

**PRO-POOR AGRICULTURAL
DEVELOPMENT IN
NORTHERN TAJIKISTAN**

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MEDA's CIDA-funded Pro-Poor Agricultural Development Program ended its second year at the end of March 2006. Over the past year and particularly in the last six month period, strong progress has been made by the Program to achieve positive impact for Program clients.

1.0 SUMMARY OF PROJECT ACTIVITIES

1.1 Agricultural Component

The agricultural component is proceeding well with over 800 registered extension clients and nearly 500 farmers participating in training activities. These milestones substantially exceed the cumulative Year 2 targets set by the Program. To further extend Program reach, plans have been drawn up to add Village-level Advisors, a number of these to be women, to work under the direction of and be supported by the extension officers. Section 2 of this report discusses this further.

The extension focus has been on demand-driven services to ensure that trainings offered match clients' requirements including modules on disease identification, taxation, land rights, soil fertility, pruning, and pest control. A larger number of farmers have also been served by AgEOs through individual farm visits to assess farmers' problems and monitor their application of new techniques. Topics covered through these sessions include crop rotation, intercropping, and agrichemical use. The Program continues to support group development as farmers come forward seeking assistance in organization.

1.2 Rural Credit Component

The rural credit component continues to turn in a strong performance: nearly all targets for the year have been exceeded. Over 4,500 loans have been disbursed since the inception of the Program. There were 1,487 active loan clients and a total portfolio value of over C\$550,000 at the end of March. Women are aggressively included in loan promotion and make up 30% of the Program's active clients. Portfolio quality, as measured by Portfolio at Risk over 30 days, (PAR>30) has been maintained at close to 0% since lending began, well below the general standard target of 3 - 5% for the micro-finance industry. Two loan products currently offered are "PURFAIZ," group loans with an initial loan size of 900 somoni (CDN 400) and "INKISHOF," individual loans ranging from CDN675 to CDN 5,400. The majority of loans disbursed have been under "Purfaiz," the group loan category.

As previously reported, the Tajik government recently changed the law governing microfinance institutions. As a result, ABW, our rural credit partner, developed International Micro-Loan Fund (IMON), a micro-finance foundation, in partnership with Mercy Corps, as an interim step towards eventually being established as a full commercial microfinance bank, this still being several years away. IMON has now assumed the financial services obligations of ABW and, as such, is now responsible for disbursement of the rural credit funds from CIDA under the Farms to Market Program. Mercy Corps, EBRD, Frontiers and Blue Orchard also have loans invested in the new entity.

1.3 SME Program Component

Substantial progress has been made in the SME Component over the past six months. Agreements have been secured with two partners for the management of the SME loan fund: the Association of Entrepreneurs of Sugd Oblast (AESO) and Sohikorbank (the Bank). An

initial C\$200,000 transfer of loan fund capital to the Bank occurred in March. MEDA expects that this fund will be quickly deployed in response to strong demand for capital in the sector as the Bank is just about the only financial institution offering reasonably priced loans to agribusiness SMEs.

A portion of the interest revenues generated by the SME loan fund will accrue to AESO both as compensation for its' fund marketing role and to fund advisory and other business services (e.g.: business law, marketing, and business planning) that AESO will shortly begin offering to the Program's target SMEs in the fruit and vegetable sector under a second agreement with MEDA. This arrangement enables MEDA to make a significant contribution to building the capacity of the main business membership organization in Sugd.

Technical assistance for SME firms is also being provided by MEDA's partners in the region. Program staff has been diligent in surveying existing training opportunities in marketing and business management for processors and large producers to avoid duplication of efforts. A strong collaborative relationship has been developed with other organizations active in Sugd with MEDA's SME clients participating in training sessions organized by Pragma, EU TACIS, WinRock and IFDC on topics such as Accounting, Tax and Law Issues, Financing, Financial Management, Marketing, and International Standards.

2.0 KEY ACCOMPLISHMENTS

1. Agricultural Component

- 100 farmers groups have been created for extension services based on common characteristics. Credit groups have been formed, and additional groups are coming forward for both extension and credit support.
- Amongst over 800 registered with the Program, nearly 500 farmers, 44% of these women, have now received training on such topics as soil fertility, chemical use, crop rotation, intercropping, and pruning.
- Four demonstration plots on irrigation and greenhouse cultivation are operational. These facilities are proving an effective training resource displaying crop and income potential for farmers. In light of this, the Program plans to double the number of demonstration plots originally planned.

2. Rural Credit Component

- Up to the end of March, 4,500 loans had been disbursed (cumulative, Program to date); there were nearly 1,500 active clients; and, the total outstanding portfolio value under management was C\$550,000.
- IMON has received ongoing support and TA for its rural lending portfolio. Four loan products have been designed and two have been launched. Assistance was also provided to MFI during transition to microfinance loan fund; this support is ongoing through MEDA presence on the organization's board and will contribute to further institutional strengthening.
- IMON has had a stellar year substantially exceeding its' lending targets and meeting or exceeding its' SEEP sustainability ratio targets for the year.

3. SME Component

- Deposit agreement with partners for SME loan fund signed and initial fund transfer already complete.
- Initial investigation into new market opportunities has resulted in the selection of target markets for expanded sales of processed goods.
- On the strength of the contractual commitment, the Bank made its' first two loans, each valued at approximately C\$30,000, to eligible agribusiness SMEs prior to transfer by MEDA, in March, of the first C\$200,000 of the loan funds to the Bank. As a result of collaboration with MEDA, the Bank now appreciates that lending to the agribusiness sector can be profitable and undertaken at an acceptable level of risk.

3.0 LESSONS LEARNED

Transition Economy Issues

The evolution of the country from a managed to market economy has presented challenges for the project staff; innovative strategies have helped ensure that these do not impede impact.

Lack of extension service: One of the main difficulties faced by the Program continues to be lack of a formal extension service in Tajikistan which has delayed outreach to a larger number of farmers. The idea of an extension service is a new one in Tajikistan. While the country has a strong agricultural university, its graduates are only taught agronomy; they do not receive any training on extension delivery to other farmers. Compounding the situation is that under the Soviet system farmers were given special tasks. They therefore became specialists focused on one area. As a result, extension workers were experts in horticulture cultivation and post-harvest handling; yet they had neither the training nor marketing skills to support smallholder farmers as they explored new markets. Different strategies to help build the capacity of our extension officers included exposure trips to successful extension systems in neighbouring countries, participation in trade shows and conferences, and, more importantly, ongoing training by an expert agricultural training organization in Azerbaijan. The latter, conducted by Agro Information Center (AIM) has included training of trainer sessions to allow extension workers to train lead farmers and other community members who can ensure sustainability of production information dissemination.

With an eye to sustainability of the extension system, MEDA has revised the strategy whereby the AgEOs will train, support and advise Village-level Agricultural Advisors (VAs). VAs are active farmers and/or agricultural specialists who have proven that they have excellent knowledge and demonstrate superior results in their own farming activities. These farmers will represent a diverse group of villages in the four Program regions, thereby ensuring that a greater number of farmers have access to the extension service. Consultants and AgEOs will identify VA candidates who will be invited to take part in initial training sessions. A short term financial incentives package is being developed to compensate VAs for the role they will play. After the initial six month training, a select group of VAs will be chosen to undergo a second phase of training. To support the VAs, the AgEOs will develop information centers which will provide research and information assistance for the extension service. The long term goal is to lay the foundations for an extension service that, over time, may be independently self-sustaining.¹

Lack of entrepreneurship and business knowledge: The long history of a managed economy has also meant that target clients do not have the necessary business or entrepreneurial skills to cope with the new market system. Farmers and processors grew accustomed to regular subsidies and ready markets during Soviet times. Firms did not need to develop business plans or think long-term in order to secure steady income. Due to this history, great efforts have been devoted to fostering attitudinal change and promoting the benefits of thinking entrepreneurially. One of the key project activities has therefore been developing the capacity of local staff and clients on general issues such as decision-making, entrepreneurship, and understanding of efficiencies in business. However, another important measure has been the use of demonstration efforts to promote this change amongst clients. Model farmers and demonstration plots have highlighted to others the benefits of trying new ideas. The great success achieved by clients in Istaravshan, with a very entrepreneurial culture, has led clients in

¹ Modeled on similar services now well established in Azerbaijan and Kazakhstan.

other regions to start thinking more strategically and innovatively to test new ideas that build their income.

Land Reform:

In the shift from a managed to market economy, much of the former collective farm land was privatised. There are now three land categories in Sogd:

1. Private Independent Farms
2. Family Dekhan Farms
3. Kolhoze Dekhan Farms.

The last category is essentially renamed collective farms. While an individual farmer may hold a land title, the plot that they tend changes from year to year. Therefore, there is no incentive for these farmers to invest in technologies, such as irrigation pumps or seeds with a longer cultivation period as they do not know whether they will work the same plot next year. Without the ability to invest in their land, it is difficult to improve their productivity and they have no inducement to participate in a market development project. While working on land reform is beyond the scope of this project, MEDA continues to network and share information with NGOs working on this issue, which help avoid duplication of efforts while at the same time increases the level of services for farmers. It is expected that as farmers see the benefits of participation and group activity, the number of clients will increase despite barriers due to privatization. Improvements have been made; anecdotal evidence demonstrates that land reform in Kanibadam has improved, in part as result of the positive impact from privatization in Istaravshan.

Integrating Gender

Women in Tajikistan enjoy relatively greater access to economic participation than their counterparts in other Muslim countries in the region. They take on active role in income generating activities for their households, including a substantial share of the agricultural work. Originally, it was envisioned that women could be “mainstreamed” into project activities. By working with lead women in the communities and by conducting a number of gender trainings, our project would be able to ensure women’s participation in the project and a substantial number of the nearly 500 farmers who’ve participated in training sessions have been women. This is itself a noteworthy achievement given the very conservative gender roles and traditions prevailing in communities served by the Program. However, these training sessions have not been specialised based on women’s specific roles in agriculture.

While women are currently invited to general extension training activities, they also require specialised extension activities based on their specific agricultural roles. This has therefore led the Program to realise a more “targeted” approach is required to incorporate gender. At the end of the year, an analysis of the situation for female farmers was conducted. Part of the research included identification of migration levels to identify when women carry the burden of the agricultural work and their specific needs during these seasons. The results of this assessment will help in the revision of the gender strategy and the further advancement of women’s access to Program benefits. Additional separate extension seminars will need to be developed for women based on the division of labour. The ongoing work at fostering female group development will facilitate specialised TA delivery. The Program also plans to implement specialised activities for women-owned micro-processing enterprises, including access to finance, appropriate technologies, and new techniques.

Given the Muslim culture in Sogd, it is difficult for AgEOs to visit female farmers on an individual basis; most extension officers are male and female farmers hesitate to meet with them unless in the presence of another female or a male relative. The high level of male migration in Tajikistan

means that there are a substantial number of female-headed households. In other households, it is mostly the men who control the land, making it difficult to integrate female farmers into extension activities. One effective solution has been to foster the development of existing women's groups, which will help with the delivery of specialised extension training. However to ensure greater breath and sustainability of benefits for women, the Program is ensuring that a substantial number of qualified women will be included as Village-level Advisors (as outlined above).

Qualitatively, we have seen improvements in the lives for women. Anecdotal evidence shows us that even in conservative Isfara the situation for women has improved. The community trusts MEDA and respects the organization in its efforts to rebuild the sector.

Institutional Strengthening

Unanticipated institutional strengthening results are stemming from this project. First, technical assistance provided by MEDA as part of its' micro-agricultural credit loan fund management subcontract with ABW is enabling ABW to become an influential partner, through IMON, in the emergence (underway) of a new, women-focused, national micro-finance bank. Although achievement of this remains several years away, IMON is clearly on track to becoming a major player in the national agricultural micro financial services market in Tajikistan. On a smaller scale, the project's agreement with AESO and Sohibkorkbank to provide small enterprise loan funds to the agro-processing sector has prompted Sohibkorkbank to take a close look at the commercial attractiveness of this sector. As a result, the Bank has begun committing additional financial resources to lending in this area (eg: to clients that do not satisfy the criteria of the Project loan fund under the Bank's management but who are otherwise creditworthy). In a similar vein, the Project's cooperation with AESO – now as AESO's sole supporter – promises is providing AESO with its' first real capacity to provide services to its' members in the agro-processing sector.

The wider institutional strengthening benefits accruing to ABW (e.g.: through it's participation in IMON), IMON, and AESO are significant outcomes of the Program, outcomes not anticipated at the Program design stage. These outcomes highlight the importance of working with local partners in value chain and market development programs to ensure sustainability of benefits for target clients.

APPENDICES

Appendix 1 List of Abbreviations

ABW	Association of Business Women in Tajikistan
AESO	Association of Entrepreneurs Sugd Oblast
AgEOs	Agriculture Extension Officers
AIM	Agro-Information Centre (Azerbaijan)
EO	Environment Officer
IMON	International Microfinance Loan Fund (formerly NABWT)
NABWT	National Association of Business Women in Tajikistan
SEEP	Small Enterprise Education and Promotion Network
SME LF	SME Loan Fund (managed by Sohibkorbank)
VA	Village Agriculture Advisors

Appendix 2 Farms to Markets Success Stories

Promoting Compost Production in Khujand

Along with many meetings held by MEDA with the Governmental structures there was one organized with the mayor of Khujand city Mr. Olim Djalolov, with the aim of further cooperation and support of project activities in Sughd oblast. He was informed of the status of project progress. In his turn Mr.Djalolov states on the main two existing problems:

1. Garbage processing at the disposal tip outside of the city
2. Rehabilitation of City Botanical garden

MEDA representatives, Beate Schoreit- Field Project Manager and Agro Specialist Akbar Muhamedov visited the places and got acquainted with the problems at the place. The location of the disposal pit is outside of the city and occupies the territory of 4 hectares, 0, 5 hectares of which are under compost compiled from organic material, the volume of which is approximately 40 tons.

Motor depot Master on Sanitary purification of the city Mahmudjon Yunusov was at a loss with the solution of compost usage question.

Important recommendations were made by MEDA without delay:

1. Identify prime cost of finished compost.
2. Make compositional analysis of compost
 - a) Nitrogen
 - b) Active phosphorus
 - c) potassium
 - d) humus
3. make packaging and create appropriate commodity form
4. Prepare label with the
 - a) Address of producer – supplier
 - b) Amount of compost in a sack (kg)
 - c) reconnaissance price



Upon completion of analysis Agro specialist made a calculation of compost usage for a unit of territory according to the crop.



On February 19 2006, a trade fair of green plantations called ‘Tree Day’ was organized by the governing body of the city. ‘Tree day’ is conducted every year. It is a market where farmers bring their tree seedlings, seeds and other agriculture inputs to Khujand and sell and purchase their goods. This day was a great opportunity for Mahmudjon Yunusov to follow the advice of the MEDA agronomist and to launch his new product, the

compost. He packed and labeled the product, hired a truck and prepared written information (see pictures). His action turned out to be a great success and by the end of the day the whole truckload of compost was sold.

By distributing the contact address on the labels and by organizing additional advertisement, new clients can be found and provide income to the composting sector of the garbage disposal of Khujand city.

The Sweet Challenge

Ismoil Isokov is living with his 2 sons and wife in the center of Istaravshan in North Tajikistan. The main connection from Khujand to the capital Dushanbe leads through the region. As a result Istaravshan is known for its active trading and has the largest market of North Tajikistan. Best conditions for producing and trading agricultural products.

Ismoil together with his brother has received 5 ha of land during the land reform in 1997. Like many other new farmers, he needed to catch up on farming techniques and technology, and he needed external finance to start a successful farming business. Since the start of MEDA's 'Farms to Markets' project Ismoil has been a client of two components. The agricultural advisors have been visiting him and advised him in innovative farming techniques and marketing opportunities. In the last season he has received a credit from our local partner organization 'IMON', which he used for fuels and agrochemicals. As a result he was able to improve his tomato and grape yields and quality and conclude a sales contract for tomatoes with the local processing company the 'Technological Center'. He processes his grapes into raisins and by now has an annual average of 14 t of raisins, which he sells without any problems on the local market or in Khujand.



Ismoil with his wife and oldest son and samples of his products

Ismoil states that grapes are the most profitable of his crops and all his agricultural activities can by now comfortably sustain the 9 members of his and his brother's families.

Nevertheless, he thrives for more. He has applied for a second credit for the current season to revive his honey production and marketing. He has been involved in bee-keeping since he was a child, and this natural candy has always been a source of joy for him. He mainly keeps his bees in the beautiful foothill regions of Shakhristan to produce natural mountain honey of exclusive quality. But due to packaging problems he is not able to find a suitable market for his exquisite product. Now he has joined a local

association of bee-keepers and hopes that they will assist him with the realization of his annual 5 tons honey production. Together with his neighbors he has invested into equipment for honey extraction and he wants to use a part of this year's credit to purchase sugar to sustain his 150 bee-hives in off- season times. The MEDA project will help to solve the packaging and marketing problems and Ismoil is already looking forward to



Bee hives in the idyllic foothills of Shakhristan

Sweet Times!

The Model Garden

It is a warm spring day, 18 April 2006. Together with the MEDA representative in Isfara, Habibullo Abdulloev, we visit Bisoro Razakova. Bisoro lives with her husband, two sons and their families in the very traditional county Chorku. Bisoro is a graduate from the university in Dushanbe and has worked for thirty years as a biology and geography teacher in Chorku. In the last few years she held the position of chairwoman of Chorku, before she went into early retirement at the young age of 54. And she enjoys it. Now she can fully concentrate on her 'hobby' and main income, gardening and food preservation.

We walk through Bisoro's garden, and the first object which she proudly presents is a new seedling greenhouse, still half planted with tomato seedlings. The empty part had also been used to grow tomato seedlings. Bisoro and her husband have sold them on the local market for 200 Somoni – app. 70 dollars. Bisoro had already experience with growing early seedlings under plastic, before Habibullo and Akbar, the MEDA chief agronomist, visited her at the beginning of March, to propose her to support the installation of a 'real' greenhouse. Until that time Bisoro had only prepared seedlings for her own garden. This is the first time that she has been able to sell seedlings and to supply the poorest of her neighbours free of charge. The plastic sheeting can be re-used one more season, and the planned improvements on the greenhouse only require materials which are freely available, such as stones and mud. Bisoro has been surprised herself how easy she could recover the costs and make a profit already in the first year. With pleasure she agrees to test some improved solar drying methods and equipment, as food preservation by drying is another of her specialties. She does not only dry fruits and vegetables, but also cultivated and wild medicinal plants and herbs.



Bisoro and her husband in the new greenhouse



Bisoro has found the chives in the mountains

After our exciting discussion I am not surprised to find a variety of vegetables in Bisoro's garden, which I have not seen in Tajikistan before. Unbelievable – Bisoro has hazelnuts, which she has brought from Georgia many years ago. She practices intercropping and crop rotation, collects the first colorado beetles by hand, before they can severely damage the plants, helps her neighbors with her knowledge, and conducts regular meetings with the neighbor women. She advises them on gardening, food preservation, nutrition and other household issues. Soon she will be able to add growing in greenhouses and advanced solar drying methods to her subjects.

Bisoro is the 'proto-type' of a Village Advisor and the MEDA team is looking forward to work closely with her. She agrees to participate in the MEDA Village Advisors training program. After the training she will be able to organize professional seminars and discussions and to receive additional income from her

high quality consultant services. I know already that she will continue to help the neighbour women free of charge, but she is also entrepreneur enough, that she will be able to decide who to charge for her services.

The greenhouse calculation is simple:

- Wood frame	100 Somoni
- Plastic	60 Somoni
- Labor	240 Somoni
Total expenses:	400 Somoni
- MEDA contribution	125 Somoni
- Sales	200 Somoni
- Projected sales	100 Somoni
Total income:	425 Somoni
Profit in the first year:	25 Somoni