

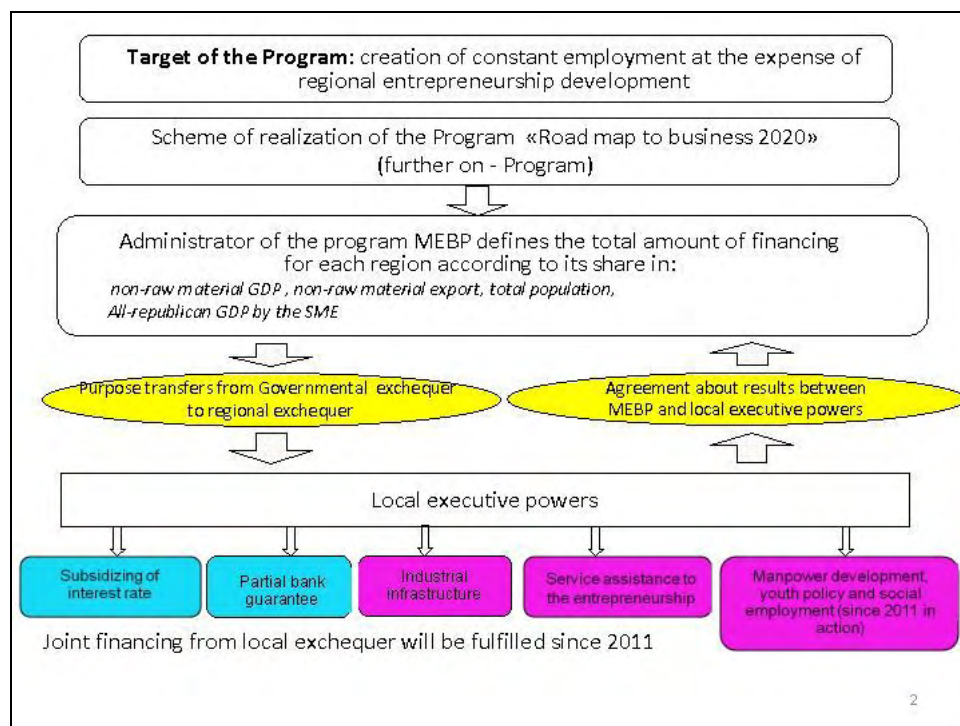
## 1. Road Map to Buiness 2020

### 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

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## 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

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### 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

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### 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

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### 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

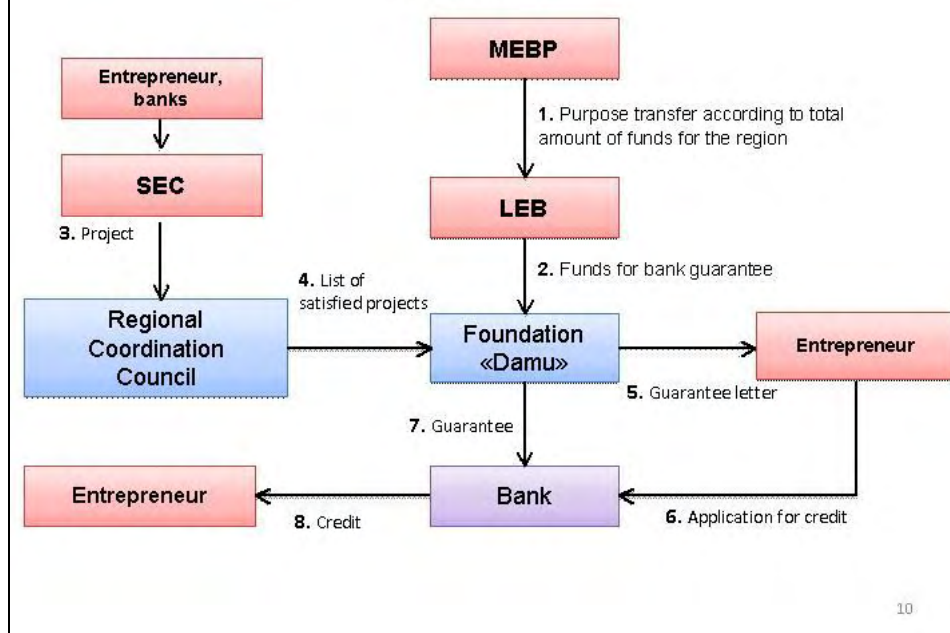
#### Mechanism of realization (continuation)

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

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### Second direction: partial bank guarantee

#### General scheme



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## 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)

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## 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:

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

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### Second direction: partial bank guarantee

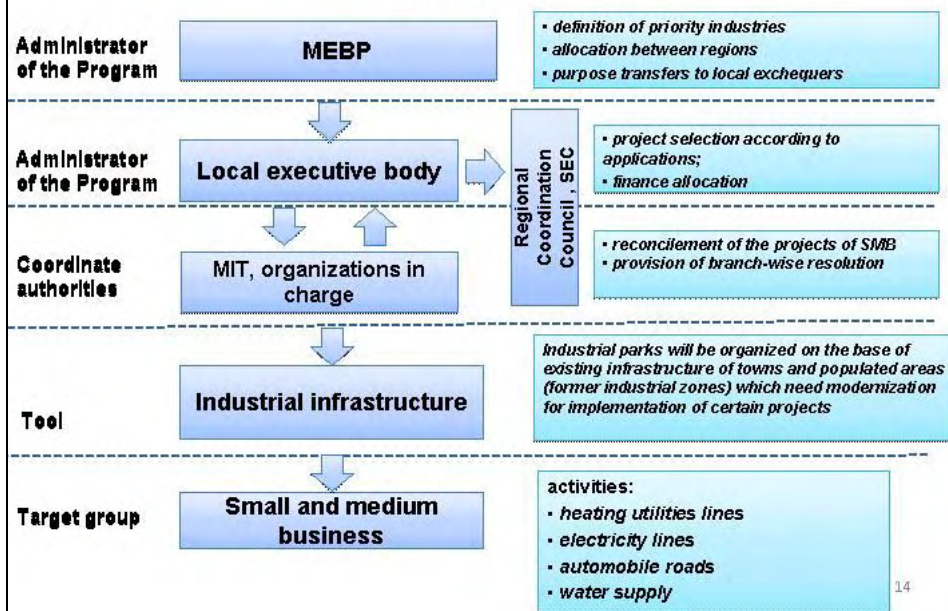
#### Mechanism of realization

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 reconcilments 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"

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### Third direction: industrial infrastructure

#### General scheme



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### **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

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### **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