

EBRD Small Business Initiative Newsletter

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European Bank
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Dear partners,

2017 has been a year of new starts, a year focusing on progress and quality in our support to small and medium-sized enterprises (SME).

Under the Small Business Initiative, the EBRD is implementing three core sets of activities in the Kyrgyz Republic to bolster SME growth and competitiveness: financing, business advice and policy dialogue.

In terms of financing, key results achieved include USD 5.5 million of loans to SMEs in food production, catering and services and tourism industries through our ingenious Risk-sharing Facility (RSF) with local banks.

With regards to advice, we implemented 88 local and international advisory projects to enable SMEs to access *know-how* and become more competitive.

Activities were carried out across all regions of the country and beyond (in Tajikistan and Uzbekistan) to provide support to local SMEs, industry associations and government authorities. Additionally, we continued to build the capacity of local consultants through the delivery of over 60 training courses.

On policy dialogue, the EBRD continued to support the Investment Council under the Government of the Kyrgyz Republic and, in particular, stepped-up support for the Government of the Kyrgyz Republic's "Taza Koom" initiative to digitalise public services.

We thank the Swiss State Secretariat for Economic Affairs (SECO) contributing through the EBRD Small Business Impact Fund and the European Union contributing through the "EU-EBRD SME Finance Facility for Central Asia", as well as other partners and consultants for a great cooperation throughout 2017 towards strengthening the SME environment in the Kyrgyz Republic. We look forward to another great year of successful cooperation!

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This project is funded by
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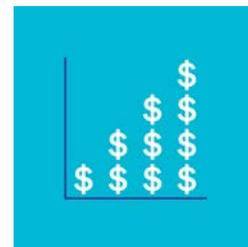
EBRD SME 2017 at a glance



We helped 86 enterprises to implement local and international advisory projects



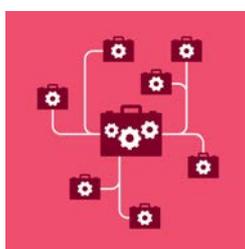
Provided co-investment loans with partner banks of USD 5.5 million



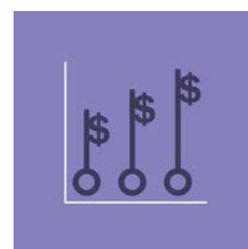
We committed over €638,000 in grants



We trained over 60 consultants and added 25 new local consultants to our database



We organised more than 20 events to support the growth of the consulting market



Our advisory clients contributed as cost-share over €266,000

Small Business Initiative inaugural stakeholder meeting

On 22 September 2017, the EBRD gathered representatives of government, business associations, partner banks and international partners in Bishkek to launch the Initiative and discuss results.

Through the Small Business Initiative, the EBRD is seeking to better meet the needs of the private sector by providing access to finance and *know-how*, in addition to policy dialogue to improve the business environment. The event was an important opportunity to canvas the views of our main counterparts on our progress and plans.

At the inaugural meeting, the stakeholders agreed to work together to support SMEs in the regions, to enhance local currency funding through the EBRD Risk-Sharing Facility, to cooperate with the Kyrgyz Government on Taza Koom (“smart society”) -related policy activities and to build the capacity of local consultants.

In 2016, the Swiss State Secretariat for Economic Affairs contributed EUR 4.5 million through the EBRD Small Business Impact Fund to support the Small Business Initiative in the Kyrgyz Republic and Tajikistan. At the inaugural meeting, H.E. Mrs. Veronique Hulmann, Ambassador of Switzerland to the Kyrgyz Republic, said: “Supporting the Kyrgyz Government and the Kyrgyz partners in their efforts to develop the private sector and to create jobs has been - and remains - a priority of the Kyrgyz-Swiss cooperation programme.”



The EBRD’s SBI is also supported by the EU through the Investment Facility for Central Asia (IFCA). The EUR 11.5 million of funding extended through IFCA to the “EU-EBRD SME Finance Facility for Central Asia” has since 2013 been helping to provide long-term financing to SMEs in the country, also in Tajikistan and Turkmenistan.

Export Caravan II and trade mission of Kyrgyz SMEs to Tashkent

Export promotion cooperation between the EBRD and the Investment Promotion and Protection Agency

In November 2017, with support from the EBRD and UNDP Aid for Trade, the Investment Promotion and Protection Agency launched “Export Caravan II” with events reaching hundreds of SMEs across the country to promote exporting and sharing advice from various sources on a unified platform. EBRD consultants shared best practices and *know-how* in Quality Management and Export Promotion with 200 participating SMEs at B2B sessions in Bishkek, Tokmok, Karakol, Balykchy, Naryn, Osh, Jalalabad and Talas.

On 13 December 2017, the EBRD arranged for the participation of its clients in a trade mission to Tashkent. The Kyrgyz delegation included more than 50 companies, of which 12 are EBRD’s finance and advice clients and 2 are export promotion consultants. EBRD clients signed 3 contracts worth USD 6.5 million. This successfully concluded the Export Caravan II and marked a positive step towards regional trade.



EBRD’s Risk-sharing Facility in action

Ingenious Risk-sharing Facility (RSF) helps increase lending to SME

The cooperation with the EBRD and the EU Investment Facility for Central Asia will allow KICB to introduce innovative financing instruments (including risk-sharing and lending to medium-sized corporate firms) to support local SME companies. In 2017 EBRD signed two unfunded Risk Sharing Facility Participation Agreements with DKIB in November 2017 for USD 5.0 million and with KICB in October 2017 for USD 5.0 million. The Participation Agreement provides that EBRD will risk participate on an unfunded basis in the Partner Bank’s loans.

As an example, EBRD and the Kyrgyz Investment and Credit Bank (KICB) are providing financing to the country’s leading sugar producer, Kaindy-Kant. A loan agreement in the amount of USD 2 million was signed in December 2017 in Bishkek. The funds will provide Kaindy-Kant with working capital related to the procurement and subsequent storage, transportation and processing of sugar beet.



Established in 1963 and privatised in 1999, Kaindy-Kant is the leading sugar producer in the Kyrgyz Republic. The company operates a plant which processes sugar beet and sugar cane, and a network of sugar beet collection points in the Chui region. More than 3,500 local farmers supply sugar beet to Kaindy-Kant, which is now operating two sugar processing plants.

EBRD also helped Kaindy Kant to develop a business plan, in view of improving the company’s market position and attracting external financing. We connected Kaindy Kant with a local strategy consultant to help them develop a business plan and draft financial statements in compliance with IFRS. The international advisers’ team contributed to the design of the strategic investment plan while increasing the production lines’ efficiency. We also supported financial due diligence. As a result, Kaindy Kant was able to attract an investment under the EBRD’s RSF. The investment project benefits from the first-loss guarantee provided under the “EU-EBRD SME Finance Facility for Central Asia”

Other activities

- EBRD committed a tranche to **Kompanion Bank** under the Local Currency Programme to enable the partner bank to finance SMEs in local currency.
- Under the EBRD's **Trade Facilitation Programme** there were 23 transactions with a EUR 5.4 million turnover.
- We supported the **“Karakol - Good for Life and Business” business forum** in February 2017. More than 200 participants discussed the current state of the tourism market and potential of Karakol as a touristic destination. The business community gathered to develop a roadmap to address the obstacles to the growth of the sector and improvement of tourism infrastructure. Some of the best local businesses in the tourism sector received recognition and awards for their contribution in various categories. The **III Conference for regional consultants** followed the event in Karakol.
- Risk Sharing Facility: 5-year investment loan of USD 1.8 million co-financed with KICB to a **catering company** in April 2017 to open a new fast food restaurant and to build a kids zone in one restaurant.
- A total of 42 consultants participated in two trainings from the **Grow Your Consulting Business series** held in Bishkek in March and May 2017. During the 3-day **Business Diagnostics** training, 22 consultants learned to apply the right business diagnostic tools to identify the root of their client's problem and recommend solutions. 20 consultants honed their business management skills with the 3-day **Managing a consulting business** course, from reaching out to new client groups to managing talent and resources.
- A series of **information sessions with local partner banks** were conducted during May-July 2017 in different regions across the country with the main purpose to increase visibility of advisory support among loan officers. The team and loan officers discussed how business advice would improve the trustworthiness of their clients.
- Risk Sharing Facility: 5-year investment loan of USD 0.7 million co-financed with KICB to a **recreation and tourism complex** in May 2017 for construction of a banquet hall.
- In May 2017, the team held **two conferences for private health care clinics in Bishkek and Osh** with over 50 participants, promoting EBRD's unique offer of local and international advisory combined with financing facilities with Dr OzrenTošić.
- We supported the **National Consultants' Conference**, which took place in Bishkek on 17 May. The forum was well attended by consultants from all regions and SME representatives.
- In May, we organised the **Industrial Energy Efficiency (EE) training** in Bishkek, financed by Fintecc. The training was attended by 19 professionals active in the fields of energy efficiency, consultancy, electromechanical installations and architecture who increased their capacity towards selling EE products by techniques obtained.
- With our support, the local Institute of Management Consultants (IMC) participated in the **5th CMC International Conference** in Astana, Kazakhstan in September 2017.
- On 27 October, the EBRD held a **sector development event to support tourism companies in Osh** where Brian Ballingall, Team Coordinator, International Advisory, shared with sector-specific knowledge with 20 hoteliers and hotel managers. The event aimed at addressing market issues and providing support to SME beneficiaries in hospitality sector. The presentation was followed by an interactive Q&A session and individual meetings.
- We hosted over 60 participants with a short SBI presentation and award ceremony of EBRD clients at

the **EBRD Small Business Initiative launch reception** in September 2017.

- On 9 November 2017, we held a **consultancy trade fair in Osh** with 200+ participants to promote advisory services in Energy Efficiency, Quality Management and Environmental Management. The event gathered consulting companies from various fields to help disseminate *know-how* in the focus areas and share successful projects with EBRD advisory support.
- EBRD committed funds to further support Kyrgyzstan sustainable energy financing facility (KyrSEFF) **with KICB** in December 2017 and with **DKIB** in November 2017.
- Risk Sharing Facility: 3-year investment loan of USD 1.0 million co-financed with KICB to **a fitness center** in December 2017 for the construction of a sports complex.
- Risk Sharing Facility: 5-year working capital loan of USD 2.0 million co-financed with KICB to a **sugar plant** in December 2017 for working capital to purchase sugar beets from local farmers.

SME support? We know how.

We helped Akkula, a farm in Osh, to introduce a biogas unit and reduce energy costs

We helped Akkula farm to find an experienced consultant, who has extensive experience with processing of organic waste in biogas plants. Since the introduction of the biogas plant, the entrepreneur produced 60 tons of bio fertiliser, which made up USD 17,600 and 9,000m³ of gas, which is worth of USD 1,887. The entrepreneur reduced costs for gas and bio fertiliser worth in total of USD 19,487. The company now uses clean and eco-friendly fertiliser as biogas unit, which corresponds to current requirements in fertilising the land.



We helped Karakol, a building materials store in the Issyk-Kul region to automate its sales by introducing a modern accounting software.

Karakol was established in 2009 by Mrs. Esenbek kyzy Zhamal as the city of Karakol was experiencing a building boom due to the growing tourism industry and the demand for construction materials was growing. After a business diagnostics session, the company identified several improve ements that needed to be made to sustain business growth: paper records of daily sales, no sales reporting system in place and high staff turnover due to difficult conditions and long hours required for goods inventory. We connected Karakol with a local consultant who helped them to introduce a licensed accounting system. As a result, the company improved its efficiency, increased turnover by 21% and reduced operating costs by 10%.

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Small Business Initiative in the Kyrgyz Republic

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