



# Kyrgyzstan

## Barriers to Credit and Growth

Although Kyrgyzstan is one of the most progressive former Soviet states in terms of market reforms, credit remains unavailable to the majority of the small-scale farmers who are so vital to the country's largely agricultural economy. Though access to loan capital is critical for agricultural growth and modernization, Kyrgyzstan's lending institutions have historically been poorly run and unwilling to lend to this cohort. Over the past 15 years, ACDI/VOCA has fostered sustainable development in Kyrgyzstan by establishing a modern, stable microcredit system and reducing social and business information barriers that limit enterprise growth.

## Microfinance Support for Agricultural Activities

Since ACDI/VOCA entered Kyrgyzstan, we have targeted the fragmented agricultural sector with microfinance programs that provide farmers with financial resources. ACDI/VOCA started in 1997 with a three-year food monetization program, **Osh Food for Progress**. Using a competitive auction process, ACDI/VOCA sold hard red winter wheat to liberalize the flour market in southern Kyrgyzstan and to stimulate the development of private sector wholesalers. Proceeds from



the commodity sales helped fund sources of agricultural credit groups: the Osh Farm Credit Association, the Chui Farm Credit Association and the Agro Credit Jalal-Abad Association—all ACDI/VOCA-sponsored enterprises. The Osh program also expanded free enterprise through agricultural and agribusiness grants.

One of ACDI/VOCA's most significant programs was the **Cooperative Development Program (CDP)** (1997-2006), which helped establish the **Bai Tushum Financial Foundation** in September 2000. We led the consolidation of three independent credit programs in Chui, Osh and Jalalabad with the support of USAID, USDA and CARITAS, a Swiss relief agency. After CDP ended in 2006, ACDI/VOCA continued to provide technical assistance to the foundation, headquartered in

Bishkek. Today Bai Tushum is an award-winning, licensed microfinance institution and the seventh largest bank in Kyrgyzstan. In its 12 years, it has granted \$250 million in loans to more than 134,000 Kyrgyz citizens.

From 2002-2009, the **USAID Central Asian Microfinance Alliance (CAMFA)**

strengthened the microfinance industry in Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan. Over its duration, ACDI/VOCA established four microfinance associations that through their members reached over 1,480,000 clients and dispersed over \$1.57 billion. Kyrgyzstan's Association of Microfinance Institutions, founded in 2005 under CAMFA, is a recognized leader in promoting rural finance; 50 percent of its members' microloans go towards agricultural activities.

As part of CAMFA, ACDI/VOCA founded Frontiers, LLC, a regional wholesale financial institution, and helped develop its lending and technical assistance to rural MFIs.

ACDI/VOCA also monitored Frontiers' assets and continued to provide strategic leadership on its board of directors. Frontiers disbursed over \$21.5 million to 60 MFIs, including \$18.6 million to rural clients. Overall, CAMFA helped diversify financial services and innovate techniques in lending to agricultural and rural communities.

**Community Development and Citizen Participation**

ACDI/VOCA has also worked to boost social cohesion. In 2002 ACDI/VOCA began the USAID-funded **Community Action**

**Investment Program (CAIP)**, which ran through 2005 in Kazakhstan and Kyrgyzstan. It promoted broad-based citizen dialogue and participation in communities where the majority of citizens are poor and the preconditions for violent conflict are present. The CAIP-targeted communities generally had ethnic, political or economic issues that could foster unstable conditions.

CAIP built the foundation for sustainable community planning and developed effective community action models. ACDI/VOCA strived to strengthen relationships between community members, government, NGOs and media representatives, and to identify, prioritize and achieve their social and economic needs through participatory community projects. In three years, CAIP helped 51 communities implement 165 projects, generating over \$1.6 million in contributions.

Under the **USAID Central Asia Enterprise Development Project** (2002-2006), as a subcontractor to Pragma Corp., ACDI/VOCA improved market systems, business practices, product quality and the regulatory and trade environment for Fergana Valley agribusinesses.

**Targeting Gender Gaps through Entrepreneurship**

In 2012, ACDI/VOCA, in collaboration with Bai Tushum, was awarded a **USAID Women's Leadership in Small and Medium Enterprises (WLSME)** grant. The three-year program promotes the growth of women-owned small and medium enterprises (SMEs).

It targets potential high-growth female entrepreneurs in agroprocessing, tourism and clothing.

The program works to reduce barriers to human and social capital and business information that limit enterprise growth. ACDI/VOCA builds management capacity and provides targeted training and technical assistance to women who can start up and grow SMEs. Women entrepreneurs will not only be better able to grow their businesses but also increase their demand for, and access to, appropriate financial services.

Programs like WLSME, where for the first time ACDI/VOCA partners with a local organization that it helped establish, provide clues for our future role in Kyrgyzstan. We will continue to expand access to financial resources among rural and agricultural communities. At the same time, we will help build technical capacities of individuals who otherwise would find it difficult to overcome entrenched social and financial barriers.

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