

FMFB has a strong and expanding presence in all regions of Tajikistan, with branches in Dushanbe, Khorog, Rasht, Khujand, Kulyab and Kurgan Tube which are supported by a network of Banking Service Centres serving peri-urban and rural areas.



#### Shareholders

Aga Khan Agency for Microfinance  
Aga Khan Foundation  
International Finance Corporation (IFC)  
Kreditanstalt für Wiederaufbau  
Bankengruppe (KfW)

#### Partners

BlueOrchard  
Deutsche Bank  
European Bank for Reconstruction and Development (EBRD)  
Kreditanstalt für Wiederaufbau  
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Triodos Bank

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Continuing its ongoing efforts, the Bank is seeking to automate its regular transactions through electronic means, particularly through the introduction of automatic teller machines. 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 services with exceptional quality and high standards.

#### SME Loan Product

The Bank launched a Small and Medium Enterprises (SME) Unit in September 2011, to specifically target this market in Tajikistan. SME loans are defined as loans between US\$ 10,000 and US\$ 50,000, with the possibility that this might be raised to US\$ 100,000 eventually. The SME customers can be sole proprietorship

companies, family companies, partnerships or incorporated companies.

The SME Unit is operated with dedicated SME loan officers, policies and procedures, with special attention to training at the initial stage. The Unit is initially being staffed with four dedicated SME loan officers.

Existing customers of FMFB are given priority over others, in line with FMFB's objective of clients' graduation. SME loan officers work actively with the microfinance department to identify eligible clients who have a need for SME loans; and to identify and re-capture former FMFB clients who meet the eligibility requirements for an SME loan. Additionally, SME loan officers maintain close contact with the community to identify good clients for the Bank, who have a positive impact in the communities where FMFB has a presence. Production and women clients are priorities for the SME Unit.

## 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 mobilisation 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 MicroFinance Bank 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 has branches in Khorog, Rasht, Khujand,*

*Kulyab and Kurgan Tube which are supported by a network of Banking Service Centres 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 December 2010, FMFB had a total loan portfolio in excess of US\$ 25 million and a client base of over 12,000 people, 28 percent of whom are female. FMFB's average loan size is about US\$ 2,500 with a repayment rate of over 99 percent. To oversee these loans, FMFB employs a staff of over 400 dedicated professionals.*

#### AKDN's Approach

Two AKDN programmes have been lending to entrepreneurs and farmers in Tajikistan since the early 1990s.

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 activities. In its early years, FMFB

Through loans provided by FMFB, Mavluda Turgunova realised her dream of opening a sewing factory and has since purchased several industrial appliances to improve her output. Now on her fifth loan, Mavluda's sales have risen by 200 percent and she employs 22 people.



### Statistics at a Glance

Indicator	2010	2009
Value of loans disbursed (US\$ 000s)	30,975	21,997
Number of loans disbursed	12,045	10,522
Value of loans outstanding (US\$ 000s)	25,369	20,537
Number of loans outstanding	12,596	11,546
Average loan size (US\$)	2,572	2,090
Percentage of women borrowers	28%	25%

also received vital technical support from Kreditanstalt fur Weideraufbau (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 TJS 30.66 million, or approximately US\$ 6.98 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:** Group loans are aimed at the poorer segments of the 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 3-10 individuals and repayment becomes a collective responsibility; each member effectively guarantees the repayment of the other members. Group loans are often offered to women, usually for small business start-up costs or to support small-scale agricultural production.

**Individual 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 both in US Dollars and Tajik Somoni. This type of loan is aimed at entrepreneurs who import and resell goods from countries in the surrounding region.

**Agriculture 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, or for capital investments such as irrigation equipment and building facilities. For cotton farmers, FMFB has introduced a specifically tailored loan to improve crop production capacities.

**Consumer Loans:** Consumer loans are designed to help individuals acquire essential consumer products and help cover expenses for health, education, tourism and other areas.

**Housing:** The Bank has launched a variety of housing microfinance products in an effort to fill the need for affordable home financing. FMFB currently offers two housing microfinance products catering to home purchases and home improvement projects. 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.

**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.

### 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 easy 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 up to half 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 systems including *Anelik, Contact, Migom and Western Union, Bistro Post, UniStream, Leader and Zolotaya Korona*. 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 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 organisations in Tajikistan paid their salaries in cash. In offering commercial payroll services, FMFB allows agencies and organisations to easily manage their payroll, in a safe, transparent, effective and efficient manner.

### Looking Forward

FMFB seeks to grow the Emigrant Remittances business of the Bank by introducing new products and expanding the network. Thus far, the Bank has introduced 29 money transfer outlets across Tajikistan and plans to continue to expand the network.

*"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 clients to start their own business helping them to improve their living conditions.



Alisher Turakhonov has taken three loans from FMFB, the last of which was used to buy a generator to supply electricity for his machine for wood-cutting. This generator helped him to continue to operate his business during winter months.