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# Quarterly Newsletter # 02

## April to June 2007

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## TMSEF Sets Out for Further Expansion

On June 1<sup>st</sup> 2007, in the TMSEF On June 1<sup>st</sup> 2007, in the TMSEF project office in Dushanbe a workshop was held for all partner banks on the intermediate results of the pilot phase in agricultural lending and plans for its further development. At the meeting representatives of the management of all partner banks of the project, representatives of the European Bank for Reconstruction and Development in Tajikistan, as well as local and international consultants of the program were present. The attendees discussed current results, future plans, and necessary

conditions for an expansion of the project in additional branches of all partner banks. Furthermore, the features of working with agricultural credits were presented and discussed, and the success factors during the pilot phase of the project were pointed out. After a long discussion all parties agreed that the development of the new product is very advantageous for the partner banks as well as for the development of the agricultural sector in Tajikistan. Therefore, the idea was supported by everybody to expand the agricultural lending pilot phase to eight branches and

include all four partner banks in July 2007, as well as additional six branches in September 2007.

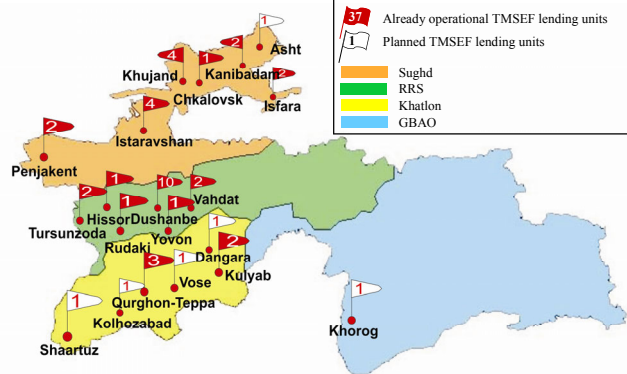
### New opening in the city of Evan

On June 1st 2007, the TMSEF expanded its operations to the south of Tajikistan and opened with Tojiksodirotbank a new TMSEF credit department in the city of Evan. With this opening the number of branches of Tojiksodirotbank that work under the TMSEF increases to eight. The opening of the branch in the city of Evan was planned, organized and carried out completely by the bank itself according to an opening scheme that was worked out by TMSEF consultants and handed over to the bank. One experienced loan officer from the Tojiksodirotbank Headquarters in Dushanbe who underwent a comprehensive training of the TMSEF credit technology was transferred to the city of Evan and appointed as a senior loan officer in order to control the work of the unit. During the first few days of operation with support from the senior loan officer and the TMSEF consultant the

new credit department disbursed already the first six credits.

### Expansion of branch network

As a result of individual meetings between the TMSEF management and the partner banks of the project it was agreed on a plan for the expansion of the branch network of TMSEF lending units in 2007 and 2008. With all four banks the conditions of independent openings of credit departments and their subsequent inclusion to the TMSEF were stipulated. It was agreed that after several months of operation of these branches, TMSEF auditors together with internal auditors of the respective partner banks will carry out a general assessment of the lending units. In case of positive audit results the new branches will be included into the program. Thus, banks will gain experience in opening new lending units independently. Until the end of 2007 it is planned to open 17 additional branches this way, which will gradually increase the number of branches participating in the program up to 54.



## MAJOR JUNE PORTFOLIO STATISTICS

Outstanding Portfolio in USD:	<b>\$27,449,608</b>
Number of Loans below \$1,000:	22%
Number of Loans below \$5,000:	70%
Loans to Clients New to the Banking Sector:	80%
# Loans to Female Entrepreneurs:	38%
Share of Dushanbe Portfolio:	34%
Share of Sogd Portfolio:	39%
Share of Khatlon Portfolio:	11%
Share of RRS Portfolio:	11%
<b>MSE Lending Units:</b>	<b>37</b>
Planned for Next Quarter:	43
<b>MSE Program Loan Officers:</b>	<b>244</b>
Planned for Next Quarter:	270
Portfolio at Risk > 30 days	<b>0.05%</b>

Loans Disbursed in March 2007	Loans Disbursed in June 2007	Cumulated Disbursements since October 2003
862 loans	962 loans	23,963 loans
\$4,292,899	\$5,244,657	\$86,614,400
\$4,980 average	\$5,451 average	\$3,614 average

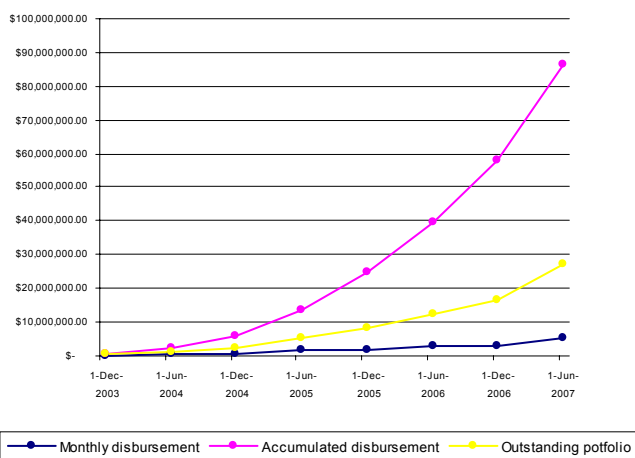
The **TAJKIKISTAN MICRO AND SMALL ENTERPRISE FINANCE FACILITY (TMSEF)** is the fourth project of this kind in Central Asia and like the KSBP (Kazakhstan), KMSEF (Kyrgyzstan) and J-USBP (Uzbekistan) it focuses on institution building in selected partner banks and the delivery of sustainable and efficient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

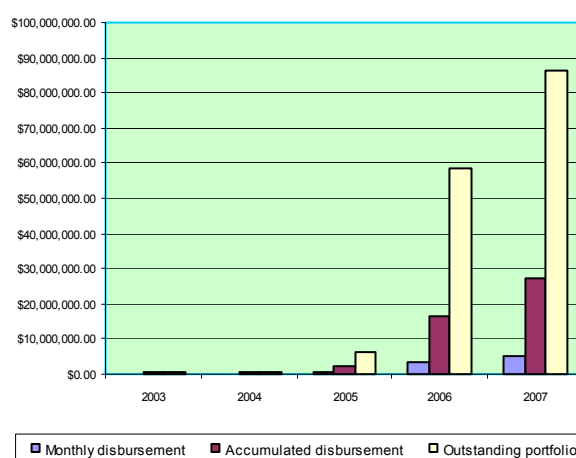
The technical assistance supports Bank Eshkata, Tajiksodirotbank, TajPrombank and Agroinvestbank in establishing MSE lending departments, developing loan products tailored to entrepreneurs' requirements, and in training bank personnel in a cash-flow driven credit technology.

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



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Portfolio Development



## PLANS FOR THE THIRD QUARTER 2007

- Include 14 branches to the agricultural lending pilot phase (eight in July, six in September)
- Opening TMSEF credit departments in five branches of Agroinvestbank and include them into the program
- Seminars for loan officers will be organized and carried out by the partner banks themselves with support of TMSEF consultants

## TMSEF CLIENTS

For more than 60 years the family of Gultoraev Makhmudzhon lives in the city of Kurgan-Tyube. In the beginning, Makhmudzhon worked as a driver, but after the civil war he decided to learn from his brother-in-law how to produce "sunduks", traditional Tajik chests, where gifts of married couples are kept. After two years, in 1995, Makhmudzhon started his own production and this way, began his own business.

However, with every year the competition in the city was increasing and Makhmudzhon had to keep up with the development of his production: he needed to buy new equipment and he also needed money to buy raw material on

wholesale. During that time, loan officers of Agroinvestbank informed businessmen on the local market about the possibility of receiving a credit for developing one's business. At first, Makhmudzhon was indecisive as he had never worked with a bank before and was afraid of its bureaucracy. But then, in May 2006, Gultoraev Makhmudzhon approached the TMSEF lending unit of Agroinvestbank in the city of Kurgan-Tyube in order to receive a USD 3,000 to buy raw material. After an appraisal of Makhmudzhon's business, Agroinvestbank paid him out USD 2,000. Makhmudzhon was astonished by the fast formalization of the credit and its effect on his business.

Thanks to the loan, the production of his business doubled! Therefore, after the repayment of the first credit, Makhmudzhon applied for another loan in order to buy new equipment for his business. After the appraisal the credit committee approved a USD 6,500 loan.

«Thanks to the credits of Agroinvestbank my production grows and prospers. Nowadays, people from all regions of our oblast come to me to buy "sunduks". At my production site about 15 people work and earn during high season up to USD 300. I like the good relation to the experts at Agroinvestbank, you can work with them very well and uncomplicated. I hope this good cooperation will go on like this forever».

