

FMFB has a strong and expanding presence in all regions of Tajikistan, with branches in Dushanbe, Khorog, Garm, Khujand and Kulyab which are supported by a network of district offices serving peri-urban and rural areas.



Partners

Aga Khan Foundation (AKF)
International Finance Corporation (IFC)
Kreditanstalt für Wiederaufbau
Bankengruppe (KfW)
Canadian International Development Agency
(CIDA)

only to easily manage their payroll, but to do so in a safe, transparent, modern and efficient manner.

Looking Forward

FMFB is looking to introduce housing, consumer microfinance and leasing products to better serve the needs of its client base. It also intends to further develop its cooperation with the International Finance Corporation in the cotton sector and strengthen outreach efforts toward women.

Continuing its ongoing efforts, the Bank is seeking to automate

its regular transactions through electronics means, particularly through the introduction of Automatic Teller Machines (ATMs). Automating bank transactions will enhance the accessibility and convenience of the Bank's services, thereby increasing the social impact of its operations.

With overall strong prospects for enhanced growth and operational sustainability, FMFB looks forward to continuing to meet its mandate through innovation, dedication and the provision of products with exceptional quality, high standards and excellent service.

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The Aga Khan Development Network (AKDN) is a group of private development agencies working to empower communities and individuals, often in disadvantaged circumstances, to improve living conditions and opportunities, especially in Africa and Asia. Its agencies work in over 30 countries for the common good of all citizens, regardless of their gender, origin or religion. Its underlying impulse is the ethic of compassion for the vulnerable in society.

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TAJIKISTAN



Aga Khan Agency for Microfinance

Tajikistan is one of the poorest countries in the world, with the lowest per capita GDP of the 15 former Soviet republics. Consumer financial services in the country remain limited and savings mobilization is among the lowest in the world.

The immediate post-Communist period saw a flourishing of banks; however, the sector has since undergone significant consolidation as many of these banks were unsustainable, with consequent implications on the access of the poor to affordable finance.

In this context, the Aga Khan Development Network (AKDN) established the First MicroFinanceBank of Tajikistan (FMFB) in 2003, the first fully licensed commercial bank in the country to have a principal focus on micro-credit lending. In addition to its head office

in Dushanbe, FMFB currently has branches in Khorog, Garm, Khujand and Kulyab which are supported by a network of district offices serving peri-urban and rural areas. The objectives of these operations include reducing poverty, decreasing the vulnerability of poor populations and alleviating economic and social exclusion.

As of February 2008, FMFB had a total loan portfolio in excess of US \$19.9 million and a client base of over 16,900 people, 31 percent of whom are female. FMFB's average loan size is about US \$1,100 with a repayment rate of over 99 percent. To oversee these loans, FMFB employs a staff of over 270 dedicated professionals.

AKDN's Approach

Two programmes of the AKDN have been lending to entrepreneurs and

farmers in Tajikistan since the early 1990's. The Mountain Societies Development Support Programme of the Aga Khan Foundation (AKF), provided credit to small farmers and women's groups during Tajikistan's difficult transition to independence following the collapse of the Soviet Union. In addition, the Enterprise Support Facility (ESF), established in 1996 by the Aga Khan Fund for Economic Development (AKFED), provided loans and technical support to small entrepreneurs.

The activities of these two programmes have since been consolidated under the operations of one agency, the Aga Khan Agency for Microfinance (AKAM), founded in 2005, of which FMFB is an institution. The staff of ESF specifically provided the Bank with its core microfinance expertise and a solid client base on which to establish its lending



Through loans provided by FMFB, Khatica Hakimatova realized her dream of opening a bakery and has since purchased several industrial appliances to improve her output. Now on her fifth loan, Khatica's sales have risen by 200 percent and she employs seven people.



FMFB Statistics at a Glance

Indicator	2007	2006
Value of loans disbursed (US \$ '000s)	28,640	11,165
Number of loans disbursed	17,371	9,978
Value of loans outstanding (US \$ '000s)	19,692	6,989
Number of loans outstanding	17,776	6,755
Average loan size (US \$)	1,108	1,035
Percentage of women borrowers	32%	34%
Percentage of Portfolio At Risk	<1%	<1%
Borrowers per Loan Officer	184	175

activities. In its early years, FMFB also received vital technical support from Kreditanstalt für Weiderrufbau (KfW) and the Canadian International Development Agency (CIDA).

The initial shareholders of FMFB were AKFED and AKF. The shareholder base has since increased following investments by the International Finance Corporation (IFC), KfW and AKAM. Currently, the paid up charter capital of FMFB is 17,878,000 Tajik Somoni, or approximately US \$5.25 million.

Credit Products

Central to the activities of FMFB are the range of microfinance loan products it offers to its growing list of clients.

Group Loans: One of the most important products that FMFB offers is a group loan, aimed at the poorer segments of Tajik population who have difficulty providing collateral to the Bank. Based on the principle of group solidarity, the loan is given to a group of 3 to 10 individuals and repayment becomes a collective responsibility; each member effectively guarantees the repayment of the other members.

Group loans are often offered to groups of women, usually for small business start-up costs or to support small-scale agricultural production.

Individuals Entrepreneur Loans: FMFB offers credit to individual entrepreneurs who demonstrate that they have the need for business financing and an

ability to repay their loan. Credit can be used for the purchase of trading stock, raw materials and fixed assets or for the improvement of business premises. For entrepreneurs who demonstrate a need for credit in hard currency, loans are disbursed and repaid in US dollars. This type of loan is aimed at entrepreneurs who import and resell goods from countries in the surrounding region.

Revolving Lines of Credit: The revolving line of credit product is designed to provide clients, particularly retailers, with continuous and flexible access to funding. The product eliminates the need for businesses to repay a loan before accessing further financing. This flexible financing product is offered to clients once they have been able to establish a credible credit history with the Bank.

Agriculture and Livestock Rearing Loans: FMFB also offers credit products to large and small-scale farmers. Loans in agriculture are typically used for the purchase of agricultural inputs such as seeds, fertilizers, livestock, farm equipment and other capital investments such as irrigation equipment or building facilities.

FMFB also offers loans tailored to the needs of individual livestock breeders in mountainous areas. The product caters to clients who require loans that are linked with the rearing cycles of yak, sheep and cattle. The loans are provided with longer maturities—up to three years—and have longer grace periods for repayment.

Agricultural loans are also offered in a group loan structure to finance working capital and fixed-asset purchases in horticulture, crop planting, livestock rearing and other agricultural activities.

Housing: In February 2008, the Bank launched a variety of housing microfinance products in an effort to fill the need for affordable home financing. FMFB currently offers three housing microfinance products, including credit for the purchase, construction, or refurbishment of homes and working capital for home improvement.

FMFB has also launched a pilot project with Habitat for Humanity International for housing refurbishments, in which loans are disbursed to borrowers by FMFB, while Habitat for Humanity manages the purchase of materials and the end-to-end construction and refurbishment process.

Other Services

Deposit and Savings: In addition to its core microfinance loan products, FMFB is committed to facilitating savings and wealth accumulation as part of its poverty reduction initiatives. It encourages its borrowers to save through a range of deposit products and services. Interest rates are dependent on the amount, term and currency of the deposits.

FMFB is also introducing a variety of savings products, including a

monthly contribution savings plan, child savings and pensioner savings accounts. These products will allow customers to make small monthly deposits over time while accruing interest at competitive rates.

Emigrant Remittances: Emigrant remittances are vital to the Tajik economy, representing nearly one third of the country's GDP and contributing to both economic development and reduction of poverty. Since November 2006, FMFB has facilitated the transfer of remittances through partnerships with several money transfer system including Anelik, Contact, Migom and Western Union. FMFB encourages remittance receivers to deposit some of their funds into formal savings accounts.

Commercial Banking: FMFB offers a range of commercial financial services that meet international standards for security and professionalism. FMFB has established a strong reputation with the embassies, NGOs, businesses and individuals in Tajikistan to whom it offers these services. FMFB offers foreign exchange as well as domestic and international money transfer services through its network of correspondent accounts.

The Bank also offers payroll services to its commercial clients. Until recently, the vast majority of companies and international organizations in Tajikistan paid their salaries in cash. In offering commercial payroll services, FMFB allows agencies and organizations not

"The poor are often thought of as economic burdens rather than as entrepreneurs and consumers who can play an integral part in national development. Ninety percent of potential entrepreneurs in poor communities do not have access to credit, yet AKDN's experience with micro-credit programmes over 60 years has shown that these communities are as entrepreneurial as any other."

The objective of AKDN's microfinance activities is to expand access to micro-credit in both rural and urban areas, with a special focus on women, through some 40 microfinance programmes and institutions in 20 countries. These include microfinance programmes, usually at the community level; a second tier of microfinance institutions which may offer a range of services, including savings; and microfinance banks, which are registered entities that lend to small and medium enterprises and offer a wider range of services."

— His Highness the Aga Khan, India, 1983

Cover Photo: FMFB's loans enable farmers to purchase agricultural inputs such as seeds, fertilizers, livestock, farm equipment and other capital investments. With these items, farmers can diversify their crops and achieve more productive yields.



Dilovar Zavqiev has taken five loans from FMFB, the last of which he used to build a two floor building in the central market of Khorog, Tajikistan. The building now houses shops on the first floor and his own canteen on the second.