



Project Data Sheet

Project 44060-024

Project Name	Small and Medium Enterprises Investment Program - Tranche 2	
Project Number	44060-024	
Country / Economy	Kazakhstan	
Project Status	Closed	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	Loan 3093-KAZ: Small and Medium Enterprises Investment Program - Tranche 2	
	Ordinary capital resources	US\$ 122.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Gender Equity and Mainstreaming Private sector development	
Sector / Subsector	Finance / Small and medium enterprise finance and leasing	
Gender	Effective gender mainstreaming	
Description	<p>This is the second Tranche of a Multitranche financing facility (of \$500 million) to support SME lending. Tranche 2 is funded through a loan to Damu (\$150 million equivalent in local currency) from ADB's ordinary capital resources, guaranteed by the Republic of Kazakhstan. Tranche 2 is supporting Damu implement the government's Action Plan to increase access to medium term finance for SMEs. ADB's loan is used for lending to qualified SMEs through selected participating financial institutions (2 commercial banks).</p> <p>A prosperous SME sector is a major creator of employment and innovation. SMEs in Kazakhstan are more responsive and adaptable than larger enterprises and are ultimately a key to the country's long-term economic growth and poverty reduction. A number of government initiatives have been taken to address the barriers faced by SMEs including the state Roadmap for Business 2020 and the Accelerated Industrial-Innovative Development of Kazakhstan. With a narrowly based economy concentrated on extractive industries, the goal is to diversify the production base and give prominence to development of the SME sector, in particular its expansion and diversification. Access to finance for SMEs is a key constraint for growth. The project is increasing the supply of long term SME credit.</p>	
Project Rationale and Linkage to Country/Regional Strategy		
Impact	Sustained job creation and economic growth	

Project Outcome

Description of Outcome	SMEs have increased access to medium term credit on a sustainable basis
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Progress Toward Outcome	<p>Performance target and indicator: Under Damu programs, SME lending increased to KZT800 billion (by end 2015).</p> <p>Status: Damu reports that as of 1 March 2016, Damu's SME lending portfolio amounted to KZT1,228.6 billion.</p>
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Implementation Progress

Description of Project Outputs	<ol style="list-style-type: none"> 1. Medium-term financing to SMEs 2. Improved financial sector outreach, with a focus on women entrepreneurs <p>Output 1, performance targets and indicators: By end-2016</p> <ul style="list-style-type: none"> - SME loan accounts opened by PFIs increased to 3,500. - SME loans by PFIs increased to KZT50 billion. - At least 24% of PFI borrowers are women entrepreneurs. <p>Output 2, performance targets and indicators: By end- 2016</p> <ul style="list-style-type: none"> - The share of women entrepreneurs who are supported within the framework of the development of Damu Business Services remains at 46%. - Not less than 50% of new loans are provided outside the cities of Almaty and Astana.
Status of Implementation Progress (Outputs, Activities, and Issues)	<p>Status: As of 31 May 2016, the PFIs had disbursed KZT32 billion (\$175 million equivalent) to 376 borrowers through 1,286 loans, of which 51% funded working capital, 22% funded new investments, 19% refinanced existing loans, and 8% funded a combination of new investments and working capital. More than half of the volume went to the trade sector (56%), followed by services (23%). By location, 34% of the volume of funds was provided in Almaty and Astana cities with the remaining 66% going to the other 14 regions. A total of 1,049 new jobs were created. The average loan size was KZT32.19 million (\$175,000). The average interest rate was 14.17%. The average tenor was 29 months, with 63% of the loans provided up to 1 year, 27% of the lending provided between 1-3 years, 9% between 3-5 years, and the remaining 1% for over 5 years. Women's businesses were 34% of total borrowers (127 women SMEs) and 28% of total number of loans (357 loans).</p>
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 FI in accordance with ADB's Safeguard Policy Statement (2009). Safeguards due diligence has been conducted to assess potential environmental and social risks and impacts associated with qualified PFI's likely future portfolios, along with their commitment and capacity for environmental management. Tranche 2 under the MFF will be treated as Category B for environment safeguard components based on ADB's Safeguard Policy Statement (SPS), 2009. Damu and each of the PFIs will have in place or establish an ESMS to be maintained as part of its overall management system to meet Kazakhstan national laws and norms and ADB's safeguards requirements. Each PFI that receives proceeds of a loan under the Facility is required to submit to ADB: (i) a copy of its ESMS to be used in implementing this loan for ADB approval prior to submitting its first withdrawal application; and (ii) a semi-annual report on its compliance with its ESMS. The PFIs will prepare and submit semi-annual environmental monitoring reports on the implementation status of their ESMS to ADB.
Involuntary Resettlement	For involuntary resettlement, tranche 2 is treated as C, unlikely to generate impacts on involuntary land acquisition, and resettlement.
Indigenous Peoples	Tranche 2 is treated as C, unlikely to generate impacts on indigenous peoples.

Stakeholder Communication, Participation, and Consultation

During Project Design	The European Bank for Reconstruction and Development, International Finance Corporation, United States Agency for International Development and the World Bank have supported SME development in Kazakhstan through (i) capacity building to improve operations, enter new markets and access finance; (ii) training to nongovernment organization business service providers; (iii) technical assistance to help banks introduce credit scoring and improve SME lending policies; and (iv) FILs to and equity investments in banks that provide loans to SMEs. ADB has worked closely with these partners, mindful of lessons on the need to mitigate foreign exchange and tenor mismatch risk, the importance of developing the local bond markets, and issues related to PFI ownership and control.
During Project Implementation	During the project implementation ADB will keep close consultation with the active development partners (EBRD, USAID, World Bank etc.) to keep abreast on the development of Kazakhstan's financial and SME sectors, local bond markets, and on issues related to PFI ownership and control.

Business Opportunities

Consulting Services	There is no procurement of services under Tranche 2
Procurement	There is no procurement of goods and works under Tranche 2
Responsible ADB Officer	Martinez, Inmaculada
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	<i>DAMU Entrepreneurship Development Fund</i> Kanat Sultangaziev BMUKUSHEV@FUND.KZ Gogol St., 111, Almaty Kazakhstan

Timetable

Concept Clearance	-
Fact Finding	-
MRM	18 Oct 2013
Approval	13 Dec 2013
Last Review Mission	-
Last PDS Update	23 Sep 2016

Loan 3093-KAZ

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
13 Dec 2013	29 Oct 2014	25 Nov 2014	28 Dec 2015	28 Jun 2016	09 Nov 2016

Financing Plan

Loan Utilization

Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	122.00	Cumulative Contract Awards			
ADB	122.00	17 Jun 2022	122.00	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	122.00	0.00	100%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	Satisfactory	-	Satisfactory

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