

## 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:	Finance/Liquidity	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:50.00 USD million <input type="checkbox"/> Guarantee	Co-financier(s):	International Development Association, World Bank Group
ES category:	FI	Borrower:	Kyrgyz Republic
Implementing Entity:	Ministry of Economy and Finance, Kyrgyz Republic		
Project Team Leader:	Natalia Carla Sanz		
Project Team Members:	Christopher Damandl, Project Counsel; Liu Yang, Alternate Counsel; Yogesh Malla, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Amy Chua Fang Lim, OSD - Environment Specialist; Jurminla Jurminla, OSD - Procurement Specialist;		
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.		
Planned Site Visits by AIIB:	May, 2022 Joint virtual mission with IDA. 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 Q2		

### 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:	3.13	Most recent disbursement (amount/date):	0.00/Dec. 15, 2021
Undisbursed:	46.87	Disbursement Ratio (%): <sup>1</sup>	0.00

### 5. Project Implementation Update

The Loan Agreement became effective on March 31, 2021. Disbursement conditions were fulfilled for both IDA and AIIB in October, 2021, as follows:

- Under Category 1 - Reimbursable Financing Assistance (RFA) payments under Component 1, the Borrower adopted the RFA Procedural Manual in a manner satisfactory to AIIB; and
- Under Category 2 - Capitalization of Portfolio Risk Sharing Facility (PRSF) under Component 2, for the Initial Withdrawal, as defined under the Loan Agreement, the Borrower (i) established the PRSF Account in a manner satisfactory to AIIB; (ii) adopted the PRSF Procedural Manual satisfactory to AIIB; and (iii) concluded the Guarantee Fund Agent Agreement satisfactory to AIIB.

For Component 1, the MOF signed a Selected Disbursement Administrator (SDA) agreement with eight commercial banks. The PIU organized a public awareness campaign through media and set up a website to share the information. The RFA started reaching MSME beneficiaries: thus far, 11 beneficiaries (of which eight are women) have received RFA. The initial MSME beneficiaries confirmed the timeliness and necessity of the RFA support amid the COVID-19 crisis.

For Component 2, the PRSF is expected to be launched shortly after the Guarantee Fund concludes an agreement with Participating Financial Institutions.

<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.

Components	Physical Progress	Environmental & Social Compliance	Procurement	Financial Management
Component 1: RFA to MSMEs via financial institutions selected to serve as disbursement administrators (USD 36.7 million)	Agreement signed with 11 SDA, 8 of which are female-led .	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	No overdue reports. No FM issues identified. The mission in November 2021 reviewed the financial management (FM) arrangements at the MoF PIU, including planning and budgeting, accounting, financial reporting, funds flow and auditing, which were overall confirmed to be adequate and acceptable to the Banks. The internal control system in place at the MoF PIU was also assessed to be overall adequate and capable of providing timely information and reporting on the project. There is a quarterly IFR submission requirement under the project. The project's IFRs have been submitted timely, including the latest for Quarter 3, 2021. Disbursements were made to the commercial banks under Component 1 and no disbursements were made to the Guarantee fund yet under Component 2. There is annual audit requirement under the Project.

				Procurement of the audit services for the audit of Project financial statements (PFS) for FY2021 is in process. The MoF PIU needs to submit the ToR's on audit services for the Bank's review and approval. The PIU is expected to appoint the auditor by February 28, 2022, therefore no delay is expected in submission of the audited PFS for FY2021, which are due by June 30, 2022.
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 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	

#### 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.

##### 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	11	

**Intermediate Result Indicators #2**

Component 1 - Number of jobs retained

Year	Target	Actual	Comments, if any
Jul. 31, 2024	65,000	15	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	8	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	0	

**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	0	

**Intermediate Result Indicators #6**

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

<b>Year</b>	<b>Target</b>	<b>Actual</b>	<b>Comments, if any</b>
Jul. 31, 2024	2,200	0	

**Intermediate Result Indicators #7**

Component 2 - Leverage of financing

<b>Year</b>	<b>Target</b>	<b>Actual</b>	<b>Comments, if any</b>
Jul. 31, 2024	2	0	

**Remarks:**