



Kyrgyz Republic: Senior Unsecured Loan to Bai Tushum Bank for Broadening Access to Finance

Project Name	Senior Unsecured Loan to Bai Tushum Bank for Broadening Access to Finance		
Project Number	48348-001		
Borrower/Company	BAI TUSHUM BANK		
Country	Kyrgyz Republic		
Location			
Approval Number	7448/3259		
Type or Modality of Assistance	7448	Loan	USD 10.00 million Committed
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships Private sector development		
Sector / Subsector	Finance - Small and medium enterprise finance and leasing		
Gender Equity and Mainstreaming	Effective gender mainstreaming		
Responsible ADB Department	Private Sector Operations Department		
Responsible ADB Division	Private Sector Financial Institutions Division		
Responsible ADB Officer	Hruschka, Stefan A.		
Project Sponsor(s)			

Description

The project consists of a senior \$8 million loan to Bai-Tushum Bank (BTB) for the purpose of funding small and medium enterprises (SMEs) in the Kyrgyz Republic. SMEs represent 40% of the Kyrgyz GDP and 60% of all jobs. Access to finance, however, remains an issue for many individuals and SMEs in the Kyrgyz Republic and according to a May 2013 report by OECD is considered the main obstacle. Although credit to the private sector has grown from 28.5% in 2012 to 34.5% in 2013, private credit to GDP remains low at 16.3%. This is lower than, for instance, Kazakhstan 20.3% and Uzbekistan 24.6%. Additionally, the Kyrgyz Republic is considered the second poorest country in Central Asia with one third of the population living below the poverty line.

Client/Sponsor: BTB was established in 2000 by ACDI/VOCA with the support of CARITAS, a Swiss relief agency providing microcredit services to private entrepreneurs, traders, farmers, and micro and small agricultural enterprises. Although it has been in operation since 2000 as an MFI, it obtained a banking license in November 2012. BTB's main shareholders are the Microcredit Agency Financial Fund Bai-Tushum which holds 46.3%; Triple Jump, Blue Orchard Private Equity Fund and Credit Suisse Microfinance Fund each holding 15.2% and individuals holding 8.1%. BTB is the seventh largest bank in the Kyrgyz Republic in terms of market share (as measured by both total assets and total loans at year end 2013). The bank serves 32,000 clients and provides a range of financial services to entrepreneurs, SME borrowers and small corporates. The branch network comprises 7 branches, 45 outlets and 11 representative offices throughout the Kyrgyz Republic. Approximately 90% of BTB's loan portfolio is outside Bishkek and 36% of its client base are women borrowers. As of 30 June 2014, total assets were \$138.2 million, net income was \$471,800, and equity was \$17.4 million. The ROE was 7.7% and ROA 1.1% at year-end 2013.

BTB has been growing steadily since the political crises of 2010. BTB's management has been gradually repositioning the bank from a focused microfinance lender to a broader market lender as part of the next phase of the bank's growth considering the opportunities presented after the crises and the government's efforts to create an enabling and conducive environment for SMEs. This transition has been supported, in part, by an IFC TA. The bank's total the gross loan portfolio was \$102.4 million (June 2014) of which 23% represents SME loans (\$23.5 million). The bank projects an increase in its SME portfolio to \$62.5 million by 2016. Approximately 30% of the bank's SME portfolio is comprised of dollar denominated loans. Asset quality is good. NPLs for the total loan portfolio amounted to 0.9% and for SMEs, 1.4% as of 30 June 2014.

Objectives and Scope

Access to longer-tenor finance. The loan will provide critically needed medium- and long-term funding to MSMEs in the Kyrgyz Republic, whose ability to access funds has been constrained by the country's low level of finance sector development.

Technical assistance. The TA will help improve BTB's deposit mobilization and will include product development to increase BTB's outreach to remote villages and farmers through mobile banking and financial literacy programs. Financial literacy programs will help address potential over-indebtedness of household borrowers, thus promoting competitiveness and inclusiveness. Through close on-site monitoring and dialogue with BTB management and their shareholders, ADB will strengthen its relationship and develop inclusive business opportunities in the Central Asia region.

Gender mainstreaming. ADB will help strengthen BTB's outreach to women entrepreneurs and bolster internal policies pertaining to women. The project will be categorized as effective gender mainstreaming in design. Key gender designs include ensuring that women MSMEs benefit from at least 20% of the total loan portfolio and that BTB sponsors a network of women entrepreneurs.

Linkage to Country/Regional Strategy

The proposed investment supports institutional and finance sector development through the deepening of the finance sector and the provision of funding for MSME onlending in urban and rural areas. Financial development will also be supported through capacity development TA, which will strengthen BTB's onlending capacity.

The Kyrgyz Republic's National Sustainable Development Strategy (NSDS) 2013 2017 aims to build a stable society and improve people's living standards through stable economic growth, an enabling business environment, and improved rule of law for private sector development. Expanding access to finance and, specifically, long-term finance through private sector interventions in the banking sector is an ongoing priority for the country. ADB's country partnership strategy, 2013 2017 for the Kyrgyz Republic supports the NSDS. Expanding access to finance via banks is one of the objectives set forth in ADB's country operations business plan, 2014 2016 for the Kyrgyz Republic. The project is consistent with the NSDS, country partnership strategy, and country operations business plan as it will broaden access to MSME finance for borrowers and support the development of finance sector products. Additionally, this facility complements the public sector Women's Entrepreneurship Development Project (financed by the Japan Fund for Poverty Reduction) and the Investment Climate and Improvement Program in the Kyrgyz Republic to facilitate access to finance for MSMEs, particularly women MSMEs.

Safeguard Categories

Environment	FI
Involuntary Resettlement	FI
Indigenous Peoples	FI

Summary of Environmental and Social Aspects

Environmental Aspects	Category FI for impacts on the environment.
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Involuntary Resettlement	Category FI for impacts on the environmental resettlement.
Indigenous Peoples	Category FI for impacts on the indigenous peoples.
Stakeholder Communication, Participation, and Consultation	BTB will comply with national labor laws and, pursuant to ADB's Social Protection Strategy, take measures to comply with the internationally recognized core labor standards. BTB will report regularly to ADB on (i) its compliance with such laws, and (ii) the measures taken. Information disclosure and consultation with affected people will be conducted in accordance with ADB requirements. Proactive gender features are included in the project design to support the project's effective gender mainstreaming category.

Timetable for assistance design, processing and implementation

Concept Clearance	-
Due Diligence	
Credit Committee Meeting	-
Approval	01 Jun 2015
Last PDS Update	10 Aug 2015

Project Page	https://www.adb.org/projects/48348-001/main
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