LOAN FACILITIES TO FINANCIAL INSTITUTIONS

A loan facility is provided to a financial institution for one or more programmes so that it can finance its own or sub-borrowers’ sub-projects.

Definitions

**Borrower** means a financial institution.

**EDB Confirmation** means a standby letter of credit, a guarantee, a reimbursement undertaking, or another contractual document.

**Eligible instrument** means a documentary letter of credit, a bank guarantee, or other contractual documents under sub-projects.

**Sub-borrower** means an entity, being the borrower’s client.

**Sub-loan** means a loan provided or, as the case may be, to be provided by the borrower to a sub-borrower from the funds extended by the EDB to finance the sub-borrower’s sub-projects.

**Sub-project** means measures planned by the borrower and sub-borrower that conform to the programme requirements.

**Financial institution** means a bank or another financial organisation registered and existing in an EDB member state and holding all necessary permits and licences to engage in lending.

Requirements to Financial Institution

1. A financial institution operating in the EDB member states.

2. The availability of all necessary permits, approvals and licences to conduct the respective operations.

3. Annual external audit by an independent audit company acceptable to the EDB.

4. Not being subject to any sanctions imposed by authorised agencies in the EDB member states, such as a suspended licence or other restrictions.

5. Compliance with the applicable environmental laws of the respective EDB member state.

6. Manufacture and sale of any products or activities deemed illegal by laws of the respective EDB member state.

Loan Facility Arrangement Procedure

1. Signing of a non-disclosure agreement

2. Obtaining necessary charter and other documents

3. Conducting compliance control procedures

4. Obtaining financial statements

5. Estimating credit line amount and internal approval of the indicative terms and conditions

6. Having the indicative financing terms approved by the financial institution

7. Obtaining resolutions from the Bank’s authorised bodies

Prohibited Activities

1. Any activities involving forced or child labour

2. Tobacco and alcohol production and distribution

3. Gambling

4. Manufacture of weapons and military equipment

5. Foreign exchange transactions

6. Investments in any securities

7. Any activities prohibited by the laws of the EDB member states or international conventions pertaining to the protection of biological diversity or cultural heritage

8. Real estate transactions, including the purchase and sale of land, or financing the construction of residential and commercial estates, or shopping malls

EDB Member States

- Republic of Armenia
- Republic of Belarus
- Republic of Kazakhstan
- Kyrgyz Republic
- Russian Federation
- Republic of Tajikistan
The EDB SME and microfinance programmes aim to create favourable conditions for the sustainable development of small and medium-sized and micro-businesses in the EDB member states and enhance their competitiveness in domestic and foreign markets, promote employment, and develop trade and small and medium-sized production.

Eligibility Requirements for SME Programme Sub-Projects

Sub-projects must be in one or more of the following areas:

1. Purchase or upgrade of fixed assets, business enhancement and diversification.
2. Introduction of new technology.
3. Development of scientific-technical and innovative activities.
4. Development of export industry and import substitution.
5. Manufacture of competitive products with high added value in non-resource-based sectors.
6. Expansion of mutual trade and investment between the EDB member states, including exports and the supplies of equipment, raw materials and parts, as well as goods and services.
7. Financing working capital.
8. Other use of proceeds approved by the EDB.

Eligibility Requirements for SME Programme Sub-Borrowers

Sub-borrowers may be legal entities or individuals engaged in entrepreneurship, registered in the EDB member states, operating in the EDB member states, and meeting all the following requirements:

1. The average number of employees in the two preceding years was not more than 250.
2. The average annual sales revenue is not more than an equivalent of US $50m for businesses from the Russian Federation and the Republic of Kazakhstan, or an equivalent of US $25m for businesses from other member states; or the average annual asset value in the preceding year was not more than an equivalent of US $100m for businesses from the Russian Federation and the Republic of Kazakhstan, or an equivalent of US $50m for businesses from other member states.

Eligibility Requirements for Microfinance Programme Sub-Borrowers

Sub-borrowers may be legal entities or individuals engaged in entrepreneurship, registered in the EDB member states, operating in the EDB member states, and meeting all the following requirements:

1. The average number of employees in the two preceding years was not more than 50.
2. Other requirements approved by the EDB.

Eligibility Requirements for Microfinance Programme Sub-Projects

Sub-projects must be in the industries of manufacturing, services or trade.

General Terms

- **Type of loan facility**: Non-revolving
- **Financing period**:
  - SME: 1 to 5 years
  - Microfinance: 1 to 3 years
- **Currency**: USD, EUR, RUB, KZT
- **Sub-project value**:
  - SME: from US $50,000 to 25% of the facility amount
  - Microfinance: from US $1,000 to US $100,000
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