

PRIME CENTRAL ASIA

Call for Proposals 2024

Migrant Contributions for Development



Kyrgyz Republic

Deadline 1st phase: 19 April 2024

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Introduction

The International Fund for Agricultural Development (IFAD) is an international financial institution and a specialized agency of the United Nations. Through its Financing Facility for Remittances (FFR), IFAD works to reduce poverty and promote development by leveraging both international and domestic remittances and migrant capital in rural areas of developing countries.

The FFR is launching the **Platform for Remittances, Investments and Migrants' Entrepreneurship in Central Asia (PRIME Central Asia)**, a programme co-financed by the European Union, with the aim to maximize the developmental impact of remittances by increasing access to them through digital methods, promoting digital and financial inclusion, and enhancing migrant returnees' access to income-generating activities, particularly in rural areas.

Under **PRIME Central Asia**, the FFR is pleased to launch the **Migrant Contributions for Development Call for Proposals 2024 for the Kyrgyz Republic**: Leveraging remittances to foster financial and digital inclusion, and support the sustainable reintegration of migrant returnees for local economic development in rural areas.

I. Background

A. Remittances to the Kyrgyz Republic

Remittances play an important role in the fight against poverty. Today, one billion people – one out of seven people on Earth – are involved in either sending or receiving international remittances. In 2023 alone, over half a trillion dollars in remittances were sent by over 200 million migrants to 800 million family members in low- and middle-income countries (LMICs).

Remittances are a crucial financial inflow for Central Asia, with over US\$24 billion received in 2023.¹ In particular the Kyrgyz Republic, Tajikistan and Uzbekistan are heavily dependent on remittances, of which a significant portion is sent from Kazakhstan. This vital source of income enables millions of families in the region to reach “their own Sustainable Development Goals”: fight poverty and improve access to nutrition, health, housing, education, as well as support entrepreneurship, savings and access to credit.

Nearly 1.5 million of the nearly 7 million Kyrgyz citizens live outside their home country: 65 per cent of them live in the Russian Federation. Other countries hosting the Kyrgyz diaspora are Uzbekistan, Tajikistan, South-Korea, China, Japan, Türkiye, Germany, the United Kingdom and the United States. In smaller numbers Latvia, Ukraine, Switzerland, Belgium and the Netherlands.

In 2023, the flow of international remittances from Kyrgyz migrants to their home country totalled US\$ 2.7 billion,² accounting for 20.5 per cent of its GDP. In 2023, 78 per cent of total transfers were received from migrants in Russia. The corridor from Kazakhstan represented 3.7 per cent of remittance flows. Remittances are the most important source of income for more

¹ World Bank, December 2023

² Source: National Bank of the Kyrgyz Republic

than 60 per cent of Kyrgyz families, and are larger than work, small trade or pension income. This is particularly true for the rural districts in the country.

The average direct cost for digitally sending remittances to Central Asia and especially to the Kyrgyz Republic are below 1 per cent, amongst the lowest in the world. However, for transfer corridors other than the Russian Federation and other Central Asia countries, costs can be much higher.

While World Bank data indicates that individual remittances to the country are small, US\$270/month on average, they reach directly millions of poor people, many of whom reside in rural areas beyond access to formal financial infrastructure. The potential development impact of remittances is dramatically enhanced when these flows can be used for cashless payments and are linked to financial education and services such as savings, credit, insurance and business development.

Identified opportunity areas to maximize international remittances and the contribution of migrants, including returnees to the Kyrgyz Republic economy, are summarized as follows:

Digital payments ecosystem. Digitalization of international remittances has proven to contribute to cost reduction and to drive financial inclusion among un(der)served populations.

- The Kyrgyz Republic has a conducive regulatory environment and infrastructure for digital payments and it has been strengthening its payment infrastructure and improving the legal and regulatory environment for the payment system. This has fostered a more inclusive payments market and strengthened remittances services, mainly for urban dwellers, but still low-income recipients and rural areas are lagging behind.
- Innovative payment systems and infrastructure reforms have led to the introduction of new money transfer services from Russia to local bank cards (Elcard or international cards issued by a Kyrgyz bank) and e-wallets. The main enablers are electronic know-your-customer (eKYC) and the payment card regulation, which granted permission to bank and non-bank financial institutions to onboard clients remotely and provide digital services.
- While cash remains the preferred transaction mode in the country (62 per cent of banked remittance recipients prefer cash transfers), digital payments are gaining traction. Cash and bank account channels are still perceived as more reliable and familiar as compared to low reliability and safety of e-money accounts.
- The share of households receiving remittances in an account through digital channels has grown 22 per cent in 2021. Only 6 per cent of the remittance recipients received transfers directly into payment cards or e-wallets. Nonetheless, this growth is seen mostly in large urban areas.
- The financial access infrastructure (ATMs, POS terminals) is limited outside the main cities, and the cost of using cards and bank accounts is high, as mobile infrastructure in rural areas is limited.

The high reliance on cash, low banking access and convenience, and better trust on cash transfers are barriers to digitalization of remittance flows. Incentives to choose digital are often needed.

Financial inclusion. Remittances are often the first financial service used by low-income migrants and their families, particularly in rural areas.

- 45 per cent of adults have access to a transactional account, and 39 per cent have made or received a digital payment by 2021.

- Accessibility has been a major barrier to financial inclusion in the country. Although 83 per cent of the population live outside of Bishkek, the capital city concentrates almost 40 per cent of financial access points.
- Although households receiving remittances through digital channels could use their account for savings, or to make payments without having to withdraw money, most digital users immediately cash out the largest part of these transfers.
- Changes to regulations regarding payment cards and banking agencies enhanced the commercial banks' ability to expand their infrastructure through agents, thus creating a path to increase service availability in underserved urban and rural areas.
- Challenges in advancing financial inclusion and optimizing usage of remittances include the relatively high level of cash in circulation and also the hoarding of foreign currencies (USD, EUR and others) "under the mattress". This corresponds with the level of deposits or household savings in banks, and the limited outreach of consumer lending, small business finance, housing and insurance finance.

Financial service providers have a market opportunity in designing and implementing financial services that match the actual needs and preferences of women and men migrants and remittance recipients.

Financial and digital education. Financial service providers can gain trust from remittance families by using transparency and financial literacy as drivers to deepen financial inclusion.

- Access to digital financial services in rural areas and smaller urban centers is growing, but surveys in the country indicate that many recipients do not fully know how to use accounts and payment cards.
- Among banked remittance recipients, the main reason for 'sticking with cash' appears to be lack of awareness about digital channels and their perceived complexity.
- Many recipients do not fully know how to use accounts and payment cards, and are subject to cyberscams.

In spite of the nationwide financial literacy campaigns by the National Bank of the Kyrgyz Republic and the Union of Banks, more is needed to help families move from living from month to month's income or from cashing out remittance to a more stable and resilient pattern.

B. Reintegration of Kyrgyz migrant returnees

Kyrgyz National Statistic Committee data indicate that there were almost 12.5 thousand Kyrgyz returnee migrants in 2022. The top three countries that migrant workers returned from were the Russian Federation (73 per cent), Kazakhstan, Tajikistan and Uzbekistan (18 per cent), and Türkiye (5 per cent). The largest number of returning migrant workers are from Jalal-Abad, Chui, Osh, Batken and Talas.

According to surveys run among returnees the current state of economy in the Kyrgyz Republic affects their willingness to live and work in the country: 44 per cent have interest in remaining in the country and have a strong interest to investing back home. However, reintegration of returnee migrants requires proper guidance on available investment opportunities, access to finance, and business and skills training. Best practices in this topic indicate that "sustainable reintegration is achieved when returnees have reached levels of economic self-sufficiency, social

stability, and psychosocial well-being”. For more efficient and sustainable reintegration processes, programs should cover individual, community and structural level needs and multi-stakeholder interventions.

II. The Call for Proposals 2024 (CfP24)

To address the above-mentioned challenges and opportunities, IFAD’s FFR is seeking to engage with public, private, civil society and international organizations stakeholders through this Call for Proposals 2024 (CfP24) to: (i) maximize the developmental impact of remittances by increasing access to these transfers through digital methods, promoting digital and financial inclusion, and (ii) promote remittance receiving families and migrant returnees’ access to income-generating activities, particularly in rural areas.

The CfP24 aims to address development opportunities by financing innovative cost-effective and replicable/scalable solutions and models that enhance more digital usage of remittances and related financial services, particularly in rural areas, and related financial services to ultimately improve income generating opportunities for remittance receiving families and migrant returnees.

Target group. Proposed interventions must have a direct impact on migrant workers sending remittances or returning home and receiving families in the four Central Asian countries included in PRIME Central Asia.

Either **individual** proposals for the Kyrgyz Republic, or **regional** proposals covering one or more Central Asian countries –Tajikistan, Uzbekistan and Kazakhstan– are eligible.

Call for Proposal 2024 – Specific objectives

Interested applicants may present project proposals that respond to at least one of the four PRIME Central Asia objectives specified below:

<p>Objective 1: Accelerate digitization of international remittances</p>	<p>Accelerate the full use of digital products and the digital payments ecosystem to support international remittances received.</p> <p>Expected impact:</p> <ul style="list-style-type: none"> - <i>Expand usage of channels and instruments for digital remittances and linked financial services.</i> - <i>Expand the outreach of financial access infrastructure or agents for payments and banking services to underserved locations, especially in rural areas.</i> - <i>Growth of digital payment offers linked to remittance services (such as e-commerce, online purchasing, school fees, bill payments for electricity, water, health care, G2P, agricultural inputs, etc.) or added-value services such as financial education tools.</i> - <i>Cost-effective methodologies for the onboarding of new</i>
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	<p><i>customers, especially disadvantaged segments of the population, such as low-income and female customers.</i></p>
<p>Objective 2: Leverage remittances to deepen financial inclusion</p>	<p>Enhance the availability of financial products adapted to the needs of rural and most vulnerable remittance recipients.</p> <p>Expected impact:</p> <ul style="list-style-type: none"> - <i>Expand access to a broader set of financial services linked to remittances, as an example: interest-term deposits, flexible savings (including group savings), emergency savings, microinsurance, emergency loans, affordable microenterprise credit, agri-finance, climate adaptation finance, etc.;</i> - <i>More rural men and women that can access, are aware of and use low-cost digital remittance services.</i>
<p>Objective 3: Promote deeper financial and digital education that fosters resilience and financial access.</p>	<p>Enhance knowledge and confidence of remittance senders and receivers towards digital and financial products through targeted, cost-effective education programs.</p> <p>Expected impact:</p> <ul style="list-style-type: none"> - <i>Further enhance the financial management and planning skills of remittance senders and recipients, as well as migrant returnees through customised financial and digital education programs (ensuring participation of women, rural and low-income segments of the population will be encouraged).</i> - <i>New financial services linked to remittances are used by the most vulnerable.</i>
<p>Objective 4: Contribute to cost-effective and sustainable integration of migrant returnees</p>	<p>Sustainable reintegration of returnees measured by levels of economic self-sufficiency, social stability, and psychosocial well-being that make their further migration decisions a matter of choice, rather than necessity.</p> <p>Expected impact:</p> <ul style="list-style-type: none"> - <i>Returnees benefit from stable income and new employment opportunities generated.</i> - <i>Returnees contribute to local economic development opportunities under scalable interventions.</i>

Who can apply?

- Public sector entities.
- Private sector entities including: (i) for-profit businesses and (ii) non-profit, non-governmental organizations. These may include formal financial intermediaries, MTOs, MNOs, MFIs, Fintechs, financial cooperatives, diaspora networks, NGOs, Telcos and investment funds, among others.
- International organizations.

Strategic partnerships linking for-profit entities with non-profit and public sector entities (central banks, financial sector regulators) and/or international organizations are welcomed.

Requirements for applicants are as follows:

- ✓ Must be a legal organization registered in an [IFAD Member State](#) (alternatively, at least one of the parties involved in the proposal must be registered in a Member State);
- ✓ must show the license required to offer services in compliance with regulations in jurisdictions where it will operate;
- ✓ must have the capacity to enter into financial and legal agreements with IFAD, and comply with the procurement guidelines of IFAD (see [IFAD procurement guidelines](#));
- ✓ may not act as an intermediary, but be directly responsible for the preparation and management of the proposed project;
- ✓ must present audited financial statements in accordance with international standards for the two previous years;
- ✓ all applicant organizations should have already reached sustainability in their operations, and have a proven track record in the area of expertise proposed for the project.

Financing requirements

Grant amount financed by IFAD: indicatively from €100,000 up to €450,000 for single country proposals.

A larger amount, to be discussed with IFAD, for regional proposals including two or more Central Asian countries.

Mandatory co-financing from applicant institutions: applicants are required to provide a minimum of co-financing to implement the project proposed. Co-financing should be equivalent to:

- 20 per cent of the grant amount requested to IFAD, if the applicant is a non-profit organization, a public entity, or an international organization.
- 30 per cent of the grant amount requested to IFAD, if the applicant is a for-profit entity.
- In both cases, at least 50 per cent of the co-financing amount should be in cash, i.e. through the purchase of new products and/or services required by the project. The remaining 50 per cent could be in-kind contributions, i.e. existing resources that will be used for the implementation of this project.

Project duration: the implementation period limit is August 2027, with committed results demonstrated within this period.

How to apply?

The application and selection process comprise the phases below:

PHASE 0. Ensuring Eligibility

1. Determine the eligibility of your organization (refer to section above on “who can apply?”)
2. If eligible, you may prepare the Initial Bilateral Meeting with the IFAD team based on the guidance provided in Annex 1 of this document. Please reach out to remit.kyrgyzstan@ifad.org to request an Initial Bilateral Meeting.

PHASE 1. Initial Bilateral Meeting

The Initial Bilateral Meeting involves a **pitch meeting** with IFAD’s FFR and your organization. This meeting aims to present the project proposal that you would like to submit for grant financing from IFAD. In order to prepare this meeting, please refer to **Annex 1** for guidance, as it includes the main questions that will be addressed. Although not required, IFAD encourages sending a version of Annex 1 in ENGLISH (preferred) or RUSSIAN before the initial bilateral meeting to remit.kyrgyzstan@ifad.org in order to facilitate the meeting discussions. IFAD will provide translation services for this Initial Bilateral Meeting as required.

PHASE 2 – Final Bilateral Meeting

Selected applicants from Phase 1 will be invited to complete **Annex 2** in ENGLISH (preferred) or RUSSIAN and send it ahead of a two-hour online meeting (Final Bilateral Meeting) to orally present the in-depth project proposal. After this final meeting, IFAD will inform the applicants if their proposal has been selected for funding. Please send Annex 1 and Annex 2 completed to remit.kyrgyzstan@ifad.org **at least 3 days before** the scheduled Final Bilateral Meeting. IFAD will provide translation services for this Final Bilateral Meeting as required.

PHASE 3 – Project Design

Project design will be carried out through pre-arranged online meetings and an onsite visit by the IFAD/FFR team. A project design document in English will be finalized together with the applicant. Prospective bidders will be expected to provide a baseline of the existing situation and quantifiable expected outcomes and deliverables. IFAD will provide translation services only for the required meetings held during Project Design phase.

PHASE 4 – Grant Agreement signature

Once all IFAD management internal clearances and approvals are obtained, a Grant Agreement will be prepared in ENGLISH and signed by both parties (applicant and IFAD). Disbursements will be made in accordance with the agreed financial plans of individual proposals.

Timelines

Timeline for the Call for Proposals 2024	
Kick-off meeting Kyrgyz Republic	March 6, 2024
Phase 1- Initial bilateral meetings	
Individual preparatory sessions	March 7 (in person)

Annex 1 – use as reference and send in English (preferred) or Russian	March 18 - April 26 (online)
Announcement of pre-selected proposals	May 10, 2024
Phase 2 –Final bilateral meeting	
Final bilateral session for pre-selected proposals Annex 2 – Guidance for Final Meeting Call Written document in English (preferred) or Russian	May 14- May 31, 2024
Announcement of selected projects**	June 5, 2024
Phase 3 – Project design document preparation (only in English)	June 6- August 30, 2024
Phase 4: IFAD Board Approval, Grant Agreement document (only in English) and disbursement	By October, 2024

**Dates may vary according to number of projects and complexity of projects received.*

***Selected proposals will undergo a final internal review within IFAD. A project will only be considered approved at the moment of signature of the Grant Agreement between IFAD and the applicant.*

Annex 1- Guidance Form for Initial Bilateral Meeting

In order to prepare your meeting with the IFAD team, please prepare the following discussion points around the project proposal that you would like to submit under this Call for Proposals 2024:

<p>1. Relevant expertise. Describe your organization’s relevant expertise in the remittance market and/or reintegration of migrant returnees that would enable your organization to implement the proposed project.</p>
<p>2. Definition of the project. Present the main activities that your organization aims to implement in order to achieve this Call for Proposals’ objectives, and define the implementation period.</p>
<p>3. Geographical area for implementation. One country name and country regions: _____ Regional (2 or more countries eligible under PRIME Central Asia and their respective regions): _____</p>
<p>4. Project’s expected results. To the extent possible, please provide tangible targets and measurable indicators.</p>
<p>5. Estimated budget. Please refer to the Financing Requirements section and indicate:</p> <ul style="list-style-type: none">a. The grant amount that would be required to implement this project.b. The co-financing amount that your organization will be able to contribute.

Annex 2. Guidance for Final Meeting Call

(Only for selected applicants)

<p>1. Project context. Please include:</p> <ul style="list-style-type: none">a. The challenges that this project is aiming to respond to. <p>Depending on the focus of the project:</p> <ul style="list-style-type: none">b. Legal environment of the country(ies) remittance market where the project will be implemented (if the focus is on remittances).c. Economic opportunities for migrant returnees (if the focus is on returnees).
<p>2. Relevant expertise. This section is aimed to showcase why your organization is in a position to address the challenges mentioned in the section above. Some key indicators to showcase your expertise in the area of remittances may include:</p> <ul style="list-style-type: none">a. Volume/value of remittance flows managed by the organization, with market share if possible;b. Number of remittance access points (agents, ATMs, etc.), especially in rural areas;c. Customer base;d. Corridor(s) coverage;e. Enabling legal framework (your licensing status or partnership agreements, that showcase your organization complies with all legal requirements) <p>For reintegration of returnees projects, please include a brief description of previous implemented projects and impact achieved.</p>
<p>3. Project description. Describe briefly each set of activities that will be required to implement the project. You can break down these activities in different components.</p>
<p>4. Implementation arrangements. Define the institutional set-up that will be put in place to implement the project. Mention the project partners, if any, and their role. Showcase which units/focal points from your organization will be part of this project.</p>
<p>5. Innovation. State how the project proposed is bringing a solution that is new in terms of country context, scale or line of business. IFAD projects are expected to innovate, by exploring new methodologies, institutional arrangements or technologies in the context in which they are applied.</p>
<p>6. Sustainability. Describe the main assumptions vis-à-vis the sustainability of project benefits to the target group – who benefits? what benefits? for how long?</p>

7. **Scaling-up potential.** Define the growth opportunities that this project will have beyond implementation timeline. This may include expanding or adapting results so that your organization can impact a greater number of customers, especially rural and low-income.

8. **Budget.**³ Indicate the grant amount requested from IFAD's FFR, in Euro. Indicate co-financing that will be provided by the applicant institution (and other project partners), in Euro.

³ 1) Overheads, management fees and indirect expenditures that are not directly linked to the implementation of the project are not eligible under IFAD's FFR grant financing. You may include these costs as co-financing.

2) Grantees of the IFAD/FFR are required to provide a minimum of co-financing equivalent to: 20 per cent of the grant amount requested in the case of a non-profit/ international organization applicant and 30 per cent of the grant amount requested in the case of a for-profit applicant. 3) Fees generated by services offered through the project cannot be used as counterpart contributions. These should rather be viewed as a primary instrument for ensuring the long-term sustainability of the project.

Annex 3. Selection Criteria

Proposals from eligible applicants will be evaluated on the basis of the below criteria.

- (i) **Impact (30 per cent)**. Whether the project/initiative demonstrates specific cost-effective benefits for remittance families, particularly in rural areas, and whether the results expected in are realistic and well explained. Specific results should be clearly defined.
- (ii) **Sustainability and Scalability (20 per cent)**. Whether the project presents the resources to be maintained to be maintained over time, and also to grow and be applied to other contexts and target audiences to achieve greater impact and reach over time without continued IFAD/FFR support.
- (iii) **Relevant Expertise (20 per cent)**. The financial, managerial, and technical proven experience in the area of remittances, digitalization of financial services and/or reintegration of returnees. Applicants must provide evidence of interest and/or commitment from partners.
- (iv) **Degree of innovation (10 per cent)**. To what extent the project/initiative proposes new ways to address identified problems and is unique compared to existing models/trends, based on its content and/or delivery methodology. Constraints to innovation specific to proposal country/region should be addressed (legal, political, regulatory, etc.).
- (v) **Market positioning (10 per cent)**. The extent to which the applicant clearly addresses a specific market segment/corridor and properly assess its comparative advantages to do so. The proposal will demonstrate the depth of the market and the applicant's ability to design a commercially viable business model with appropriate products and distribution channels. Financial and organizational sustainability must be viable.
- (vi) **Implementation strategy (10 per cent)**. Whether the project/initiative clearly describes the specific activities, operational arrangements and partnerships that have been and will be developed to implement it. Whether project activities, workplan, budget are feasible.