



Project Summary Information

Date of Document Preparation: July 9, 2020	
Project Name	Kyrgyz Emergency Support for Private and Financial Sector Project
Project Number	P000423
AIIB member	Kyrgyz Republic
Sector/Subsector	Finance / Financial Intermediary
Status of Financing	Under Preparation
Project Description	<p>The proposed Kyrgyz Emergency Support for Private and Financial Sector Project aims to alleviate SMEs' working capital shortages and liquidity constraints in response to the COVID-19 crisis and to strengthen the financial sector infrastructure to accelerate the recovery from the pandemic.</p> <p>The project will be jointly co-financed with the World Bank (WB), as the lead co-financier, and will be comprised of:</p> <p>Component 1: Reimbursable Financial Assistance (RFA) to Micro, Small and Medium Enterprises (MSMEs) via financial institutions selected to serve as disbursement administrators.</p> <ul style="list-style-type: none"> a. <i>Sub-component 1.1: RFA for micro entrepreneurs (fully financed by WB)</i> will provide RFA to eligible micro entrepreneurs. b. <i>Sub-component 1.2: RFA for SMEs (co-financed by WB and AIIB)</i> 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. <p>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.</p> <ul style="list-style-type: none"> a. <i>Sub-component 2.1: Financing for the PRSF (co-financed by WB and AIIB)</i>. 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.

	<p>b. <i>Sub-component 2.2: Capacity Building (fully financed by WB)</i>. This sub-component will provide capacity building to the Guarantee Fund, the PFIs and other stakeholders to operationalize the PRSF.</p> <p>Component 3: Project Implementation, Coordination and Management.</p> <p>AIIB will co-finance with the WB sub-components 1.2 and 2.1, and component 3.</p> <p>This project will be processed under the AIIB's COVID-19 Crisis Recovery Facility (CRF), a framework designed to assist members in responding to the COVID-19 pandemic.</p>
Objective	To support Micro, Small and Medium Enterprises (MSMEs) in response to and during the recovery from the COVID-19 crisis.
Expected Results	The project objective indicators include: (a) share of MSMEs benefiting from the Reimbursable Financial Assistance (RFA) that survive the COVID-19 crisis; and (b) share of MSMEs benefiting from the Portfolio Risk-Sharing Facility (PRSF) that survive the COVID-19 crisis. Other intermediate preliminary indicators include number of MSMEs benefited by the project and number of jobs retained.
Environmental and Social Category	World Bank Category: Moderate Risk (equivalent to Category FI if AIIB's ESP were applicable)
Environmental and Social Information	<p>The project will be co-financed with the WB, and its environmental and social (ES) risks and impacts have been assessed in accordance with the WB's Environment and Social Framework (ESF). To ensure a harmonized approach to addressing the ES risks and impacts of the project, and as permitted under AIIB's Environmental and Social Policy (ESP), the WB ESF will apply to the project in lieu of AIIB's ESP. AIIB has reviewed the WB ESF and is satisfied that: (a) it is consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's ESP, including the Environmental and Social Exclusion List, and the relevant ES Standards; and (b) the monitoring procedures that are in place are appropriate for the project.</p> <p>The ES risk of the project is rated by the WB as "Moderate" (equivalent to Category FI if the AIIB's ESP were applicable).</p> <p>Environmental risks are expected to be site-specific, temporary and readily addressed through standard mitigation measures and compliance with national laws. The overall portfolio risk is considered moderate. Funds under component 1 will be used exclusively for operating expenditures including payroll, rent, utilities, and goods and services. The</p>

	<p>eligibility criteria for expenses will exclude expenditures for works, even minor rehabilitation, or land acquisition. Under component 2, PFIs will be required to develop and implement an Environmental and Social Management System (ESMS) to classify and manage the E&S risks of their financing activities. Only those MSMEs whose business activities are screened to be of moderate or low environmental and social risks will be eligible for project support. A list of activities that are ineligible for funding under the project will include major civil works or other activities that would increase the overall environmental risk of the project. An evaluation report of each proposed PFI and its ESMS will be submitted to the WB for no objection before it can be included in the project. Once the WB has provided its no objection, the PFI's ESMS will be disclosed by MoF on its website in both English and Russian. This documentation will also be disclosed on the WB's and AIIB's websites.</p> <p>The key social issues relate to: (i) exclusion/inclusion – providing an opportunity to all eligible PFIs to participate and derive benefits from the project, which would in turn ensure that most needed MSMEs do receive assistance and same time, avoid covering the other non-eligible MSMEs; (ii) sensitizing the PFIs to adopt and adhere to the provisions of their ESMSs; and (iii) information, education and communication campaigns to accomplish effective outreach so that potential beneficiaries are aware of the project benefits and how to access them, and stakeholders share a common understanding about the project. Exclusion/Inclusion errors will be contained by careful drafting of the rules of the participation including the eligibility criteria for inclusion of PFIs and MSMEs. Capacity support and capacity building will help sensitize the FIs. A Stakeholder Engagement Plan (SEP) will be developed to help in accomplishing effective outreach.</p> <p>A dedicated existing Grievance Redress and Beneficiary Feedback Mechanism will ensure that various avenues of contact and information are utilized (including telephone and widely used web apps such as Facebook, WhatsApp, and Viber). Information with contact phone numbers, a third-party web site, and a QR code will be displayed at all PFIs involved in both facilities.</p>		
Cost and Financing Plan	For Loans/Credits/Others		
		USD million	
	AIIB loan	50	
	IDA credit	25	

	IDA grant	25		
	Total	100		
	The Project will make use of the AIIB CRF Special Fund Window (SFW) to add concessionality to the AIIB loan. The final amount required from the SFW will be calculated when the financial terms are determined and will be within the limit of USD 10 million per country.			
Borrower	Kyrgyz Republic			
Implementing Entity	Project Implementation Unit at the Ministry of Finance (Kyrgyz Republic)			
Estimated date of loan closing	July, 2024			
Contact Points:	AIIB	World Bank	Borrower	Implementation Unit
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Estimated Date of Appraisal Decision	July, 2020			
Estimated Date of Financing Approval	August, 2020			
Independent Accountability Mechanism	As noted above, the WB's ESF will apply to this project instead of AIIB's ESP. Pursuant to AIIB's agreement with WB, AIIB will rely on WB's corporate Grievance Redress Service (GRS) and its Independent Accountability Mechanism, the Inspection Panel, to handle complaints relating to ES issues that may arise under the project. Consequently, in accordance with AIIB's Policy on the Project affected People's Mechanism (PPM), submissions to the PPM under this project will not be eligible for consideration by the PPM. Information on WB's corporate GRS is available at http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service . Information on WB's Inspection Panel is available at http://www.inspectionpanel.org .			