



SUCCESS STORY

AgroKredit Plus Brings Change

USAID Improves Access to Micro Loans



[Credit application]

AgroKredit Plus extended over 500 loans for over \$54,000 during 2005, with an average loan size of \$115 at 18 percent interest. The group-lending mechanism used by AgroKredit Plus allows farmers to receive a loan without pledging collateral, which many lack. This model has worked well in the first year, with a repayment rate of 100% and AgroKredit Plus covering its costs. This model will be expanded during 2006.

AgFin+ is a three-year initiative designed by USAID to increase rural incomes by developing profitable agricultural product value chains in Tajikistan, Uzbekistan and Kyrgyzstan.

During an initial assessment of the tomato value chain in southern Kyrgyzstan, the USAID-funded AgFin+ Project discovered a number of constraints keeping farmers and agribusinesses from increasing their profits. A lack of available production credit to farmers, limited knowledge of tomato production techniques, and the poor quality of production inputs such as seeds and fertilizer, all contributed to the low profitability of farmers.

Tomato farmers in southern Kyrgyzstan do not have access to loans for various reasons, including the small size of the loans they are requesting and a lack of collateral. When farmers do receive loans, they have difficulties with repayment because of low yields resulting from their poor knowledge of agriculture and lack of access to quality inputs at the proper time in the production cycle. These constraints make it difficult for small farmers to diversify and expand their production.

To combat this problem, AgFin+ helped create a new micro credit agency - "AgroKredit Plus" - to provide loans to small farmers. AgroKredit Plus works with local extension services and input suppliers to ensure that farmers receiving loans have proper training and access to quality inputs - two things that farmers were missing in the past. Working with input suppliers allows farmers the freedom to buy quality inputs at competitive prices. Inputs are purchased through members of the Agribusiness Association of Kyrgyzstan (AAK) - another USAID supported initiative - which guarantees the quality of the seed and fertilizer it sells to farmers.

The field monitoring and training provided by the Training and Extension Service (TES), and the guarantee of timely access to high quality inputs through AAK, gives AgroKredit Plus additional assurance that farmers will be able to repay their loans. AgroKredit Plus will expand its loan portfolio during 2006, reaching new farmers and possibly reaching into new value chains.