

DETAILS OF IMPLEMENTATION ARRANGEMENTS

1. The Asian Development Bank (ADB) loan to Bai Tushum Bank (BTB) is designed to provide access to finance for underserved micro, small, and medium-sized enterprises (MSMEs) in the Kyrgyz Republic. BTB will be required to report on utilization of the ADB loan on an ongoing basis to ensure loan proceeds are deployed exclusively for onlending to MSMEs. ADB will field review missions, at least annually, to review financial and other requested information and to discuss business progress (and any associated issues) with BTB management, particularly with reference to implementation of the ADB loan. ADB will monitor the development objectives, as articulated in the design and monitoring framework, including safeguards (social impacts, environment, involuntary resettlement, and indigenous peoples); gender targets; and compliance issues, including measures to combat money laundering.
2. **Reporting.** Following the signing of the loan documentation, BTB will provide (i) unaudited quarterly management accounts in electronic form, (ii) audited annual financial statements consistent with International Financial Reporting Standards, and (iii) quarterly compliance certificates for agreed financial covenants.
3. BTB will provide in its quarterly management reports information on (i) the composition of assets broken down by foreign and local currencies; (ii) income statements; (iii) the composition of restructured and nonperforming loans by business segment and sector; and (iv) capital adequacy, including the composition of risk-weighted assets (credit, market, and operating risk) and capital as determined by the prevailing regulatory capital requirements of the National Bank of the Kyrgyz Republic (NBKR). ADB will monitor the agreed utilization of the loan proceeds, compliance with loan agreements, and development objectives, as articulated in the design and monitoring framework, including safeguards (social impacts, environment, involuntary resettlement, and indigenous peoples); the gender action plan; and compliance issues, including measures to combat money laundering.
3. BTB will provide a development effectiveness report at least annually, containing:
 - (i) information on statistical monitoring parameters outlined in the design and monitoring framework;
 - (ii) BTB's portfolio, including the number of loan accounts;
 - (iii) progress on achieving MSME plan targets (including outreach by segment, region, sector and loan size);
 - (vi) the status of implementation and compliance with regulatory reforms, as required by NBKR.
4. During the ADB reviews, BTB will provide (i) any material observations of the audit committee and audit department; (ii) a status update of each company's business plan and explanation of any material deviations; and (iii) progress on other strategic initiatives, including funding strategy and any plans to raise capital.
5. BTB will report at least annually to ADB on governance and compliance with safeguards. Such reporting will include:
 - (i) any changes in the composition of the supervisory board, management board, and audit committee;
 - (ii) any material changes in the ownership (involving the transfer of greater than 10% of issued shares);

- (iii) an environmental and social safeguard monitoring and compliance report, to be prepared by each company's environmental and social management system officer(s), covering subloans financed in accordance with the agreed system framework; and
- (iv) material findings of the internal audit department and anti-money laundering units.

6. **Monitoring.** ADB's Private Sector Operations Department will monitor the loans to BTB through the required reporting mechanisms, and meetings with management. All ADB policies that address monitoring and supervision of nonsovereign operations will apply to this project, including project monitoring and supervision of safeguards and social dimensions, credit monitoring and management, anti-money laundering and the counter-financing of terrorism.