

SBF Project Implementation Monitoring Report

Kyrgyz Republic: Emergency Support for Private and Financial Sector Project

1. Project Information

Project ID:	000423	Investment Number:	L0423A
Member:	Kyrgyz Republic	Region:	Central asia
Sector:	Finance/Liquidity	Sub-sector:	N/A
AIB Financing Type:	Loan: 50 USD million	Co-financier(s):	World Bank/IDA
E&S category:	FI	Borrower:	Kyrgyz Republic
Red Flags Assigned:	0	Monitoring Regime:	Regular Monitoring
Implementing Agency:	Project Implementation Unit at the Ministry of Finance (Kyrgyz Republic)		
Project Team Leader:	Natalia Carla Sanz		
Project Team Members:	Amy Fang Lim Chua, Environmental Specialist Christopher Damandl, Senior Legal Consultant Jurminla Jurminla, Senior Procurement Specialist Susrutha Goonasekera, Senior Social Development Specialist Yige Zhang, Project Assistant Yogesh Malla, Financial Management Specialist		
Completed Site Visits by AIB:	Apr, 2021 AIB-WB Virtual Mission for implementation support, to support on processing Effectiveness and review next steps of implementation.		
Planned Site Visits by AIB:	Oct, 2021		

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 will be jointly co-financed with the World Bank (WB), as the lead co-financier, and will be 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 AIB) 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 AIB). 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.

AIB 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. 2, 2020
Effective:	Mar. 31, 2021	Restructured (if any):	
Orig. Closing:	Jul. 31, 2024	Rev. Closing (if any):	

4. Disbursement Summary (million)

Currency:	USD		
a) Committed:	50	b) Cancellation (if any):	
c) Disbursed:	0.125	d) Most recent disbursement: (amount / date)	0.125, Mar. 31, 2021
e) Undisbursed:	49.875	f) Disbursement Ratio(%) ¹ :	0.3

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

A new Government was elected in January 2021, and Government restructuring has been completed, not affecting the implementing agency's capacity to implement and monitor the project.

The Loan Agreement became effective on March 31, 2021. As specified in the Loan Agreement, the effectiveness condition of the Project is the adoption of the POM by the MOEF with no objection from the Bank. Following the clarification on RFA implementation mechanism by the World Bank and AIIB (the Co-financiers), the Ministry of Economy and Finance (MOEF) sent the adopted Project Operational Manual (POM) to the World Bank, which was concurred by the Co-financiers on March 31, 2021. Consequently, AIIB's Loan Agreement and World Bank's Financial Agreement became both effective on March 31, 2021.

In order for project funds to be released, separate disbursement conditions for RFA (Component 1) and Portfolio Risk Sharing Facility (Component 2) must be met. For Component 1, the RFA, the disbursement condition is the adoption of the RFA Procedural Manual cleared by the Co-financiers. The no-objection to the RFA Procedural Manual was granted on July 22, 2021, so the disbursement condition for Component 1 is met.

For Component 2, the Portfolio Risk Sharing Facility (PRSF), the disbursement conditions are (i) the adoption of the PRSF Procedural Manual cleared by the Co-financiers, (ii) the conclusion of Guarantee Fund (GF) Agent Agreement cleared by the Co-financiers, and (iii) the opening of PRSF Account. To date, the PRSF Account has been opened, and the PRSF Procedural Manual was granted the Co-financier's no-objection on July 23, 2021. The GF Agent Agreement is under final review by the NBKR and MOEF, being the only pending disbursement condition for Component 2.

In addition to fulfilling disbursement conditions, additional steps are required for the project funds to reach final beneficiaries. For Component 1, the RFA, the agreement with Selected Disbursement Administrators (SDA Agreement) must also be concluded between MOEF and SDAs to distribute RFAs to MSME beneficiaries. For Component 2, the PRSF, the agreement with Participating Financial Institutions (PFI Agreement) must be concluded between GF and participating financial institutions (PFIs) to provide partial credit guarantee to PFIs' MSME borrowers.

The PIU started presentations on the RFA and PRSF to interested SDAs and PFIs.

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)	RFA procedural manual with no-objection. SDA Agreement under preparation.	The PIU has 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)	PRSF procedural manual with no-objection and PRSF account has been opened. GF agreement under review by NBKR and MOEF. PFI Agreement under preparation.	The PIU has 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.

6. Status of the Grievance Redress Mechanism (GRM)

The GRM was included into the Project Document and agreed upon during negotiation. The project implementation unit is experienced in implementing projects financed by World Bank and other IFIs, and have been successfully using the GRM which is already in place. No grievances have been received up to date.

7. Results Monitoring

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

Baseline Year: Jul. 31, 2020 End Target Year: Jul. 31, 2024

Project Objective Indicators #1

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

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

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	Others, if any
Jul. 31, 2024	85	0	

Intermediate Result Indicators #1

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

Year	Target	Actual	Others, if any
Jul. 31, 2024	60,000	0	

Intermediate Result Indicators #2

Component 1 - Number of jobs retained

Year	Target	Actual	Others, if any
Jul. 31, 2024	65,000	0	

Intermediate Result Indicators #3

Component 1 - Number of female headed MSMEs that received RFA

Year	Target	Actual	Others, if any
Jul. 31, 2024	25,000	0	

Intermediate Result Indicators #4

Component 2 - Number of MSMEs that benefited from the PRSF

Year	Target	Actual	Others, if any
Jul. 31, 2024	5,500	0	

Intermediate Result Indicators #5

Component 2 - Volume of MSME credits guaranteed under the PRSF

Year	Target	Actual	Others, if any
Jul. 31, 2024	60,000,000	0	

Intermediate Result Indicators #6

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

Year	Target	Actual	Others, if any
Jul. 31, 2024	2,200	0	

Intermediate Result Indicators #7

Component 2 - Leverage of financing

Year	Target	Actual	Others, if any
Jul. 31, 2024	2	0	

Remarks: