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ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ  
ІШІ АРИСТАНДЫҚ АКАДЕМИЯСЫ

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ФОНД РАЗВИТИЯ ПРЕДПРИНИМАТЕЛЬСТВА

# Industry structure of small and medium businesses and «DAMU – Koldau» crediting program

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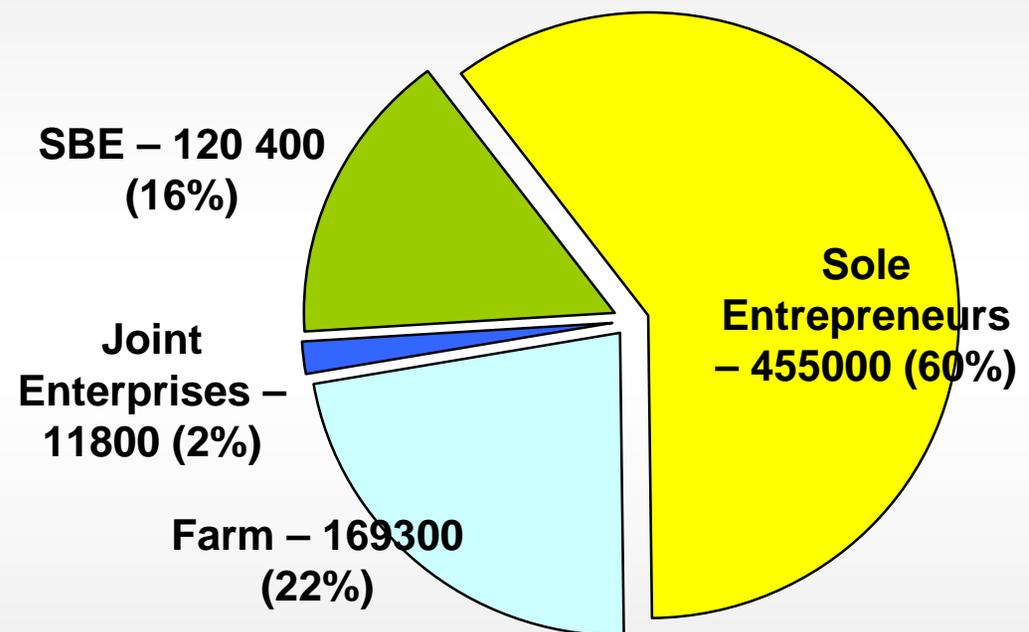
# Current Condition of the Small and Medium Businesses (SMB)



The current structure of SMB is the result of government's actions aimed at supporting small-scaled business, extensively directed to **sole entrepreneurs** and **farmers**.

Today we possess potential to develop individuals of small-scaled business in the form of small-scaled business enterprises and to transfer them to **medium business**.

SMB Structure

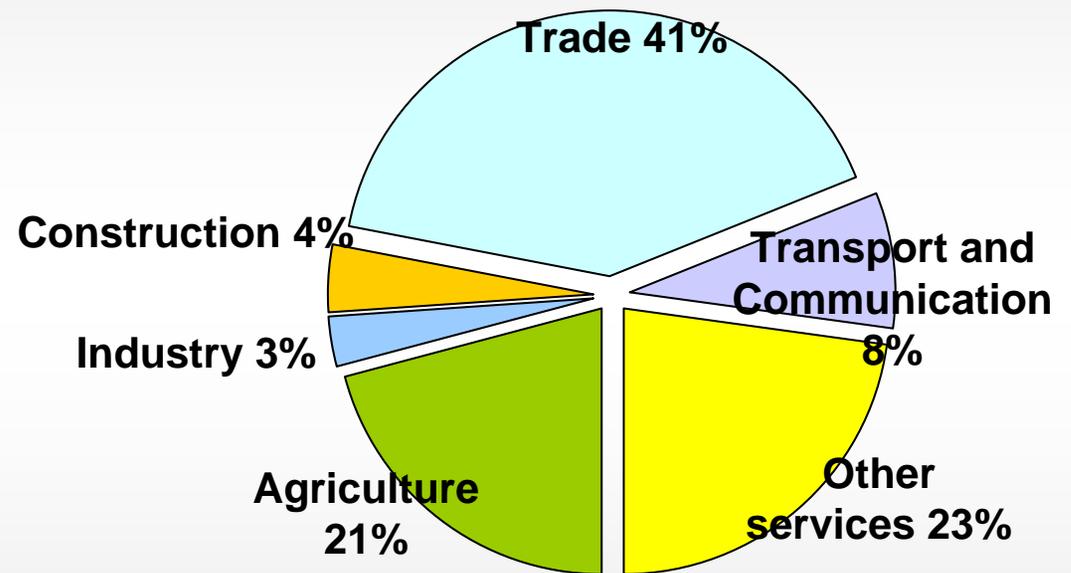


# Current Condition of SMB

Approximately half of the existing individuals of SMB is in trade.

Shares by individuals of SMB in manufacturing are as little as four times than the similar index in countries with market economy.

**SMB Branch Structure**

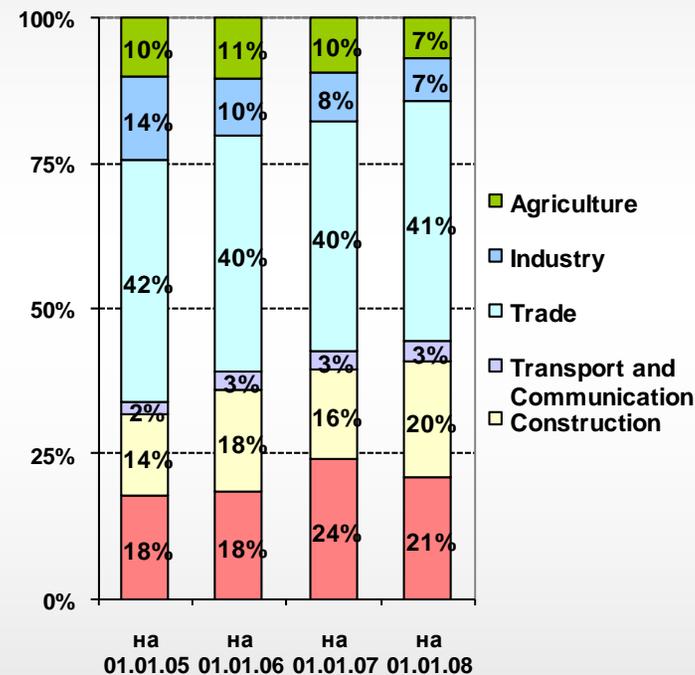


# Current Condition of SMB

In the structure of Branch Distribution of Credits for SMB trade share has remained invariable for the last years (40%); shares of transport and communication and construction as well are growing; shares of industry and agriculture are dropping.

Fall in shares of the two latter, which are branches of great importance, poses a threat to economic diversification and growth of Kazakhstan.

## Structure of Branch Distribution of Credits for SMB

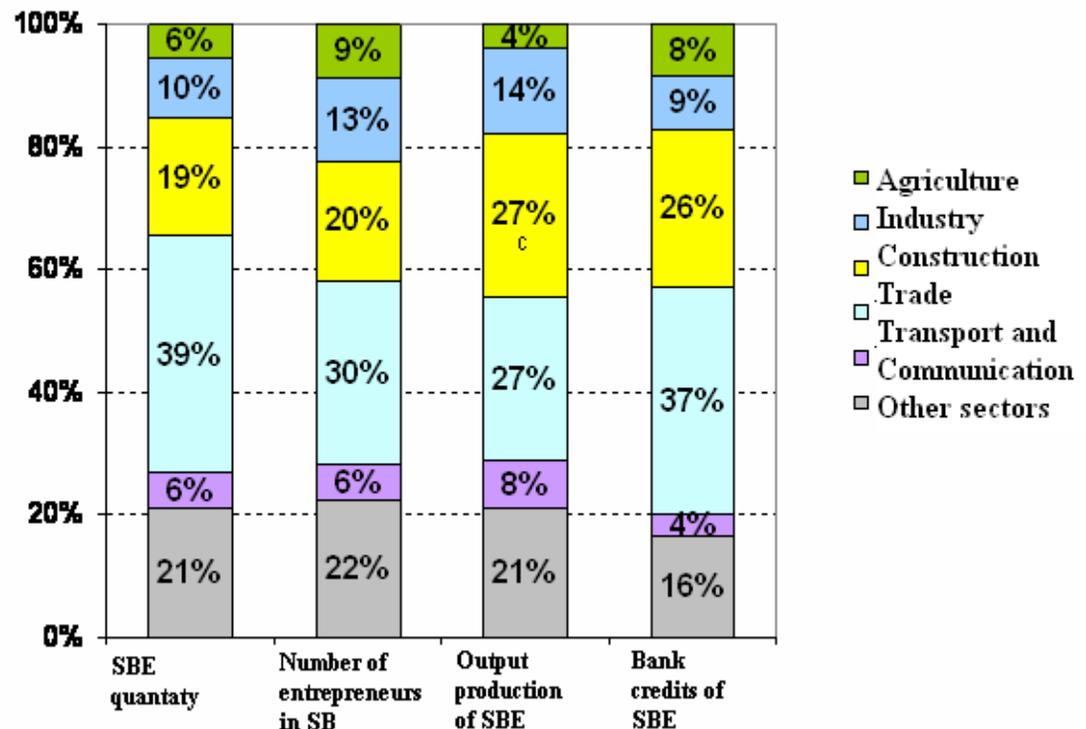


# Current Condition of SMB

Small business enterprises in trade and construction are more attractive for crediting.

Small enterprises in trade possess the largest share in overall number (39%), they have the smallest contribution to production (30%).

Main indexes of SMB activities during branch cut in 2007



# 48,8 billion tengue distribution results



## Positive

**Well-timed financial support to SMB during the increased crisis**

**Exclusion of fall in credit shares of SMB enterprises**

## Negative

**Branch structure of credits has remained invariable (predominance of trade)**

**Credit rate for SMB has not fallen (effective rate – 20,1%)**

**Distribution in regions has been uneven**

**Crediting for completion and upgrade of SMB basic capital has not increased**

# Objective and Tasks of the Program



## Objective:

- Support to sustainable development of SMB and reinforcement of its role in economic diversification in Kazakhstan

## Tasks:

- To make a financial support to active SMB enterprises, which function in high priority fields, determined by government
- To ensure reduction of credit costs active SMB enterprises, which function in high priority fields, determined by government
- To ensure widening and modernization of their main resources and technological re-equipment as well

# The Program Realization Mechanism



## Financial Instruments:

- Financing investment projects, including cooperation in financing investment projects
- Medium-term and long-term crediting acquisition, renovation and enhancement of their main resources
- Financial leasing
- Short-term crediting completion of current securities of SMB

## Investment Priorities:

- Manufacturing
- Transport and Communication
- Activities with immovables, renting and providing customers with services (computing activities)
- Providing utilities, social and personal services

# The Program Realization mechanism



## Main Criteria To Select Projects:

- Investment projects compliance with priorities determined by Fund Memorandum
- Project groups, which aim at creating whole system of production, produce compatible products, consistently developing technological and economical chain of additional costs
- Project efficiency
- Availability of qualified staff for implementing project, including company management
- Availability of insurance to cover risks given financial instrument
- Accomplishment of requirements for creditworthiness, ability to pay and financial sustainability of borrower
- Accordance of introduced technologies and subjects of financial leasing with current technology condition
- Product compatibility carried out in the result of project implementation, sufficiency of source of raw materials to implement project

# The Program Realization Mechanism



## **Mandatory Requirement to Borrower:**

- SMB Individual should be legal person under the legislation of the RK
- Period of carrying out activity in priority field, which determined by current program, is more than one year
- Project is to be a part of projects group, which aim at creating whole system of production, produce compatible products, consistently developing technological and economical chain additional costs
- Availability of qualified staff for implementing project, including company management
- Absence of borrower's debts overdue:
  - with taxes and other compulsory payments to budget
  - with bank loans and loans from credit companies, which carry out bank operations

## **Preferable Requirements to Borrower:**

- Export directivity and import changeability of products

# The Program Realization Mechanism



- **Interest rate is not higher than the refinance rate of the National Bank of the RK**
- **Credit Period and Currency:**
  - Long-term investment loans (5-10 years)
  - Short-term and medium-range loans for completion of circulating capital (1-5 years)
  - Credit currency is national
- **Crediting resources:**
  - Resources cooperating with IIO, financial companies are most preferred
  - Own and loaned from Fund resources, including loans from state budget, loans attracted by Fund under state guarantee are used

# The Program Realization Mechanism



- **Minimal amount of loan is 60 000 monthly rated figure**
- **Credit Committee has power to take final decision of financing project.**
- **Insurance**
  - Loan insurance – by security deposit, warranty and other means of implementing liabilities, which set by legislation of the RK
  - Insurance of covering risks on leasing arrangement – by refunding part of leasing subject's cost in the form of prepayment or by ensuring security deposit, warranty and other means of implementing liabilities, which set by legislation of the RK, and by insuring leasing subject in accordance with internal statements of Fund as Board of Directors set.
- **Limits on risk for one borrower – 300 000 monthly rated figure**

# Expectations



1. Improvement of quality of the quantitative structure of SMB individuals, i.e. increase in number of SB individuals as legal person and in number of MB individuals due to transformation of part of SB enterprises as a result of securities and labor force extension
2. Rise of compatibility and export directivity of SMB individuals production
3. Reinforcement of SMB role in economic diversification in Kazakhstan
4. Increase in newly opened and supported production unit



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**Thank you!**

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