

## **AMFOT NEWSLETTER 01/2014**

### **NEWS FROM THE MICROFINANCE SECTOR**

#### **Tajikistan's Indicators in the Doing Business Report**

On December 13 of 2013 under the chairmanship of the President of the country, Chairman of the Consultative Council on Improvement of Investment Climate, His Excellency Emomali Rahmon was held 12-th Session of the Consultative Council.

One of the issues considered at the Council was the issue of Improvement of Tajikistan's Indicators in the Doing Business Report of the World Bank Group. Member of the Council Farkhod Akbarov – Head of Association of Microfinance Organizations of Tajikistan gave a speech on this issue and presented the Draft of Action Plan of the Government of the Republic Tajikistan on Improvement of Tajikistan's Indicators in the Doing Business Report of the World Bank Group. He emphasized that this Action Plan was developed by the Secretariat of the Consultative Council in collaboration with the private sector and covers a range of activities for all ten indicators of the Doing Business Report. It is expected that the adoption and implementation of this Action Plan will serve to further improvement ranking of the Republic of Tajikistan in the Doing Business Report. At the same time, it was noted that the Government of the Republic of Tajikistan would not limit its efforts only around the Doing Business Report and will continue to carry out the necessary reforms on improvement of the investment climate, development of private sector and ensuring economic stability of the country.



#### **Meeting of NBT management with AMFOT members**

At the beginning of December the meeting of National bank of Tajikistan management with the management and members of the Association of microfinance institutions of Tajikistan was held. The main purpose of the meeting was to discuss the activity of microfinance institutions for ten months in 2013 and their further development. During the meeting, participants spoke about the activities of MFIs, achieved results. It was emphasized that currently in the country 118 MFIs have been operating.

In recent years, this banking sector has increased the volume of deposits attracted and capital of MFIs has been increased. Also the activities of MFIs have been expanding and their number has been increasing. In the last year, a number of MFIs have gained high rates from international rating organizations. It was noted that despite the progress achieved in this segment of banking sector, not all the opportunities are used, especially in attracting deposits. During the meeting recommendations were made to MFIs management to reduce interest rates of loans granted to the population and to provide transparent financial services to clients.

MFIs and AMFOT management discussed during the meeting the agenda and put forward a number of proposals on improving the performances of MFIs. In his speech, the director of AMFOT Akbarov F. submitted a number of proposals on MFIs issues for NBT review, in particular, the simplification of reporting system of MFIs to NBT, lower rates on insurance fees to the Savings insurance fund, etc. Several other issues were also given in writing to the representatives of NBT. NBT representatives expressed willingness to revise the proposals made by AMFOT members and promote their handling. The meeting was held in a productive and constructive atmosphere.



#### **Joint seminar of AMFOT and NBT**

AMFOT jointly with National bank of Tajikistan at the end of November organized 2 day seminar “Practical use of NBT instructions at activity of MFO”. This seminar was organized at recreation center “Sarob”. To conduct the seminar were invited the leading experts of NBT, particularly the separate sections was conducted by the director of supervision department of NBT.

During the seminar the participants get acquainted with instructions regulating MFO activity and also get consultations. So participants mostly acquainted with legal regulation of MFO and build up close cooperation with representatives of NBT, which will help them in further activity.

At the end of seminar participants get certificates and as feedback were highly evaluated such activity of AMFOT and was recommended periodically to conduct such seminars and round tables.



### **Working Group on National Microfinance Development Strategy 2014-2018**

AMFOT is a member of the working group on National microfinance development strategy 2014- 2018. The representatives of Center of Strategic Research under the President of the Republic of Tajikistan, National bank of Tajikistan, AMFOT, MFIs, GIZ and EBRD are member of the working group.

The participants considered the structure and content of the draft strategy. Also they had an opportunity to get acquaint with an analysis on future improvement and development of MF sector which was conducted by CSR under the President of RT. At the beginning stage the members of the working group decided to assign representatives of AMFOT and MFIs to develop preliminary draft of the Strategy for its further update by working group members. The results of the conducted research was taken into account at draft Strategy and was provided to National bank of Tajikistan for consideration and further adoption by the Government of RT.



### **Two new programs of KFW in Tajikistan**

In the Ministry of economic development and trade of Tajikistan was held presentation of two new programs of KFW: Program on development of financial system in rural areas of Tajikistan (second phase) and Program on housing finance in rural areas of Tajikistan. The purpose of the programs is access of sustainable banks and microfinance organizations to financial and technical support, which can provide loans to micro, small and medium enterprises in rural areas or also to people for housing finance.

Both programs will last 2,5 years. In the framework of first program will be provided 12 mln. Euro in Somoni for refinancing. This program will be strengthened by consulting services to attending MFIs for the amount of 1 mill. Euro. In the framework of second program will be provided 7 mill. Euro in Somoni for refinancing and up to 1 mill. Euro for consulting services.



### **Deposits of credit organizations**

The amount of deposits at credit organizations of Tajikistan in 11 month of 2013 reached 5,6 bill. Somoni. Based on data of National bank of Tajikistan this indicator is increased to 18,8% in comparison with last year. In the structure of deposits 35,7% belongs to legal entities and 64,3% to individuals. The average interest rate for deposits in January-November in local currency was 15,83% and in foreign currency 11,62%. In comparison to last year an interest rates for deposits increased to 0,1% in local currency and 1,3% in foreign currency.



### **Credit unions**

On March 19 of 2013 the President of Tajikistan signed the law “About credit unions”, which opened the way for development of new form of financial institutions in the country. Based on the law credit unions can be established by group of people (more than 10 people) which conduct similar business and live in nearby. Also credit union can be established by the staff of one organization. It is assumed that in Tajikistan, credit unions will be created in rural areas where the population does know each other. The distinctive features of the credit unions is form of membership organization, equality of members in addressing issues related to the competence of the general meeting of credit union members and to use own resources for lending its members.

The attractive side for the creation of credit unions is unlimited size of initiative capital for its creation is not defined at the law. Therefore the members can set minimum amount of membership fee based on their ability. So the rest of the fee of member can be provided to credit union based on loan agreement and on monthly base generate income from used sources.

The management board of credit unions based in the law work for free, which decrease an operational expenses of the organization. At the same time this index decrease an interest rate of the loans which will be attractive for entrepreneurs.

The law “About credit unions” did not defined any economic limitation for the activity of credit unions, which has negative influence in their activity. For instance, over indebtedness of credit union, possibility for creation of financial pyramids, hire unqualified personnel to manage the portfolio. Also type of activities are limited, which could do credit union and which limit the source of income and limit growth of capital of credit union.





## **SOCIAL RESPONSIBILITY**

### **Launch of the online Universal Standards Implementation series**

The Social Performance Task Force announce the first session in online meeting series- "The SPTF Universal Standards for SPM Implementation Series" for more details- <http://sptf.info/online-trainings/universal-standards-implementation>

This series will provide practical guidance on how to implement the practices found in the Standards. Each of the seven sessions will present practical guidance on how to implement the practices found in the Standards, through interviews with one or more practitioners on how they are successfully managing their social performance. The SPTF will also highlight key resources for further learning and improving practice.

This series is for any microfinance professional who wants to explore the social performance management (SPM) practices found in the Universal Standards. The series is designed to benefit members from all of our stakeholder groups.

By the end of the series, you will understand the entire contents of the Standards, as well as practical ways that MFIs can improve their SPM practices to match those found in the Standards.

During each session, the SPTF will interview 1-2 practitioners who are putting the Standards into practice. These practitioners will discuss how they successfully manage their social performance.

Participation is free and you do not need to register in advance.



### **SPTF Online training course “Essentials of social performance management”**

Social Performance Task Force (SPTF), of which AMFOT is a member, offers online training courses on the Essentials of social performance management. The practical online course includes 9 video-sessions and is free of charge for registered participants. Each session consists of 1,5 hours. The participants can listen to

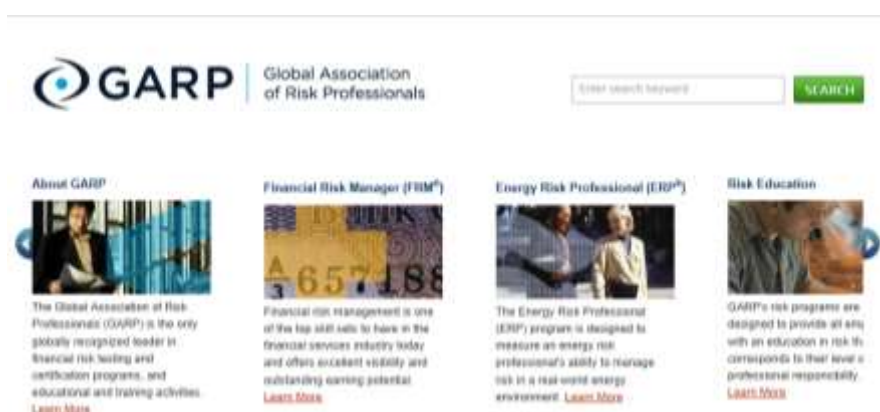
sessions, watch presentations and take part in discussions with other course participants. Participants who take part in all 9 sessions will receive a SPTF certificate. The registration is administered online under: [info@sptf.info](mailto:info@sptf.info)



## CENTER FOR TRAINING AND DEVELOPMENT OF MICROFINANCING OF TAJIKISTAN (CTMT)

### **The basis of bank risk training**

Program Risk certification is a unique possibility for experts of Tajikistan to get certified in risk management which is acknowledged in the world. Now to take an exam the experts doesn't need to go out of country, the exam will be taken in Tajikistan and the results will be evaluated by the GARP. In the framework of risk certification program Center of Training and development of microfinance of Tajikistan at AMFOT conducted Basis of bank risk training which was conducted based on GARP methodology. The detail description and schedule of the exam is available at link - [www.garp.org/rcp](http://www.garp.org/rcp) or <http://www.garp.org/risk-education/rcp.aspx>



### **Frankfurt School's e-learning courses for finance experts**

Frankfurt School of Finance & Management (FSFM) has set up an exclusive e-learning platform for financial online training courses in developing countries and emerging markets. In Tajikistan, the Center of Training and Development of Microfinancing of Tajikistan (CTMT) is Frankfurt School's cooperation partner for the LinkedIn e-learning platform. It supports Frankfurt School in marketing the LinkedIn e-learning courses and hosts the final exam of the LinkedIn online courses.

For countries like Tajikistan where the offer of distance learning courses are scarce, the LinkEd courses offer a great opportunity to improve skills and knowledge as well as to promote careers without the need to leave the country. At the moment LinkEd offers three 6-months certification e-learning courses in English language, which started on September 3, 2013: The well-established course “Certified Expert in Microfinance” is tailor-made to suit Microfinance practitioners worldwide. It started in September 2012 for the third time. The newly developed LinkEd e-learning course “Certified Expert in Small and Medium Enterprise Finance” also started in September 2013 for the first time and “Certified expert in risk management”. This online courses are tailor-made to suit the needs of mid-level managers and loan officers active or interested in SME Finance.

The participants have the possibility to receive a Frankfurt School certificate by taking the final exam. Opposite to online courses, this examination was conducted offline as a classroom exam in selected venues all over the world. One of the venues is Dushanbe, Tajikistan, hosted by the Center of Training and Development of Microfinancing of Tajikistan. The final examination was conducted on March 5, 2014 on CTMT premises.



### **Trainings on International Financial Reporting Standards**

CTMT offers a series of trainings in the field of International Financial Reporting Standards (IFRS): The trainings “Fiscal Accounting I”, “Management Accounting I” and “Taxation and Law” teach the participants to understand how to conduct accounting and taxation according to the International Financial Reporting Standards. They also help to prepare for the international IFRS exam.

The trainings will take place as evening courses three times per week on CTMT premises. After the course the participants will receive a CTMT certificate of participation. There is also an opportunity to pass the international IFRS exam and to receive an official IFRS certificate. On January of 2014 was launched the IFRS course for 21 participants.





### **Course for professional preparation of loan officers for MFIs**

Center of training and development of microfinance of Tajikistan under AMFOT jointly with MCO “Oxus” and CJSC “AccessBank Tajikistan” under the support of National bank of Tajikistan at the beginning of January lunched courses for preparation of Loan officers in the framework of Program for Professional preparation of financial sector staff. The program of the training is approved by the National Bank of Tajikistan. To conduct the training are attracted leading trainers and practitioners from financial institutions, international organizations and universities of the country. Graduates of this program will receive a certificate which will indicate the acquisition of a new profession.



### **CTMT premises for conducting your activity**

Center of Training and development of Microfinance of Tajikistan at AMFOT offer to rent equipped training hall for conducting trainings, meetings and other activities. The capacity of the hall is 30- 50 people. Beside that there is a separate premise for coffee breaks.

The rent of CTMT hall cost: 450 somoni per day for member organizations and 580 somoni for non members (rent include: projector, wall display, notebook, monitors, printer and copy mashine). Internet is provided by Wi-Fi and ist free of charge.

Coffee break cost 20 somoni per person in a day and lunch 50 somoni per person in a day.



### **MDO "Imon International" - a socially transparent and responsible organization**

Mix market recognized MDO "Imon International" as socially transparent and responsible organization in 2013. This award is given each year to microfinance institutions on the basis of their reporting on the social aspects of the activity. Getting such an award was the result of a responsible attitude of the organization to its social mission. Now the important issue in the MFIs activity is not only a good growth, but also the social



benefits that the customer receives. Conducting of social rating and social audit, implementation of changes in the organizational structure, the provision of non-financial services and the provision of socially oriented loans - these are the measures that taken by MDO "Imon International" to meet its social objectives.



### **Recognition of the new shareholders – EBRD and FMO in MDO “Imon International”**

MDO "Imon International" is one of the leading microfinance institutions in the region, and with the support of such an investment EBRD has an opportunity to contribute to its transformation into a specialized bank and providing banking services, as demanded by the market. EBRD makes its first ever equity investments in microfinance institutions. IMON has gained the trust not only of employees and customers, but also partners and investors by providing quality transparent financial services and professional approach in everything.

For FMO the investment in capital of MDO "Imon International" is the first investment in the financial sector in Tajikistan. EBRD and FMO investing in capital of MDO "Imon International" is the credit of trust and will allow the company to strengthen the organizational structure and financial stability of the organization, to improve performance standards and corporate governance, to study international banking practices and new technology of financing.

The history of cooperation between EBRD and IMON began in 2005 when we got our first commercial loan. Today organization is proud that EBRD has become a shareholder of MDO "Imon International". They hope that the experience and "know-how" of EBRD in our country and economy will benefit us for many years.

Currently 51 MFIs operate in Sughd oblast and MDO "Imon International" is one of the largest and most successful. Within 10 months of the current year the volume of microcredits disbursed constituted 1 billion 371 million somoni, of which 55.3% were disbursed by MFIs. 24% of MFIs loans are IMON loans.



### **MDO “Arvand” attends ADB project**

In Dushanbe between ADB, the Government of Tajikistan and the Japan Fund for poverty reduction signing of the Agreement on financing of the project "Access to green finance of renewable energy sources" was held. The goal of this project is to develop and strengthen the capacity of the microfinance system in

Tajikistan and organization of energy-efficient, economical and ecologically pure homes through the provision of microcredits to the households.

According to the ADB resident representative in Tajikistan, Mr. Xi Xi Yu, within the framework of the project the population and small business will be provided with loans through microfinance institutions for the purchase of energy-efficient products. Project funds will be allocated not for all micro-lending organizations, but only for those that fit all the criteria of the ADB, which are financial stable, transparent, sufficient capital and capacity. The successful implementation of the project in the future will make it possible to increase the number of projects on green finance in Tajikistan and will provide an opportunity to introduce this practice in other countries.



### **Fair of energy saving technology**

The current fair of energy saving technology was held in Asht district. The fair was organized by partner of the project “Warm comfort” GERES, which is realized under the support of GIZ. The fair become a place of interest of players of innovative technologies from one side and from other side an interest of potential clients to buy favorable offer.

The side benefit of such events is to meet new people and share experiences which will promote to improve the knowledge in the field of agriculture and natural resources aimed at minimizing the negative impact to ecosystem.

MDO “Arvand” as one of active participant of the project acted as a financial intermediary creating impetus to the technology acquisition for potential customers such as installation of double layer windows, installation of exterior doors and trims, insulation of ceilings and floors, production of summer energy-efficient cooking stoves , production of winter stoves and others.

The "warm comfort" means granting the loan product that is mainly focused on insulation, including, among other things, energy-saving technologies. Target direction of the project is to ensure respect for nature, reducing the risks of climate change in the region, conservation forest, natural resource management, energy efficiency, economical use of limited financial resources of families.



### Signing a loan agreement between MDO “Finca” and IFC

On November 25th in FINCA Tajikistan Head Office was held an official press-conference in honor of signing agreement between FINCA Tajikistan and IFC. IFC, a member of the World Bank Group, provided a loan of US\$1.5 million to MDO “Finca”. IFC’s investment will help FINCA increase access to funding for microenterprises and small businesses in remote areas of Tajikistan, thus spurring growth, creating jobs, and reducing poverty.

Access to finance in Tajikistan remains one of the lowest in the world. Only 13% of the economically active population has borrowings from financial institutions. Limited availability of funding in turn constrains business opportunities of micro and small entrepreneurs and reduces the private sector-led growth in the country.

FINCA aims to bring more opportunities to disenfranchised communities throughout Tajikistan by offering them a range of high quality financial services. The cooperation with IFC will further enable FINCA in its effort to empower our customers and allow them to take charge of their lives. Increasing access to finance for microenterprises and promoting sustainable lending by microfinance is one of IFC’s priorities in Tajikistan. Through investment and advisory, IFC has been supporting microfinance to stimulate entrepreneurship and help low-income and poor households across Tajikistan increase their living standards. With microfinance loans accounting for 3.6% of the country’s GDP, the sector has a large room to grow and contribute to the country’s economic growth, job creation and poverty reduction.



### Transformation of MFO to Commercial bank

CJSC “Spitamens bank” started its activity as micro credit deposit organization in 2008. Organization provided financial services to legal entities and individuals based on license of National bank of Tajikistan in local and foreign currency. Organization was initiated in order to support small and medium business through provision of micro loans. For further development of organization was adopted strategy for 2012-2014, which was achieved by ambitious tasks and efficient management and close cooperation of staff.

Today organization is proud to declare its structural transformation from microcredit deposit organization to modern and perspective commercial bank. Bank provides wide range of qualified products and services to current and new clients, which will improve their financial conditions and livelihood.

By provided banking services and products for the last 5 years organization get trusted by the clients, which become a main strategic task for transformation in 2014. Through effective management of resource allocation was achieved qualified growth of loan portfolio from 2 mill. Somoni to 80 mill. Somoni. The income generating activity at the same time increased an initiative capital, which for the last 2 years based on prudential norms of NBT ranged organization at the same level as banks.

One of the main achievements of CJSC “Spitamens bank” for the last year was honored in Frankfurt by the reward “Golden crown of Europe” for the qualified service and impetuous growth.





### **Bank Eshkata won the award "The Most Active Bank in Foreign Exchange Transactions"**

At the end of November 2013, with support of National Bank and the company Thomson Reuters the Conference "Present and future of financial information" was held in Dushanbe. Bank Eshkata was represented by senior economist Akbar Mamajanov and leading economist Parviz Nosirov. Thomson Reuters managers summarized the 2013, reported present decisions and prospects for the development of technologies for currency trading, information analysis and decision-making. They made discussion on foreign exchange and money markets, solutions for analysis and practical aspects of the Treasury of the commercial bank; on trade relations and prospects of information solutions development. These topics are specific to Tajikistan since its active development in the field of banking technology. As it was marked in the course of ceremony, Bank Eshkata in 2013 increased the volume of transactions by 50% compared with 2012; therefore it was voted "The Most Active Bank in Foreign Exchange Transactions" in Tajikistan.



### **PUBLICATIONS**

\*The analysis of AMFOT members statistics data for 4<sup>th</sup> quarter of 2013 is available at:  
[http://www.amfot.tj/en/services/analysis/?bitrix\\_include\\_areas=Y&clear\\_cache=Y](http://www.amfot.tj/en/services/analysis/?bitrix_include_areas=Y&clear_cache=Y)