

# **International Policy Fellowship 2004**

**Topic Area: Scaling Up Microfinance to Increase Access to Financial Services**

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Project Title: **BETTER PRACTICES FOR SCALING-UP RURAL MICROFINANCE IN  
TAJKISTAN**

**Final Activity Report**

**August 2005**

Present interim activity report covers the fellowship period from March 2004 to August 2005.

My research project entitled Better Practices for Scaling-up Rural Microfinance in Tajikistan has following objectives:

- to review existing microfinance practices in Tajikistan;
- to identify best practices for scaling-up microfinance in Central Asia and worldwide;
- to research strategies for scaling-up microfinance services using better practices for microfinance institutions (MFIs);
- to identify strategies for providing access to the financial resources of MFIs to agricultural producers and the rural population in Tajikistan;
- to write a research and policy paper in coordination with mentors for microfinance professionals and experts, donor organizations and MFIs - Development Fund and Oriyon in Tajikistan.

The activity on the project during the fellowship period had several major aspects. Each of the five major type of activities outlined below proved to be an effective strategy in dealing with the issue of scaling-up rural microfinance in Tajikistan.

**1. Fellow Seminars:** Participation in the first Fellow Seminar in Budapest (March 2004) gave me a great opportunity to become more familiar with the issues on the public policy community, the policy making process, writing research and policy papers and etc. I found the organized working group discussion with group mentor and other fellows very interesting and useful for my research activity. The important section of the seminar was also Internet and IT training and creating of personal web-site and e-mail account.

Participated in the second Fellow Seminar in Budapest (October 2004). The main topics of this seminar were the eight-step path of policy analysis, the section of IT on virus advice and on-line communication and collaboration tools. There was also a working group session with group mentor and other fellows that was very useful for the research.

Participation in the third Fellow Seminar in Budapest (April 2005) gave me a great opportunity to become more familiar with the policy and program evaluation community, which helped me to build my policy and program evaluation skills. I found the organized working group discussion with group mentor and other fellows very interesting and

useful for my research activity. The important section of the seminar was also IT consultation.

- 2. Field research:** Two field visits were planned in the first part of the project. First, study of experience of Development Fund in Khujand, Tajikistan and the second, FINCA Kyrgyzstan in Kyrgyzstan, which were foreseen in the project proposal as an integral part of the research. The objective of my first field visit to Development Fund in Khujand was to assess the innovations that have enabled this microfinance institution to meet the challenges that are traditionally associated with the granting of rural and agricultural credit. Particular attention was given to those aspects that facilitate a better cost and risk management in agricultural lending. However, the second field visit was postponed for a later period.

In the second part of the project several field visits were conducted including trips to different regions of Tajikistan, Kyrgyzstan and Bangladesh. Field research trip were completed in October 2004 to Khujand (Tajikistan), in February 2005 to Bishkek (Kyrgyzstan) and in May 2005 to Dhaka (Bangladesh). The objective of these field visits was to assess the innovations that have enabled researching microfinance institution to meet the challenges that are traditionally associated with the granting of rural and agricultural credit. Particular attention during the field research visits was given to those aspects that facilitate a better cost and risk management in agricultural lending.

- 3. Microfinance survey:** In order to collect required information and data on operations of microfinance institutions in Tajikistan, it has been prepared and disseminated a specific questionnaire among organizations dealing with microfinance activities in Tajikistan. The results of this survey will be finalized and included in the final research paper.
- 4. Research paper:** The draft final research paper “*Better Practices for Scaling-up Rural Microfinance in Tajikistan*” has been prepared and submitted to the individual Mentor for review and comments. The goal of this research paper is to identify those lending practices that are able to address the challenge of financing small farmer clients. Within the framework of rural financial markets, the text concentrates on the specific issues of lending to agricultural producers. The lessons that can be learned from microfinance are reviewed and an assessment is made of the possibility of transferring successful

microcredit practices to agricultural lending. In addition, the experiences and the strategies of some international and local micro- and rural finance institutions doing agricultural lending are examined in a greater detail. Draft final research paper also includes issues of legal frameworks for microfinance in Tajikistan, obstacles to development of the microfinance activity, as well as possible solutions to the existing problems.

- 5. Policy paper:** The draft final policy paper “*Better Practices for Scaling-up Rural Microfinance in Tajikistan*” has also been prepared and submitted to the individual Mentor for review and comments. The draft final policy paper outlines the main findings, conclusions and recommendations for improving access of rural communities to microfinance services.

**Next steps:** The main important steps of the research activities for the future will be completion of the final research and policy papers based on the recommendation of the mentors, translate these documents into the local language and disseminate among microfinance professionals and experts, donor organizations and MFIs - Development Fund and Oriyon in Tajikistan.