



Kazakhstan: Supporting Resilience of Micro, Small, and Medium-Sized Enterprises Finance Project

Project Name	Supporting Resilience of Micro, Small, and Medium-Sized Enterprises Finance Project								
Project Number	49076-005								
Country / Economy	Kazakhstan								
Project Status	Closed								
Project Type / Modality of Assistance	Loan Technical Assistance								
Source of Funding / Amount	<table border="1"><tr><td colspan="2">Loan 3447-KAZ: Supporting Resilience of Micro, Small and Medium-Sized Enterprise Finance Project</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 200.00 million</td></tr><tr><td colspan="2">TA 9214-KAZ: Strengthening Micro, Small and Medium-Sized Enterprise Finance</td></tr><tr><td>Financial Sector Development Partnership Special Fund</td><td>US\$ 500,000.00</td></tr></table>	Loan 3447-KAZ: Supporting Resilience of Micro, Small and Medium-Sized Enterprise Finance Project		Ordinary capital resources	US\$ 200.00 million	TA 9214-KAZ: Strengthening Micro, Small and Medium-Sized Enterprise Finance		Financial Sector Development Partnership Special Fund	US\$ 500,000.00
Loan 3447-KAZ: Supporting Resilience of Micro, Small and Medium-Sized Enterprise Finance Project									
Ordinary capital resources	US\$ 200.00 million								
TA 9214-KAZ: Strengthening Micro, Small and Medium-Sized Enterprise Finance									
Financial Sector Development Partnership Special Fund	US\$ 500,000.00								
Strategic Agendas	Inclusive economic growth								
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Partnerships Private sector development								
Sector / Subsector	Finance / Small and medium enterprise finance and leasing								
Gender	Effective gender mainstreaming								
Description	<p>The proposed financial intermediation loan to the Republic of Kazakhstan for the Supporting Resilience of Micro, Small, and Medium-Sized Enterprises (MSMEs) Finance Project will provide local currency credit to sustain operations of and employment by MSMEs during the current economic slowdown. The technical assistance attached to the loan will strengthen credit origination and management of selected participating financial institutions to better serve MSMEs.</p> <p>Despite robust economic growth in the recent past, Kazakhstan's economy remains vulnerable to external shocks because of its limited and declining economic diversification. The economy is highly dependent on extractive industries. Sustained and balanced growth will depend on economic diversification into higher productivity and value-added activities, and this is at the top of the government's agenda. MSMEs are seen as key actors in these transformation efforts.</p>								
Project Rationale and Linkage to Country/Regional Strategy	<p>Currently, MSMEs play only a minor role in Kazakhstan's economy. In 2013 the output of registered MSMEs represented 26% of gross domestic product (GDP) and employed 32% of the workforce, well below its peer countries. Due to small scale, lack of experience and coordination failures, MSMEs make less use of business support services, which are important to improve firms' productivity and competitiveness. MSME clusters or networks facilitate access to these support services, but public-private coordination is still crucial. Although Kazakhstan's competitiveness is ranked 50 (out of 144 countries), indicators on business networks quality and supporting industries are particularly weak. Incentives are often needed to encourage collective investments to internalize the positive spillovers of cluster linkages.</p> <p>Country SME demand for medium-term credit alone over the next three years is estimated at over \$5 billion, and access to finance is ranked as one of the main impediments to business development. SME loans-to-GDP ratio were 8.1% in 2014, down from 10.0% in 2009. Lending to SMEs dropped from over 21% of total bank loans in 2008 to less than 13% in 2014. Increased deposit dollarization and weak performance of the interbank market makes medium-term tenge refinancing expensive. A large portfolio of non-performing loans accentuates the risk aversion of banks, on top of the traditional scale and information asymmetries that drive up the cost for SME lending. Of Kazakhstan's 17 million people, 46% live in rural areas and depend to a large degree on agriculture. This segment is traditionally served by microfinance organizations (MFOs). MFOs serve less than 9% of households, well below international comparison countries, and their total lending was equivalent to 1.2% of total commercial bank lending.</p>								
Impact	The impact will be a sustained contribution of MSMEs to Kazakhstan's GDP, which is aligned with the government's objectives of supporting entrepreneurship and the contribution of MSMEs to the non-oil economy and employment under a challenging macro environment								
Project Outcome									
Description of Outcome	Sustainable provision of loans to MSMEs maintained								
Progress Toward Outcome	The outcome indicators referring to the PFIs overall portfolios, not just those funded by ADB loan proceeds, have exceeded the target of potential increase of 20% in terms of outstanding MSME loans, those disbursed outside Almaty and Astana and increase in the number of MSME borrowers. The piggy-backed KSTA 9214 completion date has been extended from May 2019 to May 2020. The TA has provided funding for the holding of regional workshops for MSME women entrepreneurs with our TA implementing partner - Atameken (National Chamber of Entrepreneurs). Also the TA has funded the internal field staff training requirements of Arnur Credit, a microfinance organization based in South Kazakhstan last June to July 2019.								
Implementation Progress									
Description of Project Outputs	Financial inclusion sustained Efficiency of PFIs' lending to MSMEs improved								
Status of Implementation Progress (Outputs, Activities, and Issues)	The PFIs to-date are in compliance with the performance targets regarding their financial stability. Ongoing are the PFIs' action plans on meeting the indicators on gender monitoring. Partial loan cancellation was processed during the last quarter of FY 2019 due to the slowing down of the economy and the short-term nature of the loan tenure.								
Geographical Location	Nation-wide								
Safeguard Categories									
Environment	FI								
Involuntary Resettlement	FI-C								
Indigenous Peoples	FI-C								

Summary of Environmental and Social Aspects	
Environmental Aspects	The project has been categorized as financial intermediary (FI) with respect to environment safeguards.
Involuntary Resettlement	The project has been categorized as FI (treated as C) in relation to involuntary resettlement.
Indigenous Peoples	The project has been categorized as FI (treated as C) in relation to indigenous peoples.
Stakeholder Communication, Participation, and Consultation	
During Project Design	Main stakeholders include the business community and they will be consulted, through focus groups and through the representative business associations, through project design.
During Project Implementation	The project will support the institutionalization of consultation mechanisms with the private sector, that will ensure participation of those at higher risk of exclusion such as informal businesses and women owned or managed MSMEs.

Business Opportunities	
Consulting Services	Consultants under the technical assistance attached to the loan will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). An estimated 12 person-months of international consultants and 20 person-months of national consultants will be required. For the current year of implementation, a minor change has been approved to include the engagement of a National Expert to finalize a diagnostic study of the microfinance financial institutions in Kazakhstan.
Procurement	Not applicable.

Responsible ADB Officer	Song, Dai Chang
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	DAMU Entrepreneurship Development Fund

Timetable	
Concept Clearance	01 Jul 2015
Fact Finding	26 Jan 2016 to 03 Feb 2016
MRM	15 Jul 2016
Approval	27 Oct 2016
Last Review Mission	-
Last PDS Update	25 Mar 2020

Loan 3447-KAZ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
27 Oct 2016	13 Oct 2017	20 Nov 2017	20 May 2020	-	20 May 2020

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	240.00		Cumulative Contract Awards			
ADB	200.00		17 Jun 2022	152.01	0.00	100%
Counterpart	40.00		Cumulative Disbursements			
Cofinancing	0.00		17 Jun 2022	152.01	0.00	100%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	Satisfactory	-	Satisfactory

TA 9214-KAZ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
27 Oct 2016	17 Nov 2016	17 Nov 2016	18 May 2019	26 Oct 2021	01 Feb 2022

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	17 Jun 2022	206,303.60

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	Satisfactory	-	Satisfactory

Project Page <https://www.adb.org/projects/49076-005/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=49076-005>

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