

Roadmap for a Green Financial System for Kazakhstan

Final Report

22 September 2017



Content

Acronyms and Abbreviations	4
Acknowledgements	6
1. Introduction	7
2. Key Recommendations and Supporting Actions	8
3. Roadmap and Phases of Implementation	22
3.1 Initiation Phase (2017-2018)	22
3.2 2019-2021: Deepening Phase.....	22
3.3 2022-2025: Expansion Phase	23
3.4 At a Glance: Steps towards GFS.....	23

Disclaimer

This report has been prepared exclusively for EBRD and AIFC and is provided to any third party for illustration purposes only. EBRD makes no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this report. EBRD has not independently verified any of the information contained in the report and EBRD accepts no liability whatsoever for any of the information contained in the report or for any misstatement or omission therein.

Acronyms and Abbreviations

AFSA	Astana Financial Services Authority
AIFC	Astana International Financial Centre
AIX	Astana International Exchange
BAU	Business As Usual
CAGR	Compound Annual Growth Rate
DAC	Development Assistance Committee (of OECD)
EBRD	European Bank for Reconstruction and Development
ESG	Environmental, Social and Governance
ETS	Emissions Trading System/Scheme
EP	Equator Principles
EUA	EU Emission Allowance
EU-ETS	European Union Emissions Trading System
GB	Green Bonds
GDP	Gross Domestic Product
GEC	Green Economy Concept
GFS	Green Financial System
GHG	Greenhouse gas
IETA	International Emissions Trading Association
IFI	International Financial Institution
KASE	Kazakhstan Stock Exchange
Kaz-ETS	Kazakhstan Emissions Trading Scheme
KZT	Kazakhstani Tenge (currency)
LULUCF	Land Use, Land Use Change and Forestry
MDB	Multilateral Development Bank
MRV	Monitoring, Reporting and Verification
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Co-operation and Development
OTC	Over-The-Counter
PPP	Purchasing Power Parity
PRI	Principles for Responsible Investment

SCF	Standing Committee on Finance (of the UNFCCC)
SGD	Sustainable Development Goals
UNFCCC	United Nations Framework Convention on Climate Change
UNEP	United Nations Environment Programme
WEF	World Economic Forum
WOM	Without measures (baseline)

Acknowledgements

This Roadmap, as well as a Final Report and a series of thematic reports were prepared for the climate change and energy efficiency team of the European Bank for Reconstruction and Development (EBRD) under its Sustainable Energy Initiative, and for the Astana International Financial Centre (AIFC). The project was carried out by GreenStream Network Ltd (“GreenStream”) together with experts from Ecofys Netherlands B.V. (“Ecofys”), EnEco Solutions (“EnEco”), Enovid LLP (“Enovid”) and Climate Wedge Ltd (“Climate Wedge”).

The review and editorial team was lead by Jan-Willem van de Ven (EBRD), Aidar Kazybayev (AIFC), Aigul Kussaliyeva (AIFC) and Assel Nurakhmetova (AIFC). Review support was provided by Charles Smith (EBRD), Carel Cronenberg (EBRD), Russel Bishop (EBRD) and Vincent Duijnhouwer (EBRD).

The project was guided by an international Advisory Group, Co-Chaired by Governor Kairat Kelimbetov (AIFC) and Agris Preimanis (EBRD) and consisting of leading green finance experts Ma Jun (People's Bank of China), Simon Zadek (UNEP Inquiry), Dirk Forrister (IETA) and Simon Buckle (OECD).

The writing team for the Roadmap is Kristian Brüning (Climate Wedge), Catullus Helmer (Enovid), Aleksi Lumijärvi (GreenStream), Vadim Ni and Jürgen Wiesmann (GreenStream). Support on content and editorial review of the reports has been provided Hanna-Mari Ahonen (GreenStream Network).

1. Introduction

The document is a companion to the Final Report: Green Financial System for Kazakhstan. The final report provides the narrative, motivation and analysis that are behind the key recommendations put forward by the project team. By contrast, the Roadmap is a practical tool to be used by those who will serve as champions and implementers of Kazakhstan’s Green Financial System.

The Roadmap provides an overview of the key recommendations for the implementation of the GFS and for each recommendation, it identifies the concrete steps and supporting actions that are required to successfully achieve the objectives. For each supporting action, the Roadmap carefully considers the timing and sequencing vis-à-vis other actions. Some actions are necessary prerequisites for others, while others can be done in parallel. In order to lend further structure to this approach, the Roadmap identifies three distinct phases for the Green Financial System, the Initiation phase, the Deepening phase and the Expansion phase and allocates all actions to one of the phases.

In total, Project Team has developed a set of seven key recommendations that are supported by 34 supporting actions (Table 1).

Table 1. Key Recommendations

Key Recommendations
1. Establish a governance structure to support the GFS
2. Accelerate building of capacity in green finance
3. Embed green financial system in legislative and regulatory frameworks
4. Promote the domestic carbon market
5. Establish robust disclosure and reporting frameworks
6. Promote green bonds as a long-term source of green finance
7. Consider public financing measures for green investments

Detailed tables in Section 2 list the supporting actions for each of the key recommendations. For each of the actions, it is identified which organization is responsible for the action, when the action should take place, what prerequisites or inputs are required for the action and what outputs are expected. As for the timing of the actions, three distinct phases are considered; an **Initiation Phase** of approximately twelve months (2017-2018), a **Deepening Phase** of three years (2019-2021) as well as an **Expansion Phase** of four years. The focus of each phase is further elaborated in Section 3. Finally, Section 4 contains a graphic representation of the Roadmap.

2. Key Recommendations and Supporting Actions

Recommendation 1: Establish a governance structure to support the GFS					
ID	Supporting Actions	Responsible	Timing	Input	Output
1.1	Endorse AIFC as National Champion for the GFS	Government of Kazakhstan AIFC Management Council	Initiation Phase 2017		Formal Decision by Government
1.2	Assign AIFC to represent the financial sector in key green development bodies and mechanisms	AIFC	Initiation Phase 2017-2018	AIFC as recognized National Champion for the GFS	Lead on Green Finance priority within <ul style="list-style-type: none"> • Council on Green Economy Transition • Green Bridge Partnership Programme • International Center for Development of Green Technologies and Investment Project
1.3	Develop National Roadmap for the Implementation of the GFS	AIFC – GFS Team	Initiation Phase 2017-2018	AIFC as recognized National Champion for the GFS	<ul style="list-style-type: none"> • National Roadmap for Implementation of GFS • Signed and sponsored by the President
1.4	Implement the National Roadmap	AIFC – GFS Team	Deepening Phase 2019-2021 Expansion Phase 2022-2025	AIFC as recognized National Champion for the GFS	AIFC coordinates implementation of National Roadmap

Recommendation 2: Accelerate Building of Capacity in Green Finance

ID	Supporting Actions	Responsible	Timing	Input	Output
2.1	Include green finance content in existing vocational training programs	AIFC Bureau	Initiation Phase 2017-2018	Establish working group between AIFC, key academic institutions and market players	High quality green finance module, rolled out across key vocational training programs
2.2	Establish formal links with International networks on standardization and regulation in the area of Green Finance	AIFC – GFS Team	Initiation Phase 2017-2018	AIFC as recognized National Champion for the GFS	Established relationship with UNEP FI (observer), Green Climate Fund (potentially accredited entity), Sustainable Stock Exchanges Initiative (potentially partner), Equator Principles and UNFCCC Standing Committee on Finance
2.3	Train Green Finance Professionals in Financial Institutions	AIFC Bureau	Deepening Phase 2019-2021 Expansion Phase 2022-2025	2.1: Green finance modules Review best-practice Green Finance training programmes from international providers and leading countries	<ul style="list-style-type: none"> • Train Green Finance Professionals • Professional certification programmes for green finance
2.4 (see also 3.9)	Organize capacity building for service providers and issuers of green bonds	AIFC Bureau	Initiation Phase 2017-2018 Deepening Phase 2019-2021	GB Framework: Requirements and criteria for serving as expert for independent review	Pool of competent domestic and international experts for independent reviews (2 nd opinion, verification) of green bonds are available
2.5 (see also 3.8)	Join and participate in international green finance networks that are related to green bonds	AIX / AIFC GB Team	Initiation Phase 2017-2018 Deepening Phase 2019-2021 Expansion Phase 2022-2025	Established GB Team	<ul style="list-style-type: none"> • AIFC is Observer Member of GB Principles • AIFC is Climate Bonds Partner of Climate Bonds Initiative

Recommendation 3: Embed Green Financial System in legislative and regulatory frameworks

ID	Supporting Actions	Responsible	Timing	Input	Output
3.1	Include green finance in key strategic policy documents	Government of Kazakhstan	Initiation Phase 2017-2018	<ul style="list-style-type: none"> Strategic Plan for the Development until the Year 2020¹ 2014 Concept for the Development of the Financial Sector² A3. National Roadmap for establishing GFS in Kazakhstan 	<ul style="list-style-type: none"> Set strategic goals for the banking sector, the securities market and the pension fund to support the development of Green Economy Include quantitative targets for Green Finance in Strategic Plan Assign to AIFC the responsibility as the key institutional platform for development of the Green Financial System
3.2	Include disclosure responsibilities in key legal documents	Government of Kazakhstan, National Bank	Expansion Phase 2022-2025	<ul style="list-style-type: none"> 1995 Law on Banks and Banking Activities³ 2015 National Bank's regulation on reporting by second-tier banks⁴ Disclosure Frameworks adopted under D4, D5, D6 and D7 	Updated banking law, including <ul style="list-style-type: none"> disclosure requirements for second-tier banks provisions on liability for adverse environmental impacts
3.3	Establish National Bank as Regulator for GFS	Government of Kazakhstan	Deepening Phase 2019-2021	<ul style="list-style-type: none"> 1995 Law on the National Bank of the Republic of Kazakhstan⁵ 	Updated laws giving National Bank authority to regulate GFS outside the territory of AIFC, with regard to:

¹ See the Information and Legal System of Legal and Normative Acts of the Republic of Kazakhstan "Adilet", at http://adilet.zan.kz/rus/docs/U100000922_.

² Ibid, at <http://adilet.zan.kz/rus/docs/P1400000954>.

³ Ibid, at http://adilet.zan.kz/rus/docs/Z950002444_#z0.

⁴ Ibid, at <http://adilet.zan.kz/rus/docs/V1500011159>.

⁵ Ibid, at http://adilet.zan.kz/rus/docs/Z950002155_.

Recommendation 3: Embed Green Financial System in legislative and regulatory frameworks

				<ul style="list-style-type: none"> • 2003 Bylaws of the National Bank of Kazakhstan⁶ 	<ul style="list-style-type: none"> • Disclosure • Financial Instruments • Reporting / Statistics • Criteria for Green Investments
3.4	Enhance Securities regulation	National Bank	Deepening Phase 2019-2021	<ul style="list-style-type: none"> • 2003 Law on the Securities Market⁷ • 2006 Law on Project Financing and Securitization⁸ • 2016 National Bank regulation on corporate bonds⁹ • 2009 Government’s regulation on government bonds¹⁰ 	<p>Issue secondary regulation enabling municipalities to issue bond, including green bonds</p> <p>Adapt existing regulations on corporate and government bonds to include requirements for green bonds</p>
3.5	Apply GFS regulation to Pension Fund	National Bank	Deepening Phase 2019-2021	<ul style="list-style-type: none"> • 2013 Law on Pensions¹¹ • 2013 National Bank regulation on risks assessment systems for pension funds • 2013 National Bank regulation on disclosure of information on the investment portfolio of the Single Accumulative Pension Fund.¹² 	<ul style="list-style-type: none"> • Updated regulations with disclosure requirements on green finance for pension funds

⁶ Ibid, at http://adilet.zan.kz/rus/docs/U030001271_#z18.

⁷ Ibid, http://adilet.zan.kz/rus/docs/Z030000461_.

⁸ Ibid, at http://adilet.zan.kz/rus/docs/Z060000126_.

⁹ Ibid, at <http://adilet.zan.kz/rus/docs/V1600013789>.

¹⁰ Ibid, at http://adilet.zan.kz/rus/docs/P090000466_.

¹¹ Ibid, at <http://adilet.zan.kz/rus/docs/Z1300000105>.

¹² Ibid, at <http://adilet.zan.kz/rus/docs/V1300008672/>.

Recommendation 3: Embed Green Financial System in legislative and regulatory frameworks

3.6	Strengthen rule-making powers of AIFC	Government of Kazakhstan	Deepening Phase 2019-2021	<ul style="list-style-type: none"> 2015 Constitutional Law on AIFC¹³ 	<p>Updated law to include explicit provisions</p> <ul style="list-style-type: none"> enabling AIFC's role in promoting the GFS enabling the AIFC to develop regulations for green finance in its territory Provisions enabling the AIFC to apply international standards related to green finance in its territory
3.7	Adopt regulatory framework for green financial instruments	Government of Kazakhstan, AFSA	Deepening Phase 2019-2021	<ul style="list-style-type: none"> 2015 Constitutional Law on AIFC¹⁴ E6: Enhanced mandate of AIFC to regulate green finance 	<ul style="list-style-type: none"> List of green finance instruments Specific provisions for certain green finance instrument
3.8	Adopt operational framework for green financing	AFSA	Deepening Phase 2019-2021	<ul style="list-style-type: none"> E7: Regulatory framework for green financial instruments 	<p>AIFC Regulations on</p> <ul style="list-style-type: none"> disclosure of information on environmental aspects assessment and monitoring of environmental and climate-related risks liability for adverse environmental impacts for the AIFC and its participants
3.9	Adopt regulatory framework for green investment projects	AFSA		<ul style="list-style-type: none"> D2: Definition of Climate and Green Finance adopted within AIFC territory 	<p>AIFC Regulation on green investment projects, incl.</p> <ul style="list-style-type: none"> Criteria and procedure for determination of green projects Procedure for monitoring and reporting of green investment projects

¹³ Ibid.

¹⁴ Ibid.



Recommendation 4: Promote the domestic carbon market

ID	Supporting Actions	Responsible	Timing	Input	Output
4.1	Support liquidity-oriented reforms of the Kazakh ETS	Government of Kazakhstan, Ministry of Energy	Deepening Phase 2019-2021	<ul style="list-style-type: none"> 2007 Environmental Code 2012 Ministry of Environment regulation on carbon trade 2012 Ministry of Environment regulation on domestic offset projects¹⁵ 	<ul style="list-style-type: none"> Remove free allocation to Kazakh power generators and hold open auctions instead Allow limited use of imported offsets for compliance with the KazETS Allow use of EUAs for compliance with KazETS Allow the sale of KazETS allowances without proof of energy efficiency gains
4.2	Launch KazETS allowances trading at AIFC Exchange	AIX	Initiation Phase 2017-2018, Deepening Phase 2019-2021	<ul style="list-style-type: none"> Launch of AIX 	<ul style="list-style-type: none"> Allow OTC trading of KazETS allowances at the AIFC Exchange List EUAs at AIFC Exchange
4.3	Provide transparency on carbon trading at the AIFC Exchange	AIX	Deepening Phase 2019-2021	<ul style="list-style-type: none"> G2: ETS Trading at AIFC Exchange 	<ul style="list-style-type: none"> Mandatory reporting of OTC trading to AIFC Exchange Make all trade data available to the public (including OTC activity)
4.4	Consolidate carbon trading to increase liquidity	Government of Kazakhstan, AIX	Deepening Phase 2019-2021	<ul style="list-style-type: none"> G2: ETS Trading at AIFC Exchange 	<ul style="list-style-type: none"> Consider consolidating Kazakh commodities trading on one effective platform to maximise participation in KazETS trading both nationally and internationally.
4.5	Prevent manipulation of carbon market	AIX	Deepening Phase 2019-2021	<ul style="list-style-type: none"> G2: ETS Trading at AIFC Exchange 	<ul style="list-style-type: none"> Consider appropriate position limits for speculative activity to avoid the risk of market manipulation

¹⁵ Ibid, <http://adilet.zan.kz/rus/docs/P1200000841>.

Recommendation 5: Establish robust disclosure and reporting frameworks						
ID	Supporting Actions	Responsible	Timing	Input	Output	
5.1	Establish formal links with International networks on standardization and regulation in the area of Green Finance	AIFC – GFS Team	Initiation Phase 2017-2018	<ul style="list-style-type: none"> AIFC as recognized National Champion for the GFS 	<ul style="list-style-type: none"> Established relationship with UNEP FI (observer), Green Climate Fund (potentially accredited entity), Sustainable Stock Exchanges Initiative (potentially partner), Equator Principles and UNFCCC Standing Committee on Finance 	
5.2	Adopt common approach for tracking Climate Finance and “Green” Finance	AIFC – GFS Team to prepare; AIFC Authority or AFSA to approve	Initiation Phase 2017-2018	<ul style="list-style-type: none"> Joint MDB List of Activities eligible for classification as climate mitigation finance according to the Common Principles for Climate Mitigation and Adaptation Finance Tracking (“Common Principles”). 	<ul style="list-style-type: none"> Resolution by the AIFC Authority or as regulation by the AFSA Definition of Climate and Green Finance adopted within AIFC territory Definition spread to national financial system 	
5.3	Adopt a common approach to tracking impacts of climate finance	AIFC – GFS Team to prepare; AIFC Authority or AFSA to approve	Deepening Phase 2019-2021	<ul style="list-style-type: none"> Evaluate need for impact reporting and best practices in the market Identify best approach at the time including e.g. MDB common approach on greenhouse gas accounting using established measuring protocols such as GHG Protocol, the Clean Development Mechanism methodology, , Gold 	<ul style="list-style-type: none"> Resolution on impact tracking approach by the AIFC Authority or as regulation by the AFSA 	

Recommendation 5: Establish robust disclosure and reporting frameworks

				Standard and the EU Emissions Trading Scheme and ISO 14064	
5.4	Adopt voluntary disclosure standards for all financial institutions on AIFC territory: Governance, Strategic Disclosure, Risk Management and Metrics and Targets	AIFC – GFS Team to prepare; AIFC Authority or AFSA to approve	Deepening Phase 2019-2021	<ul style="list-style-type: none"> Recommendations by the Task Force for Climate Disclosures (TFCD) 	<ul style="list-style-type: none"> Resolution by the AIFC Authority or as regulation by the AFSA Option to make standards mandatory Option to apply standards nationwide
5.5	Adopt a common standard for assessing Environmental and Social Risk for financial institutions on AIFC territory	AIFC – GFS Team to prepare; AIFC Authority or AFSA to approve	Expansion Phase 2022-2025	<ul style="list-style-type: none"> Evaluate need for increased reporting on environmental and social risks and best practices in the market Identify best approach at the time including e.g. Environmental and Social Risk Management Procedures adopted by MDBs 	<ul style="list-style-type: none"> Resolution by the AIFC Authority or as regulation by the AFSA
5.6	Establish a common voluntary Environmental-Social-Governance (ESG) Disclosure Framework for	AIFC – GFS Team to prepare; AIFC Authority or AFSA to approve	Deepening Phase 2019-2021	<ul style="list-style-type: none"> Sustainable Stock Exchanges (SSE) Model Guidance ESG Reporting Guide “A Support Program for Nasdaq Issuers Focus 	<ul style="list-style-type: none"> Resolution by the AIFC Authority or as regulation by the AFSA Localized international ESG disclosure guidance for companies listed on the AIX Exchange Option to make framework mandatory Option to apply framework nationwide

Recommendation 5: Establish robust disclosure and reporting frameworks

	companies listed on AIX Exchange			Area: Nordic & Baltic markets”, March 23, 2017	
5.7	Establish a common disclosure framework for Project Finance by Financial Institutions in AIFC territory	AIFC – GFS Team to prepare; AIFC Authority or AFSA to approve	Deepening Phase 2019-2021	<ul style="list-style-type: none"> • Equator Principles, based on IFC EHS performance standards 	<ul style="list-style-type: none"> • Resolution by the AIFC Authority or as regulation by the AFSA • Financial institutions on AIFC territory can voluntarily adopt principles • Option to make framework mandatory • Option to apply framework nationwide

Recommendation 6: Promote green bonds as a long-term source of green finance

ID	Supporting Actions	Responsible	Timing	Input	Output
6.1	Set up AIX / AIFC GB Team, responsible for <ul style="list-style-type: none"> day-to-day management of the GB programme market outreach and capacity building 	AIFC GFS Bureau / AIX	Initiation Phase 2017	<ul style="list-style-type: none"> Approval of GB Team budget, function and composition by AIFC Leadership 	<ul style="list-style-type: none"> AIFC leadership commitment of funding for GB Team AIFC leadership approval of role, tasks and timelines of GB Team
6.2	Set up Green Bond Advisory Committee <ul style="list-style-type: none"> chaired by AIX / AIFC GB Team international experts domestic bond finance experts environmental specialists 	AIX / AIFC GB Team	Initiation Phase 2017	<ul style="list-style-type: none"> Functional AIX / AIFC GB Team Approval by AIFC Leadership 	<ul style="list-style-type: none"> GB Advisory Committee able to function as an independent body Mandate based on charter document
6.3	Set up GB Alliance with select domestic financial institutions as co-founders	AIX / AIFC GB Team	Initiation Phase 2017	<ul style="list-style-type: none"> Functional AIX / AIFC GB Team AIX / AIFC GB Team serves as Secretariat for GB Alliance 	<ul style="list-style-type: none"> Charter for GB Alliance created by founding members Timeline and goals for launching and building the Alliance as the national business network on GB
6.4	Localize Green Finance definitions	AIX / AIFC GB Team; GB Advisory Committee	Initiation Phase 2018	<ul style="list-style-type: none"> Functional AIFC GB Team and Advisory Committee MDB Green Finance definitions 	<ul style="list-style-type: none"> AIX GB Taxonomy: Localized list of eligible project categories for green financing Technical project eligibility criteria for project categories Endorsed by GB Advisory Committee Regularly reviewed and updated by GB Advisory Committee
6.5	Develop GB Framework Document with guidance / rules / procedures on <ul style="list-style-type: none"> GB registration and issuance process 	AIX / AIFC GB Team; GB Advisory Committee owns the GB	Initiation Phase 2017-2018	<ul style="list-style-type: none"> AIX GB Taxonomy GB Principles GB Standards: Select best practice guidelines on use-of-proceeds, 	Green Bond Framework Document including: <ul style="list-style-type: none"> GB Principles as market entry guidelines Partial adoption of GB Standards plus localized procedures for reporting Localized project eligibility requirements

Recommendation 6: Promote green bonds as a long-term source of green finance

	<ul style="list-style-type: none"> • Pre-issuance independent review 2nd opinion or verification • Use-of-Proceeds monitoring • Post-issuance verification • Oversight 	Framework Document		project selection, management of proceeds and reporting	<p>Separate recognized AIX green bond listing through Climate Bond Certifications</p> <p>Templates for</p> <ul style="list-style-type: none"> • Pre-issuance AIX GB Project Reports • Independent review (2nd opinion, verification) • Post-issuance AIX annual GB project summaries
6.6	Obtain Leadership Endorsement for GB Framework Document	AIFC Managing Council; GB Advisory Committee	Initiation Phase 2017-2018	<ul style="list-style-type: none"> • Approved by AIFC Leadership and GB Advisory Committee • Review and buy-in by GB Alliance • Formal endorsement from EBRD and other MDB 	<ul style="list-style-type: none"> • Public Statement by AIFC Leadership endorsing the GB Framework
6.7	Support issuance of reference GB	AIX / AIFC GB Team	Initiation Phase 2017-2018, Deepening Phase 2019-2021, Expansion Phase 2022-2025	<ul style="list-style-type: none"> • Deliver training of potential GB issuers on GB market, GB Framework, pre-issuance reporting 2nd Opinions, post-issuance requirements • Build pipeline of potential projects through GB Alliance • International roadshow with shortlisted projects • Support by MDBs for first issuances 	<ul style="list-style-type: none"> • Successful issuance of reference GBs
6.8	Join international GB networks	AIX / AIFC GB Team	Initiation Phase 2017-2018, Deepening Phase 2019-2021, Expansion Phase 2022-2025	<ul style="list-style-type: none"> • Established GB Team 	<ul style="list-style-type: none"> • AIFC is Observer Member of GB Principles • AIFC is Climate Bonds Partner of Climate Bonds Initiative

Recommendation 6: Promote green bonds as a long-term source of green finance

6.9	Provide capacity building for service providers and potential GB issuers	AIFC Bureau	Deepening Phase 2019-2021, Expansion Phase 2022-2025	<ul style="list-style-type: none"> • GB Framework: Requirements and criteria for serving as expert for independent reviews (2nd opinion, verification). • Build list of potential domestic service providers, • Procedures and templates for pre- and post-issuance reporting • Deliver training to service providers on GB Framework • Reach out to international service providers 	<ul style="list-style-type: none"> • Competent experts for independent reviews are available
6.10	Integration of GB Framework document into AIFC and national financial regulations	AFSA; AIFC Authority	Deepening Phase 2019-2021, Expansion Phase 2022-2025	<ul style="list-style-type: none"> • GB Framework Document 	<ul style="list-style-type: none"> • AIFC and national regulations

Recommendation 7: Consider public financing measures for green investments

ID	Supporting Actions	Responsible	Timing	Input	Output
	Enable Pension Fund to participate in GFS	Government of Kazakhstan, National Bank	Expansion Phase 2022-2025	<ul style="list-style-type: none"> 2013 Law on Pensions¹⁶ 	<ul style="list-style-type: none"> Quantitative targets for investment in green economy
	Use National Fund to create green finance development programmes	Government of Kazakhstan, National Bank	Deepening Phase 2019-2021	<ul style="list-style-type: none"> 2008 Budgetary Code¹⁷ 2009 Government regulation on permitted financial instruments for investment from the National Fund¹⁸ 	<ul style="list-style-type: none"> Create state development programs for green investment, operated by Baiterek Holding and the Development Bank of Kazakhstan

¹⁶ Ibid, at <http://adilet.zan.kz/rus/docs/Z1300000105>.

¹⁷ Ibid, at http://adilet.zan.kz/rus/docs/K080000095_.

¹⁸ Ibid, at http://adilet.zan.kz/rus/docs/P090000066_.

3. Roadmap and Phases of Implementation

3.1 Initiation Phase (2017-2018)

The focus of the Initiation Phase is to lay the groundwork and build momentum for the Green Financial System in Kazakhstan. As a result, the focus is on establishing the governance structure of the system, building institutional support, carrying out enabling activities and establishing some reference financial instruments. All of these actions should support each other. A key to the overall success of the project is to establish a national champion for the Green Financial System, a role for which the Astana International Financial Center is uniquely qualified.

The most important work during the Initiation Phase is the development of a National Roadmap that has highest-level endorsement by the Government of Kazakhstan. We recommend that the Roadmap is signed by the Chairman of AIFC's Management Council. This strategic planning document should contain many of the listed supporting actions and is then implemented in the deepening and expansion phase. During the initiation phase, AIFC's capacity can be further enhanced by building partnerships with international organizations in the areas of green finance and by representing the financial sector in key national green development bodies and mechanisms. A further focus of the initiation phase is the launch of concrete actions on a benchmark financial instrument, i.e. the issuance of a green bond. This entails a number of enabling activities, such as developing a localized definition of what kind of investments qualify for green finance, adopting relevant international standards to create a national Green Bonds Framework and mobilizing the domestic and international financial community. A further action to establish AIFC as a leader in green finance is to launch carbon trading under the Kazakh ETS at the AIFC Exchange (AIX).

3.2 2019-2021: Deepening Phase

During the Deepening Phase, some of the initial actions with regards to green standards and disclosure frameworks that have been carried out within the AIFC territory can be rolled out to the national level. With the cooperation of the Government of Kazakhstan and the National Bank, acting as the financial regulator, the rules and procedures developed by AIFC can be incorporated in national level financial regulations. In the Green Bonds area, the ability to handle more bond issues can be scaled up and a pool of service providers can be trained with capacity building programmes. The national carbon market and functioning of carbon exchanges can be further supported with reforms of the Kazakh ETS that enhance the liquidity, transparency, and efficiency of the market.

At the same time, new financial instruments can be launched, targeting different sectors of the Kazakh economy that are in need of green investment, such as renewable energy, energy efficiency, waste, transportation, and buildings. Sector-specific development programs can be supported by the National Fund and operated under the leadership of Baiterek or the Development Bank of Kazakhstan.

3.3 2022-2025: Expansion Phase

During the Expansion Phase, the Green Financial System can be further developed to not only serve the needs of Kazakhstan but of the greater Central Asia region. The financial instruments and infrastructure platform elements for which this is possible should be carefully selected, in order to avoid excessive transaction costs. In a similar vein, for the Kazakh ETS, there may be an opportunity for linking the trade in allowances to other regional schemes, such as the European ETS.

The phase is also likely to see a further consolidation of regulatory actions. Most regulations should now be applied on the national level, while AIFC-specific rules should be applied in niches where AIFC has a comparative advantage due its special structure. Nevertheless, AIFC should retain its position as national champion for the Green Financial System providing thought leadership, coordination, capacity building and some critical infrastructure, such as the AIFC Exchange (AIX).

3.4 At a Glance: Steps towards GFS

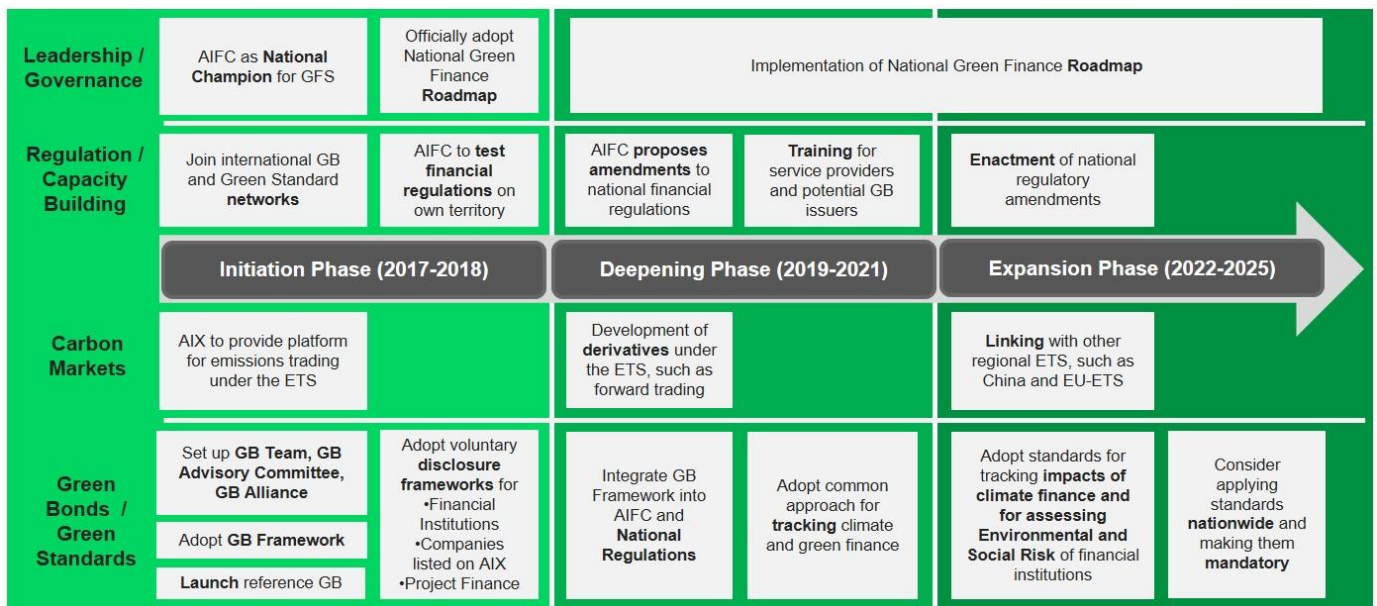


Figure 1. Roadmap at a Glance