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TMSEF Celebrates Third Anniversary

This October, the Tajikistan Micro and Small Enterprise Finance Facility (TMSEF) is operating for more than 3 years. The Facility started operations in October 2003 with focus on sustainable and efficient lending to MSE (micro and small enterprises) and institutional strengthening for selected Tajik commercial banks. As of today the project with four partner banks, Bank Eskhata, Tajiksodirot-bank, TajPrombank and Agroinvest-bank in establishing MSE lending departments, developing loan products tailored to entrepreneurs' requirements, and in training bank personnel in a cash-flow driven

credit technology. The TMSEF has become an important source of finance to MSE within the banking system, allowing access to finance for entrepreneurs who could not be served by the banking sector before.

Three years after launching the TMSEF, the project operates in all major towns within the following three oblasts of the Republic of Tajikistan: Khatlon, Soghd and the Regions of Republican Subordination (RRS). In addition, the project has expanded to secondary towns and rural areas to deepen the outreach to MSE in even more remote

regions. Clients can now get loans in thirteen towns via thirty-three lending units throughout the whole Republic of Tajikistan.

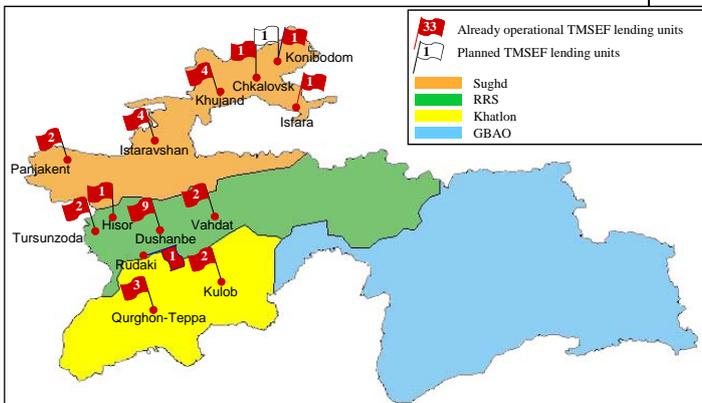
Around 200 loan officers are working in the programme, more than 390 have participated in TMSEF-related training measures which are held on a regular basis to strengthen the projects' capacity building efforts. An accumulated amount of more than USD 51 million has been disbursed since the inception of the project and more than 16,000 loans have been disbursed. With an outstanding portfolio of above USD 15 million

as of end October 2006 the TMSEF has become the biggest MSE financing player in Tajikistan. The project is well balanced in its gender outreach and is positively biased towards micro loans. Loans below USD 1,000 make 30% of the number of loans disbursed and loans below USD 5,000 are 79% of the number of loans disbursed. The loans have enabled the smallest entrepreneurs - more than half of them women, and increasingly producers and traders buying goods on the

national markets - to expand operations. The clients appreciate the cooperation with banks and repayments are excellent, with only 0.06 per cent of loans in arrears by the end of October 2006.

Since December 2004 the TMSEF has also started disbursing loans exceeding the limit of USD 10,000 and is thus also serving small businesses in addition to micro entrepreneurs. For this purpose the TMSEF has trained specialized SME loan officers who provide loans of currently up to USD 50,000 to this target group. Most of the facility's business, however, will continue to be in microlending, which stimulates job creation, poverty alleviation and grass-root economic development.

As Tajikistan's business community grows, in future, the TMSEF partner banks will gradually raise the upper limit for loans to USD 100,000, as growing businesses require larger loans for investment purposes. In addition, the introduction of new agricultural loan products is in preparation. It will enhance the outreach of the program to the rural population in Tajikistan enabling them to access financial services of commercial banks in order to develop their businesses.



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MAJOR OCTOBER PORTFOLIO STATISTICS

Outstanding Portfolio in USD:	\$15,197,929
Number of Loans below \$1,000:	30%
Number of Loans below \$5,000:	79%
Loans to Clients New to the Banking Sector:	83%
# Loans to Female Entrepreneurs:	41%
Share of Dushanbe Portfolio:	39%
Share of Sogd Portfolio:	41%
Share of Khatlon Portfolio:	10%
Share of RRS Portfolio:	10%
MSE Lending Units:	33
Planned for Next Month:	34
MSE Program Loan Officers:	191
Planned for Next Month:	197
Portfolio at Risk > 30 days	0.03%

Loans Disbursed in September 2006	Loans Disbursed in October 2006	Cumulated Disbursements since October 2003
710 loans	763 loans	16,906 loans
\$2,782,707	\$3,005,691	\$51,679,600
\$3,919 average	\$3,939 average	\$3,057 average

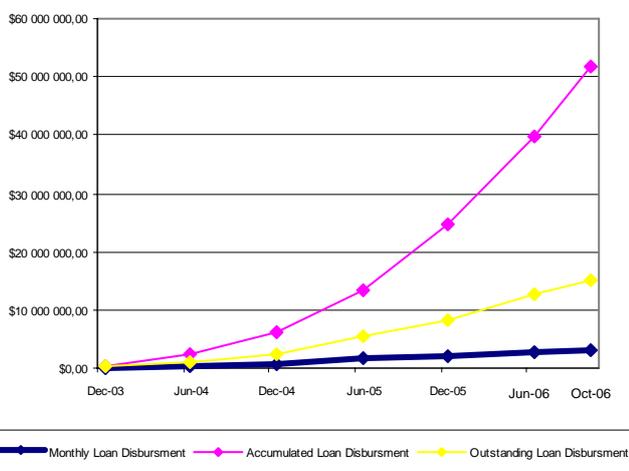
The **TAJIKISTAN MICRO AND SMALL ENTERPRISE FINANCE FACILITY (TMSEF)** is the fourth project of this kind in Central Asia and like the KSBP (Kazakhstan), KMSEF (Kyrgyzstan) and J-USBP (Uzbekistan) it focuses on institution building in selected partner banks and the delivery of sustainable and efficient 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 Eshkhat, 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 Eshkhat (USD 1 million).

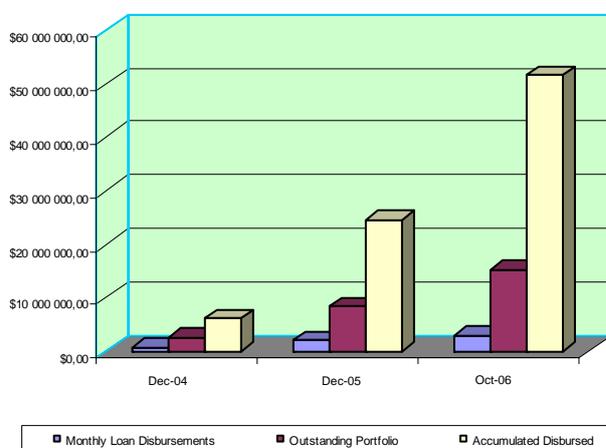
The technical assistance supports Bank Eshkhat, Tajiksodirotbank, TajPrombank and Agroinvestbank in establishing MSE lending departments, developing loan products tailored to entrepreneurs' requirements, and in training bank personnel in a cash-flow driven credit technology.

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 NOVEMBER 2006

- Organization of an SME training seminar for experienced loan officers who will focus on SME finance
- Increase disbursement of micro and SME loans in all lending units
- Commence the introduction of TMSEF agri lending concept to Partner Banks
- Select and train loan officers for BE Konibodom branch

TMSEF CLIENTS

Private microentrepreneur Tajibaeva Gavhar Salimjanovna has been engaged in business activities ever since she can remember. Even during Soviet time she managed a grocery and perfume shop. After the collapse of the Soviet Union, in 1994 she rented the shop and started her own business with a starting capital of USD 500. At the beginning she purchased groceries from local Tajik wholesalers and sold them in her shop. But when her business reached a considerable size in the beginning of 1996, she followed the advice of her friends and started making purchases on her own from Uzbekistan and later on also from Kazakhstan. However, with the development of market economy in Tajikistan the competition grew in the country and

Mrs. Tajibaeva was confronted with the problem that she didn't have enough money for a faster development of her business. When a loan officer from the TMSEF addressed her shortly after the beginning of the project in October 2003, she decided to try it out and applied for a USD 500 credit at the TMSEF lending unit of Bank Eshkhat in Khudjand. This way, she became the first client of the TMSEF in Sogd oblast. She was astonished how easy and fast it is to receive a credit from a bank with much lower interest rate than at the informal credit market. That is why after the repayment of the loan she decided to take a second credit for the amount of USD 1,800 in order to expand her business and start selling perfumery. The broadening of her assortment became a

big success and therefore, Mrs. Tajibaeva decided to fully switch to sales of perfumery and give up on groceries. For this purpose, she took repeat credits from the TMSEF at Bank Eshkhat for the amounts of USD 5,000, USD 7,000 and finally in the beginning of 2006, USD 15,000. In connection with the last credit she opened a credit line for 3 years, which enables her to comfortably take repeat loans within this maturity without formalizing her real estate as collateral again every time.

Mrs. Tajibaeva is very thankful for the help of the TMSEF, whose funds enabled her such a consider-



able flourishing of her business. In future, she wants to further expand her business and relies on the TMSEF as a reliable partner to support her in the realisation of these plans.