

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The European Bank for Reconstruction and Development (EBRD) is the largest foreign financial investor in Kazakhstan, outside the oil and gas industries. To support micro, small, and medium-sized enterprises (MSMEs), EBRD provides local currency loans to commercial banks and microfinance organizations for onlending to MSMEs that do not have foreign currency earnings.¹ In 2014, a \$200 million MSME Framework Facility was established to expand access to medium-term local currency funding for MSMEs. The first sub-operation under this framework was a T10 billion loan to Bank CenterCredit (BCC), guaranteed by Damu Entrepreneurship Development Fund (Damu), which aims to distribute at least 60% of loan proceeds outside the major cities of Almaty and Astana. In December 2015, Damu signed an agreement to guarantee EBRD funding to domestic banks. EBRD's program entails technical assistance to banks in risk management, and processes and management information systems related to MSMEs. EBRD also provides advice and mentoring to MSMEs through its Small Business Support program. EBRD's T3.72 billion (\$20 million) senior loan to BCC targets women-led MSMEs in Kazakhstan and encompasses both supply of credit and advisory services to targeted women-led MSMEs. EBRD's Central Asian Export Promotion for Small and Medium-Sized Enterprises (SMEs) program provides direct support to SMEs that are either exporting or have potential to export.
2. The European Union has two Investment Facilities for Central Asia grant programs to increase energy efficiency and renewable energy technologies in SMEs via the Kazakhstan Sustainable Energy Financing Facility. The grants support the European Investment Bank (EIB) and EBRD in providing credit lines to local financial institutions for onlending to SMEs for investment in sustainable energy. EIB used the grant to establish a technical assistance unit. EIB provided a loan to KazAgro to onlend to its three subsidiaries, which in turn will onlend to MSMEs to finance climate change projects in the agri-food industry.
3. To support SME development, German development cooperation through GIZ conducts the Business Connections program, implemented in conjunction with Damu, which offers a 4-week internship program in Germany with a firm of a similar profile to the selected SME. The GIZ Management Training Program offers selected middle and upper management from SMEs a visit to Germany for onsite training.
4. The Japan Fund supports the Kazakhstan Japan Center, which, in partnership with Damu, offers complimentary consulting by Japanese experts for six SMEs every 8 months to improve production and processes using the Kaizen methodology. This support includes a company site visit, diagnosis, recommendations, and implementation plan. The center also offers 7-day grant-funded internship trips to Japan to learn about the Toyota Production System, and for a two-stage agro-business seminar series on Kaizen plus a trip to Japan.
5. The United States Agency for International Development is embarking on a \$24 million project to promote competitiveness, trade, and job growth in horticulture, transport, and logistics in five countries in Central Asia, supported by a \$7 million innovation fund to be matched 50% by the private sector. The project will target youth for skills and job training as

¹ EBRD has extended standalone loans to Bank CenterCredit, Sberbank and KazMicroFinance. Trade financing (issuing) is offered through Bank CenterCredit, Kazkommertsbank, Sberbank and VTB Bank. Trade financing (confirming) is offered through ATF Bank, Bank CenterCredit, BTA Bank, Citibank, Demir Kazakhstan Bank, Industrial & Commercial Bank of China, Kazkommertsbank, and Sberbank.

well as entrepreneurship in the subsectors. The Diversification of Monotown Economies Project supports MSMEs in six single-industry towns in Karaganda via training of business services providers, specialized sector training for SMEs, grants to SMEs, and support of youth, women, and start-up companies. The Macroeconomic Project provides technical assistance to public and private sector counterparts in developing and executing SME support programs. The Regional Economic Cooperation Project covered Uzbekistan (65%) and Kazakhstan (35%) to provide market research and technical assistance to exporters. Activities included advanced skills training for women in textile MSMEs in Kazakhstan.

6. In 2015, the World Bank launched a \$46 million project to enhance the competitiveness and management capacity of SMEs in Kazakhstan by building the capacity of a business advisor network, strengthening links of SMEs to large local and multinational firms, and improving access to finance for SMEs. International Finance Corporation supports access to finance for MSMEs and has a senior tenge loan of up to \$5 million equivalent to Microcredit Organization KazMicroFinance. International Finance Corporation's \$70 million loan to Sberbank, provided in tenge, supports the bank's lending to SMEs.

Major Development Partners

Areas of support	Development Partner	Project Name	Duration	Amount
Finance, SME development	EBRD	Small Business Support	1998 ongoing	€3.2 million
Finance, SME development	EBRD	Central Asian Export Promotion for SMEs	2012–2016	€5.25 million
Finance, women, MSME development	EBRD	Loans to Bank CenterCredit for MSME and Women in Business; Sberbank MSME	2014–2020	T52.52 billion
Finance, MSME development	EU/KfW, BMZ, IFC	Structured Microfinance Fund for Central Asia (MIFA Debt Fund)	2012 ongoing	€3 million
Finance, MSME development	EU/EIB	Kazagro Climate Loan for SMEs, Midcaps and MSMEs	2013 ongoing	€1.8 million
Finance, MSME development	EU/EIB, EBRD	Kaz Sustainable Energy Financing Facility (KazSEFF)	2011–2023	€5.2 million
SME development	GIZ	Business Connections and Management Training	2015 ongoing	...
Finance, MSME development	IFC	Loans to financial institutions	2013 ongoing	\$100 million
SME development	Japan Fund	Consulting and Internships for SMEs	2013 ongoing	...
Finance, MSME development	USAID	Diversification of Monotown Economies	2013–2016	\$1.5 million
Finance, MSME development	USAID	Macroeconomic Project	2011–2016	\$5.4 million
Finance, MSME development	USAID	Regional Economic Cooperation Project	2011–2016	\$9.3 million
Finance, MSME development	USAID	Central Asia Competitiveness, Trade and Jobs Project (CTJ) (5 countries)	2016–2020	\$24 million
		Fund to be matched 50% by private sector		\$7 million
SME development	World Bank	SME Competitiveness	2015–2020	\$46 million
Finance, SME development	ADB	SME Investment Program	2010 ongoing	\$500 million

... = not available; ADB = Asian Development Bank; BMZ = Federal Ministry of Economic Cooperation and Development of Germany; EBRD = European Bank of Reconstruction and Development; EU = European Union; GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit; IFC = International Finance Corporation; IFCA = Investment Facility for Central Asia; MSMEs = micro, small, and medium-sized enterprises; SMEs = small and medium-sized enterprises; USAID = United States Agency for International Development.

Sources: Development partners' websites and interviews.

B. Institutional Arrangements and Processes for Development Coordination

7. The Asian Development Bank (ADB) has established good relations with other multilateral and bilateral partners in Kazakhstan, and its Kazakhstan Resident Mission plays an important role. The mechanism for coordinating international and bilateral financial institutions was established through dialogue and exchange of information, in addition to sector-specific development partner coordination.

8. The Partnership Framework Arrangement (PFA) was signed in May 2014 with ADB, EBRD, EIB, Islamic Development Bank, the Organisation for Economic Co-operation and Development (OECD), and the World Bank Group to effectively pair funds drawn from the National Welfare Fund with funds from development partners to help meet the 2050 national goals. The Coordination Council was established to oversee the implementation of the PFA and is chaired by the Prime Minister. The Coordination Council, to which ADB is a full member, meets regularly to discuss strategic and operational priorities and potential projects. The eight PFA working groups are chaired by cabinet ministers and meet regularly.

C. Achievements and Issues

9. The PFA has proven to be an efficient engagement between the government and development partners. It served as a wider platform for policy dialogue and investment activity. It significantly improved coordination between participating development partners and increased the synergies between development partners' activities.

D. Summary

10. Several development partners are working on various aspects of MSME development in response to government requests. Each development partner ensures that its MSME project is aligned with the government's development policy framework and socioeconomic strategy, e.g. the State Program of Industrial and Innovative Development of the Republic of Kazakhstan for 2015–2019 and Business Roadmap 2020. The PFA serves to ensure that the efforts of development partners are aligned with each other.