



KG Financial Sector Development Project (P125689)

EUROPE AND CENTRAL ASIA | Kyrgyz Republic | Finance, Competitiveness and Innovation Global Practice | IBRD/IDA | Investment Project Financing | FY 2012 | Seq No: 14 | ARCHIVED on 11-Jul-2019 | ISR37784 |

Implementing Agencies: Ministry of Finance, Kyrgyz Post Office, National Bank of the Kyrgyz Republic, Ministry of Justice

Key Dates

Key Project Dates

Bank Approval Date: 08-Mar-2012	Effectiveness Date: 25-Dec-2013
Planned Mid Term Review Date: 31-Mar-2016	Actual Mid-Term Review Date: 31-Mar-2016
Original Closing Date: 30-Jun-2017	Revised Closing Date: 30-Jun-2020

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

Project Development Objectives are to: (i) enhance financial sector stability, and (ii) increase access to financial services.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Strengthen Institutional capacity of the NBKR:(Cost \$0.33 M)
 Enhancing financial services via KPOs network:(Cost \$6.60 M)
 Modernizing the secured transactions and debt resolution regime:(Cost \$1.12 M)
 Project coordination and monitoring:(Cost \$0.80 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● High	● High

Implementation Status and Key Decisions

The overall implementation progress remains Moderate Satisfactory, but may be downgraded in the third quarter of 2019 if the implementation progress stagnates.

- Component 1 Strengthening institutional capacity of the NBKR - NBKR needs to expedite the finalization and execution of the procurement plan of the remaining funds. The funds will be used for capacity building of supervisory staff.

- Component 2 Enhancing financial transactions through the KPO - KPO is implementing the IT system to equip and connect the post offices with financial institutions such as banks and remittances service providers. KPO completed the test phase on May 31, 2019 and will continue with the national roll-out in the coming 6 months. This will give Kyrgyz people in the rural area the opportunity to have access to financial services, which is a key development objective of the project. In addition, the audit of the financial statements of 2016 and 2017 has also been finalized on May 24,



2019. The financial statement and the audit opinion are published on the website of the KPO on June 18, 2019. Nevertheless, KPO needs to keep on schedule with the national roll-out of the IT system, start building staff capacity, and establish a comprehensive bank agency agreement in order to offer a full range of financial transactions at the Post Offices.

Component 3 Modernization of the collateral registry and debt resolution - MOJ started execution of the procurement plan of the remaining funds. The funds will be used to further improve the regulatory framework, update the online collateral registration system, and increase its efforts to raise awareness for its stakeholders and provide training for its employees.

The progress towards achievement of PDO remains Moderate Satisfactory because it is expected that at this point in time the PDO could be achieved by June 30, 2020. However, the project may be downgraded to Moderate Unsatisfactory in the third quarter of 2019 if the implementation progress stagnates.

- The PDO under component 1 - enhancing financial stability by strengthening the legal, regulatory and supervisory frameworks for banks, micro finance institutions and credit unions - is likely to be partially achieved (by design of the restructured project) under the Bank Executed Trust Fund (BETF) that finances most of the activities to strengthen the regulatory and supervisory framework.

- The PDO indicator of Component 2 is to increase financial transactions going through the Kyrgyz Post Office (KPO). In order to achieve the target of this indicator KPO is in the process of establishing the preconditions (implementation of an IT system that connects Post Offices in the rural area with Financial Institutions, transition from decentral and paper based to a central and electronic based financial administration, and build staff capacity). However, there is a need for KPO to establish a comprehensive bank agency agreement with a bank. So KPO could offer a full range of financial products (e.g. loan installments, deposit taking, international remittances) and work together with banks on building staff capacity and setting-up a joint marketing strategy. Although there are some initiatives and pilots initiated, there is no comprehensive bank agency agreement yet. KPO is asked to systematically work towards a comprehensive bank agency agreement.

- The PDO indicator of Component 3 is to increase the amount of on-line registrations. The MOJ needs to expedite the execution of the procurement plan in order to increase the amount of on-line registrations.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Substantial	● Substantial
Macroeconomic	--	● Moderate	● Moderate
Sector Strategies and Policies	--	● Moderate	● Moderate
Technical Design of Project or Program	--	● High	● High
Institutional Capacity for Implementation and Sustainability	--	● High	● High
Fiduciary	--	● Substantial	● Substantial
Environment and Social	--	● Low	● Low
Stakeholders	--	● High	● High
Other	--	--	--
Overall	--	● High	● High

Results

PDO Indicators by Objectives / Outcomes



Strengthening legal, regulatory and supervisory framework for banks, MFOs and credit unions.

►Number of changes to the legal, regulatory and supervisory framework are implemented (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	2.00
Date	30-Jun-2018	21-Nov-2018	20-Jun-2019	30-Jun-2020

Enhancing financial services via KPO network

►Number of financial services transactions going through KPO (e.g. payment transactions, remittances, bank transaction) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10,000,000.00	8,200,000.00	8,200,000.00	17,000,000.00
Date	08-Mar-2012	21-Nov-2018	20-Jun-2019	30-Jun-2020

Modernizing secured transactions and debt resolution regime

►Number of new annual registrations in the secured transactions registry, using moveable assets as collateral (alone or in combination with immoveable collateral) (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,354.00	1,400.00	1,700.00	2,500.00
Date	31-Dec-2017	21-Nov-2018	30-Jun-2019	30-Jun-2020

Intermediate Results Indicators by Components

Strengthening Institutional Capacity of the NBKR

►Improved staff capacity, measured in terms of number of years of staff experience in supervision departments (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2.00	2.00	2.00	4.50
Date	15-Jan-2012	21-Nov-2018	20-Jun-2019	30-Jun-2020

►Supervisory staff conducted spacialist training (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	25.00
Date	30-Jun-2018	21-Nov-2018	20-Jun-2019	30-Jun-2020



Enhancing financial services via KPOs network				
►Number of ICT-equipped Post Offices (with installed, operational front office cash terminals) connected to the central hub (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	360.00
Date	01-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020
Comments:	KPO finished the test phase of implementation of the IT system and started the national role out.			
►Revenues from non-government financial services transactions (payment, remittances, bank) as a share of total KPO revenues from financial services (including also pension pay out and social allowances (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	15.00	8.60	8.60	20.00
Date	15-Jan-2012	21-Nov-2018	20-Jun-2019	30-Jun-2020
►Improved quality, reliability and cost-efficiency of small value payments operations, measured in terms of same day Straight Through Processing as a share of total transactions to&from bank accounts (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0%	0%	0%	>30%
Date	15-Jan-2012	21-Nov-2018	20-Jun-2019	30-Jun-2020
►Enhanced transparent financial performance (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	KPO issued the IFRS financial statements of 2016 and 2017 and contracted an independent auditor.	Financial audit 2016 and 2017 are completed. Financial Statement and audit opinion are published on the website of the KPO.	Annual audited statements 2016, 2017, and 2018.
Date	15-Jan-2012	21-Nov-2018	20-Jun-2019	30-Jun-2020
►Introduction of performance measurement, in terms of accounting reports with separated profitability and risk analysis for financial services and postal services (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	KPO is working together with a consultant on piloting financial reports. This work will be finished after full implementation of the IT system, including a Financial Management Application.	KPO is working together with a consultant on piloting financial reports. This work will be finished after full implementation of the IT system, including a Financial Management Application.	Monthly financial reports
Date	15-Jan-2012	21-Nov-2018	08-Jul-2019	30-Jun-2020



▶Number of cashiers, tellers, postmasters and other operational staff completed NBKR training to operate financial services at KPO (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	1,200.00
Date	15-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020
▶Enhanced competitive outreach for last mile delivery of remittances, measured in terms of market share of KPO in total remittances (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	2.00
Date	15-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020

Modernizing the secured transactions and debt resolution regime				
▶Amended legal framework for moveable collateral and debt resolution regimes (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	2.00
Date	15-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020
▶Issued regulations for the well-functioning of the collateral registry (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	4.00
Date	08-Mar-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020
▶Online system for registering collateral is operational and connected to other assets registrations (for example (registration of vehicle registration) (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No online system	Online registration system is operational but not yet connected to other asset registrations.	Online registration system is operational but not yet connected to other asset registrations.	On-line registration system is operational and at least connected to another asset registration system (for example system of vehicle registration)
Date	15-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020
▶Number of dissemination and capacity-building and training events held (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1.00	1.00	6.00
Date	15-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020



► Increase in lending based on new registration of security interests in the registry, using moveable assets as collateral (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	To be determined before the end of 2018.	To be determined before the end of 2018	To be determined by September 30, 2019	To be determined by September 30, 2019
Date	08-Mar-2012	21-Nov-2018	08-Jul-2019	30-Jun-2020
► Increase in the debt recovery rate for creditors (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	zero	36.20	36.20	30 cents on the dollar of 4% of insolvent companies
Date	15-Jan-2012	21-Nov-2018	21-Nov-2018	30-Jun-2020

Data on Financial Performance

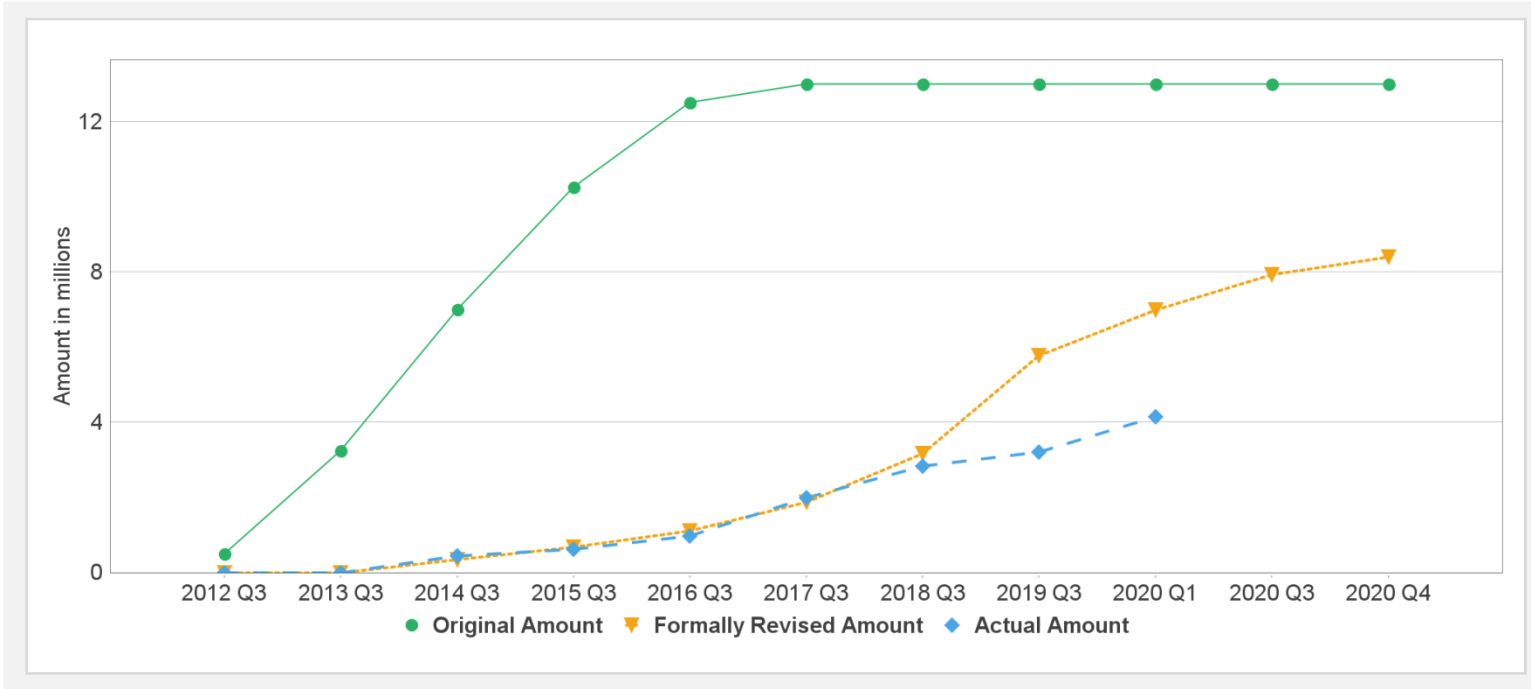
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P125689	IDA-50670	Effective	USD	7.15	4.03	3.12	0.73	2.90	20%
P125689	IDA-H7600	Effective	USD	5.85	4.92	0.93	3.42	1.21	74%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P125689	IDA-50670	Effective	08-Mar-2012	11-Jul-2013	25-Dec-2013	30-Jun-2017	30-Jun-2020
P125689	IDA-H7600	Effective	08-Mar-2012	11-Jul-2013	25-Dec-2013	30-Jun-2017	30-Jun-2020

Cumulative Disbursements



Restructuring History

Level Approved on 21-May-2013 ,Level 2 Approved on 29-Jun-2018 ,Level 2 Approved on 18-Feb-2019

Related Project(s)

There are no related projects.