



## PARTNERING TO ACCELERATE ENTREPRENEURSHIP

### AGA KHAN FOUNDATION: TAJIKISTAN - ACCELERATE PROSPERITY

Photo Credit: Accelerate Prosperity

USAID	PARTNER	TIMEFRAME	LEVERAGED IN PRIVATE CAPITAL	GEOGRAPHY
\$400,000	\$2.4 M (E)	3 Years (2018-2021)	\$1.6 M	Tajikistan

Entrepreneurs play a critical role in driving economic growth, creating jobs, and innovating to improve people’s lives through market-based solutions. Through the **Partnering to Accelerate Entrepreneurship (PACE) Initiative**, USAID catalyzes private sector investment into early-stage enterprises by identifying and testing innovative models or approaches that help entrepreneurs bridge the pioneer gap and scale.

### THE CHALLENGE

Globally, there is a clear correlation between the relative size of lending in a country to that country’s small and growing businesses (SGB) sector. High-income countries like the Netherlands and Portugal have a lending-to-GDP ratio of more than 50 percent. The majority of jobs are actually provided by SGBs in many of these economies. In Tajikistan, however, SGB lending represents less than one percent of Gross Domestic Product (GDP). This discrepancy limits the contributions of SGBs in advancing the country’s economic growth.

Supporting SGB growth in Tajikistan is central to accelerating both economic progress and sustainable development. However, most SGBs see few opportunities for growth. The regulatory constraints for financial institutions in Tajikistan make it impossible to provide the flexible financing SGBs need to grow. The loan terms are typically three years—too short for many SGBs; the collateral requirements are too high—often as much as 100-120 percent; and repayment terms are inflexible. This means SGBs are often mired in a low-growth trap limited by poor access to long-term investment capital or mentoring.

### THE PARTNERSHIP

USAID (ASIA/SCAA) and the Aga Khan Foundation have partnered to advance the Central Asia–Accelerate Prosperity (CA–AP) initiative, a collaboration between Aga Khan Foundation (AKF), Accelerate Prosperity, Artha Network Inc, The Miller Center for Social Entrepreneurship, Micro Loan Organization (MLO) Rushdi Kuhiston, and the Aga Khan Fund for Economic Development Industrial Promotion Services.

Leveraging AKF's extensive experience in Tajikistan, CA-AP delivers innovative local solutions to expand financing and facilitate mentorships, supporting USAID's priority to create smart partnerships. CA-AP expects to generate over \$2 million in capital and technical assistance for SGBs in Tajikistan.

Through this work, CA-AP is testing three new innovative gender-sensitive financial products, investment resources, and tools:

1. **Variable Payment Obligation (VPO)** – A VPO provides means for traditional financial institutions to lend to SGBs based on their cash flow, instead of their collateral.

2. **Royalty Debt Offerings** – A patient debt with royalty model applies a relatively low interest rate and a royalty (at an average one percent of revenue), which is triggered by an SGB's profitability and cash flow milestones.

3. **Revolving Line of Credit** – Highly flexible with up to 48-month repayment schedules and grace periods of up to nine months, this product allows SGBs to repay as cash flows increase over time.



## EXPECTED RESULTS

The CA-AP initiative expects to support 50 SGBs and enable more than 20 of the most promising enterprises to secure investments, link to additional co-financing and follow-on financing, and gain access to mentorship support. At least two-thirds of SGBs will be women-owned and/or follow a business model that benefits women as employees, suppliers, or clients—i.e., offering market linkages and base-of-pyramid services to women and girls. Additionally, new, innovative financial products will be tested under CA-AP. Investment resources and tools developed under this project will be publicly available to inform and crowd-in new players into the country's emerging SGB ecosystem. These results will support Tajikistan on its Journey to Self-Reliance.

By the end of 2019, CA-AP committed \$79,900 to eight SGBs. The outstanding portfolio for these firms is nearly \$74,000. Four firms are start-ups: a dental child clinic, a chocolate "marmalade" production, ice-cream production, and tetra pack milk production. Of the five firms, 62 percent are women-owned and 87 percent of the businesses' employees are women.

## FOR MORE INFORMATION

To learn more about the PACE Initiative, visit [usaid.gov/pace](https://www.usaid.gov/pace) or contact: [pace@usaid.gov](mailto:pace@usaid.gov).

## About the United States Agency for International Development

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