

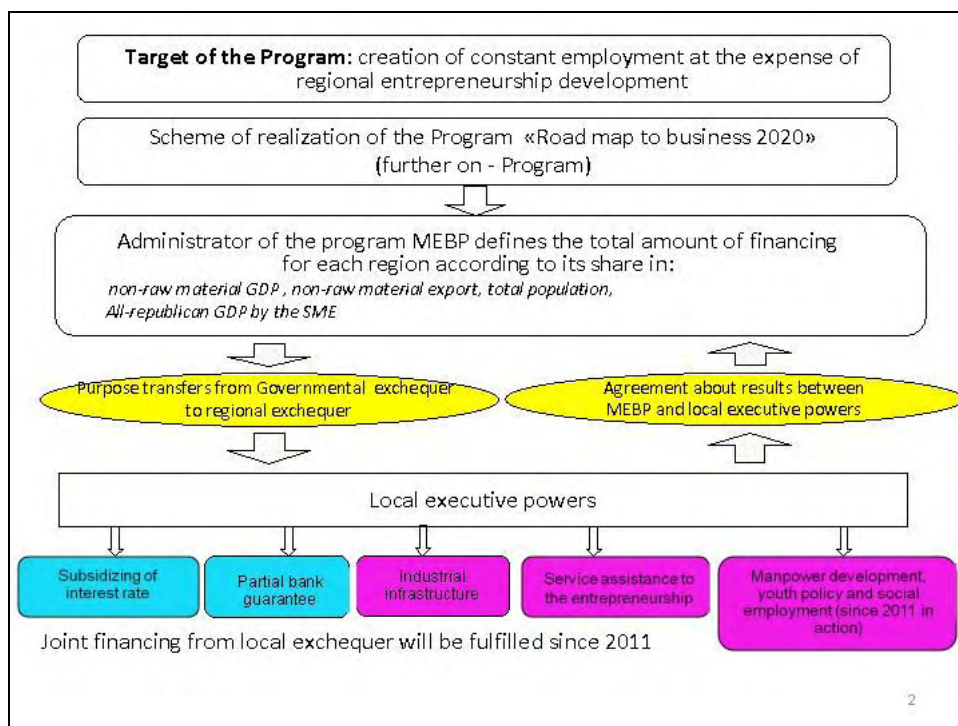
1. Road Map to Business 2020

Appendix 1

Road Map to Business 2020

**Ministry of Economics and
Budget Planning of
the Republic of Kazakhstan**

Astana city, 2010



Participants of the Program

- **Ministry of Economics and BP** – administrator of the Program
- **Local Executive Powers** – administrator of the budget program, independently allocates the funds according different directions of the budget program
- **Coordinator of the program**– department of entrepreneurship of the oblast
- **Regional coordination council (RCC)** – consultative-advisory body, headed by the Akim of oblast
- **Major operators of the program – regional SEC**, that fulfills the functions of the working body of RCC, selection and evaluation of projects for subsidizing and guarantee, and provides the coordination of development of industrial infrastructure, service assistance and manpower development for SMB
- **Financial agent of the Program - JSC FSE «Damu»**, that fulfills financial maintenance of the directions of the Program for subsidizing and guarantee, single monitoring of purpose effective and timely usage of funds, provides unified report activity
- **Entrepreneurs**, realize the projects in priority sectors of economics with high added value and consequent processing, excluding mining industry, flour manufacturing, crop cultivation, oil refinery and also large projects in metallurgy (industries which exploit natural rent)
- **Second-tier banks**– banks, participants of the Program

3

General conditions of the Program

MEBP and Akims conclude the agreement about:

- The increase of the volume of non-raw material export
- The number of newly created employment
- The grow of the productivity in non-raw material sector of economics
- The increase of income to exchequer

The major criterion for selection of projects is export-orientation and/or increase of Kazakhstani share with further external markets entry.

The entrepreneur may pretend to apply for combined packet of state support provided by the Program:

- subsidizing of interest rate
- bank guarantee by JSC "FSE «Damu»
- production placement on the territory of industrial park
- services
- manpower development,

And also for other budget programs administrated by MIT in the network of the Program of accelerated industrial-innovative development

First direction: subsidizing of interest rate for loans

General conditions of subsidizing:

- Maximum size of the credit : 3 billion tenge or 20 million \$
- Maximum payback time: up to 3 years with possible prolongation to 10 y.
- Purpose use of the credit which is subsidized is: modernization, expanding and organization of new manufacture.
- The subsidy is issued: to new and also to existing credits
- The grace period for new projects : has to be not shorter than 1 year
- The participation in project with own capital by the applicant of should not be less than 20%

Only those projects can be evaluated which have the effective interest rate for loan not more than limited market interest rate defined by MEBP two times a year

5

First direction: subsidizing of interest rate for loans

Conditions and size of the subsidizing:

- In order to receive subsidy the potential participant of the program should export more than 10% of his production yield
- Potential participant may receive subsidy in case he accepts deferred liabilities for export of production yield for two years in amount of 40% of interest rate for loan
- If the participant of the Program confirms the actual export yield more than it was declared, the size of subsidy is increasing according to the progressive scale:
- **With export from 10 to 30%** from the production yield the interest rate for the loan is subsidized to 50%
- **With export from 30 to 40%** from the production yield the interest rate for the loan is subsidized to 60%
- **With export from 40 to 50%** from the production yield the interest rate for the loan is subsidized to 70%
- **With export more than 50%** from the production yield the interest rate for the loan is subsidized to 80%
- If the participant of the program does not fulfill the declared liabilities for export after the project realization, the subsidy is terminated

6

First direction: subsidizing of interest rate for loans

Mechanism of realization:

1. Local executive body within the scope of total amount defines the amount of fund for subsidizing of interest rate and reconciles it with MEBP
2. MEBP implements the purpose transfer to local exchequer in the network of certain sum
3. The General Agreement between Akimats, Commercial Banks, FSE “Damu” about the conditions and mechanisms of realization of the program for subsidy is concluded

7

First direction: subsidizing of interest rate for loans

Mechanism of realization (continuation)

5. The order of evaluation of the projects

Of new projects:

1. The entrepreneur which is eager to participate in the program applies to the Bank or SEC directly.
2. In case of application to the Bank before evaluation the documents are also to be sent to SEC.
3. SEC evaluates the applications of the Bank or independently of entrepreneurs whether they comply to the criteria and works out the decision for the project.
4. All the applications sent by the entrepreneurs directly and received positive decision in SEC are to be directed to Banks- participants of the Program for evaluation.

Of existing projects:

1. Commercial bank forms the list of existing projects and approved new ones which comply with the criteria of the program and sends it to SEC for evaluation.
2. The entrepreneur has right to apply directly to SEC for new project approved for the financing by commercial banks and for existing one as well.

6. All the projects approved by SEC and commercial banks should be examined by RCC, headed by the Akim of region.

First direction: subsidizing of interest rate for loans

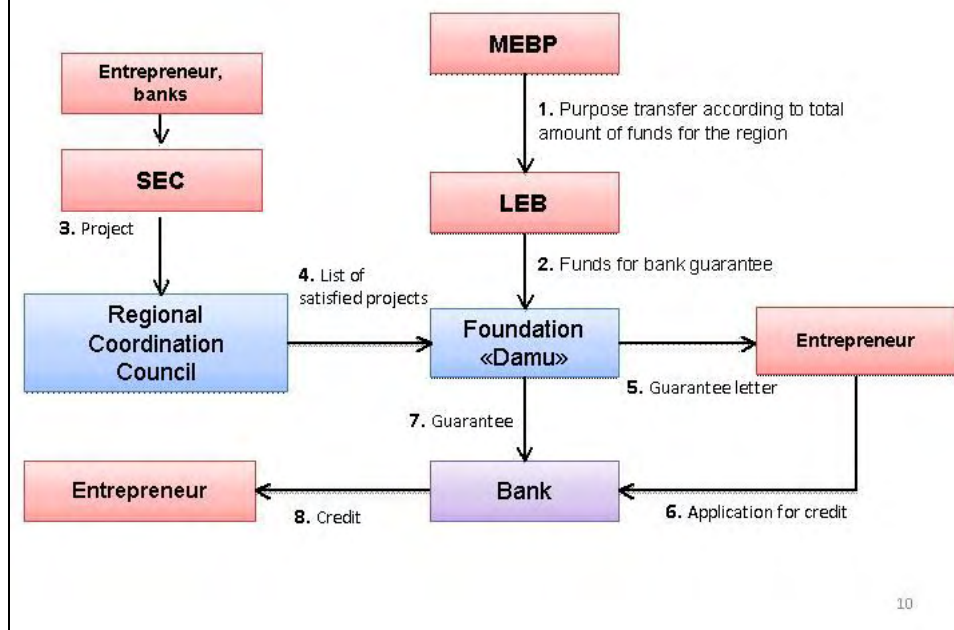
Mechanism of realization (continuation)

7. The list of projects recommended for subsidizing by the Regional Coordinate Council is sent to :
 - MEBP for examination of compliance with criteria of the Program
 - Commercial banks with conditions of subsidizing
 - Foundation «Damu», which functions as a financial agent of the Program
8. After all procedures of the reconciliation between local executive body, bank, entrepreneur and foundation “Damu” the contracts for subsidizing are concluded
9. The entrepreneur implements the project and pays to bank all his liabilities with subsidized interest rate. The foundation “Damu” using the funds of local executive body monthly compensates to the Bank the difference between the bank interest rate and subsidized interest rate for loan
10. Foundation “Damu” as a financial agent monitors the implementation of the project and provides information about it to the regional coordination council and MEBP.
11. The expenses of financial agent are covered by the funds of local exchequer

9

Second direction: partial bank guarantee

General scheme



10

Second direction: partial bank guarantee

Conditions of partial guarantee

- Maximum amount of the credit is 3 billion tenge or 20 million \$
- Maximum size of guarantee – not more than 50% from the credit amount
- Maximum period of guarantee not more than payback time according to the contract
- Purpose of the credit, which is guaranteed: organization of new manufacturing
- Grace period should be not less than 1 year
- Participation in the project with own capital by the applicant is not less than 20%
- The cost of guarantee for local executive body (LEB) – tentatively 20% from the amount of guarantee (foundation “Damu” provides reserve funds for cover of loss) with decrease of the guarantee cost depending on its size

The projects should be implemented in priority sectors of the economics with high added value and consequent processing, excluding mineral resource industry, flour, grain production, oil refinery, and also large companies in mining and smelting sector of economics (the industries exploiting natural rent)

11

Second direction: partial bank guarantee

Mechanism of realization:

1. LEB within the scope of total amount of funds defines the amount of means for guarantee and reconciles it with MEBP
2. MEBP sends the purpose transfer to local exchequer in network of defined sum
3. Between Akimats, Banks, FES “Damu” the General Agreement about the conditions and mechanisms of realization of the program of guarantee is concluded
4. LEB in network of total amount defines the funds allocated for credit guarantee and transfers it to foundation “Damu”. Foundation “Damu” defines the amount of guarantee for the region on the assumption of that the correlation between total amount of guarantee and transfers to LEB is 5:1
5. The amount of guaranteed credits by the foundation “Damu” should depend on the average size of guarantee

as a reference:

<i>Amount of transferred funds:</i>	<i>1 billion tenge</i>
<i>total amount of guarantee:</i>	<i>5 billion tenge</i>
<i>Volume of credit resources of Banks :</i>	
<i>with average guarantee size 50%:</i>	<i>~ not less than 10 billion tenge</i>
<i>with average guarantee size 40%:</i>	<i>~ not less than 12,5 billion tenge</i>
<i>with average guarantee size 30%:</i>	<i>~ not less than 16,6 M. P. D. tenge</i>

12

Second direction: partial bank guarantee

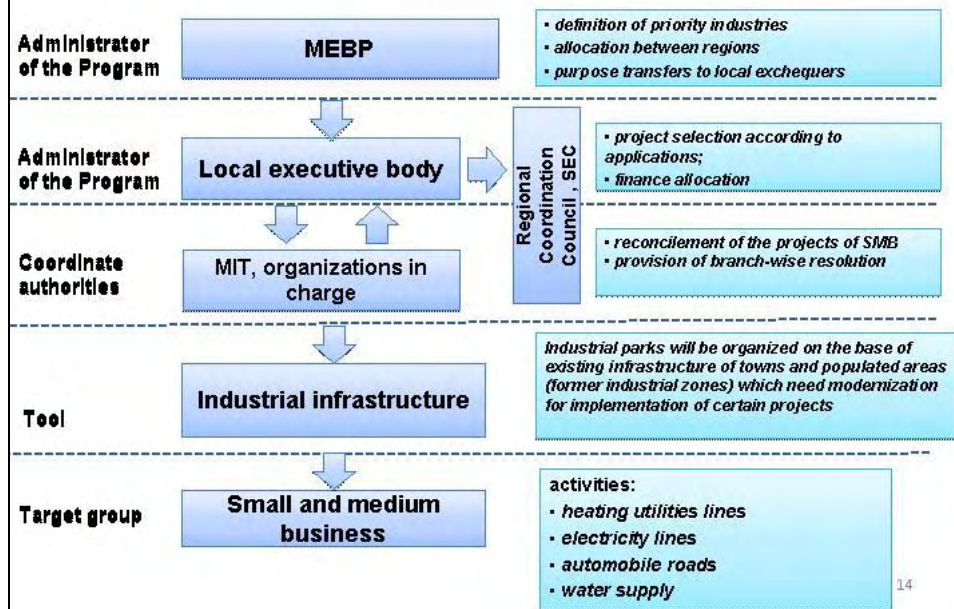
Mechanism of realization

6. The entrepreneur which is eager to participate in the program applies to the Bank or SEC directly.
7. In case of application to the Bank before evaluation the documents are also to be sent to SEC.
8. SEC evaluates the applications of the Bank or independently of entrepreneurs whether they comply to the criteria and works out the decision for the project. All the applications sent by the entrepreneurs directly and received positive decision in SEC are to be directed to Banks-participants of the Program for evaluation.
9. All the projects approved by SEC and commercial banks should be examined by RCC, which forms the list of projects approved for examination and sends it to the Foundation for decision about possible guarantee and also to MEBP for evaluation for compliance with priorities of the Program
10. Foundation "Damu" after having received all the reconcilements and file of documents takes the decision about guarantee deliverance and sends the guarantee letter
11. In case the Bank takes the positive decision for the project, foundation "Damu" delivers guarantee commitment for the entrepreneur to the Bank
12. Bank provides the credit against security of foundation "Damu"

13

Third direction: industrial infrastructure

General scheme



14

Third direction: industrial infrastructure

General conditions of provision of industrial infrastructure

Industrial infrastructure is to be provided for support of the projects, included into the Program, and also for implementation of potentially perspective projects

Mechanism of realization

1. The Departments of Entrepreneurship of regions, SEC, with participation of the entrepreneurs-participants of the Program define the needs in industrial infrastructure necessary for implementation of the projects
2. SEC makes a suggestion to RCC for construction and modernization of the industrial infrastructure necessary for implementation of the projects
3. Technical feasibility studies for the approved by RCC projects of infrastructure development are worked out for the means of local exchequer and their expertise is provided
4. LEB in network of total amount of funds allocated from state exchequer for the realization of the Program defines the amount of money for industrial infrastructure and reconciles it with MIT and other authorities in charge, and also with MEBP
5. MEBP provides the purpose transfer to local exchequer in network of defined sum
6. LEB provides construction and modernization of industrial infrastructure necessary for realization of the Program

15

Forth direction: services

Supposed list of services for entrepreneurship

- 1. Consulting services**
 - Consultations for starting-up and optimization of existing business
 - Financial and legal counseling
 - Business consultations for the work in outer markets and participation in competitions for state procurement
- 2. Working procedures services**
 - Centralized accounting and legal service
 - Informational technologies services
 - Services for regulating of working procedures, enterprises management
 - Marketing researches for specific market entry with certain product (service), branding and promotion of certain products (services)
- 3. Institutional support**
 - Integration of work of all existing institutions of entrepreneurship infrastructure, which are under the authority of local executive body
 - Incubation of start-up business
 - Assignment to entrusted administration, lease, ownership of non-used real estate, equipment ,
- 4. Support of the promotion of the products of SME in domestic and foreign markets**
 - Organization of sales and supplying cooperation
 - Market and producers support by raw materials, food products and services purchase
 - Export and promotion of Kazakhstani producers in external markets under "umbrella" brands, including consolidation of small lots, certification and other operations
 - Providing assistance to the entry of SME to foreign markets

Forth direction: services

General conditions of provision of services

Services are provided for implementation of the projects included into the Program, and also for regional entrepreneurship assistance

Mechanism of realization

1. The Departments of Entrepreneurship of regions, SEC, with participation of the entrepreneurs define the needs in services
2. SEC makes a suggestion to RCC for necessary services
3. LEB in network of total amount of funds allocated from state exchequer for the realization of the Program defines the amount of money for services
4. MEBP provides the purpose transfer to local exchequer in network of defined sum
5. Local executive body implements financing of services for SEC – major operator of the realization of this direction of the Program, and for other specialized service institutions (JSC Foundation “Damu”, JSC “CITT”, JSC “KazAgroMarketing” JSC “KAZNEX” and other) in case if any services are not to be delivered by SEC
6. SEC for the purposes of service deliverance may involve other service institutions to subcontract

2. The program for Support of Private Entrepreneurship

The program for support of private entrepreneurship acting in a field of manufacturing(processing) industry JSC “Foundation for entrepreneurship development “Damu” (Program “Damu-Ondiris”)

The program for support of private entrepreneurship acting in a field of manufacturing(processing) industry (further on – Program) is one of the tools for realization of the governmental policy for financial support for private entrepreneurship in Republic of Kazakhstan.

The Program is fulfilled by allocating some funds in the Banks-partners with the specific (target and limited) conditions for consequent crediting the private entrepreneurs. One of the major principles of collaboration with Banks-partners is the policy of non-intrusion into their interim procedures and crediting process from the side of Foundation, and their full responsibility for the risks of their decisions.

The Program is worked out for the purposes of enhancement of the efficiency of the governmental measures in financial support of the SME and is based on the principles of the public-and-private partnership.

The Program is oriented at the support of SME in the field of processing industry.

The goal of the Program

The overcoming of forming deficit of the financing for SME in the processing industry.

The tasks of the Program

- To reduce the cost of crediting for SME;
- To grasp as many as possible SME using the means of private financial institutions;
- To reduce the debt load through refinancing existing loans;
- To increase the availability and immediacy of the crediting SME through application of organization-technical possibilities of commercial banks.

The banks-participants of the Program

- JSC “Narodny Bank of Kazakhstan” (Halyk Bank)
- JSC “Kazkommercbank”
- JSC “BTA bank” (former Bank Turan Alem)
- JSC “Alyance Bank”
- JSC “Temirbank”

The order of allocating money in the banks-participants

The list of the banks-participants and amount of means in each are set by corresponding decree of the Government of the Republic of Kazakhstan.

The sources of means for allocation in banks-participants as a Deposit, are the fund of JSC “Foundation of stressful assets” (further on FSA).

FSA allocates its money in banks-participants as a Deposit based on the conditions of the Contract of bank deposits between FSA, Damu and banks-partners. Also in order to execute the Program the General Agreements between JSC “Foundation for National Welfare “Samruk Kazyna”, FSA, Foundation and Banks-partners about the allocation of money for the consequent crediting of private enterprises in the processing industry will be concluded (further on Agreement)

The Agreements will include the indicative conditions of the allocation of means (incl. the amount of allocated funds), rights, obligations and responsibility of parties. The order of provision and redemption of allocated funds will be reflected in corresponding Contracts of bank deposit.

The Foundation within the terms of the Program executes agent's functions for monitoring and control of the Banks-partners according to the conditions of Program and is not responsible for redemption by Banks-partners of funds from the Deposit to FSA.

The end recipients of the funds within the terms of stipulated placement of funds are the SME, registered according to the laws of the Republic of Kazakhstan and which act in the field of manufacturing (processing) industry due to the Appendix-A of the present Program.

The loans are given to SME based on the principles of payback, urgency and recurrency.

The targets of crediting:

- With the primary distribution of funds of the Program (within the period of disbursement) the loans are given to SME for refinancing of the existing projects;
- With the secondary distribution of funds of the Program (after the period of disbursement is finished at the expense of released funds of the Deposit) the loans are given to SME for acquisition of new fixed assets and modernization, for replenishment of working capital and for refinancing of the existing credits of SME.

The order of projects approval

The information about the projects of SME applied for the financing in the Banks-partners, is directed by the Bank for the examination by the Commission in a form of informational sheet (inquiry form) for each project according to the Appendix-B of the present Program.

The priority criteria for the selection of the projects for the Commission are:

- Production yield for the previous year in money equivalent;
- Business proceeds for the previous year in money equivalent;
- The amount of paid taxes, duties and other payments to the state treasury;
- The number of employment in SME.

The conditions of crediting for SME

The conditions of disbursement of funds of the Program:

- Payback time – up to 84 months;
- Year nominal interest rate – not more than 8%;
- The currency of the loan – tenge ;
- Grace period for the redemption of the principal – up to 24 months;
- The entrepreneur has to start drawing credit funds within two months since the conclusion of the Contract for loan/Agreement about opening credit line.
- Other crediting conditions are set by the Bank-partner independently.

Maximum limit of the finance for one enterprise according to the present Program is 750 000 000 tenge.

The total debt for one borrower according to this Program in the Bank-partner (cumulative credit balance) should not be more than the set limit of 750 000 000 tenge.

Blank credits by the Bank-partner to entrepreneur are not allowed;

According to the Program the crediting is prohibited if the representative of SME has:

- Debts according to payments and taxes into the state treasury which override 10 monthly estimate indicators at the moment of evaluation by the Bank or financing the project;
- Plans to use credit for the purposes of share interest of juridical persons.

The period of availability of the Loan is not more than one (1) year since the signing the Contract for loan/Agreement about opening credit line.

While examination the project according to the present Program the Bank-partner has to write off all existing fines and penalties of SME for untimely fulfillment of its obligations according to payment of interest and principal of the existing credit.

Bank-partner is forbidden to cash funds or transfer funds to the bank accounts of the off-shore companies by order of the Borrower using the means of the present Program.

Bank-partner is forbidden to take any commission fees related to the acquisition and service of the loan.

Bank-partner has right to refinance the loans given in foreign currency on condition that the currency will be exchanged to tenge according to the course of the Kazakhstan Stock Exchange to the date of refinancing.

The disbursement of the Program funds are the money which Bank-partner :

- Practically used for financing/refinancing the SME according to the conditions of the Program.
- Not allocated funds according to Contract for loan/Agreement about opening credit line within the period of time set by the present Program. In this case these funds should be recorded in off-balance accounts as liabilities of Bank before SME.

Appendix-A

The list of sub-industries for crediting according to Program

C		Processing industry
	10	Food industry
	11	Beverage production
	13	Textile production
	14	Cloth production
	15	Leather production
	16	Manufacturing of wood and suberic(cork) items besides furniture; manufacturing of matchwood and wickerwork
	17	Paper production
	18	Printing and playback of the recorded materials
	20	Chemical products manufacturing
	21	Main pharmaceutical products and medicines manufacturing
	22	Plastics and Rubber Products Manufacturing
	23	Other nonmetallic mineral product manufacturing
	25	Fabricated Metal Product Manufacturing, besides Cars and Equipment
	26	Computers , electronic and optical products manufacturing
	27	Electric equipment manufacturing
	28	Machinery and equipment manufacturing
	29	Vehicles, trailers and semi-trailers manufacturing
	30	Other vehicles manufacturing
	31	Furniture manufacturing
	32	Other fabricated products manufacturing

Remark: the list of sub-industries corresponds to the general classifier of the economic activities of the Republic of Kazakhstan 03-2007 approved by the decree # 683-od from 14th of December 2007 of the Committee for technical regulation and metrology of the Ministry of Industry and Trade of the Republic of Kazakhstan

Appendix-B

Informational sheet (inquiry form) for the project

Name of the bank		
Name of the applicant		
Date of primary registration		
Region(oblast, city)		
Main activity		
Financing type (financing/refinancing)		
Target of the refinancing loan (in case of refinancing):		
- For working capital		Short description
- For investment		Short description
documentary confirmation of target use of refinanced loan (amount in tenge)(in case of refinancing)		
Amount of financing/refinancing, tenge		
Incl. funds of the Bank		
Funds of the Foundation		
Incl. for the working capital (in case of new project)		Short description
For investment (in case of new project)		Short description
Incl. previous programs of the Foundation (in case of refinancing)		
Payback time, months		
Interest rate (nominal)		
Interest rate (effective)		
Grace period for the principal, months		
Frequency of the redemption of the principal, months		
Frequency of the redemption of the interest, months		
Period of availability of funds (in case of open credit line), months		
Production yield for the previous year in tenge		
Business proceeds for the previous year in tenge		
The amount of taxes for the previous year in tenge		
The number of employment, people		
The presence of debts for the taxes to the state treasury		Date of reference(act)
The presence of the credits for programs of the Foundation		
Expected production yield for the period of crediting, tenge		
Expected business proceeds for the period of crediting in tenge		
Expected tax payments for the period of crediting in tenge		
Expected new employment		
Location of the project		

Person in charge of the Bank

name
Stamp

Appendix-C

From 9th of October 2009 # 1553

The list of second-tier banks and the amount of funds for the contracts between the JSC “Foundation for Stressful Assets”, “Foundation for entrepreneurship support “Damu” and second-tier banks for the conditioned provision of funds according to the statements of the General Agreement

	Name of the institution	Limits of allocation (billions tenge)
1	JSC “BTA Bank”	8
2	JSC “Kazkommercbank”	4
3	JSC “Halyk Saving Bank of Kazakhstan”	2
4	JSC “Alyance Bank”	2
5	JSC “Temirbank”	2
6	Reserve	2
	Total	20

The list of projects approved for the financing according to the Program “Damu-Ondiris”

#	Name of the town/district	Financed towns/districts according to the number of projects and allocated sums		Industry
		Number of projects	Amount	
Total		10	376 463 110,37	
1	Petrodavlovsk	5	57 500 000,00	Plastics and Rubber products manufacturing
			14 585 000,00	Other nonmetallic mineral product manufacturing
			93 47 000,00	Manufacturing of wood and suberic(cork) items besides furniture
			9 003 000,00	Mineral water and other non-alcohol beverage production
			64 128 000,00	Printing and playback of the recorded materials
2	District of G.Musrepov	1	3 718 110,37	Food processing
3	Tayinsha district	1	1 260 000,00	Food processing
4	Kyzylzhar district	3	99 975 000,00	Agricultural products manufacturing and processing
			21 122 000,00	Furniture manufacturing
			11 735 000,00	Furniture manufacturing

List of projects approved for financing at the expense of released funds

#	Name of the town/district	Financed towns/districts according to the number of projects and allocated sums		Industry
		Number of projects	Amount	
Total		1	750 000 000,00	
1	Tayinsha district	1	750 000 000,00	Agricultural products manufacturing and processing

3. List of the Commercial Bank of North Kazakhstan Oblast

2008.8.1

№	Bank	Person in Charge	Phone
1	Halyk bank	Ибраимов Аскар Изимбаевич	59-57-07
2	BTA bank	Шопанов Кулибек Амангельдинович	39-00-99
3	Bank Center Credit	Хусаинов Жумабек Мухамедкиевич	59-56-90
4	Temir Bank	Касенов Данияр Кабдулаевич	31-80-23
5	Bank Alm-Ata	Кельбрант Виктор Павлович	33-55-60
6	Kazkombank	Кусаинова Бахытжан Сагдатовна	58-51-00
7	Alyancebank	Сугулов Вячеслав Федорович	46-24-60
8	Kaspi bank	Нурманов Даурен Алиханович	36-07-60
9	Tsesna bank	Болатбаева Алмагуль Максutowна	31-20-82
10	Zhilstroysberbank	Мольдинов Болахмет Рахметович	36-84-44
11	Nur bank	Омаров Нурлан Жоламанович	46-78-22
12	ATF bank	Кожакметов Ринат Андреевич	46-53-33
13	Eurasian bank	Искаков Жаслан Мадиярович	46-26-61
14	Metrokombank	Касенова Рауза Шариповна	33-29-18
15	Eximbank	Башеева Алия Шариаздановна	37-25-50

Source: Internet Information