

# PRESENTATION 02 OCTOBER 2012



## The Islamic Development Bank Group

Together We Build a Better Future



### IDB GROUP MEMBER COUNTRY PARTNERSHIP STRATEGY

## IDB GROUP DAY IN KAZAKHSTAN

# Format of Presentation

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- **Rationale for Kazakhstan MCPS**
- **IDB Group Past Intervention**
- **MCPS` s engagement areas/pillars**
- **MCPS Program Implementation**

# Rationale for Kazakhstan MCPS

# Major Binding Constraints

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- ❑ Large investment needs
- ❑ Limited economic diversification
- ❑ Weak drivers of Competitiveness
- ❑ Skills supply and demand mismatch
- ❑ Inadequate transport infrastructure
- ❑ Poor resilience of the financial sector

# Development Opportunities

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- ❑ Strong oil & mineral resource base
- ❑ Kazakhstan on crossroads between Europe and Asia
- ❑ Leading role in regional integration
- ❑ Possible role for Kazakhstan in food security in OIC countries

# Large Investment Needs/Structural Constraints

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- \$230bn of total investment need for the period of 2011-15, with only \$63bn of Government/Budget contribution
- Abundant liquidity vs Lack of SME funding (currency, tenor & interest rate mismatch)
- Issues related to using resources of the Oil Fund to cover investment needs

# **IDB Group Past Intervention**

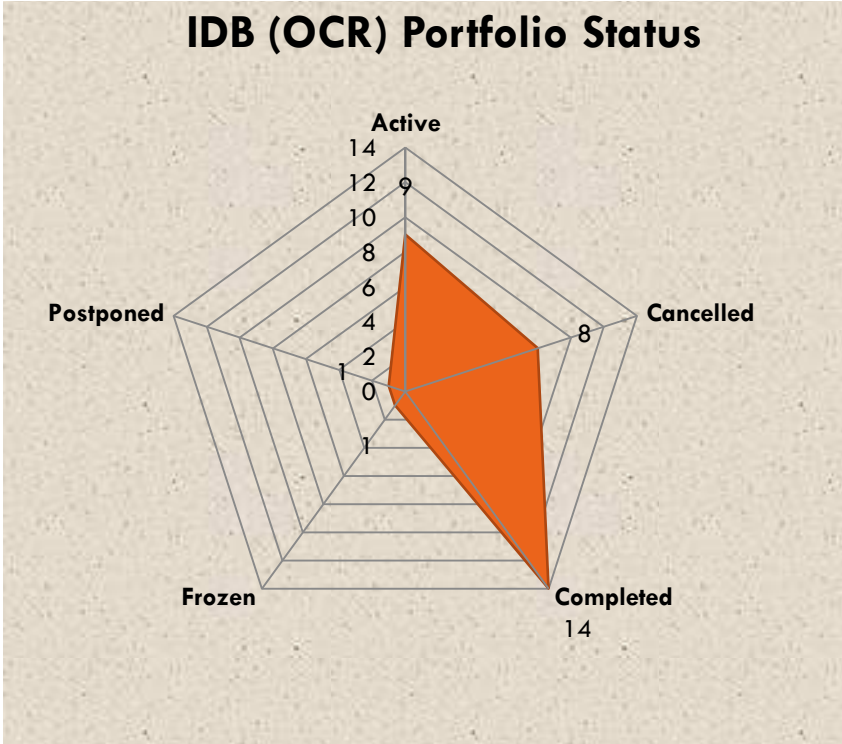
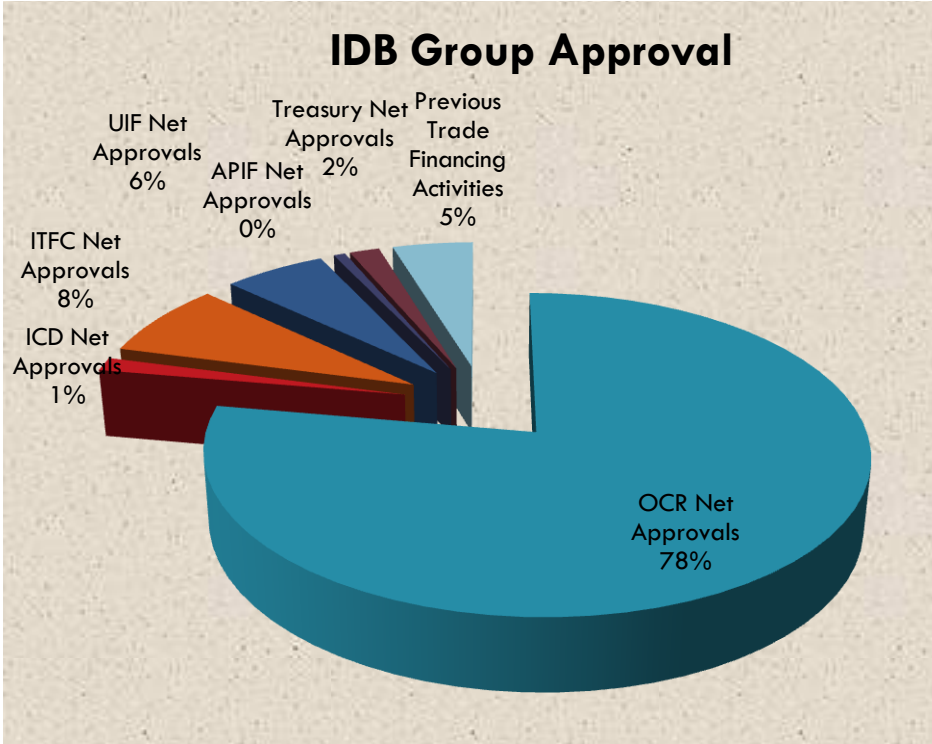
# IDB Group Net Approvals (US\$, m)

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<b>IDB Group Financing</b>	<b>1430H</b>	<b>1431H</b>	<b>1432H</b>	<b>1396-1432H</b>
OCR	210.3	10.2	0	446.7
ICD	0	0	0	8.0
ITFC	5.0	40.0	130.0	202.0
UIF/APIF	0	0	0	28.1
Treasury	0	0	0	10.0
Special Assistance Operations	1.0	0	0	1.9
<b>TOTAL</b>	<b>216.3</b>	<b>50.2</b>	<b>130.0</b>	<b>696.7</b>



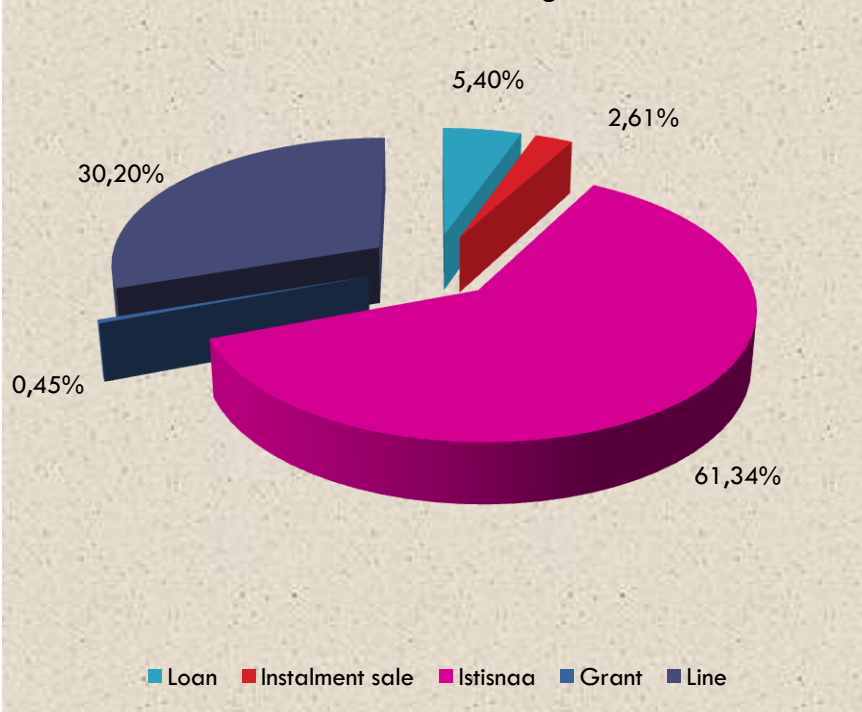
# IDB Portfolio in Kazakhstan



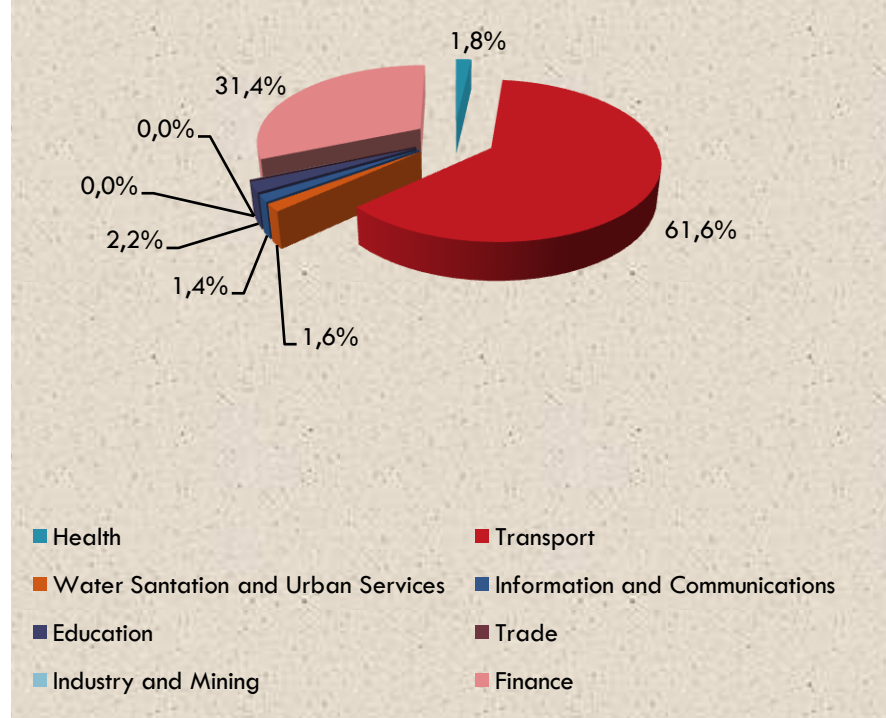
# IDB Portfolio

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### Mode of Financing

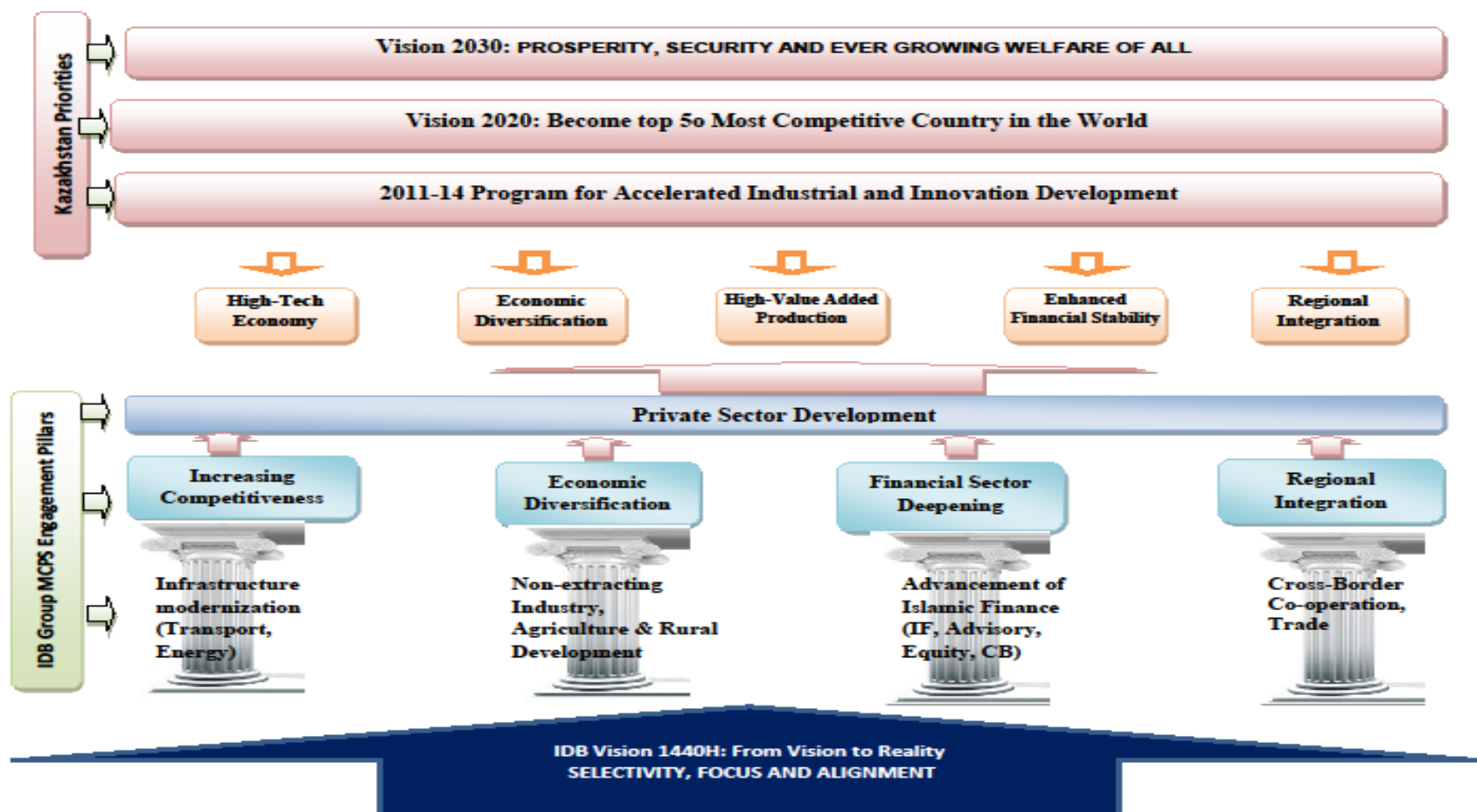


### Sectoral Allocation



# MCPS` s engagement areas/pillars

## MCPS ARCHITECTURE FOR KAZAKHSTAN



# Pillar 1: Increasing Competitiveness

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- **Modernization of Energy infrastructure:**
  - Improving connectivity between electricity generating northern region and population dense southern region
  - Enhance production capacity through rehabilitation of existing power plants
  - Reducing heavy dependence on fossil fuel for electricity generation through construction of new hydro power plants

# Pillar 1: Increasing Competitiveness

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- ❑ **Modernization of Transport infrastructure:**
  - construction, rehabilitation, modernization, and up-gradation of new and existing transport infrastructure
  - Assisting in institutional reforms, restructuring and capacity building endeavors targeting improved operational efficiency and enhanced capacity
  - Helping in enactment of policy and legislative framework for ensuring adequate participation of private sector in operations, maintenance and management of transport network

# Pillar 1: Increasing Competitiveness

- ❑ **Improving Regulatory Framework for PPP:**
  - Participating in the improvement of current Law of Concession.
  - Sharing lessons learnt in PPP projects in other IDB member countries, where IDB participated as a lender or advisor.
  - Introducing Islamic Financing in PPP with various alternative structures that have been applied

# Pillar 2: Economic Diversification

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- **Non-extractive industry development:**
  - Assisting the GoK in diversifying the sources of economic growth by improving access to financial services for non-mineral economic sectors (ICD & ICIEC products and services)



# Pillar 2: Economic Diversification

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- ❑ **Agriculture and Rural Development:**
  - Enhancing Agricultural Competitiveness
  - Rehabilitation & Construction of Irrigation infrastructure
  - Livestock sub-sector development activities
  - Promoting Rural Income Generation
  - Ensuring Environmental Sustainability & Adaptation to Climate Change

# Pillar 3: Financial Sector Deepening

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- Developing Enabling Environment for Islamic Finance
- Supporting and Developing the Takaful (Islamic Insurance) Sector
- Building capacity in the Zakat Fund
- Establishment of an Islamic Bank in Kazakhstan

# Pillar 4: Regional Integration

- **Developing and promoting exports of Kazakh production of non-mineral sector of economy through** supplementing existing export insurance schemes, providing supply chain financing to traders with healthy business structure but weak balance sheet history, targeting ITFC export financing in Kazakhstan to exceed USD 100m (with focus on wheat export financing). OIC Food Security Fund to be set up in Kazakhstan.
- **Creating effective and efficient system for promotion and protection of economic interests of the republic through the integration into the global trading system**

# Proposed Intervention of ICD

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- ❑ Offer financing (Musharaka, Mudharba, Ijara, Istisna'a and other products) to local companies with healthy business structure and balance sheet
- ❑ Provide local exporters, traders and SMEs with the required financing for covering their short/long term financing needs and requirements
- ❑ Enhance local financial institutions (leasing companies and banks) financing capacities via Line of financing (Wakala) product and co-financing/joint syndication opportunities
- ❑ Financing local small businesses through line of financing product (via local banks and leasing companies) and utilizing resources of planned Islamic financing institutions (Islamic Leasing Co, Islamic Banks, Islamic SME Fund)
- ❑ Passing on Islamic Finance know-how through establishing a sharia compliant leasing company in country and providing world class advisory services

# Proposed Intervention by ITFC

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- Diversify sources of trade financing for economic operators and render them more internationally competitive
- Focus on supply chain financing for major exporters and importers through applying Structured Trade Financing
- Further support to SMEs through engaging with local banks to address their working capital needs
- Offer training opportunities for broad spectrum of business and government representatives

# Proposed Intervention of ICIEC

- ❑ Cooperate with KazExportGarant to provide Sharia compliant re-insurance / co-insurance facilities for Kazakh exports
- ❑ Cooperate with KazNex Invest to attract FDI and Foreign Lending into Kazakhstan by providing Political Risk Insurance to Direct Investors and Foreign Banks lending to projects in Kazakhstan
- ❑ Signing Documentary Credit Insurance Policy (DCIP) with Islamic and conventional banks in Kazakhstan to increase their Letter of Credit confirmation capacity for exports
- ❑ ITAP to collaborate with KazNex Invest to support investment promotion by cooperating with strategic partners such as UNCTAD, UNIDO, FIAS, TOBB, MIDA

**Thank You**  
**Merci**

**شكرا**