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TMSEF Reaches strong Growth in 2006

Opening of New Lending Unit of Agroinvestbank in Isfara

In the beginning of December 2006, the TMSEF expanded its operations to the far north-east of Tajikistan and opened the second lending unit in the town of Isfara with Agroinvestbank. With this opening the number of branches of Agroinvestbank working under the programme in the Sogd oblast adds up to four. In addition to Isfara, there are currently operating TMSEF lending units in Istaravshan, Khujand and Kannibadam.

The opening in Isfara was planned, organized and carried out fully by the partner bank itself. For this reason, two experienced loan officers from AIB Headquarters and AIB Istaravshan who underwent comprehensive training in the TMSEF credit technology went to the city of Isfara in order to train the existing loan officers of the branch and start a new selection process for new loan officer trainees. Under the supervision of those experienced loan officer as well as EBRD consultants, the new lending unit disbursed already its first credit

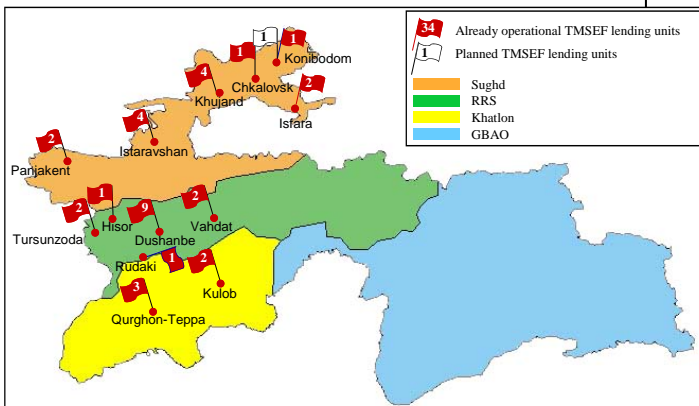
within the first few days of operation.

New Agreement between International Financial Cooperation (IFC) and Tojiksodirotbank

On December 4, 2006 a credit agreement was signed between the International Financial Cooperation (IFC), a subdivision of the World Bank, and Tojiksodirotbank for the amount of USD 2.5 million. The credit line will be used for financing the bank's activities under the Micro and Small Enterprise Finance Facility (TMSEF). One month ago, Tojiksodirotbank

already signed a second credit line agreement with the European Bank for Reconstruction and Development (EBRD) for the amount of USD 2.5 million. In 2006, Tojiksodirotbank disbursed altogether 2,299 loans to micro and small enterprises (MSE) in the total amount of more than USD 8.7 million under the project TMSEF.

capacity and institutional building activities in the four partner banks. 12 new lending units were opened during the year in different regions of the country. 136 loan officers were trained on the job in practice and in 11 theoretical seminars. The outstanding portfolio increased by USD 8.2 million (99%) to USD 16.7 million and thus climbed over the significant USD 10 million and USD 15 million thresholds during the year. Credit Agreements as a new product were introduced to all lending units of the programme, the new product Agricultural Lending was developed and started into a pilot phase, and the product Small Business Loans saw significant development during the year: disbursements increased from USD 252,000 in December 2005 to USD 1.4 million in December 2006. Furthermore, the phasing out of the consultants' direct operational involvement was pursued throughout the year and let to a growth of graduated branches from two branches (2%) in the end of 2005 to 16 branches (47%) by the end of this year. Still, the quality of the portfolio remained excellent throughout the year with only 0.12% of loans in arrears by end-2006.



TMSEF Results in 2006

In 2006, the TMSEF continued successfully its

MAJOR DECEMBER PORTFOLIO STATISTICS

Outstanding Portfolio in USD:	\$16,651,500
Number of Loans below \$1,000:	29%
Number of Loans below \$5,000:	78%
Loans to Clients New to the Banking Sector:	83%
# Loans to Female Entrepreneurs:	41%
Share of Dushanbe Portfolio:	39%
Share of Sogd Portfolio:	40%
Share of Khatlon Portfolio:	10%
Share of RRS Portfolio:	10%
MSE Lending Units:	34
Planned for Next Month:	35
MSE Program Loan Officers:	197
Planned for Next Month:	200
Portfolio at Risk > 30 days	0.07%

Loans Disbursed in November 2006	Loans Disbursed in December 2006	Cumulated Disbursements since October 2003
768 loans	750 loans	18,422 loans
\$3,396,600	\$3,193,528	\$58,265,529
\$4,422 average	\$4,258 average	\$3,162 average

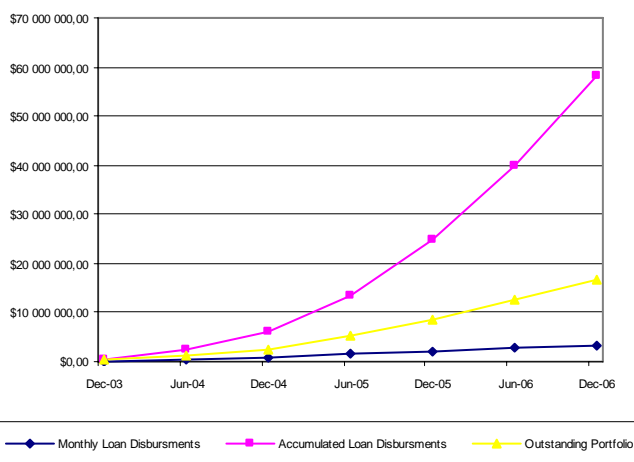
The **TAJIKISTAN MICRO AND SMALL ENTERPRISE FINANCE FACILITY (TMSEF)** is the fourth project of this kind in Central Asia and like the KSBP (Kazakhstan), KMSEF (Kyrgyzstan) and J-USBP (Uzbekistan) it focuses on institution building in selected partner banks and the delivery of sustainable and efficient financing to Micro and Small Enterprises (MSEs).

The Facility started lending operations to MSEs in October 2003. Partner banks fund the initial growth of the loan portfolio out of own resources, while EBRD and its partner organizations in the Facility provide funding for technical assistance. EBRD signed a first loan agreement (USD 1 million) with Bank Eshkata, a second loan agreement (USD 2 million) with Tojiksodirotbank, a third one (USD 2 million) with TajPrombank and a fourth one with Agroinvestbank (USD 2 million). IFC provides co-financing to Bank Eshkata (USD 1 million).

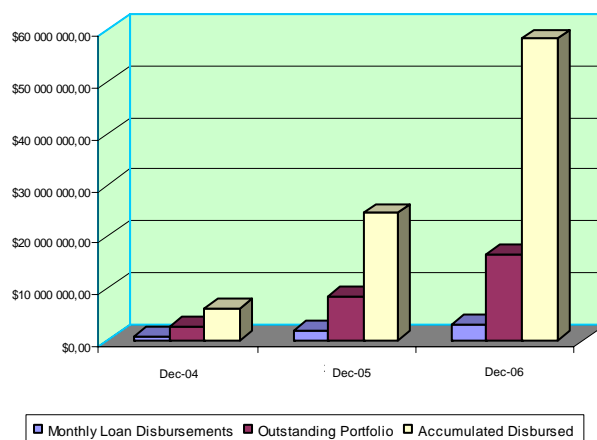
The technical assistance supports Bank Eshkata, Tajiksodirotbank, TajPrombank and Agroinvestbank in establishing MSE lending departments, developing loan products tailored to entrepreneurs' requirements, and in training bank personnel in a cash-flow driven credit technology.

DFID together with USAID and EU have provided and committed the necessary technical assistance funds for EBRD to engage in long-term institution building in the banking sector. Additionally, the Swiss Government through SECO has granted a risk sharing guarantee for EBRD loans to the partner banks. TMSEF also benefits from TA funds from the EBRD's Early Transition Fund (ETC Fund) since September 2005.

EBRD/TMSEF
Portfolio Development - Volume



EBRD/TMSEF
Portfolio Development - Volume



PLANS FOR JANUARY 2007

- Organization of a new developed eight-day Introduction Seminar for new loan officer trainees of all partner banks
- Disbursement of first Agricultural Credits in the pilot branches AIB Gissar and AIB Kulyab
- Practical and theoretical training of the Internal Auditor Trainees for the MSE division of Tajprombank, Bank Eshkata and Agroinvestbank
- Selection of an Internal Auditor Trainee for the MSE division of Tojiksodirotbank

TMSEF CLIENTS

National Tajik pastries, so-called "Samsi", baked in traditional Tajik stoves are one of the oldest specialties in Tajikistan. After the increased employment of ovens and microwaves in Tajik households, however, many people less and less go in for preparing this kind of delicacy. Nevertheless, in some families the secret of their preparation is passed from generation to generation as the example of family Tolibjonov shows.

In 1995, Akbar Tolibjonov decided to apply his valuable knowledge and started his own business - bakery of "Samsis" in the centre of Istaravshan. Very soon rumors spread that Akbar's bakery pre-

pare the most delicious "Samsis" and hence, Akbar gained more and more clients from all over the Istaravshan region. However, the conditions under which he baked his Samsis were insufficient, so he decided to construct new premises in order to increase production and offer better service for his clients. For this reason, in 2005, he addressed "Bank Eshkata" Istaravshan and requested a credit in the amount of USD 7,000. Akbar's investment resulted in an increased productivity from 350 to 400 "Samsis" a day and much better conditions of his bakery. Being satisfied with the results of his investment, after six months Akbar applied for a second loan in the amount of USD 10,000. He opened

a second bakery and thus increased production to 1,800 – 2,000 "Samsis" a day. However, as the demand for his delicious pastries grew steadily even this increased production level very soon was not sufficient. As a result, he applied for a third credit in the amount of USD 20,000 and reconstructed the warehouse to enable larger stocks, improve working conditions for his 13 employees and even further increase productivity.

"The credit conditions of the TMSEF are very convenient and advantageous for businessmen. I also liked the possibility of concluding a credit agreement, which



allows me for three years to receive several credits without repeated notary registration of my real estate. It significantly reduces my expenses and saves time. In future, I plan to even further increase the number of my production sites and hope that Bank Eshkata and the TMSEF will help me to realize this plan", says Akbar Tolibjonov.