

# So What?

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Welcome to *So What?*, a periodic look at MEDA's long-term impact around the world. What really changed as a result of our development efforts? What got better for families and communities? This issue looks at MEDA's involvement with the growth of IMON, a microfinance institution in Tajikistan.

## Tajikistan:

# Banking on the MEDA factor

In Tajikistan's Fergana valley, thousands of acres of apricot trees were heavy with fruit ready to be picked. A visiting MEDA delegation of fruit farmers and processors admired the bounty.

But a processing plant down the road told a different story. The end product was blemished and mushy, hardly something you'd choose from

the grocery shelf. "These could not be sold in our market," a visiting farmer said. He looked sadly at the archaic canning line and added, "Nothing edible can come from this equipment."

Harsh, perhaps. But the candid assessment by people who knew the industry helped MEDA define its initial foray into Tajik horticulture. MEDA wanted to know what had happened

in the short distance from tree to jar. It wanted to help growers get traction in the new post-Soviet market.

Tajikistan is a small mountainous country bordering China, Afghanistan, Kyrgyzstan and Uzbekistan. For years it was the poorest of the former Soviet Union's republics. Independence in 1991 brought hope, but the national cupboard was bare. Civil war (which

Carl Hiebert photos



ended in 1997) and economic collapse made things worse, leaving the country reeling from instability and reducing most of its eight million people to poverty. Many lacked power, water, education and healthcare.

In the Soviet era, with no competition, the fruit “market” was secure. Farmers and processors simply met their quotas and sent all of their output to Moscow. There was no penalty for low quality; no incentive to improve.

Everything changed when the Soviet system broke apart and borders opened. Tajik farmers now needed to compete with better quality imports from elsewhere. If something wasn’t done, their market share would continue to shrink. But if they got up to international standards, they could compete with the imports and maybe even sell to the huge market in Eastern and Western Europe.

The visiting experts found problems at all levels — varieties and product selection; pruning, harvesting and culling techniques; storage and shipping; rusting processing equip-



**Some 3,000 Tajik farmers, like these melon growers, accessed IMON's lending product and recorded zero defaults.**

ment. Unreliable energy and lack of working capital meant most factories lay dormant for long periods.

MEDA responded in 2004 with a \$4.5 million project (supported by the Canadian government) to alleviate poverty by boosting fruit and vegetable production. This was a multi-pronged initiative that covered the whole value chain: extension services, affordable micro-irrigation, distribution and rural credit. It encouraged farmers to work together in associations to better represent

their needs in the new political and economic environment. Many farmers flocked to the new program, eager to improve their horticulture and utilize affordable loans to prune orchards or develop irrigation.

### **MEDA and IMON**

IMON, a brash new microfinance institution (MFI), was started by Sanavbar Sharipova and Gulbahor Makhkamo-va, two women who, like so many, lost their jobs after the fall of the Soviet Union. They first started a foundation,

the National Association of Business Women of Tajikistan (NABWT), to teach business skills to women. Over time a small loan fund was established to meet the growing demand for credit. The fund grew and eventually IMON was established.

MEDA connected with the association to handle the credit side of its Tajikistan program, then called Farms to Markets. “IMON wasn’t working in rural areas at the time,” says Kim Pityn, MEDA’s Chief Operations Officer. “No financial institutions paid

### **Recent IMON performance**

Net income:  
 2012 - \$3,172,471 U.S.  
 2013 - \$2,472,639 U.S.  
 2014 - \$2,343,284 U.S.

Asset growth:  
 2012 - 67%  
 2013 - 38%  
 2014 - 46%

Number of clients:  
 2012 - 58,186  
 2013 - 71,378  
 2014 - 93,874



any attention to farmers because they felt it was too risky. We introduced the whole agricultural portfolio.”

That pioneering role in financing agro-business would help the fledgling organization gain a firm foothold in the sector.

MEDA provided operational and strategic guidance to IMON to develop new products and to evolve into a commercial microcredit organization. MEDA brought the technical expertise and risk assessment tools to create an appropriate loan product that could be offered to small-scale farmers. Together, MEDA and IMON offered farmers longer repayment schedules keyed to the production calendar, a grace period, and affordable interest rates.

As a result, IMON made agriculture a key focus, offering a range of services including loans for cultivation, processing, storage and equipment.

While farmers benefitted enormously from MEDA’s initiative, the most lasting contribution was the continued growth and depth of IMON itself, which has become a vital partner to farmers, helping them finance and expand production, sell surplus and accumulate savings for reinvestment. MEDA walked alongside, continuing to offer

Carl Hiebert photo



**MEDA’s project helped producers raise the bar on apricot production.**

technical and strategic assistance to help the MFI expand its scope, such as becoming an approved deposit organization two years ago.

“We said we would stay until they became a fully regulated bank, which we expect to happen later this year,” says Pityn. “At that point we’ll start reducing our involvement.”

An ongoing connection has been governance. MEDA has maintained a seat on the IMON board of directors since 2004 and has a 10 percent ownership stake (\$2.8 million through the Sarona Risk Capital Fund). Pityn serves as the chair of IMON’s board.

“We were the first investors,” she says. “We put in money when no one else did. We took the risk.”

Over time, other investors got on board. Owners now comprise the IMON Foundation (established by Mercy Corps and NABWT); a Netherlands development bank; the European Bank for Reconstruction and Development; Triple Jump, a Dutch corporation; and Sharipova and Makhkamova.

Today, IMON offers loans for businesses, agricultural activity, consumers, start-ups, rural household development, machinery and home improvement. It profitably serves 90,000 clients (69% rural) through 25 branch offices and 110 sub-offices. It manages a loan portfolio of \$135 million with an at-risk rate of below one percent. With a commitment to reach the poorest of the economically active, 18 percent of clients receive loans of less than \$1,000. Women account for 35 percent of borrowers. IMON is the largest MFI in the coun-

## From poverty to PTA

Ranow Mirzoeva is a modern-day silk road trader. She used to import goods from Uzbekistan to sell to retailers in Tajikistan, and did quite well at it. With the help of an IMON loan she decided to do the actual driving herself, becoming one of the first female drivers in her district. She found many economies by doing so.

Depending on what is in season, she now trades in apples, apricots, mandarin oranges, bananas, and pears and also sells fertilizer wholesale. She obtained another IMON loan to legalize title to a small plot of land on which she grows apricots, which she can store in her large cellar and sell when the price is good.

With her rising income Ranow has become more recognized by her family and community. She is the chair of the local parent-teacher association and supports her parents as they build on to their house. She has become a powerful, busy woman who, thanks to IMON’s loans, has been able to gain control of her future. 🌱



**Driving and selling — whatever’s in season**

try, with 30 percent of the market share, and received a “best taxpayer of 2013” award.

### How did we do?

MEDA’s direct program involvement in Tajikistan lasted from 2004 to 2009. During this time some 3,000 Tajik farmers accessed IMON’s lending product with zero defaults. Vari-

ous evaluation tools analyzed the long-term impact of MEDA’s presence across a number of fronts, including the Farms to Markets project as well as the impact of a specially targeted agricultural loan product that IMON devised with MEDA’s help.\*



### Food security

The biggest change cited by respondents was the availability of food: there was more of it in the shops and they could buy meat more often as the agricultural loan product contributed to more disposable income. Surveys showed greater disposable in-

come, but were unclear whether the increase was due only to the project or to the growing stability and strength of the Tajik economy. Still, it was generally recognized that the loans enhanced food security among rural Tajik households.

### Income smoothing

The evidence showed that “income smoothing,” an important way to reduce vulnerability among poor households, improved. More than 80 percent of respondents said their income was less erratic now compared to 10 years earlier. This result was attributed to either migrant remittances or agricultural income as a result of the loan. Most farmers were not able to access and/or cultivate the land prior to receiving the loan. One farmer client said, “Things are better now, our income wasn’t consistent 10 years ago. It’s stable now and increasing slowly over the past five years. Now we have more freedom to plant what we want and can plant profitable crops, not just cotton as we were forced to before.”

The agricultural loan product was acknowledged as one financial tool, along with remittances, produce storage and livestock, that farmers relied on to reduce fluctuations in income and which helped them plan more effectively and find working capital when needed.

### Migrant remittances

“When I travel from Tajikistan to

\* One of these evaluations, titled *MEDA in Tajikistan*, was conducted by MEDA staffer Jillian Baker in 2013. It assessed the impact of MEDA’s work several years after the closure of the project.



Carl Hebert photo

### Financial benefits

All evaluations pointed to positive overall outcomes from the provision of microfinance loans. Incomes of MEDA clients rose by 188 percent over the life of the project, while farmers who didn’t utilize the rural loan product increased theirs by only 65 percent. Evaluators therefore concluded that farmers gained a 123 percent increase from the MEDA and IMON partnership. Moreover, average loan size has increased over the years.

## Laborer to land owner

In Soviet times, Hafiza Ahedova and her husband eked out a living on a collective cotton farm. While they worked hard with their neighbors they didn’t participate in the leadership or decision-making. When the Soviet Union collapsed, things got worse. Their salary dried up and they were compensated with apricots, for which there was no ready market. “It was like slave labor,” she says. “We had to work, yet we weren’t being paid in usable tender.”

In 2006, Hafiza heard about IMON’s agricultural loan product. She and some neighbor women applied as a group. Hafiza used her part of the loan to process the title of two acres of land from the collective’s assets.

The IMON manager had approved her loan even though she didn’t have clear title to the land. The timing was just right, as others would have bought the land if she hadn’t been able to. Now she owns and works her own land, and with additional loans has planted more trees so she has more apricots to sell. They have built on to their house, and now have seven rooms for their family.

“Owing to IMON my life has gotten better,” Hafiza says. “I paid for the processing of the land title and now I produce, trade and sell apricots. I gained experience on how to use credit, how to use the land and how to spend the credit on productive things.”

She played a role when the neighborhood banded together to erect power lines to their area, bringing electricity to her household and others. She has become a leader in the community and attributes her increased community profile to the IMON loan. 🌱

Moscow the flights are always full of Tajik men migrating for work,” says Pityn. “It is so difficult for the women and families who are left behind with very little sources of income. Many men do not return.”

Migrant remittances from family members working in Russia are an important economic reality in Tajikistan. As long as the Russian economy was strong, Tajiks who lacked well-paying jobs at home flocked to their political motherland to carve out a stake to send home. Between 2003 and 2009 such remittances increased more than 2,000 percent. Some 54 percent of households (higher than any other country in the world) report having a member working abroad and sending regular remittances. IMON clients’ lower dependence on remittances was credited to their newly diversified incomes.

### Women’s empowerment

Women reported that their status improved with their economic empowerment. Consistent with cultural tradition, most Tajik women need head-of-household permission to leave the house. But improvements did result for them. More women said they had taken over the financial affairs of the household. Men still made decisions related to income and production, but women played a larger role in post-harvest activities and animal husbandry. This was especially noticeable where the male of the household went to work abroad, with women being left with control of the land or business they had started as a result of gaining access to an agricultural loan. Many women became the *de facto* heads of their farming households, making many business decisions while the men were away.

### Quality of life

One woman who worked as a manager in a local government office said



***Diversifying incomes, such as by growing onions, reduced clients’ dependence on migrant remittances.***

her IMON loan enabled her to dry and trade apricots, which helped her family through the lean days of the early 2000s. Her face crumpled as she described the hard years of food shortages, like having to serve meat to her in-laws but having none for her own children. Now, things have improved dramatically. “Today life is good, we get our riches from apricots,” she said of the benefits of the stabilization of the Tajik economy and the agricultural loan product.

Respondents reported growth in family assets. All said they now could do things not possible before (such as host a wedding, buy a car, or renovate a house).

The situation has greatly improved as the country has continued to rebuild from the civil war. Most clients feel free to attend any place of worship, market or social outing. Generally, all farmers responded they were happy, safe and healthy in

their physical environment, a vast improvement from the instability of 10 years earlier. Geopolitical events, along with the impact of MEDA and IMON, have led to better quality of life.

Reliance upon the Russian economy remains worrisome, especially with growing Russian belligerence. IMON keeps trying to mitigate this by targeting vulnerable, rural clients, and by offering loans for young people at risk of migrating. However,

## Sweet challenge

Ismoil Isokov and his wife and two sons live in the center of Istaravshan in North Tajikistan, a lively trading center. It’s a region blessed with great natural conditions for agriculture.

Ismoil and his brother needed help to boost their production. They had received a total of five hectares of land during the land reform in 1997, but like many other new farmers, he needed to catch up on farming techniques and technology, as well as affordable credit. MEDA’s Farms to Markets project was just what he needed to stir the embers of natural talent and hard work. The project’s advisors brought him up to speed on innovative techniques and marketing opportunities. A loan from IMON helped him purchase fuel and agro-chemicals. As a result, he was able to improve his tomato quality and yields to where he could land a sales contract with the local processing company. He also processes his grapes into raisins and now averages 14 tons a year for which he finds a ready market. He now can comfortably sustain the nine members of his and his brother’s families.

An avid beekeeper, he applied for a second loan to upgrade his honey production and marketing. He produces natural mountain honey but was having difficulty with commercial distribution. MEDA’s project helped him solve his packaging and marketing problems. Together with his neighbors he invested in extraction equipment and now produces five tons of honey per year. 🌿

the financial benefits realized abroad might prove to be so lucrative it might be impossible to stem the tide of migrant labor.

## Conclusion

Nodira Avezova, a farmer, is on her fifth loan from IMON, this one for \$3,000. In a remote rural area near the border of Kyrgyzstan, she is making a huge difference in the lives of women.

Nodira and a friend participated in training from IMON and eventually moved into higher-yield crops. They developed a model where groups of five to six women worked together and rented small fields from local landowners. Over the next decade their model grew and they now farm many hectares of vegetables and involve 153 women in meaningful employment.

Enormous strides have been made among the rural poor in Tajikistan, many of them clearly attributable to MEDA and IMON. Sanavbar Sharipova says MEDA's role in embedding "best practices" in training and providing access to financial

Carl Hiebert photo



**Farmers were amazed at how affordable their own simple greenhouse could be.**

resources was critical to developing Tajikistan's agricultural sector and bringing it to where it is today.

IMON's loan product helped farmers to access land titles during the unstable, post-Soviet, post-civil war days. It has contributed to lasting, positive benefits such as increased income and income smoothing, especially for women.

Sharipova speaks highly of her association with MEDA. She says IMON continues to provide educa-

tional services for farmers, ranging from gardening and vegetable storage to watering and cutting trees. "In 2014 more than 2,000 farmers took advantage of this training and advice, and this trend is increasing from year to year," she says.

Not all of the positive changes can be traced solely to MEDA. Migration and economic stability have improved household income and the lives of Tajik farmers. There is reduced vulnerability in food security and better quality of life, but it is not possible to definitively credit this all to MEDA.

Impact was perhaps swept up in the greater tide of geopolitical progress, but individual impact cannot be ignored, especially when greater gains were demonstrated by IMON and MEDA clients.

MEDA feels confident its intervention was the right thing, at the right time, in the right place. 🌱

## Growing opportunities

Bizoro Razakova lives with her husband, two sons and their families in a very traditional region. A former biology and geography teacher, she has become an avid farmer and advisor to others.

When she got involved with Farms to Markets, the MEDA agronomist encouraged her to build a seedling greenhouse rather than just grow a few tomato plants for herself. She was surprised at how easy it was. The cost of plastic sheeting wasn't all that much, and some of the materials (like stone and mud) were free. She easily recovered her costs and made a profit the first year. She began selling the seedlings as well as supplying the poorest of her neighbors free of charge. Then she began testing solar drying for food preservation of fruits, vegetables, wild medicinal plants and herbs.

She now grows things that haven't been tried before, like hazelnuts which she brought from the republic of Georgia. She practices intercropping and crop rotation, collects insects by hand before they can damage plants, and meets regularly with neighbor women to share her knowledge of gardening, food preservation and nutrition. She has bolstered her income significantly and has become a model for other farmers. 🌱

### Feedback invited

Readers are invited to comment on this report. What has surprised you about the scope and impact of MEDA's work in Tajikistan? What else would you like to know? What do you think we should have done there, or could still do? Send comments to the editor: [wkroeker@meda.org](mailto:wkroeker@meda.org)