

## Kyrgyz Republic: Emergency Support for Private and Financial Sector Project

### 1. Project Information

Project ID:	P000423	Instrument ID:	L0423A
Member:	Kyrgyz Republic	Region:	Central Asia
Sector:	CRF-Finance/Liquidity	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:50.00 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	World Bank
ES category:	FI	Borrowing Entity:	Ministry of Economy and Finance, Kyrgyz Republic
Implementing Entity:	Ministry of Economy and Finance, Kyrgyz Republic		
Project Team Leader:	Natalia Carla Sanz		
Responsible DG:	Supee Teravaninthorn		
Responsible Department:	INF2		
Project Team Members:	Christopher Damandl, Project Counsel; Liu Yang, Alternate Counsel; Yogesh Malla, OSD - Financial Management Specialist; Thomas Dollmaier, Team Member; Amy Chua Fang Lim, OSD - Environment & Social Development Specialist; Jurminla Jurminla, OSD - Procurement Specialist; Jiaming Yu, Project admin		
Completed Site Visits by AIIB:	Apr, 2021 AIIB-WB Virtual Mission for implementation support, to support on processing Effectiveness and review next steps of implementation. Nov, 2021 First joint implementation mission with the WB after disbursement conditions were fulfilled. May, 2022 AIIB-WB joint virtual mission		
Planned Site Visits by AIIB:	Nov, 2022 Joint mission with IDA.		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021/12		

### 2. Project Summary and Objectives

The project objective is to support SMEs in response to the COVID-19 crisis and to strengthen the financial sector infrastructure to accelerate the recovery from the pandemic.

The project is jointly co-financed with the World Bank (WB), as the lead co-financier, and is comprised of:  
Component 1: Reimbursable Financial Assistance (RFA) to Micro, Small and Medium Enterprises (MSMEs) via financial institutions selected to serve as disbursement administrators.

a. Sub-component 1.1: RFA for micro entrepreneurs (fully financed by WB) will provide RFA to eligible micro entrepreneurs.

b. Sub-component 1.2: RFA for SMEs (co-financed by WB and AIIB) will provide financial assistance to eligible SMEs that keep accounting records, pay taxes, and hire employees. Funds will be used to cover a predetermined set of eligible operating expenses of the SMEs, including, inter alia, payroll, suppliers, rent, and utilities.

Component 2: Partial Portfolio Risk Sharing Facility (PRSF), offering a fee-based partial credit guarantee to share part of the credit risk in MSME credits from eligible Participating Financial Intermediaries (PFIs). The facility will offer guarantees on a portfolio basis, and all eligible MSME credits from the PFIs will be included automatically in the facility.

a. Sub-component 2.1: Financing for the PRSF (co-financed by WB and AIIB). The PRSF will be financed under three windows: (i) short-term loans and overdrafts to MSMEs; (ii) restructured MSME credits that were in good standing prior to the COVID-19 crisis; and (iii) new MSME long-term loans.

b. Sub-component 2.2: Capacity Building (fully financed by WB). This sub-component will provide capacity building to the Guarantee Fund, the PFIs and other stakeholders to operationalize the PRSF.

Component 3: Project Implementation, Coordination and Management.

AIIB will co-finance with the WB sub-components 1.2 and 2.1, and component 3.

### 3. Key Dates

Approval:	Aug. 13, 2020	Signing:	Sep. 02, 2020
Effective:	Mar. 31, 2021	Restructured (if any):	
Orig. Closing:	Jul. 31, 2024	Rev. Closing (if any):	

### 4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	7.14	Most recent disbursement (amount/date):	4.00/Jul. 07, 2022
Undisbursed:	42.86	Disbursement Ratio (%) <sup>1</sup> :	14.28

### 5. Project Implementation Update

The project is on track to achieve its Project Objective.

For Component 1, the agreed changes in terms of eligibility criteria and maximum threshold which came into force in December 2021 have led to accelerated disbursement of RFA to MSMEs. As of May 11, 2022, KGS 322,854,000 or US\$ 3.9 million equivalent have been transferred to 11 commercial banks. A total amount of around KGS234,214,534 or US\$ 2.84 million equivalent has been distributed to 730 MSME beneficiaries. Out of those 730 beneficiaries, 448 are female-headed MSMEs. Further, the MOF has concluded an agreement with additional three SDAs, expanding the number of SDAs from eight in November 2021 to eleven in April 2022.

For Component 2, the PRSF was successfully launched in January 2022, after extensive preparatory work. As of end of April 2022, PRSF registered 1,069 borrowers with total cumulative credit of 688 million soms (US\$8.4 million equivalent), of which 238 million soms (US\$ 2.9 million equivalent) are covered by the guarantee. Of the total borrowers, 23 percent are women-led firms.

The World Bank Board of Directors approved an Additional Financing (AF) for the Emergency Support for MSMEs Project on April 29, 2022. The Financing Agreement for AF was signed on June 9, 2022. Several critical project

<sup>1</sup> Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

modifications are attached to the AF, including the conditions of disbursement of tranches for PRSF and the expended use of the RFA for MSMEs' recovery from the crises. AIIB Loan Agreement will also be amended to incorporate such new conditions. Both amendments and WB AF need to be ratified by the Parliament.

#### Environmental and Social:

The PIU continues to manage and monitor the environmental and social (E&S) risks of the project satisfactorily with the assistance of the assigned specialist. The PIU has developed eligibility criteria, acceptable to the Bank, for both the Reimbursable Financial Assistance (RFA) under Component 1 and the Portfolio Risk Sharing Facility (PRSF) under Component 2. A guidance note on Environmental and Social Management System (ESMS) for Participating Financial Institutions (PFIs) and a template to assist PFIs to develop and implement an acceptable ESMS are included in the PRSF manual.

Stakeholder engagement activities are implemented in accordance with the project's Stakeholders Engagement Plan (SEP) and shared with the Bank as part of the progress reports.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: RFA to MSMEs via financial institutions selected to serve as disbursement administrators (USD 36.7 million)	Agreement signed with 11 SDA. 730 RFA issued. USD3.9 million transferred to SDAs.	The PIU used its E&S consultants to prepare the guiding framework on the Environmental and Social Management System for SDAs as part of RFA procedural manual.	N/A
Component 2: PRSF offering a fee-based partial credit guarantee to share part of the credit risk in MSME credits from eligible PFIs (USD12.2 million)	1,069 PRSF issued of which 237 have been issued to female-headed MSMEs.	The PIU used its E&S consultants to prepare the guiding framework on the Environmental and Social Management System for PFIs as part of PRSF procedural manual.	N/A

#### Financial Management:

No overdue reports. No FM issues identified.

The project's UIFRs have been submitted timely, including the latest for Q1 2022. The project audit for financial year 2021 has been submitted and found acceptable.

#### 6. Status of the Grievance Redress Mechanism (GRM)

A GRM has been established as required in the loan agreement. The implementation unit is experienced in managing the established GRM. Two grievances have been filed by customers regarding accessibility to the loan information such as where to find the loan application form and loan information. The implementation unit has resolved the two grievances by giving additional training to their staff and improve the access to information. The GRM also received about 56 requests for further information regarding the project activities and financing conditions. There is no outstanding grievance filed in the GRM to date.

#### 7. Results Monitoring

The results will be monitored following the details stated in the approved PD.

#### Project Objective Indicators #1

Share of MSMEs benefiting from the RFA that survive the COVID19 crisis (greater or equal to).

Year	Target	Actual	Comments, if any
Jul. 31, 2024	65	0	Percentage.

**Project Objective Indicators #2**

Share of MSMEs benefiting from the Portfolio Risk-Sharing Facility that survive the COVID-19 crisis (greater or equal to).

Year	Target	Actual	Comments, if any
Jul. 31, 2024	85	0	Percentage.

**Intermediate Result Indicators #1**

Component 1 - Number of MSMEs that received RFA under the project

Year	Target	Actual	Comments, if any
Jul. 31, 2024	60,000	730	

**Intermediate Result Indicators #2**

Component 1 - Number of jobs retained

Year	Target	Actual	Comments, if any
Jul. 31, 2024	65,000	922	Number of jobs retained in MSMEs that receive RFA to continue paying salaries to employees.

**Intermediate Result Indicators #3**

Component 1 - Number of female headed MSMEs that received RFA

Year	Target	Actual	Comments, if any
Jul. 31, 2024	25,000	448	Number of female headed firms of all MSMEs that received RFA (based on the enterprise survey data, one third of all MSMEs are female headed).

**Intermediate Result Indicators #4**

Component 2 - Number of MSMEs that benefited from the PRSF

Year	Target	Actual	Comments, if any
Jul. 31, 2024	5,500	1069	

**Intermediate Result Indicators #5**

Component 2 - Volume of MSME credits guaranteed under the PRSF

Year	Target	Actual	Comments, if any
Jul. 31, 2024	60,000,000	8,373,850	

**Intermediate Result Indicators #6**

Component 2 - Number of female headed MSMEs that benefited from the PRSF

Year	Target	Actual	Comments, if any
Jul. 31, 2024	2,200	237	

**Intermediate Result Indicators #7**

Component 2 - Leverage of financing

Year	Target	Actual	Comments, if any
Jul. 31, 2024	2	1	

**Remarks:**