Case Study: From a Revolving Fund to a Sustainable Microcredit Agency

How Kyrgyz Association of Forest and Land Users (KAFLU) Built “Asyl Jer-Tokoy” to Provide Permanent, Low-Cost Capital for Family Farmers in Kyrgyzstan

Executive Summary

Rural family farmers, women entrepreneurs, and young smallholders across Kyrgyzstan face a recurring barrier: lack of affordable capital. Commercial microfinance rates often exceed 20–30% annually, while traditional banks require steep collateral that smallholders cannot provide.

To break this cycle, the Kyrgyz Association of Forest and Land Users (KAFLU) transformed a donor-funded revolving fund under the DMSOP project (funded by GAFSP through IFAD) into a permanent, **legal microfinance institution: Microcredit Agency (MCA) "Asyl Jer-Tokoy".**

Registered by the National Bank of the Kyrgyz Republic in October 2025, MCA "Asyl Jer-Tokoy" bridges the gap between social inclusion and commercial agriculture by **delivering 3% preferential loans to rural producers.** By recycling principal repayments back into the loan pool, initial project funding has been converted into an evergreen financial engine that will support rural communities for generations.

The Financial Mechanism & Operational Model

Unlike temporary project-bound grant schemes, MCA "Asyl Jer-Tokoy" operates as an **independent, self-sustaining financial institution under central bank oversight.**

Key Terms of the Concessional Product:

- Target Audience: Family farmers, rural women, youth (<35), and smallholders in agroforestry, horticulture, livestock, apiculture, nursery management, and processing.

- Loan Size: Up to 500,000 KGS per borrower.
- Interest Rate: 3% per annum
- Tenure & Grace Period: Up to 18 months financing period with up to 6 months grace period, tailored to agricultural harvest and seasonal cash flow cycles.

Core Pillars of Long-Term Sustainability

1. *Revolving Capital Structure:* As principal amounts are repaid, funds are immediately re-lent to new farming households, creating a continuous source of credit.
2. *Institutional Synergies with KAFLU:* Borrowers are not isolated clients; they receive ongoing agronomic guidance, climate-smart technical training, and market access through KAFLU's national network and Export Promotion Centers.
3. *Rigorous Risk Mitigation:* The agency maintains low default rates by using field audits, realistic grace periods linked to harvest schedules, and community-verified selection protocols.

Field Impact: Transforming Livelihoods Across Key Sectors

As of **August 2026**, MCA "Asyl Jer-Tokoy" has disbursed **$362,340 USD across 65 preferential loans** (22 loans in 2025 and 43 loans in 2026). Rather than offering generic financial aid, these micro-loans act as targeted catalyst investments. When paired with significant farmer co-financing, they enable rural producers to adopt high-value, climate-smart technologies and expand local employment.

For example, this transformative reach of this 3% concessional mechanism is best seen through the experiences of five borrowers across distinct rural sectors:

- **Pioneering High-Value Agroforestry (Arsen Tynybekov):** Arsen, a young commercial farmer managing 12 hectares of private and leased land, required capital to establish high-yielding berry plantations and upgrade his water infrastructure. Through a **500,000 KGS loan** toward a total **908,500 KGS (~$10,400 USD)** farm investment, Arsen procured high-grade currant stock, mulch film, drip irrigation tape, and specialized ridge-forming equipment. This shift to modern, climate-smart berry production diversified his farm's revenue streams and expanded seasonal employment opportunities, increasing his local workforce from 5 to **8–10 seasonal workers** during peak harvest periods.

- **Securing Commercial Crop Land (Ms. Ak-Maral):** Managing a 10-hectare commercial farm on the outskirts of Bishkek, Ak-Maral faced continuous economic losses caused by roaming livestock destroying her crops, irrigation systems, and soil. To protect her family's investments in vegetables, grains, watermelons, and strawberries, she secured a **500,000 KGS loan** as part of a **650,000 KGS (~$7,400 USD)** total security and technology upgrade package. Ak-Maral installed protective perimeter fencing around the entire 10-hectare property and acquired a specialized tractor-drawn mulching attachment. The intervention safeguarded farm yields, stabilized soil moisture, and secured seasonal employment for **approximately 10 local workers, primarily rural women**.
- **Integrating Forestry Nurseries with High-Value Produce (Mr. Alibek):** Alibek operates a 3-hectare tree nursery and greenhouse operation focused on coniferous and fruit tree saplings used for regional land restoration. To build economic resilience, he sought to pair his long-term forestry activities with immediate cash-crop production. Accessing a **500,000 KGS loan** within a broader self-funded package exceeding **1,000,000 KGS (~$11,500 USD)**, Alibek procured 20,000 high-yield strawberry seedlings (covering 0.2 hectares) alongside drip irrigation components. He also constructed an artificial water storage reservoir on site. This integrated approach allows high-value berry harvests to generate immediate cash flow while supporting his ongoing green nursery and environmental restoration work.
- **Advancing Female Rural Entrepreneurship in Apiculture (Ms. Zina Ryskulova):** Zina combines honey production with the sustainable collection of wild non-wood forest products. To scale up her enterprise, she utilized a **500,000 KGS loan**—complemented by **477,000 KGS** of her own capital in infrastructure, labor, and tools (totaling **977,000 KGS / ~$11,200 USD**)—to procure 100 bee packages, 100 beehives, frames, wax foundations, and specialized gear. This expansion projects her annual honey production to reach **3,000 kg per year**, while the expanded bee population provides critical pollination services that strengthen local crop yields and preserve forest biodiversity.
- **Scaling Chemical-Free Organic Processing (Ms. Adalat Kozukeeva):** Operating on 5 leased hectares adjacent to forest ecosystems in Kara-Alma village, Adalat collects and processes wild forest fruits, including prunes, wild apples, alycha, walnuts, and rosehips. Restricted by traditional open-air drying, she secured a **500,000 KGS loan** (supported by **100,000 KGS** in personal co-financing) to construct dedicated thermal drying facilities and specialized

furnace systems. By eliminating chemical additives and open-air contamination, Adalat improved product grading, shelf-life, and market value, while creating seasonal harvesting, sorting, and processing jobs for nearby villagers.

To expand beyond its initial **$600,000 USD portfolio target for 2025–2027**, MCA "Asyl Jer-Tokoy" invites climate funds, social impact investors, and international financial institutions (IFIs) to co-invest.