



Tajikistan

Rural Roots and Challenges

After the breakup of the Soviet Union, Tajikistan faced enormous economic and political challenges. Almost immediately the country fell into a devastating civil war which lasted from 1992 to 1997. Its transition from a command to a Western-style market economy has been slow. Today, while relatively stable, Tajikistan is still the poorest country in Central Asia with a GNI per capita of \$870. Forty-seven percent of the population live below the national poverty line, and 74 percent depend on farming for a livelihood. Unemployment and underemployment are high. Since 2001, ACDI/VOCA activities in Tajikistan have focused on supporting economic growth, specifically agricultural productivity, and increasing food security.

New Lending Practices Strengthen Rural Credit Access

ACDI/VOCA's early work in Tajikistan sought to improve lending to micro and small businesses while addressing embedded social obstacles that marginalized rural populations. The USAID Stability and Food Security project lasted from 2001-2006 and targeted the Fergana Valley's regional microfinance system. Under this program, ACDI/VOCA



established the Micro-entrepreneurs Support Center (MDTM) in Khujand to provide loans to micro and small businesses and poor households in the Fergana Valley.

To overcome the lack of conventional collateral, MDTM applied peer lending methodology under which the borrowers guaranteed each other's payments. This methodology promoted the notion that individuals can work together for their mutual advantage, an essential mindset for an area rife with ethnic tension, economic uncertainty and stirrings of religious extremism.

For five years ACDI/VOCA supported the institutional development and expansion of MDTM and its successor, MicroInvest. In 2008, MicroInvest created a for-profit subsidiary, Microlending Deposit Organization

Arvand, to engage in debt and equity investments to support its growth. Today Arvand is the second largest microlending organization in the country with 16 outlets in northern and western Tajikistan. It has over \$20 million in outstanding loan portfolio extended to almost 20,000 borrowers. In addition to lending, Arvand offers savings, remittances and foreign exchange services. Despite this growth, Arvand has stayed true to its original goal of assisting poor and marginalized populations: Sixty percent of Arvand's clients live in rural areas, and 43 percent of its clients are women.

Several other programs targeted agribusiness growth and the development of credit associations targeting rural clients. Under the USAID Central Asia Enterprise Development Project (2002-2006), ACDI/VOCA worked as a subcontractor to Pragma Corporation, improving market systems, business practices, product quality and the regulatory and trade environment for Fergana Valley agribusinesses.

During the World Bank Rural Savings and Credit Associations project (2002-2004), ACDI/VOCA identified, mobilized and assisted five nonbank financial institutions in a variety of activities. From 2002-2004, we boosted membership, drafted articles of association and other governance documents, conducted general assembly meetings and developed internal policies and procedures.

Regional Microfinance Strengthens Tajik Businesses

ACDI/VOCA built on its experience with the USAID Central Asian Microfinance Alliance (CAMFA) project, working from 2002-2009 to strengthen the microfinance industry in Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan. ACDI/VOCA provided Tajik microfinance institutions (MFIs) with technical assistance and financing for loan capital, training and equipment. These activities helped MFIs increase their outreach, diversify products and improve efficiencies. The program also supported the development of the Association of Microfinance Organizations of Tajikistan and worked on improving the country's legal and regulatory environment for microfinance.

CAMFA's assistance in drafting the Law on Credit Histories resulted in getting the law passed in 2009. As a result, Tajikistan's ranking in the "Getting Credit" category of the World Bank's Doing Business report has improved. CAMFA also provided seed capital for establishing Frontiers, a wholesale lending institution that makes loans to microlenders in Tajikistan and other Central Asian countries.

Farmer-to-Farmer Volunteers Provide Technical Expertise

ACDI/VOCA volunteer experts have made a significant impact in Tajikistan. Under the USAID Farmer-to-Farmer (F2F) Program, from 2005-2008 volunteers shared their experience with smallholder farmers, farmer groups, agribusinesses and rural credit organizations.

The Tajikistan Farmer-to-Farmer program was part of a worldwide initiative that seeks to develop and increase the sustainability of private agricultural enterprises, support organizations and rural finance institutions.

In Tajikistan, ACDI/VOCA fielded 56 volunteers who provided technical assistance to over 38 host organizations, benefiting over 889 individuals directly and over 16,000 indirectly. These volunteer experts increased the sustainability of private agribusiness through improved technologies and business management practices, and strengthened the rural finance system to better provide credit to agricultural enterprises. In addition, they developed the capacity of farmer associations, cooperatives and business support organizations to achieve sustainable service delivery and advocacy.

Developing Value Chains and Boosting Rural Productivity

Most recently, ACDI/VOCA has been working on the \$9.7 million USAID-funded Productive Agriculture (PROAPT) project, with the ultimate goal of increasing agricultural production and sales. Started in October 2009, PROAPT utilizes a value chain approach, working with agricultural producers and up- and down-stream agribusinesses within high-potential value chains. The project's first main component is to increase productivity by developing a commercial system for certified input supply, increasing demand among farms for high-quality inputs and increasing investment in production. PROAPT's second

main component focuses on market development via marketing, value-added investment, farm-market linkages and access to finance.

The project supports development of Tajikistan's input industry while encouraging farm and agribusiness investment in the 12 target districts of the existing Feed the Future (FtF) program. PROAPT has supported over ten value chain investment projects and is working with hundreds of commercial farms in Western Khatlon to purchase tractors and invest in improved production of crops other than cotton. At the production level, ACDI/VOCA has partnered with the International Fertilizer Development Center to engage farm input dealers and provide embedded extension services to improve production and market demand for inputs.

Looking Ahead

In order to ensure the sustainability of investment in Tajikistan, ACDI/VOCA is working with financial institutions to develop financial products suited to the needs of rural and agricultural clients. This includes savings products for migrants, equity models for generating investment in infrastructure, incentive grants to support the purchase of needed production machinery and long-term loans for investment in agriculture. These forward-looking practices will help Tajik small enterprises and rural populations access the resources they need to establish stable and productive livelihoods.

We believe there is a continued role for
ACDI/VOCA focused particularly on
integrating these financial services, boosting
agriculture-based economic growth and
ensuring food security.

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