Green Financial System for Kazakhstan

Workshop
Astana,
16 June 2017
Workshop Objectives

• Present first set of observations / ideas / recommendations

• Consult stakeholders
  – Feedback on results
  – Identifying barriers and specific needs
  – Identifying priority sectors and financial instruments
Growth Trajectory

GDP Per Capita (US$), 2002-2015

Source: World Bank
External Position

Total External Assets, 2001-04/2017

US$bn

<table>
<thead>
<tr>
<th>Year</th>
<th>International reserves</th>
<th>National Fund assets</th>
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<tbody>
<tr>
<td>2001</td>
<td>1.2</td>
<td>2.5</td>
</tr>
<tr>
<td>2002</td>
<td>1.9</td>
<td>3.1</td>
</tr>
<tr>
<td>2003</td>
<td>3.7</td>
<td>4.3</td>
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<tr>
<td>2004</td>
<td>5.1</td>
<td>4.1</td>
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<tr>
<td>2005</td>
<td>8.1</td>
<td>11.5</td>
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<td>2006</td>
<td>16.9</td>
<td>17.8</td>
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<tr>
<td>2007</td>
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<td>19.9</td>
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<tr>
<td>2008</td>
<td>23.1</td>
<td>27.9</td>
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<td>2009</td>
<td>31.4</td>
<td>34.6</td>
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<td>2010</td>
<td>44.5</td>
<td>47.0</td>
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<td>2011</td>
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<td>57.9</td>
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<tr>
<td>2012</td>
<td>67.6</td>
<td>70.8</td>
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<tr>
<td>2013</td>
<td>73.6</td>
<td>63.4</td>
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<td>2014</td>
<td>61.2</td>
<td>62.7</td>
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<tr>
<td>2015</td>
<td>24.7</td>
<td>28.5</td>
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<tr>
<td>2016</td>
<td>28.3</td>
<td>30.1</td>
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<tr>
<td>2017</td>
<td>30.1</td>
<td>32.3</td>
</tr>
<tr>
<td>Apr-17</td>
<td>30.1</td>
<td>32.3</td>
</tr>
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</table>

Source: National Bank of Kazakhstan
Commodity & Currency Indices

Commodity Price & Currency Indices, 2011-04/2017

Source: World Bank, National Bank of Kazakhstan
## National Programs

<table>
<thead>
<tr>
<th>Key Objective</th>
<th>Specific Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised long-term development strategy “Kazakhstan 2050” outlined by the President in 2012, which sets the overarching aim to reach <strong>30 most developed countries by 2050</strong></td>
<td>➢ Non-oil exports rise to <strong>70% of total</strong>&lt;br&gt;➢ Green energy will grow to <strong>50% of total energy production</strong></td>
</tr>
<tr>
<td>Reform program introduced in 2015 to support “Kazakhstan 2050” strategy through 100 specific action items. Focus on <strong>capacity building, institutional development and structural reforms</strong></td>
<td>➢ Reorganization of electric power industry (step 50)&lt;br&gt;➢ Attracting strategic investors to the energy saving industry (step 59)</td>
</tr>
<tr>
<td>Sustainable Development program introduced in 2013 to support “Kazakhstan 2050” strategy. Key goals: <strong>Improved resource productivity, infrastructure modernization, increased social wellbeing, increased national security</strong></td>
<td>Specific sectoral targets covering:&lt;br&gt;➢ Water, energy, waste management, agriculture, emissions</td>
</tr>
</tbody>
</table>
Project Objectives: Green Financial System

- **Support AIFC**: Scope / Conceptualise / Initiate the development of a GFS
- **Leverage domestic and international financial sectors** to provide financial instruments, trading products and services for Green Economy development
- **Deliver robust analytical model and scenarios** for the development of a GFS
  - Assess demand for green investment in Kazakhstan
  - Consider need for public co-financing
  - Identify regulatory gaps and barriers
  - Consider monitoring, reporting, verification systems required by Paris Agreement
  - Introduce relevant green financing **standards** into Kazakhstan’s financial institutions
  - Develop market for green bonds and other green financing instruments
  - Develop carbon market services around Kazakh ETS
# Project Team

<table>
<thead>
<tr>
<th>Key Expert</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catullus Helmer</td>
<td>Team Leader</td>
</tr>
<tr>
<td>Kristian Brüning</td>
<td>Green Finance Expert</td>
</tr>
<tr>
<td>Aleksi Lumijärvi, GreenStream</td>
<td>International Policy and Financial Expert</td>
</tr>
<tr>
<td>Jürgen Wiesmann, GreenStream</td>
<td>Senior International Economist</td>
</tr>
<tr>
<td>Yvonne Deng, Ecofys</td>
<td>Demand Modeling Expert</td>
</tr>
<tr>
<td>Karl Upston-Hooper, GreenStream</td>
<td>Senior International Legal Expert</td>
</tr>
<tr>
<td>Anna Laine, GreenStream</td>
<td>Senior Carbon Market Expert</td>
</tr>
<tr>
<td>Inna Lissova, Eneco Solutions</td>
<td>Local Technical Green Economy Expert</td>
</tr>
<tr>
<td>Vadim Ni</td>
<td>Local Legal / Policy / Regulations Expert</td>
</tr>
<tr>
<td>Yekaterina Solomeyeva, Eneco Solutions</td>
<td>Marketing and Communication Expert</td>
</tr>
</tbody>
</table>
Advisory Group

Co-Chair:
Mr. Kairat Kelimbetov,
Governor
AIFC

Co-Chair:
Mr. Agris Preimanis
Country Director
EBRD
Tasks & Timeline

12 / 2016
- Website
- Inception Mission
- Review International Experience

03 / 2017
- Potential of Financial Sector
- Appetite of International Investors
- Green Standards

05 / 2017
- Updated Workplan
- 1st Workshop (3 May 2017)

06 / 2017
- Estimate Demand / Review Policies & Regulations
- Develop Draft Model and Roadmap
- 2nd Workshop at Astana Economic Forum (15/16 June 2017)

09 / 2017
- Final Report & Communication Materials
- Seminar at Astana Expo (September 2017)
Part I: Setting the Stage
Project Findings
## Key Green Economy Targets

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Target 2020</th>
<th>Target 2030</th>
<th>Target 2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Economy</td>
<td>GHG emission reductions (1990)</td>
<td>-15% / -25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Reduction of Energy Intensity (2008)</td>
<td>-25%</td>
<td>-30%</td>
<td>-50%</td>
</tr>
<tr>
<td>Electric Power</td>
<td>Share of alternative sources</td>
<td>3%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>GHG emission reductions</td>
<td>-15%</td>
<td>-40%</td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td>Municipal Solid Waste</td>
<td>100% coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recycling</td>
<td>40%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

© GreenStream
Green Investment Funding Gap

- Current Investment (2015): $374 USD m
- Gap: $626 USD m
- Investment Req. (2015): $1,000 USD m
- Gap: $2,300 USD m
- Required (long-term avg): $3,300 USD m
Regulatory Review and Recommendations
Kazakhstan’s Financial Sector

National Bank of Kazakhstan (financial regulator)
- Second-tier banks
- Pension Fund
- Insurance companies

“Baiterek” Holding

Green Finance
- Key industrial development and government programs
- Development of a green finance market

Fund “Samruk-Kazyna”
(Assets management of major national companies)

© GreenStream
Level 1: Voluntary commitments & general policies
- Paris Pledge for Action
- Sustainable Stock Exchanges Initiative
- Principles for Responsible Investment

Level 2: Integration of climate change aspects into business processes and risk assessments
- Equator principles
- Green roadmaps
- IORP Directive II

Level 3: Financing green investments & projects
- Renewable energy, efficiency, other green projects
- Mandate for green investments

Level 4: Dedicated sector products & services
- Green bonds
- Green insurance

Capacity Assessment Methodology
Limited Investment in green economy
Limited access to long term capital
Limited ecosystem for green projects

Policy Gaps
- Gaps in enabling and legal frameworks
- Limited cross-sectoral coordination of green economy agenda

Immature Market
- Limited expertise among public and private actors
- Limited visibility of green economy and links to green networks
- Lack of institutional champion for green finance

Capacity Shortfalls
- Large gap between current level of green investments and estimated demand

Large Financing Need
- Underdeveloped securities market
- Shortage of long term capital from domestic banks

Shallow Financial Sector
- Limited reporting & disclosure
- No central tracking of mitigation and adaptation projects
- Shortage of supply of green finance
## Capacity Assessment: Observations cont.

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Voluntary Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Limited adoption of key voluntary measures. No adoption of PRI or Equator Principles by banks</td>
</tr>
<tr>
<td></td>
<td>• No membership of green knowledge and capacity networks (e.g. Sustainable Banking Network)</td>
</tr>
<tr>
<td></td>
<td>• Basic environmental and climate change-related reporting and disclosures. Samruk Kazyna is moving to ESG reporting based on Global Reporting Initiative principles starting in 2018</td>
</tr>
<tr>
<td></td>
<td>• No central tracking and monitoring of green investment projects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 2</th>
<th>Process Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• No integration of climate change aspects into regulatory or monetary policy (systemic risk assessment, prudential standards, disclosure rules)</td>
</tr>
<tr>
<td></td>
<td>• No green economy roadmap</td>
</tr>
<tr>
<td></td>
<td>• KASE published guidance on preparing ESG. However, not mandatory</td>
</tr>
<tr>
<td></td>
<td>• Very limited integration of environmental aspects into governance, strategy or risk management processes. Samruk Kazyna moving toward a sustainable development management system</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 3</th>
<th>Green Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• No mandate (National Fund or ENPF) for green investments or enabling policies for banks to support the sector</td>
</tr>
<tr>
<td></td>
<td>• Several Samruk Kazyna subsidiaries have made or are assessing green investments. However, no holding company formal guidance or mandate on green investments</td>
</tr>
<tr>
<td></td>
<td>• Banks provide limited financing to green investment projects in renewable energy and energy efficient housing sectors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 4</th>
<th>Green Products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• No dedicated relevant green products as issuer / originator or purchaser / investor, such as green funds, green bonds, green housing deposit and mortgage, green securitizations</td>
</tr>
<tr>
<td></td>
<td>• No guidelines issued for green bonds, green insurance or other products</td>
</tr>
</tbody>
</table>
Scope of the Regulatory Review

- Banking sector
- Insurance sector
- Securities market
- Occupational pensions
- Public investments
- Carbon market
- AIFC
Banking Sector

Current situation

• 2014 and 2015 detailed National Bank’s regulations on systems for risk assessment and reporting to the National Bank

• Assessment of environmental aspects for financing under the EIA legislation (Environmental Code and the EIA Instruction)

Areas for improvement

• Information disclosure on environmental aspects in banks’ internal policies

• Determination of criteria for green projects and green banking
Insurance Sector

Current situation

• Established system of public and private insurance and re-insurance companies

• 2003 Law on mandatory environmental insurance

Areas for improvement

• Public information disclosure, including on environmental aspects, in the insurance sector

• Integration of climate-induced risks into the systems of risk assessment
Securities Market

Current situation

• Detailed regulations on issuance of government and corporate bonds by the 2009 Government’s regulation

• 2013 National Bank’s list of bonds permitted for purchases and sales by second-tier banks

Areas for improvement

• Legal framework for issuance of municipal bonds

• Criteria for issuance of green bonds
Occupational Pensions

Current situation

• 2013 National Bank’s regulation on risk assessment for pension funds

• Reference to unforeseen and non-controlled externalities and require internal control services to check for action plans for such situations

Areas for improvement

• Integration of environmental and climate consideration into policies for investments of pension funds
Public Investments

Current situation

• 2013 Long-term Concept on Transition to a “Green Economy”

• 2009 Government regulation on permitted financial instruments for investment from the National Fund

Areas for improvement

• Policy framework for the Green Finance System

• Budgetary assignments for promotion of projects on renewables, climate mitigation and adaptation
Carbon Market

Current situation

• GHG national emissions trading system launched in 2013 and currently suspended
• 2012 regulation on domestic offset projects
• Unlimited possibilities to use reduction units from offset projects to surrender allowances

Areas for improvement

• Policy framework on the national emissions trading system
• Tightening caps for the ETS
• Oversight and price management of carbon market in Kazakhstan
Astana International Financial Center

Current situation
• Autonomous regulatory, tax and foreign currency regimes on the AIFC territory under the 2015 Constitutional Law
• Adoption of regulations in accordance with its own rules of procedure
• Planned transfer of certain competencies from the National Bank to the AIFC

Areas for improvement
• Legally defined competence for the development of the Green Finance system
• Public information disclosure on environmental aspects of the activities of the AIFC Authority and its AIFC participants
• Criteria for green banking and green bonds on the AIFC territory
• Procedures for rule-making
Part II: Project Recommendations
Architecture of Change

Key Objectives: Achieve Green Economy targets; Stimulate sustainable growth & private sector development; Improve environmental risk management

Demand Drivers
- Renewable energy
- Energy efficiency
- Water treatment and conservation
- Sustainable agriculture
- Power sector modernization
- Waste management

Supply Drivers
- Regulatory framework
- Public funding and incentives
- Financial institutions
- Financial markets and products
- Climate funds
- Multilateral institutions and funding

Enabling Mechanisms
- Green Standards
- Disclosure and reporting frameworks
- Green investment mandates
- Fiscal support for green bonds
- Carbon pricing
- Risk mitigation instruments
Green Financial System for Kazakhstan
Draft recommendations on the adoption of green standards

Kristian Brüning, Climate Wedge Oy
Recommendations on adopting Green Standards

Background

- The project reviewed green standards in several tasks - starting point to the draft recommendations on the adoption of green standards by the AIFC.

- Identified green standards for financial institutions were categorized into three classes on the basis of the basic purpose of the standard:
  - Measurement standards used to quantify environmental impacts or to define the environmental quality
  - Tracking standards that are focused on defining how green finance should be tracked and reported.
  - Disclosure standards, defines what information must be disclosed to evaluate risks. This categorization is used in the recommendations provided for adoption of green standards below

- Recognized need to build in sustainable development considerations into the core architecture of financial standards; regulator can introduce green/sustainable development considerations in e.g. systemic risk, governance, transparency, risk/materiality.
General note on Green Standards
Using climate/GHG-anchored standards as the starting point

✔ There is an overlap between green / climate / sustainability standards

✔ Market emphasis on climate and GHG-related standards

✔ Starting point for the recommendations in GHG standards with broad definitions

✔ Inclusion of other environmental issues made possible through localization of standard

✔ Land remediation
✔ Toxic pollutants
✔ Non-GHG air pollutants (e.g. particulates, NOx, SOx)
**Recommendations on adopting Green Standards**  
**AIFC Governance Structure and financial regulation**

- The adoption of green standards is influenced by the governance structure of the AIFC.
- The Management Council and the regulator (AFSA) can adopt green standards across different levels of operations of the AIFC.
- Green standards can/should also operate within Financial Regulation (OECD 5 key areas).
- Determine key focus areas: Measurement, Disclosure and Tracking.

<table>
<thead>
<tr>
<th>Green Finance definition</th>
<th>Systemic Risk</th>
<th>Governance</th>
<th>Transparency</th>
<th>Risk and materiality</th>
<th>Tracking climate finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEVEL 1: AIFC Council and Authority</td>
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<tr>
<td>LEVEL 2: AFSA</td>
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<tr>
<td>LEVEL 3: Individual AIFC institutions</td>
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</table>
## Recommendations on adopting Green Standards

### Overview of draft recommendations

<table>
<thead>
<tr>
<th>Governance Level (tbc)</th>
<th>Green Finance definition</th>
<th>Systemic Risk</th>
<th>Governance</th>
<th>Transparency</th>
<th>Risk and materiality</th>
<th>Tracking climate finance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DISCLOSURE STANDARDS</strong></td>
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<tr>
<td>AIFC Council and Authority</td>
<td>R1: Green definition using MDB eligible project list</td>
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<tr>
<td>AFSA</td>
<td>R3: Voluntary adoption of TFCD disclosure framework</td>
<td></td>
<td></td>
<td>R2: Tracking process MDB Common Approach</td>
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<td></td>
</tr>
<tr>
<td>AFSA</td>
<td>R5: Voluntary adoption of Equator Principles by for project finance by FI’s</td>
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<tr>
<td>Individual AIFC inst.</td>
<td>R4: ESG disclosure rules for AIX</td>
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<tr>
<td>Individual AIFC inst.</td>
<td>Separate recommendation on green bond standards for AIX</td>
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</tbody>
</table>
What are Green Bonds?

...debt instruments to finance green projects that deliver environmental benefits. A green bond is differentiated from a regular bond by its commitment to use the funds raised to finance or refinance "green" projects, assets or business activities. Green bonds can be issued by either public or private actors... (OECD)
Role of AIFC
Supporting the market and business case for green bonds

The green bond strategy paper provides key inputs into AIFC’s work in developing a local green bond market.

- A green bond framework paper; incl. eligibility criteria, definition of eligible standards and steps for creating awareness, building a showcase pipeline of potential green bond issuances for local and international investors and key steps for capacity building strategy for AIFC to help potential issuers in identifying and evaluating green bond structures.

- Develop a step-by-step guide for two example green bond issuances

- Outlining target investor groups that are appropriate in the Kazakh context
AIFC Strategy Paper on Green Bonds
Providing guidance for developing green bonds as a reference instrument

Key inputs into AIFC’s work in developing a local green bond market.

✓ **A green bond framework paper**: incl. eligibility criteria, definition of eligible standards and steps for creating awareness, process for building a pipeline of potential issuances, key steps for capacity building strategy to help potential issuers evaluating green bond structures.

✓ **Market discovery**: local market receptiveness to green bond framework, finding balance between regulation and guidance in a nascent market

✓ Develop a **step-by-step guide** for two example green bond issuances
Developing a Green Bond Framework

Process overview

1. Reference for AIFC Exchange (criteria and process for GB Listings)
2. Applied to example Green Bond projects

AIFC Green Bond Framework Document
- Central rulebook
- Manual for projects
- Leadership + advisory committee approved

Market discovery by AIFC
- GBFD reviewed by AIFC GB network
- Condusive to developing GB market in KAZ
- Guidance vs. Regulation in driving GB mkt
## Developing a Green Bond Framework

Key outputs for GB Framework paper

<table>
<thead>
<tr>
<th>A. AIFC Green Bond Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B1. Endorsement</strong></td>
</tr>
<tr>
<td>GB alliance plan, roles</td>
</tr>
<tr>
<td>Leadership endorsement of AIFC GBF</td>
</tr>
<tr>
<td>MDB support of AIFC GBF</td>
</tr>
<tr>
<td><strong>B2. Guidelines</strong></td>
</tr>
<tr>
<td>Eligible Projects / Localized taxonomy</td>
</tr>
<tr>
<td>Project definitions</td>
</tr>
<tr>
<td>Green Bond Principles</td>
</tr>
<tr>
<td>2\textsuperscript{nd} opinion requirements</td>
</tr>
<tr>
<td>Standard &amp; Certification</td>
</tr>
<tr>
<td><strong>B3. Oversight</strong></td>
</tr>
<tr>
<td>Advisory committee role</td>
</tr>
<tr>
<td>Advisory committee members</td>
</tr>
<tr>
<td>Int. network memberships</td>
</tr>
<tr>
<td><strong>B4. Mobilization</strong></td>
</tr>
<tr>
<td>Activate local GB alliance</td>
</tr>
<tr>
<td>Build network of service providers</td>
</tr>
<tr>
<td>Training for issuers</td>
</tr>
<tr>
<td>Roadshows</td>
</tr>
</tbody>
</table>
Developing a Green Bond Framework

A. Strategic purpose and goals

**Purpose:**
Help establish AIFC as a regional platform for green finance

**Goal 1:**
Secure national and international endorsement for AIFC GBF
(B1)

**Goal 2:**
Develop local definitions, adapt standards
(B2)

**Goal 3:**
Activate international networks, generate interest with local stakeholders
(B3)

**B. Secure national and international endorsement for AIFC GBF (B1)**

**C. Green Bond Framework Document (B1-3), step-by-step guide (C)**
Requirement for AIFC Exchange green bond listing
Mandatory 2\textsuperscript{nd} opinion and voluntary certification

Coverage of AIFC Green Bond Framework
Overseen by Advisory Committee

- Green Bond Principles
- Local eligibility criteria
- Localized rules for Green Bond in Green Bond Framework
- Parts of CBS as criteria
- Full adoption of CBS
- 2\textsuperscript{nd} opinion
- Certification
- Issuance & Listing
- AIFC Exchange Green Bond Listing requirement
AIFC Exchange green bond listing
Green Bond Framework parallel process

**AIFC Exchange**
Normal bond listing requirement

**AIFC Green Bond Framework**
listing process and requirements

- Decision to issue green bond for asset
- IM, Standard documentation
- GBF green project criteria
- Mgmt and control of proceeds
- Pre-issuance GB information
- Allocation of proceeds
- Pre-issuance 2nd opinion
- UsoP monitoring and reporting
- Post-issuance verification

Underwriting, rating marketing

Post issuance
Strategy Paper on Green Bonds

Concluding remarks

- A green bond framework paper is developed as the localized guide- and rulebook for green bond issuances on the AIFC Exchange

- The Green Bond Framework is developed as an add-on process to the AIFC Exchange bond listing process, focusing on green credentials and use of proceeds

- Proposal for a separate GB Advisory Council to manage the Green Bond Framework

- Proposal for AIFC to host a ”Green Bond Alliance” with the purpose to drive market development in Kazakhstan with other financial institutions
The Role of AIFC
AIFC Institutional Structure

Constitutional Law #458
Presidential Decree #160
Government Decree #193

Supreme Governing Body

AIFC Management Council
- Chairman, President RoK
- Deputy Chairman, Prime Minister RoK
- Governor AIFC
- Governor Central Bank
- Ministers Economy and Finance

National Bank
Shareholder
JSC AIFC Authority
- Governor AIFC heads Board
- Responsible for strategy, budget and development of AIFC
- Drafts resolutions for Management Council

Astana Financial Services Authority (AFSA)
- Regulator of financial services within the Center

AIFC Courts
- Settlement of judicial disputes within the Center

International Arbitration Center
- Settlement of arbitration disputes within the Center

Astana International Exchange
- Stock Exchange

AIFC Bureau for Continuing Professional Development
- Capacity building, education and training, professional certification
Institutional Architecture

**GFS Architecture**

**PILLAR**

1. **Capacity Building**
   - Education and Training
   - Professional certification
   - Research and modeling
   - Knowledge development & sharing
   - AIFC Bureau
   - Green Academy
   - Nazarbayev University

2. **Policy & Regulation**
   - National Roadmap
   - Planning and design
   - Implementation mechanisms
   - Enforcement
   - AIFC Authority
   - AFSA, AIFC Courts
   - Ministry of Energy
   - National Bank
   - Ministry of Economy

3. **Finance**
   - Banking and insurance
   - Capital markets
   - Investment
   - ETS
   - Astana International Exchange
   - National Fund
   - ENPF
   - Baiterek
   - Samruk Kazyna
   - Zharylgan
   - KASE

4. **Monitoring & Reporting**
   - Risk assessment
   - Financial reporting
   - Climate related disclosure
   - Performance measurement
   - Astana International Exchange
   - AFSA
   - National Bank
   - Ministry of Energy
   - Committee on Statistics
   - KASE
Potential Roles of AIFC and Other Key Stakeholders

Capacity Building:
- AIFC Bureau for Continuing Professional Development
- Green Academy
- Nazarbayev University

Policy & Regulation:
- AIFC Authority
- AFSA / AIFC Courts
- Min of Energy / Economy
- National Bank

Finance:
- Astana International Exchange (AIX)
- National Fund, ENPF
- Baiterek, Samruk Kazyna
- Zhasyl Damu
- KASE

Monitoring & Reporting:
- AFSA, AIX
- Ministry of Energy
- National Bank
- Committee on Statistics
Potential Roles for AIFC cont.

1. National Champion for Kazakhstan’s GFS
   - AIFC Authority becomes the National Champion for Kazakhstan’s GFS;
   - Defines the vision, objectives and expected outcomes for the GFS in consultation with national stakeholders;
   - Drives institutional coordination and cross-sectoral collaboration to facilitate green finance agenda;

2. Center of Excellence
   - AIFC Academy establishes a green finance Center of Excellence;
   - Serves as a hub for green finance knowledge development and sharing;
   - Supports institutional capacity building and human capital development to improve awareness and embed sustainability into financial culture;

3. Green Finance Hub
   - AIFC Exchange develops a hub for green finance;
   - Encourages intermediation of investment for green projects, businesses and technologies;
   - Absorbs Emissions Trading Scheme to improve visibility, transparency and international linkages

Coordination

Capacity Building

Market Development

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Creating and Effective National Champion

1. Clear Mandate
   - To facilitate effective communication and cooperation across different ministries and sectors, the national champion must have a clear and established mandate to act.

2. Political Authority
   - To ensure effective leadership, influence over key stakeholders, facilitate institutional coordination and catalyze necessary resources for the GFS the national champion must have a high level of political authority.

3. Adequate Resources
   - The national champion must have adequate resources to effectively engage with a multitude of stakeholders, including public, private and civil society as well as to ensure independence in decision-making.
Center of Excellence Attributes

1. **Education & Training**
   - To strengthen human capital resources and build capacity among professionals and policymakers, the center should provide structured education and training programs and opportunities
   - To embed sustainability into the financial culture, the center should also establish professional certification programs

2. **Knowledge Sharing**
   - To empower policymakers, regulators, investors, and industry professionals, among other stakeholders, with the right information, the center should provide a repository of up-to-date information and a platform for peer learning and knowledge sharing

3. **Performance Measurement**
   - To provide direction and feedback to policymakers, the center should develop a model for measuring progress of the financial system, drawing on best practice. The output of this monitoring should provide guidance and feedback to adjust policy
Green Finance Hub Features

1. Reporting & Compliance
   - Ensuring transparency from the Center’s participants about the financial risks and opportunities from climate change
   - Establishing a benchmark for environmental reporting and standards which reliably assure investors that funds are providing positive environmental impacts, including green labelling

2. Product Development
   - Supporting development of demonstration financial products to accelerate the GFS, such as promoting a green bond market through best practice guidelines and standards as well as strategic issuance
   - Supporting development of green finance mechanisms such as Kazakhstan’s Emissions Trading Scheme and innovative financial tools such as risk mitigation and credit enhancement
Roadmap for Kazakh Green Financial System

Initiation Phase (2017-2018)
- AIFC designated as national champion for GFS, set up national task force

Deepening Phase (2019-2021)
- AIFC leads development of National Roadmap
- AIFC develops professional certification programs
- Membership in international knowledge platforms
- AIFC proposes amendments to financial regulations
- Enactment of regulatory amendments

Expansion Phase (2022-2025)
- Leadership Capacity Building
- Regulation
- ETS
- Green Bonds
- Regional Focus

AIFC Territory
- Kazakhstan national economy
- Expand suite of green financial instruments and public finance products
- Develop tailored local standards for AIFC territory
- Regional green finance hub for Central Asia
- Linking with other regional ETS, such as China and EU ETS

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Green Financial System for Kazakhstan

The Republic of Kazakhstan aspires to become a regional hub for green finance. To assist in meeting this goal, the European Bank for Reconstruction and Development (EBRD) is supporting the Astana International Financial Centre (AIFC) through a project called “Green Financial System for Kazakhstan”. The project is financed by Finland, through the Finnish Ministry of Employment and the Economy Technical Co-operation Fund.
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