initiatives addressed
- Strengthening Community recovery for income generation and livelihood through service delivery strengthened.
- Ensure lessons learnt from micro-level interventions and practices to policymaking and institution building developed
- Infrastructures for peace to sustain dialogue and peaceful resolution of conflicts strengthened.

UNDP can use the lessons learned from Kandahar and Helmand by walking on two legs – in transforming the strategic recommendations into institution strengthening at central and local level, as well as to strengthen community resilience on the ground with the experience obtained from Component A of REDKAN.

UNDP would serve in an advisory capacity as a close development partner in the Government’s efforts to build up public institutions in a democratic and enabling environment for the enterprises. At the same time, UNDP would channel donor funding to livelihoods projects that will directly reduce poverty – but through outsourcing, without submitting implementation to complicated and costly procedures.

5. Recommendations

Different sets of recommendations are proposed for action by different agencies.

5.1 To MRRD/UNDP/DfID – on REDKAN & RED-Helmand

It recommended that:

9. RED-Helmand is granted a no-cost extension by DfID to 31. December 2014 to complete its current work with the SMEs.
10. REDKAN and RED-Helmand prepare an exit strategy by 30. April 2014 and communicate it widely to SGs, EGs and SMEs. The exit strategy should include, inter alia:
 - Maximum enrolment of women in literacy classes. This is an effective strategy to enhance the results in Component A; there is sufficient budget available to make this an offer to all female members of enterprise groups.
 - No new groups or SMEs should be included for project assistance after 30. June 2014.
 - Focus on consolidation and sustainability of what has been learnt (not new initiatives).
 - Collect lessons learnt at outcome level for inclusion in AREDP Phase II. This is especially the case with lessons from the outsourcing of Component A which has been successful.

5.2 To MRRD/AREDP/UNDP

It recommended that:

11. Commercial farming is excluded from the definition of SME in AREDP II. The needs of the agricultural sector are different from SMEs and are not well catered for in the AREDP setup. Instead it is recommended that MRRD and UNDP will actively encourage the Government to formulate an enabling policy environment for the agriculture sector.
12. Continue livelihood support through lessons learnt from Component A; reduce expectations with regard to the commercial potential of this component; rather see it as means of poverty reduction.
13. Encourage the Government to develop a national policy for sharia-compliant banking. The absence of suitable banking products is a main obstacle for the expansion of rural enterprises.
14. Give priority to the following SMEs in AREDP II:
 - Non-farm rural enterprises that directly support agriculture (upstream & downstream). These can include: improved seeds, plant nurseries, milling, processing, grading, equipment hire and repair, transport, packing, storage, etc.
 - Urban SMEs with growth potential
 - SMEs in sectors with limited need for finance capital – to avoid the need for non-available banking products.

5.3 To UNDP

It is recommended that UNDP considers the following in the planning of the new Country Programme:

15. Support enterprise development through institution strengthening and policy dialogue, especially in favour of:
 - Policy development in order to increase Afghan enterprises' competitiveness and remove obstacles to local production and trade
 - Strengthening Technical and Vocational Education and Training (TVET) institutions to be able to meet demand for skills in the labour market; make entrepreneurship and BDS part of TVET curriculum. Consult ILO on this component.
 - Support the establishment and/or strengthening of agricultural research & extension stations and rural technology centres at district level, to become service centres for farmers and SMEs through exposure to new crops, methods and technologies, extension services, and disease control in livestock and plants. Consult FAO on this component.
16. Support poverty reduction and gender equality directly through support to livelihoods by Savings Groups, Savings and Credit Cooperatives (SACCOs) as stand-alone donor-funded projects. Consult ILO on SACCOs. In the absence of any effective security nets there will be a need for such projects for a long time to come as an addition to the long-term institutional development. Use a direct implementation modality with full outsourcing to a consulting firm or NGOs through competitive bidding, ensuring a low profile free of UN bureaucracy and security.

6. Lessons learned

5. Unrealistic timeframes adversely impacts on project implementation. Progress is seen as too slow, and project staff work under conditions where their contracts are due to end all the time, which is not good for the motivation. Start-up time must be given due consideration.
6. The projects followed a standard economic design with little appreciation of local culture and conditions. As a consequence, the potential for expansion of SMEs was overestimated.
7. Component A has worked well at the community and household level, but it will not lead to major changes with regard to business development. The project design was unrealistic on this point.
8. Farming and rural development complement each other but they are not synonymous. Agriculture can be the most important sector in the rural value chain but needs upstream and downstream linkages with SMEs for its potential to unfold.
9. Many lessons have been learned in AREDP phase I that can be employed in phase II, not least due to the restructuring exercise. However, this will not be the case with Kandahar and Helmand since, as a consequence of their special arrangements, will not be part of phase II.
10. UNDP's role as a development actor in the projects has been negligible, and the rationale for UNDP undertaking it can be questioned. However, the arrangement has put the projects in a category with the MoF that has made outsourcing of Component A easier.

ANNEXES

ANNEX 1

TERMS OF REFERENCE

Terms of Reference for REDKAN and Red-Helmand projects Evaluation

Background

The Afghanistan Rural Enterprise Development Project (AREDP) is a project of the Ministry of Rural Rehabilitation and Development (MRRD) of the Government of the Islamic Republic of Afghanistan (GIROA). Implementation began on 14 June 2010 and ends on (1st January 2015).

AREDP Phase I is aimed at harnessing the potential of the private sector for inclusive economic growth and sustainable job creation in rural Afghanistan over a 5-year time period. The program aims at building on the social capital gained under the National Solidarity Program (NSP) and transforming it into economic capital. AREDP has been designed to address failures in the market for business and financial services to rural entrepreneurs. AREDP uses Community facilitation paving the way for AREDP's entry into villages; facilitating community-level mobilization and capacity building which is targeted at Enterprise Groups (EGs) and Savings Groups (SGs).

AREDP has proven to be flagship, in helping the Afghan people to not only tap into their internal resources but empower them through fiscal, technical and socio-economic assistance to start contributing to an intended unique rural economy.

As part of the AREDP, the Rural Enterprise Development projects in Kandahar and Helmand (REDKAN and RED HELMAND) are implemented by AREDP under the overall administration of UNDP. The two projects have been designed to support economic generation using AREDP model focusing on supporting small and medium enterprise development in Kandahar and Helmand. As such the two projects are linked to UNDP Afghanistan 2010-2014 CPAP outcome 6 "Increased Opportunities for income generation through promotion of diversified livelihoods, private sector development and public private partnership".

Unlike AREDP projects in other provinces the REDKAN and RED HELMAND end on March 2014. UNDP intends to undertake an independent evaluation of the interventions specifically for the mentioned two projects.

The projects are designed around the following 3 components:

Component A: Community-based Enterprise Development: Supplies business knowledge and builds financial capacity and sustainable linkages through community-based enterprise development interventions;

Component B: SME Development: Supports rural small and medium enterprises with business development services and facilitates the rural SMEs to access to credit and other financial services;

Component C: Program Management Support: Plans, manages, supervises and monitors the implementation of all Program activities.

2. Purpose

The specific purpose of this assignment is twofold:

- To provide an independent assessment of the RED-Helmand and REDKAN, employing the standard UNDP evaluation criteria of relevance, effectiveness, efficiency, impact¹⁹ and sustainability. Special emphasis will be placed on Gender within each evaluation criteria.
- To generate lesson learned and recommendations which are expected to identify appropriate strategies and operational approaches to strengthen the envisaged UNDP new economic generation programmes across Afghanistan. Based on the lessons learned the evaluation will provide recommendations on the future design for the two projects.

For both of the above, the important reference documents will be the UNDP Sub National Governance & Development (SNGD) strategy, Afghanistan National Development Strategy (ANDS) and National Priority Programs. Furthermore other cluster strategies that have been developed by the UNDP CO will be important reference documents in particular those related to Gender and Capacity Development.

3. Evaluation Scope and Objectives

The evaluation will cover all the implementation period and all interventions implemented in Kandahar and Helmand provinces. The evaluation will assess the results, the use of resources, approaches, strategies and partnership strategy.

The evaluation shall have the following objectives:

- Evaluate the relevance of the project in the context of UNDP's role as a development actor, the function and mandate of MRRD/REDKAN/HELMAND and the situation in Kandahar and Helmand. The latter should take into account the time at which the original design took place, adjustments to date and the current context. This task will be performed based on the original results framework and Cost-sharing Agreements together subsequent amendments that have been made to these documents.
- The primary objective of the evaluation is to generate lessons learned to inform UNDP, to highlight both the positive ones and negative ones where design, implementation and oversight could have been better and to correlate the lessons learnt and their impact on UNDP programming in the area of rural enterprise development, job creation and income generating activities
- To assess the effectiveness of the project in achieving its goals and objectives. which includes but is not limited to, the following;
 - The project management
 - The implementation methodology and make a judgment assessing whether other methodologies could have provided better value for money
 - The Project outputs
 - The project time performance
- Make a judgment on the potential for long term growth impact and sustainability of the job creation program activities and income generating activities.

¹⁹ For comprehensive definitions of "relevance", "efficiency", "effectiveness", "impact" and "sustainability" refer to " Handbook On Planning, Monitoring And Evaluating for Development Results "

- Evaluate success of rights based approach and gender mainstreaming in job creation and income generating development efforts
- To review the oversight role provided by the UNDP Country Office. This aspect of the evaluation should focus upon examining the oversight and control mechanisms that are in place and whether they have been successful in fulfilling this function.

In addition to the above based on the findings of the evaluation the consultant will be expected to develop key recommendations in regards the future of REDKAN/HELMAND beyond the existing phase. This is a specific task within itself and the exact amount of time given over to it will be clarified in the inception report. However, when performing this task the consultant will be expected to take into account that certain decisions have already been made regarding any future follow on project to REDKAN/HELMAND.

The consultant will be expected to make recommendations on the following issues:

- A recommendation as to what should be the focus/core business of a follow on project to REDKAN and Helmand taking into account the following factors; UNDP's role and the comparative advantage that it offers; the mandate of MRRD; the transition that is currently underway and the transformation decade that it is anticipated will precede it; and the likelihood of an environment of decreasing donor funding with increased accountability requirements attached to the funds that are disbursed.
- A recommendation on the implementation methodology for a new phase in particular this should look at how the project can strike a balance between delivering results and capacity development of existing MRRD structures at central and more importantly provincial level.
- A recommendation on how any future intervention would address the issue of targeting rural women and developing their capacity to sustain a livelihood given the lessons learned from the current phase.
- Recommendations on the future design coming out of the lessons learned from REDKAN and RED HELMAND.

4. Evaluation Questions

The evaluation team, as part of the inception report, has to prepare appropriate detailed questions to come up with answers and clarifications in fulfillment of the requirements of the evaluation objectives. However, the evaluation **questions, at minimum**, should be aligned to the following general questions:

- Are the projects (REDKAN and HELMAND) relevant in the context of UNDP's role as a development actor, the function and mandate of MRRD/REDKAN/HELMAND and the situation in Kandahar and Helmand?
- What are the lessons learned to inform UNDP, where design, implementation and oversight could have been better and how the lessons learned could be correlated the impact on UNDP

programming in the area of rural enterprise development, job creation and income generating activities?

- Have the projects been effective in achieving their goals and objectives? If not what could be the reasons?
- Do the projects have any potential for long term growth impact and sustainability of the job creation program activities and income generating activities?
- Have the projects been successful in taking the rights based approach? Are they gender sensitive?

5. Methodology

Based on the objectives mentioned above, the evaluation will be based upon review of documentation, discussion with key stakeholders and staff (in Kabul, Helmand Kandahar) as well as field visits to a selected number of projects sites. It is expected that the evaluation team, as part of the evaluation inception report, will propose a detailed methodology and plan for this assignment grounded in evidence and analytical work derived from the following:

- Review of project documentation and monitoring records as well as the quarterly reports. All programme documentation will be made available including project documentation associated with REDKAN and RED HELMAND.
- Interviews with the key interlocutors in REDKAN/HELMAND including the National Project Director (Deputy Minister Programmes) and the Minister as well as other advisors and key individuals who have been involved with AREDP.
- Interviews with key individuals at the UNDP Country Office including the Senior Deputy Country Director Programmes, the head of the Sub National Governance Unit, the Programme Officer, representatives from the Strategic Management Support Unit, representatives from the Compliance and Oversight Unit and representatives from the Cross Practice Unit
- Interviews with all the project donors
- Interviews with key staff in the Programme Management including the Project Coordinator, CTA, Unit Heads, Regional and Provincial Managers
- Meetings and interviews with direct beneficiaries of REDKAN and HELMAND intervention. In addition documented feedback from the direct beneficiaries will be provided where it exists.
- For each output a review of the results achieved against the targets set as reflected in the Results Framework. (This specific tasks will require further explanation in the work plan and will be based on review of the documents and evidence available, interviews with staff and stakeholders and some specific site visits)

4. Deliverables

The deliverables of the mission are comprised of:

- An inception report no later than seven days after the commencement of the mission. The inception report should outline the evaluation team's understanding of what is being evaluated and why, an evaluation matrix outlining which data collection methodologies will be used to address each of the evaluation questions, a proposed schedule of tasks. This inception report will also provide the evaluation team with an opportunity to comment upon the ToR should it be deemed necessary.
- Presentation of preliminary findings including recommendations on the design of any future interventions;
- A draft evaluation report covering the issues outlined in the terms of reference including evaluation findings and conclusions, lessons and recommendations for the review of all stakeholders;
- Final evaluation report²⁰ : The final report incorporates the inputs resulting from the review of the draft report if deemed convincing (i.e. incorporate corrections of factual errors and incomplete information contained in the draft report)

TIME FRAME FOR THE EVALUATION PROCESS

The estimated time for the conduct of this evaluation is 30 working days and is scheduled to start in late 2013 early 2014. A tentative time table is outlined below that could be amended in consultation with UNDP.

Item	Schedule / Days
Initial review of documents	2 days
Consultations with UNDP and key stakeholders in Kabul	3 days
Inception Report produced	2 days
Comprehensive desk review and through consultations including Field visits to selected project sites in the localities and beneficiary communities	13 days
Analysis of the information collected and preparation of a draft report	5 days
Debriefing to the project stakeholders (presenting the draft report)	By day 25 of the assignment
Draft shared for comment	(Day 26 of the assignment)
Incorporating the comments and submission of final report	Day 30 of the assignment
Total work days	30 working days

²⁰ [UNDP Evaluation Report Template to be followed](#)

Evaluation Team composition and required competencies

It is envisaged there will be two members in the evaluation team that will be as follows: a team leader (international) with a strong background in managing evaluations and a Small and Medium Enterprise Development and Rural Development Specialist (national). In addition staff from the project will assist the team in all issues such as arranging logistics and translation where necessary.

The specific requirements of this position are provided below:

Team Leader

(30 working days)

Education:

- Advanced university degree in relevant disciplines (e.g., economics, development planning, governance, poverty reduction, rural development finance and technology). Doctorate preferred.

Experience:

- At least 15 years of international working experience in the field of economic development and/or poverty reduction, preferably in conflict or post-conflict settings
- At least seven years of experience in programme evaluation and proven accomplishments in undertaking evaluation for international organizations, preferably including UNDP
- Experience in conducting at least four evaluations in related fields and with international organizations, at least two of which were as the team leader
- Deep knowledge of the political, cultural, and economic contexts of Afghanistan including prior working experience in the country
- Good analytical and strategic thinking skills
- Excellent inter-personal, communication, and teamwork skills
- Excellent written and spoken English and presentational capacities
- Extensive knowledge of qualitative and quantitative evaluation methods
- Ability to meet tight deadlines

Languages:

- Fluency in English language is required. Knowledge of local language i.e. Pashto and Dari is preferable but not required.

Evaluation team selection Criteria

Team leader

The offer will be evaluated by using the Best Value for money approach (combined scoring method). The Technical Proposal will be evaluated on 70%. Whereas the Financial Proposal will be evaluated on 30%.

Below is the breakdown of technical proposal on 100% which will be brought to 70%

Criteria	Weight	Maximum obtainable Points
Technical		
Advanced university degree in relevant disciplines (e.g., economics, development planning, governance, poverty reduction)	10%	10
Experience in working in the sub national governance/local development sphere in Afghanistan with a specific focus on the development of community development infrastructure	30%	30
Proven knowledge of Leading evaluation teams in a rural development context.	30%	30
Deep knowledge of the political, cultural, and economic contexts of Afghanistan including prior working experience in the country	10%	10
Excellent written and spoken English and presentational capacities. Knowledge of local language i.e. Pashto and Dari is preferable but not required.	20%	20
TOTAL TECHNICAL SCORES	100%	100

Applications

Individuals are encouraged to apply for one of the posts and should include the following information as part of their application

1. Clearly identify which of the posts they are applying for
2. An updated copy of their CV including references
3. A lump sum fee for the piece of work this should include - the daily fee

Travel costs to and from Afghanistan:

Note: While in Afghanistan DSA will be paid at standard UNDP rates and this will be more than enough to cover the cost of accommodation. In addition UNDP will take responsibility for the organization and cost of all travel within Afghanistan associated with the mission.

Companies who wish to apply with a team of individuals for the two posts are more than welcome however they should note that UNDP will retain the right to select the most competitive team. Thus they should structure their bid in such a manner as to ready that just two or even one of the consultants are selected. In short the financial offer should be broken down per consultant.

ANNEX 2

CONTACTS

KABUL

Name	Title	Organization / Business
MRRD		
Mr. M. Sadiq Esmati	Deputy Minister	Program/ MRRD
Mr. Rahmatullah Quraishi	Director (Program Operation)	AREDP/ MRRD
Mr. M. Rafi Popal	M&E Manager	AREDP/ MRRD
Mr. M. Hanif Durrani	Project Coordinator, South	AREDP/ MRRD
Mr. Umar Hayat	Int. Operations Advisor	MRRD/AREDP
Mr. George Kinyanjui	Int. Lead Program Advisor	MRRD/AREDP
Sharif Alizai	National Program Officer	MRRD/AREDP
Ms. Tanaka Tabassum	Int. Advisor	MRRD/AREDP
Mr. Hamid Ahmadi	SME Development Officer	MRRD/AREDP, South
Mr. M. Salim Mastoor	Deputy Director, Operations	MRRD/ Program
UNDP		
Mr. M. Shoaib Timory	Assistant Country Director	Sub-National Governance &
Mr. Renauld Meyer	Senior Deputy Country Director (Program)	UNDP Program
Mr. M. Resool	Program Officer	Sub-National Governance &
Mr. Jaimie Ferrell	Field Security Advisor	UNDP CO
Ms. F. Perwerfaylo	OS	UNDP/NABDP
Ms. Lenne Rios	M & E specialist	UNDP/NABDP
Ms. Nuha Abdulgader	Results Management	UNDP/SMSU
Mr. M. Sayal Alam	Community Facilitator	UNDP/Policy Unit
Ms. Soraya Sofizada	Associate	UNDP/SNGD
Mr. Masood Ferhan	Policy Specialist	UNDP/ Policy Specialist
Ms. Shahira Sadaat	P.O	UNDP/NGU
Mr. MTM Tefez	Partship Coach	UNDP
Mr. Karl Sandstrom	RSA Management	UNDP
Mr. Geert Gompelman	Program officer/Analyst	UNDP
World Bank		
Mr. Ladisy Komba	Sr. Agriculture & Rural Development	South Asia Rural Development
Mr. Kamran Akbar	Senior Rural Development Specialist	South Asia Rural Development
DfID		
Mr. Noor Alam Hakimyar	Advisor, WB, Private sector	UK/DfID
Mr. Naqibullah Noori	Program Officer, WB, Growth & Livelihoods	UK/DfID

KANDAHAR

Name	Title	Organization / Business
Mr.Zia Karimi	Coordinator, South East	UNDP
Mr. Haji Wayal	Sr.Project Manager	MRRD/AREDP
Ms. Mumtazi Faizi	M&E officer	AICB/AREDP
Ms. Roqia	Saving Groups	Saving Groups/ AREDP
Ms. Sadiqa	Saving Groups	Saving Groups/AREDP
Ms. Marzia	SME Kandahar	Handicrafts, Rugs (Hand Carpet)
Ms. Horia	SME Kandahar	Handicrafts
Ms. Marina	SME Kandahar	Handicrafts
Ms. Diljan	SME Kandahar	Handicrafts
Ms. Nazia	SME Kandahar	Handicrafts
Mr. Sadiqullah	SME Kandahar	Dairy Farm
Mr. Haji Gulab Ahmad	SME Kandahar	Dairy Farm, Vegetable Green House
Mr. Qiamu Din	SME Kandahar	Poultry Farm
Mr. Ismail	Provincial Enterprise Facilitator	MRRD/AREDP
M.Akbar	VSLA	MRRD/AREDP
Najibullah	VSLA	MRRD/AREDP
Rahmatullah	VSLA	MRRD/AREDP
A. Samad	VSLA	MRRD/AREDP
A Nabi	VSLA	MRRD/AREDP
Azatullah	VSLA	MRRD/AREDP
Rahmatullah	VSLA	MRRD/AREDP
Hekmatullah	VSLA	MRRD/AREDP
A.Wali	VSLA	MRRD/AREDP
M.Jan	VSLA	MRRD/AREDP
Nazifa	BDS Officer	
Noria Haidari	ESSSC	
Fida M.	BDS Officer	
Torially waf	ESS Consultant	
A. Ali	ESSC.Consultant	
Mehmood Hussain	ESSC.Consultant	
Sadiqullah	MoE Officer	
Ilyas Sadiq	BDSO	
Humayoon	BDSO	
Qudratullah	MIS Officer AREDP Kndr	
Dr Esmatullah	BDSO	
Ali M.	BDSO	
Naseer Ahmad	ESSSC	
Nabiullah Safai	ESSSC. Consultant	
Naqibullah	Data Entry Officer	
Samiullah Khan	Data Entry Officer	

Nazir Ahmad	BDSO	
Ezatullah Azizi	Program Officer	
Waseem Azizi	IT Officer	
Qudratullah Qani	Student of University	
Noor Ahmad	Student of University	
Sadiqa	SME	Handicrafts
Roqia	SME	Handicrafts

HELMAND

Name	Title	Business
Mr. Shir Aryubi	Sr. Project Manager	Sr. Project Manager/AREDP
Mr. A Wasi	BDSO/ AREDP	
Mr. Mirwais	BDSO/ AREDP	
Mr. A.Waheed	BDSO/ AREDP	
Mr. Shafiullah	BDSO/ AREDP	
Mr. Fazal Haq	BDSO/ AREDP	
Mr. Azizullah Shinwari	BDSO/ AREDP	
Mr.Shah Mehmood Hemat	SME Specialist/AREDP	
Eng. A. Karim Mateen	Senior Political Advisor	Advisor to Local Governance Helmand
Mr. Ahmad Shah	SME	Handicrafts and Tailoring Academy
Wife of Ahmad Shah	SME	Handicrafts and Tailoring Academy
Mr. Muhibullah	SME	Azizi Co
Mr. A.Ghafar	SME	Nawi Habibllah Co
Mr. A. Waris Khan	SME	Zahid Cheeps Co
Mr. A. Khaliq	SME	Watan Poultry farm
Dr. Rahmatullah	SME	Azimi Poultry farm and Poultry Clinic
Eng Babarak	SME	Azimi Dairy and Poultry farm
Mr. A. Ghafar	SME	Nawzad Flower Farm
Haji Rahmatullah	SME	Carpentary and Wood works co
Dr Ehsanullah	SME	Poultry, Hatchery farm and Feed Mills

ANNEX 3

EVALUATION MATRIX

Evaluation questions	Indicators	Sources of information
Relevance		
<ul style="list-style-type: none"> Are the objectives in keeping with real needs and priorities of the implementing partners as well as those of the intended beneficiaries? Do the projects contribute to fulfilment of the CPAP? In which ways have gender equality and environmental sustainability been relevant as cross-cutting issues? 	<p>Alignment with policies by GIROA, UNDP, MDGs</p> <p>Low market penetration</p> <p>Lack of gender equality in project areas</p>	<p>Afghanistan National Development Strategy (ANDS) and National Priority Programmes.</p> <p>UNDP CPAP and SNGD.</p> <p>Govt. statistics, WB and UN economic reports</p> <p>Gender analysis reports</p> <p>Interviews with UNDP & MRRD staff and beneficiaries</p>
Design		
<ul style="list-style-type: none"> Have any logical design flaws been identified? Are the projects built on explicit and realistic assumptions? To what extent has the market demand for goods and services been considered in the design? 	<p>Possible inconsistencies between inputs, outputs and outcomes</p> <p>Possible over-optimistic assumptions</p> <p>Possible lack of market analysis, weak linkages in value chain, omission of globalization effects</p>	<p>Review of project documents and progress reports</p> <p>Quality of PSAs</p>
Effectiveness		
<ul style="list-style-type: none"> Have SGs and EGs fulfilled the foreseen requirements wrt. savings and internal lending? Have the members reaped economic benefits from SGs or EGs? To what extent have VSLAs been able to function as village banks? To what extent have the projects led to more employment and growth of SMEs? To what extent have SMEs increased their access to finance? What are the main technological and logistical challenges to the effective delivery of the projects? What unexpected results were encountered? 	<p>No. of SGs and EGs established</p> <p>No. of VSLAs established</p> <p>No. of SGs and EGs having saved USD 300 and started internal lending</p> <p>No. of VSLAs having received seed capital of USD 10,000 and started lending</p> <p>Repayment rates</p> <p>No. of new employees in SMEs</p> <p>No. of SMEs having accessed new loan capital</p> <p>No. and quality of new technologies in use</p> <p>Improvements in infrastructure (electricity, access, fixed settlements)</p>	<p>MRRD and UNDP monitoring reports</p> <p>Consultants' reports</p> <p>Interviews with beneficiaries and project staff</p> <p>Interviews with donors</p>

Efficiency		
<ul style="list-style-type: none"> Are there sufficient resources to realize the objectives of planned activities? Have the resources been delivered in an efficient manner? Were serious delays in delivery encountered? To what extent has literacy training contributed to effective management of SGs? To what extent have cultural factors influenced the efficient delivery? Has the training extended to BDSOs and SMEs been an effective means in the delivery? Has field staff (PEFs, VFs, BDSOs) had the required competencies to ensure the efficient delivery of the projects? To what extent have security concerns influenced the efficient delivery? How did the partners (MRRD, donors, beneficiaries) view UNDP efficiency? Did M&E function effectively? 	<p>Analysis of budgets and annual delivery rates</p> <p>Possibly strengthened SG economic management (accounting, record-keeping)</p> <p>Gender relations, perceptions of sharia banking</p> <p>Relevance and quality of training</p> <p>Review of field staff competencies wrt. enterprise experience</p> <p>Any specific security incidents impacting on efficiency</p> <p>Impact of general security measures on delivery</p> <p>Possible complaints about UNDP or MRRD</p> <p>Reporting and communications set-up</p>	<p>Budgets and progress reports</p> <p>Interviews with SGs</p> <p>Interviews with EGs</p> <p>Interviews with VSLAs</p> <p>Interviews with field staff</p> <p>Interviews with HQ staff (MRRD and UNDP)</p> <p>Reports on literacy training and BDSO training</p> <p>Interviews with donors</p>
Impact		
<ul style="list-style-type: none"> Have the projects contributed to any substantial change in the local areas? How many people have been affected? Are there instances where AREDP activities have had negative impacts on women, men, or children? 	<p>Possible lift in enterprise activity of a general nature</p> <p>Numbers in line with original plans or not</p> <p>Possible effects on increase in child labour; advances to some at the expense of others</p>	<p>Progress reports</p> <p>Interviews with local officials</p> <p>Interviews with beneficiaries</p> <p>Interviews with donors</p>
Sustainability		
<ul style="list-style-type: none"> Can the EGs, SMEs and VSLAs be expected to continue after the end of support from the projects? Are the benefits of UNDP interventions sustained and owned by national stakeholders once interventions have been completed? Should the projects continue in their current direction or should their main tenets be revised? 	<p>Degree of maturity</p> <p>Existence of market</p> <p>Products relevant to customer demand</p> <p>Business plans in place</p> <p>Access to finance capital secured</p> <p>Increased independence from project support by enterprises</p>	<p>Progress reports</p> <p>Interviews with local officials</p> <p>Interviews with beneficiaries</p> <p>Interviews with donors</p>
Cross-cutting issues		
<ul style="list-style-type: none"> What are the social, cultural or economic factors that impede women in getting full benefits of the projects? 	<p>Specific factors identified during the project</p>	<p>Progress reports</p> <p>Interviews with project staff</p> <p>Interviews with beneficiaries</p>

ANNEX 4

RESULTS MONITORING FRAMEWORK

After restructuring October 2012

AFGHANISTAN RURAL ENTERPRISE DEVELOPMENT PROGRAM - RESULTS FRAMEWORK

PDO	Project outcome indicators	Use of project outcome information
<i>Improved employment opportunities and income of rural men and women; & sustainability of targeted local enterprises.</i>	<ul style="list-style-type: none"> ▣ 40% of the Enterprises⁵ will have increased their net revenues, by at least 20%. 35% of these will be female Enterprises; ▣ At least 20% of participating enterprises will have increased direct and/or indirect employment by at least 30%; Of these at least 35% will be women; ▣ Number of direct beneficiaries of which 35 % are female; ▣ At least 60% of project beneficiaries have access to financial services; ▣ 40% of enterprises⁶ supported by the Project will still be operating 2 years after start-up. At least 35% of these will be female Enterprises. 	The overall progress and project strategy will be reviewed at the end of the project against the PDO indicators. Strategies, interventions and funds will be re-aligned during the preparation of the next phase of the project.
Intermediate Outcome Indicators		
Component A <i>Community-led Enterprise Development</i>	<ul style="list-style-type: none"> A.1) 25% of SG members have accessed and repaid loans; A.2) At least 60% of matured⁷ Savings Groups (SGs) federate into VSLAs; A.3) SGs and VSLAs maintain at least 90% repayment rate on loans and at any given time; A.4) At least 60% SGs and 80% VSLAs receive seed capital A.5) At least 40% of loan-able funds are in circulation at any given time. 	Monitor the sustainability and effectiveness of the Savings Groups and Village Savings & Loans Associations
Component B <i>Enterprise Development</i>	<ul style="list-style-type: none"> B.1) At least 20% increase in direct and/or indirect employment; B.2) 50% of the supported SMEs report increased net revenues; B.3) At least 15% of project supported SMEs are female owners. 	To monitor income generation, business development support services provided and employment creation.
Component C <i>Program Management Support</i>	<ul style="list-style-type: none"> C.1) Project management takes and records all necessary actions related to findings of regular Monitoring, Evaluation and Learning reports; C.2) Percentage of grievances registered related to delivery of project benefits that are actually addressed; 	To ensure that an effective and accountable project management system is in place,

ARRANGEMENTS FOR RESULTS MONITORING AREDP Monitoring Framework						
Outcome/impact Indicators	Baseline	May – Dec 2013	Jan – Dec 2014	Frequency & reports	Data collection instrument	Responsibility for data collection
40% of the Enterprises will have increased their net revenues by at least 20%. 35% of these will be female Enterprises;	None	20% / 20%	40% / 20%	Annual report	MIS & Impact Evaluation	EG & PEF
At least 20% of participating enterprises will have increased direct and/or indirect employment by at least 30%. Of these at least 35% will be women;	None	10%	20%	Annual report	Business plans and Feasibility studies; MIS & Impact Evaluation	SME & BDO: EG & PEF
Number of direct beneficiaries of which 35 % will be female	None	47000	35% / Est. 65000 SG & 3500 EG members	Annual report	MIS & Impact Evaluation	SME & BDO EG & PEF
At least 60% of project beneficiaries have access to financial services	None	40%	60% / Est. 39,000 SG Members	Annual report	MIS & Impact Evaluation	SME & BDO EG & PEF
40% of Enterprises supported by the Project will still be operating 2 years after start-up. At least 35% of these will be female Enterprises.	None	20%	40%	Annual report	MIS & Impact Evaluation	SME & BDO EG & PEF

AFGHANISTAN - AFGHANISTAN RURAL ENTERPRISE DEVELOPMENT PROJECT (AREDP) Restructuring Mission (March 23rd to May 8th 2013)

	COMPONENT A: Community led-enterprise development	Baseline	May – Dec 2013	Jan – Dec 2014	Frequency & reports	Data collection instrument	Responsibility for data collection
A1	25% of SG members have accessed and repaid loans; <i>(Assuming 60% of SGs formed are matured)</i>	None	15%	25% Est. 16,250 SG members	Quarterly project reports	EG assessment of access to, and use of, various finance means, MFI survey	M&E Unit
A2	At least 60% of matured Savings Groups (SGs) federate into VSLAs;	None	20%	60% / Est. 3,900 SG	Quarterly project reports	SGs/ VSLAs assessment of maturity	PEF and VF
A3	SGs and VSLAs maintain at least 90% repayment rate on loans and at any given time.	None	90%	90%	Quarterly project reports	VSLA reporting forms	VF, PEF and M&E Unit
A4	At least 60% SGs and 80% VSLAs receive seed capital	None	30% SG/30% VSLA	60% SG/80% VSLA Est. 3,900 SG and 312 VSLAs	Quarterly project reports	SGs/ VSLAs assessment of maturity	M&E, MIS, PEF and VF
A5	at least 40% of loan-able funds are in circulation at any given time	None	25%	40%	Quarterly project reports	VSLA reporting forms	VF, PEF and M&E Unit

AFGHANISTAN - AFGHANISTAN RURAL ENTERPRISE DEVELOPMENT PROJECT (AREDP) Restructuring Mission (March 23rd to May 8th 2013)

	COMPONENT B: MSME Development	Baseline	May – Dec 2013	Jan – Dec 2014	Frequency & reports	Data collection instrument	Responsibility for data collection
B1	At least 20% increase in direct and/or indirect employment;	None	10%	20%	Quarterly progress reports	SME biannual reports;	BDO/SME component Unit
B2	50% of the supported SMEs report increased net revenues.	None	25%	50%	Quarterly progress reports	SME database	BDO/SME component Unit
B3	At least 15% of project supported SMEs are female owned	None	15%	15%	Monthly reports	SME database	BDO/SME component Unit
COMPONENT C: Program Management Support							
C1	Project management takes and records all necessary actions related to findings of regular Monitoring, Evaluation and Learning reports;	None	MIS & Monitoring system	Analysis & learning system	Periodic	Thematic/ Process monitoring	M&E Unit: External agencies
C2	Percentage of grievances registered related to delivery of project benefits that are actually addressed	None	Complaints handling system established	100% disposed	Periodic, as complaints arise	Complaints records/ MIS	PMO
C3	Project management has satisfactorily addressed the findings of the statutory audit conducted by the Auditor General for all IDA-financed/managed projects; and findings from an additional commercial audit to be undertaken on a yearly basis.	None	Findings addressed Within 3 months	Findings addressed Within 3 months	Bi-annual and annual reports	Internal and External Audit report	PMO Senior Management
C4	Project management's development and accreditation of technical and professional service providers results in at least 20 project supported BDS service providers paid-for services in each Province;	None	10 per province	20 per province	Quarterly progress reports	SME database	BDO/SME component Unit

ANNEX 5

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