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**KYRGYZ REPUBLIC**

## SNAPSHOT

# Credit Guarantee Fund Aids SME Development

**Access to credit is essential for small and medium enterprises to grow.**



Photo: The USAID Local Development Program

*Zulaika Naamatova at her newly expanded bakery workshop in Kara-Balta, Kyrgyzstan.*

***“I had trouble receiving the full amount needed to expand my business from the bank; however, with the Credit Guarantee Fund I was able to enlarge my simple bakery into a fully equipped workshop. Now we can make different types of baked goods.”***

**Zulaika Naamatova**

Zulaika Naamatova, an entrepreneur from Kara-Balta, was the first business owner to receive a loan backed by credit from the city's new Credit Guarantee Fund. She owns a bakery and had difficulties expanding her business because it was considered too small to qualify for a loan from the bank. However, in mid-2011 Kara-Balta began operating its Credit Guarantee Fund, with support from USAID. After reviewing her application, the Fund agreed to guarantee 20 percent of her total loan, and as a result, the bank agreed to extend credit to Ms. Naamatova at the below-market interest rate of 20 percent. Now Ms. Naamatova can expand her business. She plans to hire two new employees, which will create much needed jobs for people from the local community. “I had trouble receiving the full amount needed to expand my business from the bank; however, with the Credit Guarantee Fund I was able to enlarge my simple bakery into a fully equipped workshop. Now we can make different types of baked goods.” Just a month after investing the money from the loan into her business, Ms. Naamatova has already generated 130 percent of its total in new sales. While presenting an enormous benefit to her and the people she employs, her success also means increased tax revenue for the municipality.

Kara-Balta's Credit Guarantee Fund is an innovative public-private partnership (PPP) between the municipality and a private bank in which both parties collaborate. The Fund provides collateral to guarantee loans for promising small and medium-sized enterprises (SMEs) who have strong potential but lack collateral. From this partnership, the bank brings on new customers at lower risk, SMEs obtain the financing they need to grow, and the municipality expands its tax base and improves its economy. Such funds are key tools in USAID's efforts to promote local economic development in developing countries like Kyrgyzstan.

Ms. Naamtova hopes to continue expanding her business, providing much employment to the community and increasing municipal revenue. She sees a lot of potential in this new partnership between SMEs and the local government. “There is a lot of work to be done and partnership with the municipality will only increase. I believe the Fund will help many SMEs to expand, I myself plan to apply again in the future.”

### Telling Our Story

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