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SESSION 2A:

Case Studies Improving Projects Quality at Entry Kyrgyz Small Expenditure Financing Facility

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SESSION 2: IMPROVING PROJECTS QUALITY at ENTRY

Case Study: Kyrgyz Republic



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Small Expenditure Financing Facility

ADB finances projects, in order to aim for success, it offers 3 modalities to help Developing Member Countries better design and implement projects.

Those modalities are Project Readiness Financing (PRF), Small Expenditure Financing Facility (SEFF) and Technical Assistances (TAs)



Quick and Flexible

The Small Expenditure Financing Facility is ADB's quick and flexible response to small financing needs, it provides quick and responsive support to DMCs' small financing needs that are linked to ADB-financed projects.



What is SEFF and Why we use it.



WHAT IS SEFF?

The small expenditure financing facility (SEFF) provides quick and responsive support to DMCs' small financing needs that are linked to ADB-financed projects. The total estimated contract value of each activity should not exceed \$15 million.

MULTISECTOR CAPACITY.

The SEFF can be multisector, that implying that the funds available have flexibility to be used on the sectors and activities when and where they are most needed.

WHY DO WE USE IT?

The SEFF typically supports low-risk activities across the project cycle—covering preparation, implementation, pilot-testing, and even post completion activities including operations and maintenance, rehabilitation, and post-disaster early recovery.



Key Features

ACTIVITIES

Once the SEFF has been established, individual activities are processed as and when needed up to the maximum approved facility amount. The SEFF's availability period is 5 years with a possible extension of another 5 years subject to ADB Board approval.

FINANCING TERMS

When funded by ADB's regular OCR, the following financing terms apply:

- Each activity will have a 5-year tenor from the commitment of each subloan with a bullet repayment.
- Each activity will charge interest based on that for a regular OCR loan less 20 basis points for a shorter tenor.
- No commitment fee applies, but there is a front-end fee of 15 basis points on the facility amount.
- When SEFF activity is funded by regular OCR or COL, it can be refinanced by an ensuing loan to the same borrower or surplus loan proceeds from an ongoing loan to the same borrower.

Standard financing terms will apply to activities funded by COL or ADF.



Requirements

SPECIFIC REQUIREMENTS

1. Loans for activities under SEFF must be linked to one or more ADB-financed projects.
2. SEFF size is agreed with the borrower, subject to general ceilings and the estimated financing needs.
3. A DMC can establish multiple SEFFs, following ceilings apply to the sum of all facilities in the country.
 - For SEFF funded with regular OCR, the size should not exceed 20% of the average annual commitments of regular OCR for the country in the past 3 years, or \$150 million.
 - The size of SEFFs funded with COL or ADF should not exceed 20% of the annual performance-based allocation of COL or ADF for the country.
 - To ensure a reasonable facility size in small DMCs with small resource allocations, SEFF of up to \$10 million can be established, in cases where 20% of the annual average commitments of regular OCR resources, or 20% of the average annual performance-based allocation is less than \$10 million.
4. Maximum amount per activity under SEFF is \$15 million.

GENERAL REQUIREMENTS

ADB's general policy requirements.



Requirements

HOW IT IS PROVIDED

SEFF is provided as a series of activity loans or grants committed within the SEFF availability period and resource envelope.

HOW IT IS DISBURSED

It is disbursed in amounts requested to cover eligible expenditures within the agreed facility amount. SEFF can be revolving (except when funded by ADF grants), allowing the borrower to request new fund commitments for activities within the SEFF size.

OPERATIONS MANUAL AND STAFF INSTRUCTIONS

Operations Manual defined under the new process with OM section D17 effective 30 June 2023. Staff Instructions on business processes for the SEFF have also been approved under the new processes.



KGZ SEFF - Activities

Multisector Activities Support Facility Small Expenditure Financing Facility

Activity	Amount	Status
<u>1-Civil Works-Plotina WTP Chlorine Neutralization</u>	USD 0.5 million	Completed, PCR disclosed
<u>2-Project Readiness-Naryn Program Readiness</u>	USD 2.5 million	Ongoing
<u>3-Project Readiness-Issyk-Kul Tourism Project</u>	USD 1.5 million	Ongoing
<u>4-Project Readiness-Border Services</u>	USD 0.8 million	Ongoing
<u>5- Civil Works-New Water Intake Osh</u>	USD 3.0 million	Ongoing
6-Project Readiness-enhancing Climate Resilient On-farm Ground Water Management Approaches	USD 1.7 million	Being processed

