

"APPROVED"  
by the decision of the Board of Directors  
of the "Damu" Entrepreneurship Development Fund" JSC

Appendix No. 1  
to the minutes of the meeting of the Board of Directors  
of the "Damu" Entrepreneurship Development Fund" JSC  
dated November 29, 2023, No. 10/2023

## **Development strategy of the joint-stock company "Damu" Entrepreneurship Development Fund" for 2024-2033**

### **CONTENTS**

#### **INTRODUCTION**

##### **Chapter 1. Analysis of the current state of the "Damu" Fund: analysis of the external environment**

Paragraph 1. Scale sector and dynamics of its development

Paragraph 2. Main directions of the state economic policy to support entrepreneurship

##### **Head 2. Analysis of the current state of the "Damu" Fund: analysis of the internal environment**

Paragraph 1. Main activities of the Fund

Paragraph 2. Benchmarking

Paragraph 3. Analysis of the implementation of strategic key performance indicators of the "Damu" Fund and SWOT analysis

##### **Chapter 3. Mission and vision of the "Damu" Fund**

##### **Chapter 4. Strategic directions of activity of "Damu" Fund**

Paragraph 1. Strategic Direction 1. Support and development of start-up and active micro, small and medium-sized enterprises

*Strategic goal - Ensuring the availability of MSMEs to the Fund's financial programs*

*Strategic Goal - Ensuring economic efficiency of supported MSMEs*

Paragraph 2. Strategic Direction 2. Sustainable institutional development of the "Damu" Fund

*Strategic Goal - Improving Sustainable Development*

*Strategic Goal - Digitalization of Business Processes*

*Strategic Goal - Improving Corporate Governance*

##### **Chapter 5. Strategic key performance indicators of the "Damu" Fund**

## Introduction

Joint-stock company "Damu" Entrepreneurship Development Fund" (hereinafter referred to as the Fund, "Damu" Fund) was established on the basis of the Decree of the Government of the Republic of Kazakhstan dated April 26, 1997 No. 665" On the Creation of the Small Enterprise Development Fund "in the form of a joint-stock company with 100% (one hundred percent) state participation in the authorized capital.

In accordance with the Decree of the President of the Republic of Kazakhstan "On some measures to optimize the management system of development institutions, financial organizations and the development of the national economy" No. 571 dated May 22, 2013, the sole shareholder of the "Damu" Fund is "National Management Holding "Baiterek" JSC (hereinafter referred to as "NMH "Baiterek" JSC, Holding).

The "Damu" Fund is a financial agency that implements state support tools, the purpose of which is to promote the qualitative development of private entrepreneurship in the Republic of Kazakhstan by providing financial support.

The development strategy of the Fund for 2014-2023 was approved by the decision of the Board of Directors of the Fund dated July 3, 2017, No. 80 and twice updated in connection with several changes in the Development Plan of Baiterek Research and Development JSC for 2014-2023 and documents of the state planning system, in the implementation of which the "Damu" Fund participates, as well as a number of socio-economic events.

This Development Strategy of the "Damu" Fund for 2024-2033 (hereinafter referred to as the Strategy, Development Strategy) defines the mission, vision, strategic directions, goals and objectives of the Fund for a 10-year period. The strategy is developed in accordance with the Rules for the development, harmonization, approval, monitoring and updating the development strategies of subsidiaries of "NMH" Baiterek" JSC approved by the decision of the Management Board of the Holding dated September 25, 2018 No. 38/18, taking into account the Development Plan of "NMH "Baiterek" JSC for 2024-2033, including the messages of the President of the Republic of Kazakhstan on the situation in the country and the main directions of domestic and foreign policy, provisions of strategic and program documents of the state planning system, as well as changes in the internal and external environment, having a significant effect on the activities of "NMH "Baiterek " JSC and the Fund "Damu":

- 1) Message of the Head of State dated December 14, 2012 "Strategy" Kazakhstan-2050 ": A new political course of the state";
- 2) Message of the Head of State dated January 31, 2017 "The third modernization of Kazakhstan: global competitiveness";
- 3) Message of the Head of State dated January 10, 2018 "New Development Opportunities in the Fourth Industrial Revolution";
- 4) Message of the Head of State dated October 5, 2018 "Growth of welfare of Kazakhstanis: increase of income and quality of life";
- 5) Message of the Head of State dated September 2, 2019 "Constructive public dialogue is the basis of stability and prosperity of Kazakhstan";
- 6) Message of the Head of State dated September 1, 2020 "Kazakhstan in a new reality: time for action";
- 7) Message of the Head of State dated September 1, 2023 "Economic Course of Fair Kazakhstan";
- 8) The National Development Plan of the Republic dated Kazakhstan until 2025, approved by Decree of the President of the Republic of Kazakhstan dated February 15, 2018 No. 636;
- 9) The concept of development of small and medium-sized enterprises in the Republic of Kazakhstan until 2030 (Decree of the Government of the Republic of Kazakhstan dated April 27, 2022 No. 250);
- 10) The mechanism of crediting and financial leasing of priority projects, approved by the Government of the Republic of Kazakhstan dated December 11, 2018 No. 820 (hereinafter referred to as the Mechanism, EST);

11) National project for the development of entrepreneurship for 2021-2025 (Decree of the Government of the Republic of Kazakhstan dated October 12, 2021 No. 728) (hereinafter referred to as the National Project, NatProject).

This document is based on the key strategic directions of the Fund's activities to realize its role as an institute for the development of entrepreneurship in the state policy of industrial, innovative and socio-economic development. The strategy defines the mission, vision, strategic directions, as well as the goals, objectives and projected values of the strategic key performance indicators of the Fund for the period 2024-2033.

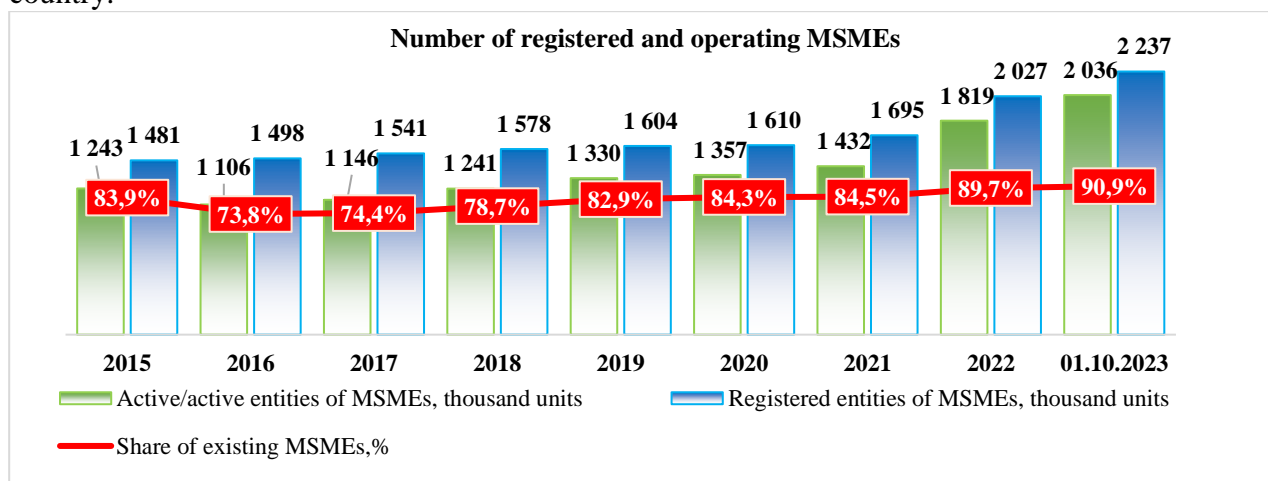
## Chapter 1. Analysis of the current state of the Fund: analysis of the external environment

### Paragraph 1. The scale of the MSME sector and the dynamics of its development

#### *Domestic market analytics: Number of existing MSMEs*

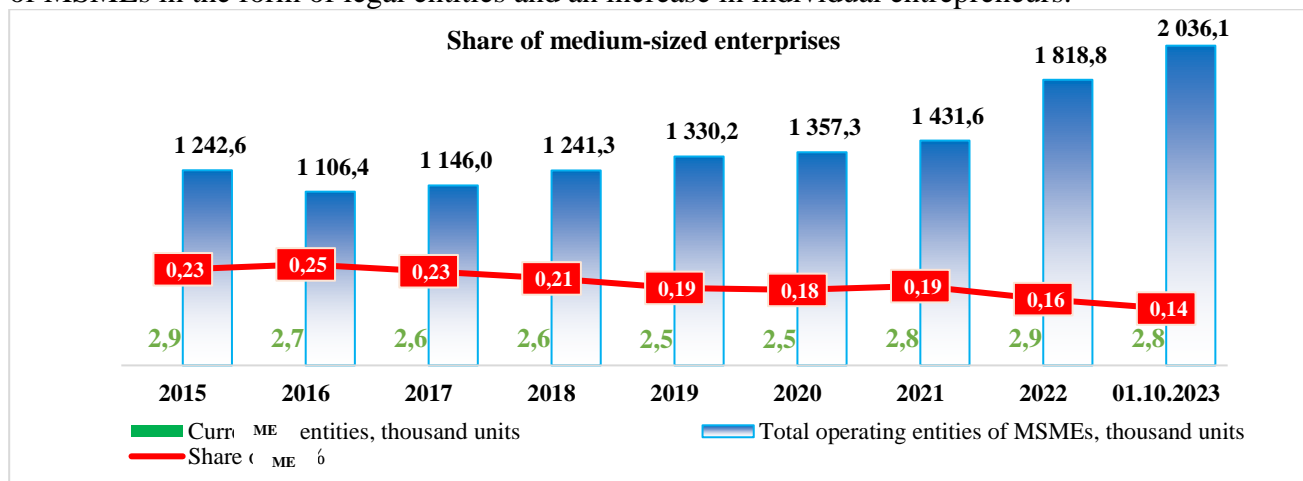
1. Micro, small, medium-sized enterprises (hereinafter referred to as MSMEs) in the Republic of Kazakhstan have become a massive and relatively dynamic phenomenon. This rapid growth has a significant impact on the entire economic situation of the country and Kazakhstan is no exception.

2. Since 2015, the number of active MSMEs has increased by 64%, and in the ten months of 2023 reached 2,036 thousand units. This is just over 97% of the total number of all existing PBEs in the country.

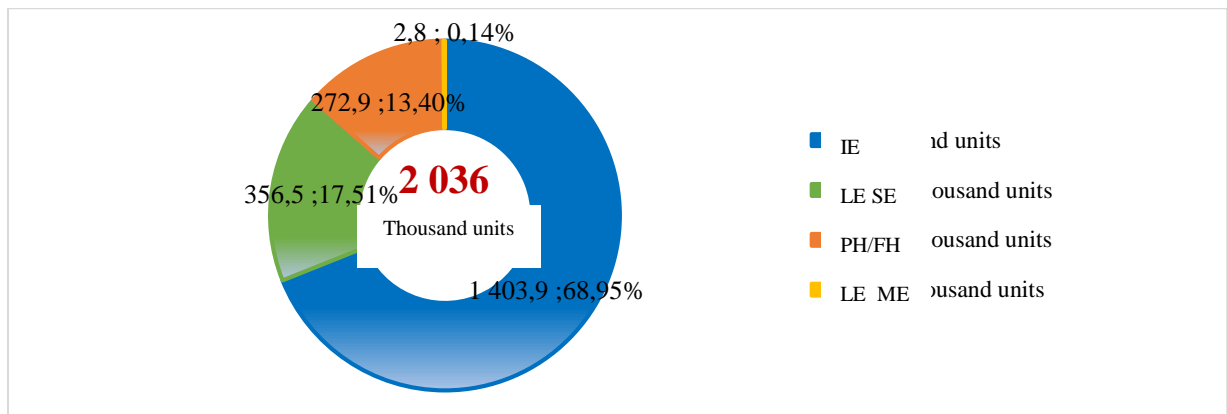


Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

3. According to the degree of subjectivity, the number of operating micro-small enterprises (MSEs) is 99%, while medium-sized enterprises account for less than 1% of the total number of MSMEs. In the structure of MSME entities by organizational and legal forms, the number of enterprises in the form of a legal entity has increased by 15.8 thousand units since the beginning of the year. Their share in the overall structure of MSMEs decreased to 17.6%. Thus, there is a decline in the growth rate of MSMEs in the form of legal entities and an increase in individual entrepreneurs.



Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

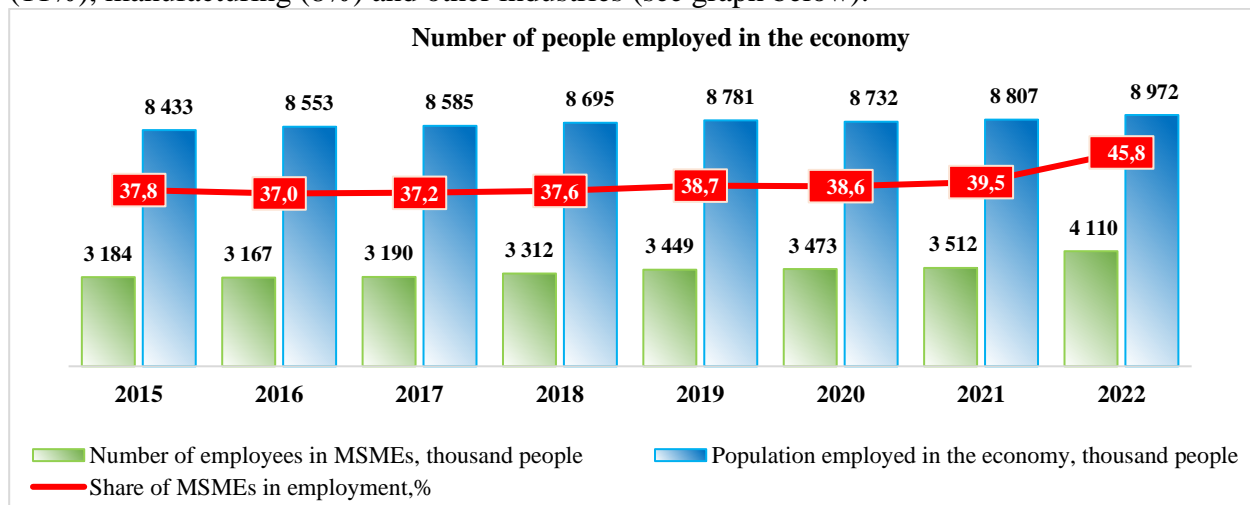


Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz))

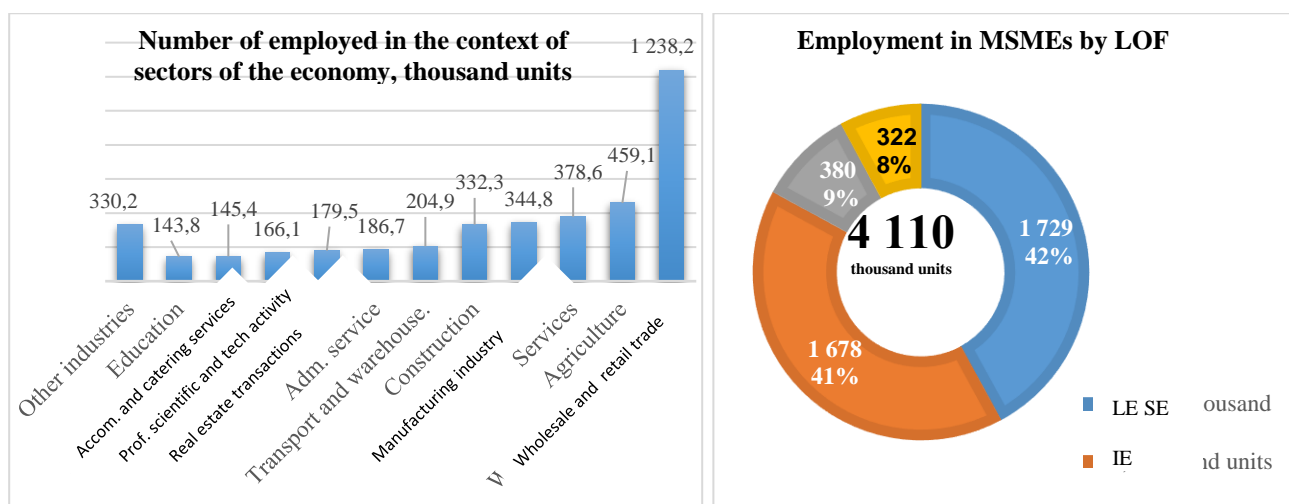
4. Support from the “Damu” Fund is carried out mainly in priority sectors of the economy. By the beginning of October 2023, the potential audience of the “Damu” Fund is 344 thousand enterprises in the allocated priority sectors, including manufacturing, logistics, tourism, education, information and communications.

*Analytics of the domestic market: The number of people employed in the economy*

5. The role of MSMEs in ensuring employment of the population of Kazakhstan is increasing. By the beginning of 2023, MSMEs provide 45.8% of jobs in the country. The growth of the employed population in MSMEs in 2022 amounted to 17% and outpaced the growth rate of the total employed population of the country. According to the structure of industries, the main share of the employed population in MSMEs falls on the following sectors: wholesale and retail trade (30%), agriculture (11%), manufacturing (8%) and other industries (see graph below).



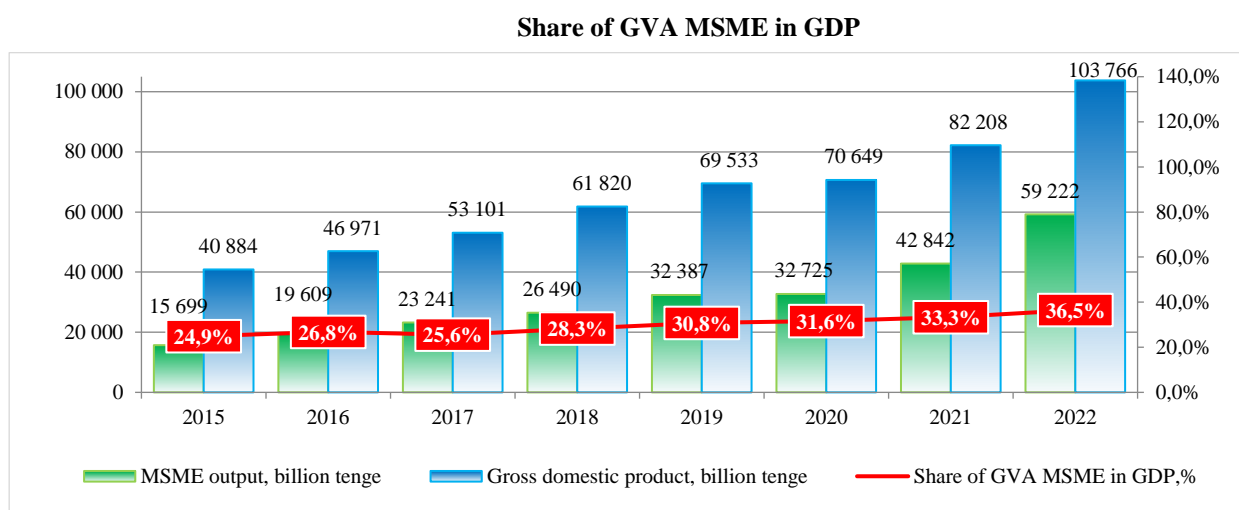
Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))



Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

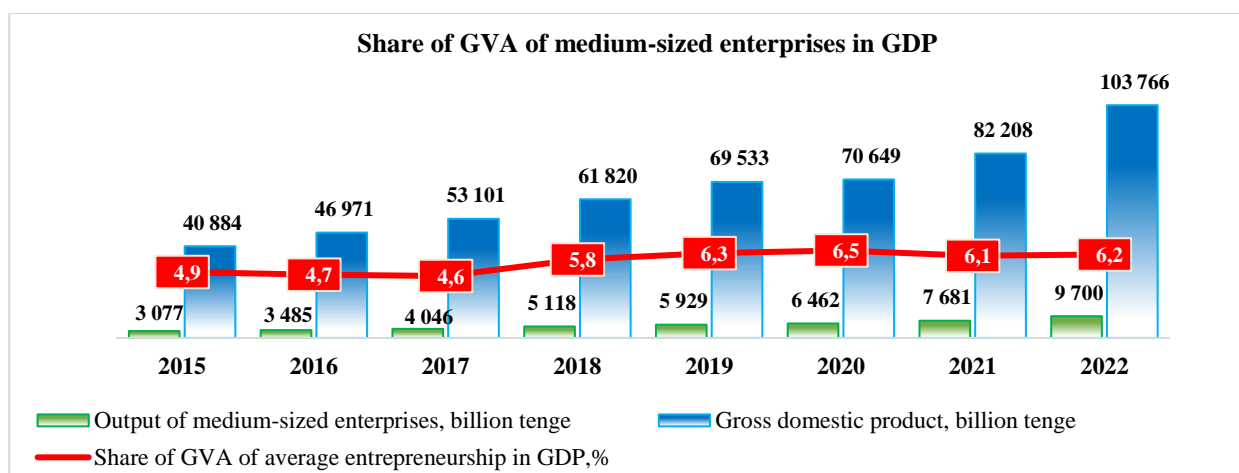
### Domestic Market Analytics: Gross Domestic Product

6. One of the main aspects of the development of micro, small and medium-sized enterprises (MSMEs) in Kazakhstan is the increasing impact on the economy and total income of the country. Since 2015, the volume of production and services provided by MSMEs has grown by 350% and reached 59 trillion tenge. Of the total increase in MSME output in 2022, as much as 79% is accounted for by small businesses, while the medium-sized business sector showed an increase of 6.2%.



Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

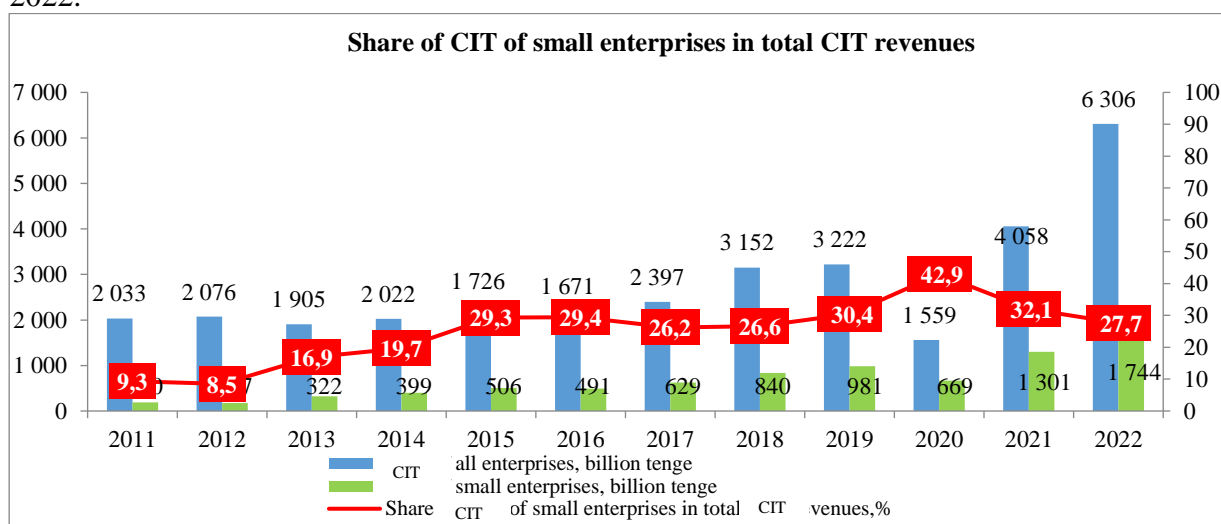
7. Despite the increase in the number of registered enterprises, the share of GVA of medium-sized enterprises in GDP remains within 6.2%. This share of gross value added (GVA) of MSMEs in the country's gross domestic product (GDP) has also increased by 11.6 percentage points since 2015, reaching 36.5%. It is important to note that the most significant growth in the physical volume of production in 2022 was recorded in the sectors of agriculture (9.1%), construction (9.4%), trade (5.0%) and information and related services (12.2%).



Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

1. CIT

8. An important factor affecting the effectiveness of the allocation of support to the Fund is the return of funds by enterprises in the form of tax payments. For the four quarters of 2022, revenues from small enterprises in the form of CIT amounted to 1,744 billion tenge, which is 27.7% of the total amount of CIT revenues. Compared to 2021, where from small businesses increased by 34%. This decrease in tax revenues is due to the anti-crisis measures taken after the pandemic and the prioritization of certain industries in 2022.

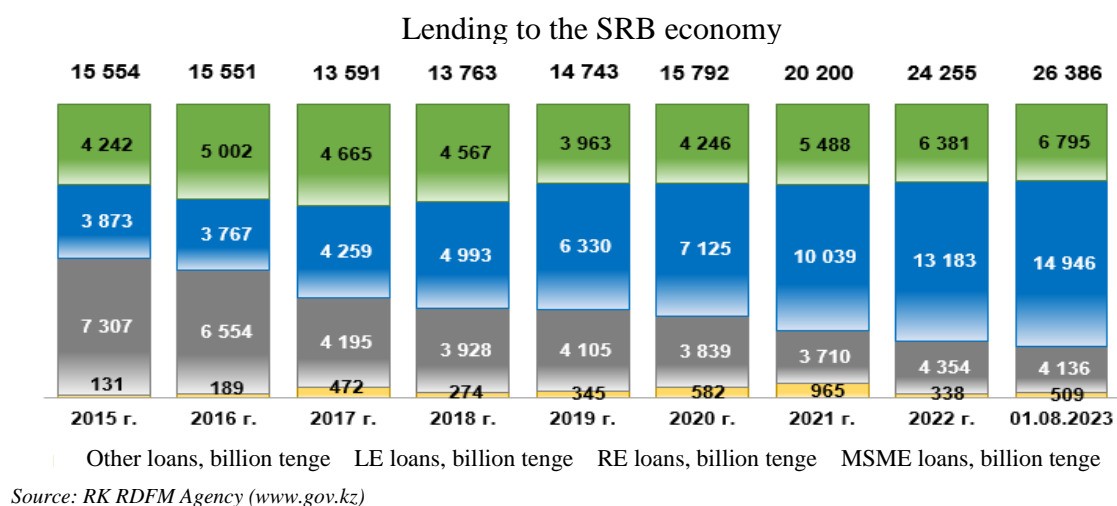


Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

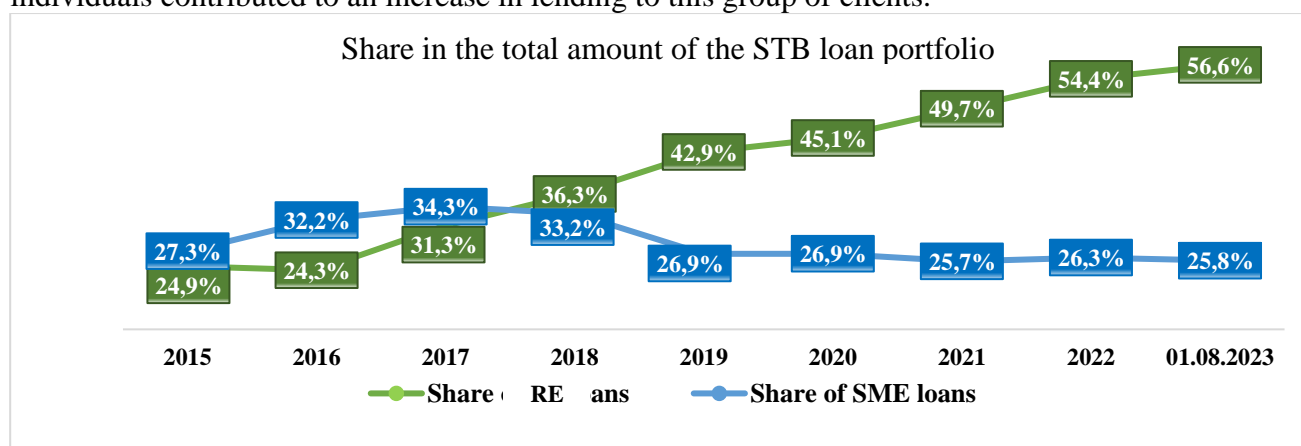
### Domestic Market Analytics: Lending to STBs

9. MSME's loan portfolio is an indicator of the activity and involvement of banks in financing enterprises in this sector of the economy. With an increase in the MSME loan portfolio to 6.8 trillion tenge, the share of this segment in the total loan portfolio of STB over the past 3 years does not exceed 27%. This portfolio growth is associated with the active digitalization of products for individuals and the simplification of loan procedures (through [kaspi.kz](http://kaspi.kz), [Homebank](http://Homebank), [fortemarket.kz](http://fortemarket.kz), QR codes, etc.).

10. On the other hand, the loan portfolio of legal entities decreased by 41%, reducing to 4.3 trillion tenge. One of the factors of this decrease is associated with the division of large enterprises into small and medium-sized enterprises in order to take advantage of financial measures of state support and preferential conditions, which are aimed specifically at supporting MSMEs.



11. Starting from 2019, the share of loans granted to individuals for targeted needs significantly exceeded the share of loans issued and continues to increase (the share is 57% for 01.08.2023). The reason for the growth of loans granted to individuals is associated with an increase in the level of income, an improvement in consumer opportunities and a change in consumption priorities among the population. In addition, the development of digital financial instruments and banking services for individuals contributed to an increase in lending to this group of clients.



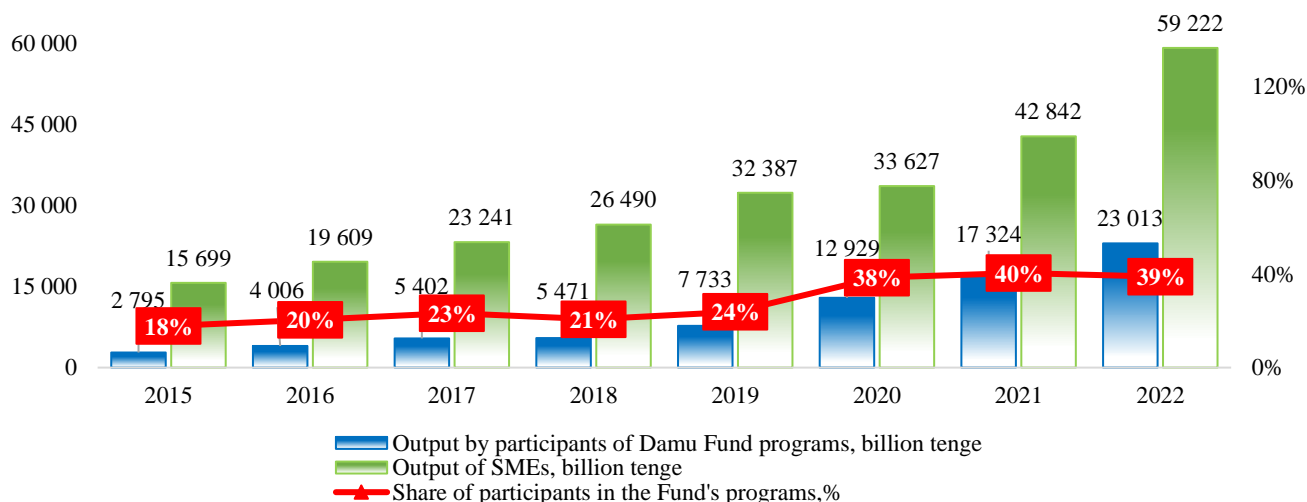
12. The COVID-19 pandemic was a challenge for the “Damu” Fund, but also stimulated the development of its tools and emphasized the importance of digitalization. During the pandemic, the Fund successfully moved to a completely remote process for considering applications from entrepreneurs, including the provision of solutions. To do this, 24-hour online support was organized, including a [online.damu.kz](https://online.damu.kz) portal that processes applications online.

13. Also, the pandemic affected the global economy, reducing the real GDP of the global economy by 3.3%. Kazakhstan's economy suffered, down 2.5%, affecting trade, logistics, mining, tourism and other sectors of the economy.

14. The “Damu” Fund has adapted to the new conditions, providing support in the form of changes in programs and credit conditions. Industry restrictions were lifted, a microcredit program was launched, and remuneration rates became more unified. Portfolio subsidies and loan guarantees were also introduced. The table below shows the direction of growth and the impact of anti-crisis support for the Fund's instruments (which is not limited to a certain industry) in 2021.

#### Output of SME products and participants of state programs of the “Damu” Fund

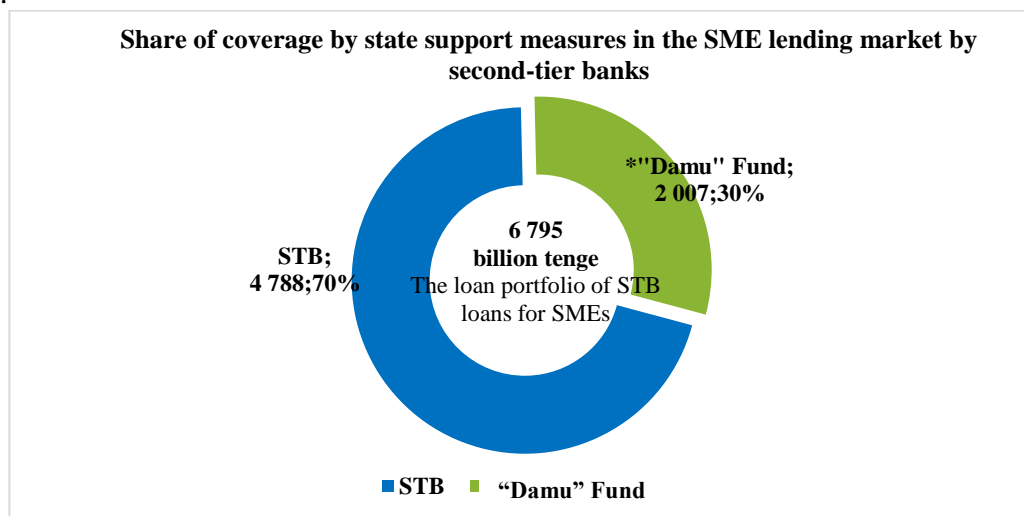




Source: Bureau of Statistics ([www.stat.gov.kz](http://www.stat.gov.kz)), NB RK ([www.nationalbank.kz](http://www.nationalbank.kz))

15. The percentage of products produced by companies participating in the “Damu” Fund programs increased by 21% and reached 39% of the total MSME output in 2022, which indicates steady growth and effective coverage of the small and medium-sized enterprises market.

16. Implementing presidential decrees, support was also directed to affected sectors that did not fall under the Fund's programs. More than 19 thousand projects in the most affected sectors of the economy worth more than 800 billion tenge were supported. The state also granted a grace period on loans to entrepreneurs from the affected sectors. In response to the difficulties of the pandemic, the “Damu” Fund reduced the time for consideration of applications for subsidies and guarantees to 1 working day.



\* amounts on existing loans are taken into account without taking into account large projects and projects supported through MFIs and LCs  
 Source: <https://www.gov.kz/memleket/entities/ardfm/press/article/details/72350?lang=ru>

17. At the same time, unlike the more competitive economies of Western Europe, North America and Southeast Asia, the role of MSMEs in the economy of Kazakhstan looks less significant. In countries with high per capita GDP, the MSME sector is the backbone of the economy and accounts for more than 50% of the country's GDP. The share of MSMEs in the total number of business entities is about 99%. In addition, in developed countries, MSMEs employ about 50-70% of all employed.

18. Taking into account the above, state measures aimed at supporting MSMEs should maintain their focus on increasing the volume of financial support using popular financing instruments, such as lending and leasing financing through STB/MFI/LC, subsidizing interest rates, guaranteeing loans, factoring operations, microfinance and developing alternative sources of financing for MSMEs.

## **Paragraph 2. Main directions of the state economic policy to support entrepreneurship**

19. Today, Kazakhstan is creating all the conditions for the successful development of small and medium-sized enterprises. The implementation of a focused and consistent policy to support MSMEs is the main priority of the country's economic development.

20. The Fund in its activities will continue to be guided by the main directions of the state economic policy in the field of development of micro, small and medium-sized enterprises and improving the welfare of the population, as well as other tasks set by the President and the Government of the Republic of Kazakhstan.

21. In December 2012, in the Address of the Head of State to the people of the country, the Development Strategy of Kazakhstan until 2050 was presented. Its main goal is to create a welfare society based on a strong state, developed economy and opportunities for universal labor and Kazakhstan's entry into the 30 most developed countries of the world by 2050. One of the long-term priorities for achieving this goal is "Comprehensive support for entrepreneurship, the leading force of the national economy."

22. In the Address to the People of Kazakhstan "Kazakhstan Way - 2050: a single goal, common interests, a single future," as well as in the Concept for Kazakhstan to become one of the 30 most developed countries in the world, the First President of the Republic of Kazakhstan - Nursultan Nazarbayev identified five strategic directions, the implementation of which will contribute to Kazakhstan's becoming one of the most developed countries in the world, one of which is the improvement of the institutional environment that provides favorable conditions for business development and entrepreneurial initiatives.

23. In addition, according to the National Development Plan of the Republic of Kazakhstan until 2025 of February 15, 2018, one of the tasks is the efficiency of the quasi-public sector: consistent work on building a new model of the quasi-public sector aimed at radically reducing the share of state participation in the economy, eliminating duplication, as well as reducing state participation in developed markets.

24. The Concept for the Development of Small and Medium-sized Enterprises in the Republic of Kazakhstan until 2030 identifies the main factors that may affect the growth of the country's indicators in the field of SME development:

1) creation of general favorable conditions for the development of entrepreneurship as a whole, including tax policy, development of competition and restriction of monopolies, reduction of state participation in the economy, reduction of administrative burden and mitigation of regulatory norms of business conduct, etc.;

2) providing timely support to small and medium-sized enterprises;

3) Also, given that the economic effect of medium-sized enterprises significantly exceeds the indicators of small enterprises, it is necessary to focus on supporting and stimulating the growth of medium-sized enterprises as having the greatest potential for the development of the country's economy, including through the growth of export volumes in non-resource sectors.

25. For the further development of the economy, one of the important priorities is the task of developing the MSME sector as the main "engine" of economic growth, including by developing modern business competencies (increasing the share of small and medium-sized enterprises in GDP to 50% by 2050).

26. Within the framework of the extended meeting chaired by the Head of State Kassym-Zhomart Tokayev dated 19.04.2023 on the socio-economic development of the country, one of the important structural tasks is to build an effective "economic elevator" for entrepreneurs, in which it is important to promote the most successful and honest entrepreneurs of a regional scale. They should become locomotives for the development of a new, fair economy.

27. Support to micro, small and medium-sized enterprises is carried out by the state, including through the support tools of the "Damu" Fund: conditional placement of funds in STB, MFIs and LCs, subsidizing interest rates and guaranteeing loans. In addition to the main support tools, the Fund attracts additional sources of financing, digitalizes business processes, works to support entrepreneurs'

projects, works out issues of international cooperation and the development of information activity. Through the tools of subsidizing interest rates and guaranteeing loans, the state contributes to the sustainable and profitable development of enterprises. In turn, enterprises that have received state support measures through the “Damu” Fund, in the course of their activities, ensure the preservation of existing and the creation of new jobs. In addition, with an increase in the volume of enterprise revenues, by receiving financial support through the Fund's programs, an increase in budget revenues is ensured, the budget effect of programs and their economic feasibility increases.

#### *“BRM-2025” Program*

28. Until February 02, 2022, one of the important tools for comprehensive support of entrepreneurship in Kazakhstan and its regions was “BRM-2025” Program. This program was aimed at achieving the goal of the messages of the President of the Republic of Kazakhstan to the people of Kazakhstan "Kazakhstan-2050 Strategy: a new political course of the state held" dated December 14, 2012 and "Kazakhstan Path-2050: A single goal, common interests, a single future" dated January 17, 2014 and provided for the improvement of financial support tools and the extension of the BRM-2020 Program until 2025.

29. Thanks to the launch of the BRM-2020 Program in 2010, the range of business support tools through the “Damu” Fund has significantly expanded. In particular, subsidizing interest rates on loans to MSMEs, guaranteeing loans to MSMEs were launched, and large-scale implementation of training and consulting support programs for MSMEs was launched, which made it possible to significantly increase the client base of the Fund as a financial agent and operator of the BRM-2020/BRM-2025 Program.

30. Since the implementation of the BRM-2025 Program, it can be stated that the BRM-2025 Program has taken place. The program has gained significant popularity among entrepreneurs, the mechanisms of interaction between state bodies and STBs have been worked out, and today we can talk about the implementation of a number of target indicators of the program.

#### *National Entrepreneurship Development Project for 2021-2025*

31. Decree of the Government of the Republic of Kazakhstan dated October 12, 2021 No. 728 approved the National Project for the Development of Entrepreneurship for 2021-2025, within the framework of which Decree of the Government of the Republic of Kazakhstan dated February 2, 2022 No. 43 approved the new version of the rules for subsidizing interest rates and guaranteeing. By this Resolution, the Program "BRM-2025," approved by Decree of the Government of the Republic of Kazakhstan No. 968 of 24.12.2019, was declared invalid.

32. Changes and additions to the conditions of subsidies and guarantees were aimed at stimulating MSMEs to maintain existing and create new permanent jobs, increase the level of production of domestic enterprises and ensure greater availability of financing.

33. “Damu” Fund is a financial agent of the National Project and supports MSMEs by subsidizing interest rates on loans/microcredit/leasing transactions/subsidizing the coupon rate on bonds and guaranteeing loans/microcredit/leasing transactions/bonds within two tasks:

- 1) increasing the availability of financing for business entities;
- 2) creation of conditions for opening and development of own business.

34. All support measures within the framework of the National Project are divided into directions depending on the target segments and support measures:

- 1) support for micro and small businesses;
- 2) support for entrepreneurs/industrial and innovative entities;
- 3) regional support programme for small and medium-sized enterprises.

35. One of the important measures to support the National Project is to provide support through the products of the stock market of the Republic of Kazakhstan: subsidizing the coupon rate, as well as providing guarantees for corporate bonds issued by business entities. The main purpose of this measure is to create an alternative channel for financing MSME subjects at the expense of private and institutional investors at KASE and AIFC sites, using guarantee and subsidy tools.

36. Having become a member of the National Project, entrepreneurs can:
1. Reduce the interest rate on its loan/microcredit/financial leasing agreement through subsidies from the state.
  2. Obtain a state guarantee in case of insufficient collateral.

*Mechanism of lending and financial leasing of priority projects (economy of simple things)*

37. In order to diversify the economy, increase the growth rate of production volumes, reduce the cost of production products, that is, the development and functioning of the manufacturing industry, Decree of the Government of the Republic of Kazakhstan No. 820 on December 11, 2018, the Mechanism for lending and financial leasing of priority projects to ensure long-term tenge liquidity was implemented. The program is aimed at supporting private entrepreneurs operating in the manufacturing and agro-industrial sectors. The main State support measures provided under the Mechanism are also subsidy and guarantee instruments. Minutes of the meeting of June 30, 2022 chaired by President Tokayev K.K., the Mechanism has been extended until the end of 2023.

*National Fund of the Republic of Kazakhstan*

38. On the basis of the resolutions of the Government of the Republic of Kazakhstan of April 14, 2014 No. 354, of December 5, 2014 No. 1276, of March 11, 2015 No. 124, in order to support domestic small and medium-sized enterprises in the manufacturing industry in 2014-2015, 200 billion tenge was allocated from the National Fund of the Republic of Kazakhstan (hereinafter - NF RK) to the "Damu" Fund.

39. The conditions for final borrowers under the program are the most favorable. The wide coverage of the SME sector in the manufacturing industry, as well as the high interest in the program by SMEs, makes it possible to assess the social impact of its implementation, which is reflected in the provision of jobs to the population. The volume of production from the enterprises of the Program participants at the expense of the National Fund of the Republic of Kazakhstan for 2014-2022 amounted to about 12.9 trillion tenge, including 3,135 billion tenge for 2022. Entrepreneurs who received financing under this program paid taxes in the amount of 816 billion tenge for 2014-2022. Including for 2022 - 184 billion tenge.

*State Program "Yenbek"*

40. Within the framework of the State Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021, "Yenbek" approved by Decree of the Government of the Republic of Kazakhstan dated 29.12.2016 No. 919, the Fund was an operator in cities, single-industry towns/rural settlements and small towns. This program provided for 2 instruments - preferential lending through STBs and guarantee on loans STB/MFI/LC/CT. The difference from the BRM-2025 Program was that the program had no industry restrictions, however, there was a restriction on the amount of loans - up to 8,000 MCI in rural settlements and small towns, the cities of Nur-Sultan, Almaty, Aktau, Atyrau, Shymkent and up to 6500 MCI in other regions. In the process of implementing the "Yenbek" program, it was possible to provide a guarantee for low-income and large entrepreneurs with a maximum guarantee amount of up to 95% of the loan amount.

41. As part of the program, the Fund supported 6,535 entrepreneurs in the amount of a loan of 91.1 billion tenge.

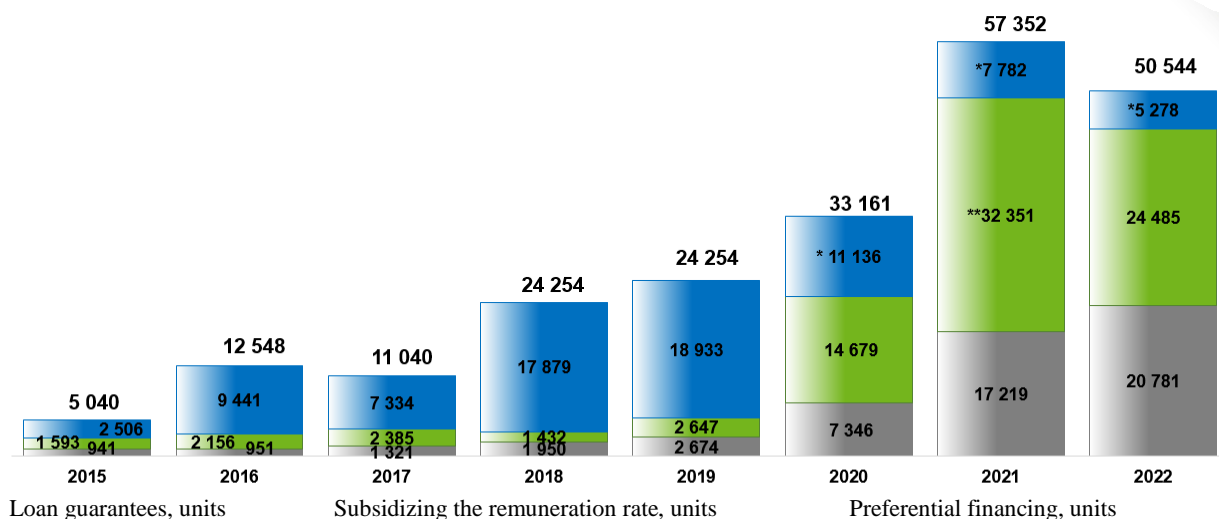
42. 31.12.2021 of the year, "Yenbek" Program was completed.

*Regional Funding Program*

43. Since 2010, the "Damu" Fund has been implementing the Program of Regional Financing of Small Private and Medium-Sized Private Enterprises, aimed at improving the effectiveness of regional programs for the support and development of MSMEs, by financing MSME projects in priority industries for a particular region. The program is implemented at the expense of LEB funds, as well as own and attracted funds of the Fund on the terms of co-financing, which are placed in second-tier banks and microfinance organizations for subsequent financing of MSME projects. The program is aimed at

supporting small and medium-sized enterprises in the regions, small towns, single-industry towns, increasing accessibility to preferential credit resources, contributes to the development and expansion of local entrepreneurship and is designed to strengthen the competitiveness of the regions. In 2022, a factoring tool was included in the program, now factoring transactions can be financed on preferential terms.

### Results of implementation of tools implemented by the Fund: programs of conditional placement of funds, subsidies and guarantees



\* A decrease in the number of second-hand borrowers in 2020-2022 for concessional financing, taking into account the narrowing of the banking market, the departure of Russian banks, the availability of sufficient liquidation of STB, the absence of the need for additional funding

\*\*In 2021, taking into account the support of entrepreneurs in the most affected sectors of the economy, 10983 projects worth 404.2 billion tenge were supported

Source: <https://damu.kz/>

## Chapter 2. Analysis of the current state of the “Damu” Fund: analysis of the internal environment

### Paragraph 1. Main activities of the Fund

44. The “Damu” Fund is a financial agency that implements state support tools, the purpose of which is to promote the qualitative development of private entrepreneurship in the Republic of Kazakhstan by providing financial support. The Fund offers a wide range of products and services for entrepreneurs:

- concessional lending as part of lending programs through second-tier banks, microfinance organizations, leasing companies and other legal entities of the Fund's partners;
- subsidizing interest rates on loans/microcredit/leasing transactions;
- guarantee of loans;
- consulting support;
- dissemination of information and analytical materials;
- monitoring of compliance, targeted use and implementation of the entrepreneur's project with the conditions of programs.





45. In order to expand the coverage of existing entrepreneurs with financial instruments of state support, the Fund, within the framework of the Development Strategy, continues to work in existing areas, developing new approaches to improve efficiency, and plans to introduce new areas and tools.

### Paragraph 2. Benchmarking





46. When developing the Development Strategy, as well as MSME support programs, the “Damu” Fund uses foreign experience of state support for entrepreneurship, taking into account the specifics of the local market and the effectiveness of applying this experience in the conditions of Kazakhstan.

47. In 2023, the Fund, as part of the development of the Development Strategy, analyzed the activities of similar development institutions in South Korea - the Korean Loan Guarantee Fund (KODIT) and Korea SME and Startup Agency (KOSME), USA - US Small Business Administration (SBA), Turkey - Turkey SME Development Organization (KOSGEB) and Kredi Garanti Fonu (KGF), Singapore - State Enterprise Development Agency (Enterprise Singapore) for a number of parameters: mission and vision, strategic directions of activity and applied business support tools.

48. According to the latest statistics, the above-mentioned countries have a high share of SMEs in GDP and, in general, MSMEs play a significant role in the economies of these countries.

Total statistics for 2022 by countries				
MSME, units	1.8 million	33.2 million	289 thousand	3.2 million
share of SMEs in the total number of NCPs	97%	99%	99%	99%
Share of population employed in MSME sector	46%	46%	71%	74%
Share of MSMEs in the country's GDP	36,5%	44%	45%	65%
Base Rate	16,75%	4,75%	1,65%	9%

49. A comparative analysis of the Fund's activities and international counterparts is provided below.

Total statistics for 2022 by countries				
Right to vote in public bodies	—	+	—	+
Geography	Internal	Internal and external.	Internal and external.	Internal and external.
Guaranteeing	+	+	—	+
Grants	—	—	+	+
Subsidizing	+	—	—	+
Direct concessional financing	—	+	+	—
Concessional financing through conditional placement	+	—	—	—
Venture Financing	—	+	+	—
Non-financial support	+	+	+	+

## USA

50. Thus, in the United States of America, the share of small businesses in GDP is 44%. The state organization that helps, advises, supports and protects the interests of small businesses, to maintain free competitive entrepreneurship, as well as to maintain and strengthen the country's overall economy, is the US Small Business Administration (SBA). SBA (1953) - An agency of the US Federal Government established for the purpose of financial support, as well as assistance in the management of enterprises that do not have access to capital markets, which are used by larger and more creditworthy corporations/US Congress.

51. The "US Small Business Administration" differs from the analyzed analogues in a wide range of support tools, including:

- Financial instruments: provision of microcredit and guarantees on bank loans, venture financing;
- Non-financial support: free consultations and preferential training for start-up entrepreneurs and small businesses in more than 1800 settlements; support for contracting with government agencies for the provision of goods and services;
- Government Lobbying: Is an independent voice for small businesses in the federal government, an observer for compliance with the Regulatory Flexibility Act, and a source of statistics and research on small businesses.
- The SBA Advocacy promotes the views and concerns of small businesses before Congress, the White House, federal agencies, federal courts and state politicians.

52. It should be noted that the US successfully implements a guarantee program for MSME bond loans. In 2020, 7 thousand guarantees were issued for a total amount of attracted funds of 3.7 billion US dollars.

Source: <https://www.sba.gov/>

<https://cdn.advocacy.sba.gov/wp-content/uploads/2022/08/30121338/Small-Business-Economic-Profile-US.pdf>

### *Turkey*

53. The SME Development and Support Administration (KOSGEB) is a public institution established in 1990 to enhance the role and efficiency of Turkish SMEs in the economy, enhance their competitiveness and implement industrial integration in line with economic developments.

54. KOSGEB support and services are completely free and without intermediaries, and registration in the database, application for support programs and payment processes are carried out online through e-government.

55. KOSGEB implements the following types of state support measures:

56. Financial support: grants, reimbursement of costs, installment payment, guarantee through the Credit Guarantee Fund (portfolio and individual guarantee) and subsidies (peculiarities: cash support is provided free of charge and/or interest-free installment).

57. Non-financial support measures: training, consulting, research (cooperation with leading higher educational universities).

58. Kredi Garanti Fonu (KGF), founded in 1991, is a non-profit organization and acts as a guarantor for SMEs and other enterprises that cannot get a loan due to insufficient collateral.

59. The shareholders of KGF include TOBB (Union of Chambers and Commodity Exchanges of Turkey), KOSGEB (Organization for the Development of Small and Medium Enterprises of Turkey) and 29 Turkish banks.

60. Along with the guarantee schemes it provides from equity, KGF also provides guarantees based on grants and funds provided by other organisations such as the Ministry of Finance and the European Investment Fund (EIF).

61. As of 01.01.2023, KGF supported 1.33 million SMEs in the amount of 694.9 billion Turkish liras (16.861 trillion tenge).

Source: <https://www.kosgeb.gov.tr/>

<https://www.kgf.com.tr/>

### *Singapore*

62. Singapore is a prominent representative of the Asian model of innovative economic development. The Asian model is aimed at attracting foreign investment and highly qualified personnel from other countries, as well as borrowing innovations and their further improvement, and promotion to the world market.

63. Singapore is an export-oriented country in which in 2021, with a population of 5.9 million, GDP was \$402.2 billion. At the same time, GDP per capita amounted to \$68.2 thousand, and the share of SMEs in the economy reached 99% of all enterprises.

64. To support Singapore SME development, empowerment, innovation, transformation and internationalization, on April 1, 2018, Enterprise Singapore was established as a result of the merger of International Enterprise Singapore (IE) and SPRING Singapore.

65. Enterprise Singapore is the official board under the Ministry of Trade and Industry of the Government of Singapore. The agency also supports the growth of Singapore - as a trade centre and start-ups, and continues to be a national standardisation and accreditation body.

66. Enterprise Singapore offers the following types of lending:

- Financing of green projects;
- Financing of CMP;
- Financing of investments in fixed assets at home and abroad;
- Financing innovative enterprises using venture debts and warrants;
- Financing of trade needs;
- Project financing (foreign);
- Financing the acquisition of targeted enterprises for the purpose of internationalization.

67. There is also support for existing and startup projects, in the form of grants. At the end of 2022, Enterprise Singapore supported 18,100 SMEs in the amount of \$13.1 billion (6,242 billion tenge)

Source: <https://www.enterprisesg.gov.sg/>

<https://www.singstat.gov.sg/modules/infographics/economy>



### Paragraph 3. Analysis of the implementation of strategic key performance indicators of the “Damu” Fund and SWOT analysis

68. The previous Strategy of the Fund determined 13 key indicators of activity for the implementation of the task of building an effective development institution integrated into “NMH “Baiterek” JSC and the implementation of two strategic directions: 1) Support and development of start-up and existing entrepreneurs and 2) Sustainable institutional development of the Fund.

69. According to the monitoring of the implementation of the Fund's Development Strategy following the results of 2022, carried out as part of the implementation of the Fund's Development Plan for 2019-2023, almost all strategic key performance indicators were fulfilled:

№	Indicator	2022 Plan	Actuality 2022
<b>STRATEGIC DIRECTION 1. Support and development of start-up and active entrepreneurs</b>			
<b>Expansion of lending to micro-businesses, development and implementation of support tools for MFIs and credit partnerships</b>			
1	Share of MFI portfolio in the loan portfolio of the Fund,%	55%	57%
2	Share of micro and small entrepreneurs from the total number of supported entrepreneurs,%	87,8%	98,61%
<b>Increase in the share of coverage of existing MSMEs by the Fund's financial programmes</b>			
3	Share of MSMEs that received financial support to the total number of MSMEs operating on the market,%	11,1%	9,51%*
4	Number of new projects and projects for modernization and expansion of existing production facilities, taking into account the increase in labor productivity and expansion of sales markets (at the end of the year), units.	166 678	172 997
5	Share of the private sector in the loan portfolio of the Fund,%	95%	99%
6	Revenue of enterprises supported by the Fund (for the year), billion tenge	6 000	10 787**
<b>Ensuring economic efficiency of supported MSMEs</b>			
7	Increase in taxes paid by business entities supported by the Fund, billion tenge	19	28,3**
<b>STRATEGIC DIRECTION 2. Sustainable institutional development of the fund</b>			
<b>Attracting additional sources of financing</b>			
8	Share of non-state sources of borrowing in the total structure of borrowing for the reporting year, %	44,4%	0% *** = (0 tenge/( 4.366 billion tenge * (bonds + LEB))  * Increased limit of borrowing from LEB (Decision of ALCO Holding No.

			42/22 dated 19.12.2022)
9	Debt/Capital ( <i>not more than</i> )	1,55	1,44
<b>Achievement of the planned level of financial performance</b>			
10	ROA ( <i>not lower than minimum positive value</i> )	11,54%	12,91%
11	Share of loan portfolio from total assets, % ( <i>not less than plan</i> )	36,33%	40,33%
<b>Automation of business processes</b>			
12	Automation of the main business processes of the Fund, %	100%	100%
<b>Improving corporate governance</b>			
13	Assessment of trust and satisfaction of MSMEs with the activities of "Damu" Entrepreneurship Development Fund" JSC, %	at least 80%	91,4%

\* Non-fulfillment of the indicator "Share of MSMEs that were provided with financial support to the total number of MSMEs operating on the market" is associated with a sharp increase in the number of MSMEs on the market to 1,818,764 units as of 31.12.2022, with the planned 1,500,000 units for the whole year. The indicator for the planned number of MSMEs on the market for 2022 1,500,000 units was set based on the data of 2021. - 1,431,647 \* 1.05 as the coefficient of increase of this indicator of previous years was approximately 1.05. At the same time, the planned number of new unique MSME projects supported by the Fund for 2022 was 128.6% completed (it was planned to support 22,074 units, in fact, 28,393 new unique projects were supported).

\*\* according to preliminary data for 2022.

\*\*\* The non-fulfillment of the indicator "Share of non-state sources of borrowing in the total structure of borrowing for the reporting year" was due to the fact that market conditions for raising funds from non-state sources for the reporting period were not attractive for both the Fund and STB/MFI/LC, due to the high cost of liquidity against the background of an increase in the base rate of the NB RK. An additional factor was the decrease/absence of free limits on the Fund's counterparties. Due to the existence of existing obligations, as well as due to the instability of the financial sector, free limits on STB/MFI/LC were reduced, which in turn reduced the number of options for placing funds. At the same time, the Fund for 2022 attracted funds from local executive bodies in the amount of 4.366 billion tenge.

70. The analysis of the external and internal environment revealed the strengths and weaknesses of the Fund, as well as existing opportunities and threats, which are presented below.

<b>S - Strengths</b>	<b>W - Weaknesses</b>
<ul style="list-style-type: none"> <li>• Presence of a strong shareholder (JSC "NMH "Baiterek"), mutually beneficial cooperation with subsidiary of the Holding</li> <li>• Growth of assets, interest income and profitability of the Fund</li> <li>• Availability of S&amp;P credit rating at the level of sovereign</li> <li>• Long experience in supporting MSMEs</li> <li>• A wide range of support measures for MSMEs</li> <li>• Developed regional network of branches, allowing to provide high coverage with tools to support entrepreneurs</li> <li>• The Fund is the operator of state programs to support MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient liquidity of the Fund</li> <li>• Low availability of financial services of the Fund for micro and small entrepreneurs</li> <li>• The need to combine the tasks of ensuring the profitability of activities with the implementation of socially oriented non-profit programs</li> <li>• Risk of deterioration of the financial condition of partner banks. As a result, a possible increase in the credit risks of the "Damu" Fund</li> <li>• Limited opportunities to increase the Fund's staff</li> <li>• Insufficient coverage among potential beneficiaries of the availability and effectiveness of the Fund's programs.</li> </ul>

<ul style="list-style-type: none"> <li>• Well-established and effective support mechanisms and transparency in their implementation</li> <li>• Focus on corporate social responsibility</li> <li>• A team of professionals with experience in financial institutions</li> <li>• Long-term partnership with foreign organizations supporting MSMEs</li> </ul>	
<b>O - Opportunities</b>	<b>T - Threats</b>
<ul style="list-style-type: none"> <li>• Improving the conditions for the creation and conduct of MSME business</li> <li>• Privatization of assets by private investors</li> <li>• Attracting private investors to the activities of the “Damu” Fund and systematic diversification of funding sources</li> <li>• The need to organize accessible channels for obtaining financial services, increase entrepreneurial literacy, including business skills and awareness of the products and services of the “Damu” Fund.</li> <li>• Development of new effective tools to support MSMEs that meet market needs</li> <li>• Expanding partnerships with similar organizations around the world</li> <li>• Political instability of neighboring states</li> </ul>	<ul style="list-style-type: none"> <li>• Weakening of the national currency</li> <li>• Reduction of expenses for financial programs to support entrepreneurship from the state budget</li> <li>• Reduction of state funding</li> <li>• Counterparty default risk (financial partners, MSMEs)</li> <li>• Low level of NCP confidence in companies with state participation supporting entrepreneurship</li> <li>• Low level of entrepreneurial culture</li> <li>• Changes in legislation or government policies may affect the terms and conditions of support</li> <li>• Political instability of neighboring states</li> </ul>

### **Chapter 3. Mission and vision of the “Damu” Fund**

71. The mission of the Fund until 2033 is the implementation of comprehensive and effective support tools for the sustainable development of micro, small and medium-sized enterprises in Kazakhstan.

72. The vision of the Fund by 2033 is the National Development Institute, which provides comprehensive measures to support micro, small and medium-sized enterprises in Kazakhstan.

73. As part of its mission and vision, the Fund needs to achieve the following key objectives by 2033:

- 1) Reduction of the share of state participation in the country's economy:
  - Development of new support programmes aimed at developing the guarantee instrument as the Guarantee Fund to support MSMEs as the main operator of the guarantee instrument in the country and consistent reduction of the subsidy instrument;
  - attraction of non-state sources of funding, including through the issuance of bonds ("green", "social", "sustainable development bonds", etc.)
  - development of non-financial support for entrepreneurs (advanced training, including through international financial institutions).
- 2) Active support for medium-sized enterprises and promotion of small business growth:
  - support for priority sectors of the economy;
  - effective competitive projects aimed at import substitution, export-oriented and projects to increase labor productivity;
  - strengthening counterclaims to supported entrepreneurship projects: creating new jobs, increasing tax revenues;
  - proactive work with the regions in order to promote targeted regional programs taking into account the specifics of the regions (geography, ecology, population outflow, etc.).
- 3) Development of alternative support tools through the products of the stock market of the Republic of Kazakhstan, including within the framework of the mechanism for providing guarantees for corporate bonds of the MSME and subsidizing the coupon rate.
- 4) Implementation of IT & Tech solutions for digitalization of business processes, in order to transfer the front of the Fund's office to the online office:
  - Digitalization of business processes (using artificial intelligence and the introduction of modern technologies and tools);
  - creation of ecosystem, transformation of traditional regional branches into a new digital format;
  - transfer of operating activities of the front office to the IT platform.
- 5) Implementation and integration of ESG factors:
  - increasing the share of ESG projects (green and social projects, support for women's, youth entrepreneurship, support for entrepreneurs with disabilities, etc.);
  - improving the ESG sustainability rating.

74. For each of the key objectives of this Strategy, strategic key performance indicators of the “Damu” Fund are provided with the definition of a target value until 2033.

75. A detailed action plan with annual interim targets is provided for in the Fund's Development Plan, which is approved by the Fund's Board of Directors for a five-year period.

## Chapter 4. Strategic directions of activity of “Damu” Fund

76. The “Damu” Fund provides support to MSMEs both within the framework of financial instruments (subsidizing the remuneration rate, guaranteeing loans, conditional placement of funds in STBs, microcredit) and non-financial ones (organizing training programs for entrepreneurs, advanced training, including through international financial institutions).

77. In order to realize its mission and vision, the “Damu” Fund is focused on achieving two key strategic development directions:

1. Support and development of start-up and active micro, small and medium-sized enterprises.
2. Sustainable institutional development of the “Damu” Fund.

№	Strategic directions	Strategic objective
1	Support and development of start-up and active micro, small and medium-sized enterprises	Ensuring the availability of MSMEs to the Fund's financial programs
		Ensuring economic efficiency of supported MSMEs
2	Sustainable institutional development of the “Damu” Fund	Improving the level of sustainable development
		Improving corporate governance

### Paragraph 1. Strategic Direction 1. Support and development of start-up and active micro, small and medium-sized enterprises

78. The “Damu” Fund, as the national development institute for the implementation of measures of state support for micro, small and medium-sized enterprises of the country, in order to expand the coverage of entrepreneurs, will continue to work in existing areas, developing new approaches to improve efficiency, and also plans to introduce new directions and tools.

79. Within the framework of the first strategic direction, the Fund has two strategic objectives:

1. Ensuring the availability of MSMEs to the Fund's financial programs;
2. Ensuring increased economic efficiency of supported MSMEs.

### Strategic goal - Ensuring the availability of MSMEs to the Fund's financial programs

80. To realize its vision of achieving the role of the National Development Institute, which provides comprehensive measures of financial and non-financial support for entrepreneurs in the country, the Fund will continue to develop existing support tools: concessional lending, subsidizing the interest rate, guaranteeing loans, and plans to develop non-financial measures of state support.

81. Within the framework of achieving the strategic goal, the Fund plans to solve the following key tasks:

#### **1. Increase in the share of micro, small and medium-sized enterprises, which were provided with financial support to the total number of operating micro, small and medium-sized enterprises in the market**

82. To increase the coverage of the business sector in the country, the Fund regularly reviews the conditions for state support instruments: subsidies, guarantees, concessional lending. To date, we can safely declare that financial support from the state has been established and delivered: the number of supported sectors of the economy, as well as the number of entrepreneurs supported by the Fund, is growing every year. The budget allocated by the state for financial support instruments is also growing on an annual basis.

### **Attracting additional sources of financing**

83. As part of the development of MSMEs in Kazakhstan and ensuring access to financial resources, the Fund takes into account the task established by the National Development Plan of the Republic of Kazakhstan until 2025, in terms of the efficiency of the quasi-public sector, by building a new model of the quasi-public sector aimed at radically reducing the share of state participation in the country's economy.

84. In this regard, the Fund will continue to attract non-state sources of borrowing, will establish cooperation with new potential investors in the form of international financial institutions, investment funds and through the issuance of bonds on the domestic and foreign capital markets.

85. To date, the Fund already has not little experience with international financial institutions such as ADB, EBRD and EIB. Also, in order to attract resources, in 2020, within the framework of the project "Reducing the risks of investing in renewable energy sources," the Fund, with the support of the UN Development Program in Kazakhstan, issued the first "green bonds" in Kazakhstan. And in September 2021, social bonds were placed. Verification for compliance with the principles of sociality according to ICMA (International Capital Market Association) was carried out by JSC "Rating Agency" Expert RA. " The Fund's bonds became the first securities on the Kazakhstan stock market that complied with social principles.

86. In addition, today, new types of instruments are gaining momentum in the debt market, such as "sustainability bonds," "sustainability bonds," and more.

87. In this regard, in addition to the issuance of green bonds, the Fund does not exclude the use of various types of sustainable bonds depending on the needs and trends of the global debt market.

88. "Damu" Fund as part of its focus on improving transparency and information disclosure in the field of sustainable development, complying with ESG principles, will create favorable conditions for attracting long-term resources and will continue to work on an ongoing basis to find the most accessible sources of market funding, including working to improve its business reputation in the form of maintaining a high level of credit rating and increasing its sustainability rating.

### **MSME Guarantee Fund is the main operator of the guarantee instrument in the country**

89. As part of the implementation of the guarantee tool, the Fund acts as a financial agent of the Ministry of National Economy of the Republic of Kazakhstan, whose functions include:

- participation in the quality of the guarantor on partner loans issued to entrepreneurs,
- monitoring the implementation of program conditions.

90. The tool of partial guarantee on loans of MSMEs entities originates within the framework of the implementation of the BRM-2020 program and today is gaining momentum with great potential for the development and creation of the MSME Support Guarantee Fund as the main operator of the guarantee tool in the country.

91. Within the framework of the ongoing work on digitalization of business processes, the Fund was able to speed up the process of consideration of guarantee applications, reducing the consideration period from 10 to 5 working days, which significantly increased the growth of concluded contracts.

92. As of August 1, 2023, 60,350 loan guarantee agreements worth 1,556,9 billion tenge were signed, the amount of guarantees amounted to 732.7 billion tenge.

93. One of the key tasks set by the Fund as part of the implementation of state economic policy is to reduce the share of state participation in the country's economy, in this regard, the guarantee tool will receive additional development. The Fund plans to carry out its activities as a Guarantee Fund, the purpose of which is to simplify the access of private entrepreneurs to credit and other financial resources, as well as the development of a system of guarantees for the obligations of private entrepreneurs. The implementation of this task will allow the Fund to expand its participation in supporting small and medium-sized enterprises, as well as to build an effective support system in the form of a Guarantee Fund.

94. Given that the guarantee tool is one of the popular products for providing MSMEs with access to credit resources, the Fund will continue to provide financial agent services to the Ministry of National Economy of the Republic of Kazakhstan to guarantee loans within the framework of state

support programs. Also, as part of the provision of financial agent services to the Ministry of Agriculture of the Republic of Kazakhstan, the Fund will continue to implement a tool to guarantee loans to agro-industrial entities.

95. In addition, in order to support entrepreneurs who do not meet the conditions of state programs, the Fund will continue to implement its own Damu-Optima guarantee program, developed to provide access to bank financing for business entities that do not have sufficient collateral for bank loans.

#### **Subsidizing the remuneration rate**

96. Subsidizing the interest rate is a financial support tool used by the state to partially reimburse the entrepreneur's expenses for paying interest on credit/microcredit/leasing transactions on a gratuitous and irrevocable basis.

97. As part of the implementation of this instrument, the Fund acts as a financial agent, whose functions include:

- transfer of funds to partner participants to subsidize part of the remuneration (interest rate) on loans/microcredit/leasing transactions of end borrowers;
- monitoring the implementation of program conditions.

98. The functions of a financial agent are carried out on the basis of an agreement between the Ministry of National Economy of the Republic of Kazakhstan and the Fund, according to which the services of the Fund are paid.

99. Since the beginning of the implementation, the subsidy tool has gained great popularity among entrepreneurs and has shown effectiveness in terms of attracting loans/leasing transactions to priority sectors of the economy, as well as significantly increased the availability of entrepreneurs to financial resources in the country.

#### **Development of a single comprehensive business support plan**

100. In accordance with the message to the people of September 01, 2023 "Economic Course of Fair Kazakhstan," President Tokayev K.K. instructed to combine the National Project for the Development of Entrepreneurship for 2021-2025 and the "Economy of Simple Things" into a comprehensive program to support small and medium-sized enterprises.

101. In this regard, the Ministry of National Economy of the Republic of Kazakhstan, through the support tools of the "Damu" Fund, plans to initiate the development of a single comprehensive business support plan, through the implementation of the Business Roadmap entrepreneurship development program. The goal of the program will be to increase the share of MSMEs in GDP to 40% by 2030, the development of export-oriented, competitive, import-substituting industries, the creation of new jobs, and the diversification of the economy.

102. The implementation of the Business Road Map entrepreneurship development program is planned through the merger of the National Entrepreneurship Development Project for 2021-2025 and the Mechanism for Lending and Financial Leasing of Priority Projects, which will reduce the budget by limiting the maximum amount of credit for large business entities, reduce programs with similar business support tools, increase the number of supported entrepreneurs in the manufacturing industry and encourage small businesses to switch to medium-sized enterprises.

103. The Business Roadmap entrepreneurship development program involves six areas, depending on target segments and support measures:

The I direction - micro-entrepreneurship, involves the provision of portfolio subsidies/guarantees to micro and small businesses;

II direction - small and medium-sized enterprises, including the implementation of "ESG" projects, involves the provision of subsidies and guarantees for projects of small and medium-sized enterprises in priority sectors of the economy (including the production of food, clothing, furniture, building materials, cars, transport and warehousing, tourism, telecommunications, rental of warehouses, cars, education, health care and others);

III direction - small, medium and large enterprises involves the provision of subsidies and guarantees for projects of small, medium and large enterprises in priority sectors of the economy;

IV direction - mono- and small towns, rural settlements, involves the provision of subsidies and guarantees for projects implemented in settlements, including mono and small towns, rural settlements, with the exception of cities of republican significance/regional centers, without industry restrictions;

V direction - subjects of social entrepreneurship, involves the provision of subsidies and guarantees for projects of subjects of social entrepreneurship provided for in Article 232-1 of the Entrepreneurial Code of the Republic of Kazakhstan: individual entrepreneurs and legal entities (except for large business entities) included in the register of subjects of social entrepreneurship;

VI direction - support within the stock exchange involves the provision of tools for subsidizing the coupon rate and guaranteeing bonds issued by business entities in order to create an alternative channel for financing MSMEs at the expense of private and institutional investors at KASE and AIFC sites.

104. The program plans to transfer the guarantee tool to market conditions by establishing the payment of guarantees for a private business entity, which will reduce dependence on budget funds, while the maximum amount of the guarantee is planned to increase to 3.5 billion tenge.

105. As a result, these measures will increase the turnover of state funds, thereby reducing pressure on the republican budget, including by establishing counter obligations for the fulfillment by their business entities receiving state support, in order to ensure the effectiveness of the implementation of the Program and the use of budget funds.

### **Development of alternative support tools through RK stock market products**

106. Within the framework of the event established by paragraph 20 of direction 1 of the Action Plan for the implementation of the Concept for the Development of Small and Medium-sized Enterprises in Kazakhstan until 2030 "Improving the mechanism for providing guarantees for bonds and revising the criteria for subsidizing the coupon rate on SME debt securities," to achieve the target indicator in terms of achieving the share of SMEs in GDP up to 40% by 2030, as well as, in order to develop stock market instruments and form an alternative channel for financing small and medium-sized enterprises at the expense of private and institutional investors by the Fund in 2022, the following activities were carried out:

- *in terms of the mechanism for providing guarantees on bonds*, the Decree of the Government of the Republic of Kazakhstan No. 1060 was amended on February 02, 2022 No. 43: the mechanism for providing partial guarantees on corporate bonds issued by business entities was approved. This mechanism was developed jointly with the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (ARDFM), "Kazakhstan Stock Exchange" JSC (hereinafter - KASE)/Astana International Financial Center (hereinafter - AIFC), the purpose of which is to form an alternative channel for financing medium-sized enterprises at the expense of private and institutional investors, which will contribute to the greater development of the MSME and the development of stock market instruments in Kazakhstan, the guarantee tool will be provided for corporate bonds of business entities issued at the KASE site)/AIFC.

- *in terms of subsidizing the coupon rate on SME debt securities*, the Decree of the Government of the Republic of Kazakhstan No. 1060 was amended on July 19, 2022 No. 505 and on January 31, 2023 No. 64: the amount of the subsidized part of the coupon rate was increased, the requirement for collateral for bonds was excluded, the AIFC's powers to issue bonds were expanded, subsidies for Islamic securities were provided.

107. These support measures will contribute to the development of stock market instruments in Kazakhstan, which is important for the country's economy, as it will contribute to the growth of enterprises, attract investments, develop financial services and ensure transparency and efficiency in economic interaction.

### **Financing of MSMEs through STBs, MFIs and LCs**

108. The conditional placement program is one of the tools for implementing the state policy on financial support for MSMEs in Kazakhstan.

109. This instrument is implemented by providing the Fund with financial resources (funding) to partners on certain (target and restrictive) conditions for subsequent lending to MSMEs. At the same



time, one of the main principles of working with partners is the policy of non-interference in their internal procedures and the credit process on the part of the Fund, as well as their full responsibility for the risks of decisions made. Financing of MSMEs is carried out mainly without restriction of activities, with the exception of activities prohibited by the legislation of the Republic of Kazakhstan.

110. Until 2010, most of the participants in the “Damu” Fund programs received financial support precisely within the framework of concessional lending tools. In order to increase the availability of funding for the Fund, as conditional placement programmes were introduced, restrictive conditions were systematically introduced, in particular at the maximum rate of remuneration for final borrowers (SMEE). In 2017-2020, a number of new conditional placement programs aimed at financing micro and small enterprises were introduced, such as the “Yenbek” Program, financing with the participation of the Asian Development Bank, tranche 4, “Damu-Micro”, funding on the principles of Islamic financing, etc.

111. During the period from 2010 to 2023, more than 73 thousand borrowers were financed through the conditional placement tool in the amount of more than 2,505 billion tenge.

112. Further implementation of the programs of conditional placement of funds in financial institutions will contribute to increasing the accessibility of MSMEs to credit resources, through additional funding of STBs, MFIs, LCs and the establishment of restrictive conditions for the amount of remuneration, as well as reducing the imbalance in the distribution of loans in the regional and sectoral sectors.

113. The sources of funds for the implementation of conditional placement programs will be both the Fund's own funds and those raised from local executive bodies and international financial institutions.

114. Also, within the framework of the National Fund of the Republic of Kazakhstan, the Fund will continue the conditional placement of funds in the STB for further lending to the MSME, in accordance with the message of President Tokayev K.K. to the people of September 01, 2023 "Economic Course of Fair Kazakhstan": "At the same time, part of the Fund's funds can and should be used now to finance strategic projects that will determine the appearance of Kazakhstan's future. The National Fund is already financing a number of large projects. But we lack consistency in the selection of projects. Therefore, it is required to provide a comprehensive examination of the incoming proposals, so that each tenge from the National Fund brings a tangible return. "

115. As part of achieving the planned level of MSME coverage of the Fund's financial programs, including the development of conditional placement instruments, the Fund will continue to expand its line of concessional lending products:

- financing of MSME through STB/MFI/LC,
- financing of leasing transactions;
- development of the microfinance sector, through programs for placing funds in MFIs;
- financing of franchising and factoring transactions in order to expand the scope of support from the Fund of beginners and existing entrepreneurs;
- development of the Islamic financing program by allocating funds to potential counterparties - program participants;
- Development and implementation of a program of preferential lending for women entrepreneurs.

116. The results of this work of the Fund will be measured by the following KPIs:

- The share of MSMEs that received financial support to the total number of operating MSMEs in the market of 5.3% by 2033.

## **2. Increase in the share of average entrepreneurs in the total number of supported entrepreneurs**

117. In accordance with the instructions of the Head of State at the opening of the first session of the Parliament of the Republic of Kazakhstan of the VIII convocation dated March 29, 2023 "To develop new integrated approaches to the development of medium-sized enterprises by improving tax legislation, the Entrepreneurial Code, the system of state support and other measures," as well as in

accordance with the message of the Head of State to the people dated September 01, 2023 "Economic Course of Fair Kazakhstan": "The measures taken in recent years have ensured stable growth of small and large businesses. However, the pace of development of medium-sized enterprises is insufficient. For a successful transition to a new economic model, you will have to raise it almost manually.

118. As the analysis given in the Concept for the Development of Small and Medium Enterprises in Kazakhstan until 2030 shows: small enterprises are not able to solve the problem of creating new high-quality jobs, in terms of contribution to GDP and average output, the economic effect of medium-sized enterprises significantly exceeds the indicators of small enterprises. The number of operating small business entities and employment in small enterprises show faster growth rates.

119. In this regard, there is a need to provide priority support to entrepreneurs who have the potential for growth and strive to grow further.

120. Within the framework of the developed entrepreneurship development program "Business Roadmap," one of the key tasks is to stimulate the transition of small businesses to medium-sized enterprises, which is provided by the expansion of state support through the "economic elevator" system. It is planned to provide for a requirement for supported projects of small businesses to confirm the transition from small to medium-sized enterprises after 3 years. Thus, the proposed measures of state support will stimulate business to enlarge, which will create a competitive environment, as well as reduce the social burden, increase jobs, contribute to the growth of household incomes and the formation of entrepreneurs of a new format.

121. The implementation of the above measures of state support for medium-sized enterprises will contribute to the achievement of the target indicator "Share of medium-sized companies in GDP = 20% by 2030," established by direction 2 of the Action Plan for the implementation of the Concept for the Development of Small and Medium-Sized Enterprises in Kazakhstan until 2030.

122. The results of this work of the Fund will be measured by the following KPIs:

- The share of medium-sized entrepreneurs from the total number of supported entrepreneurs is 5% by 2033.

### **Strategic Goal - Ensuring economic efficiency of supported MSMEs**

123. The "Damu" Fund, acting as the main operator of measures of state financial support for micro, small and medium-sized enterprises, pays attention to the introduction of requirements for improving the efficiency of participants in programs implemented by the "Damu" Fund.

124. In order to increase the effectiveness of the provision of state financial support measures, to ensure the effectiveness of supported projects of MSMEs supported by the "Damu" Fund, counter-obligations have been introduced - requirements for the socio-economic effect of the programs being implemented: the preservation and creation of new jobs, as well as an increase in the amount of taxes paid to the budget.

125. The "Damu" Fund, in order to monitor the effectiveness of program participants, concluded a Memorandum of Cooperation with the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan in 2014. Within the framework of this memorandum, on the basis of statements of consent to disclose the tax secrecy of the MSME, which received support, the Fund on a permanent periodic basis receives data on tax payments, total annual income, pension and social contributions of employees, the number of jobs.

126. State support provides tangible assistance in the expansion and development of Kazakhstan's business. In this aspect, MSMEs for the development of the country's economy, improving the social security of citizens should show dynamic growth.

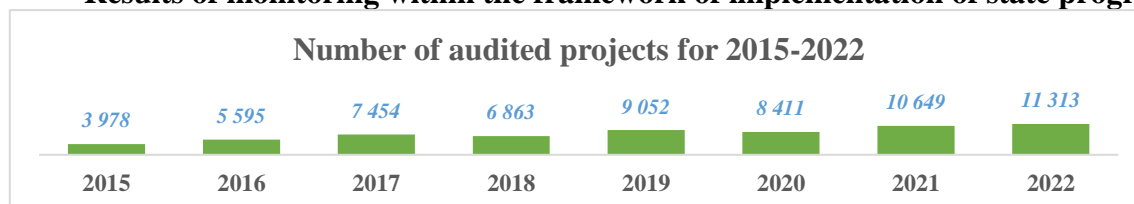
#### *Monitoring of targeted use of funds within the framework of implementation of state programs*

127. The Fund, being the main operator of state and own support programs for MSME, in order to effectively use budget funds, also carries out:

- Monitoring of the targeted use of the loan by the entrepreneur within the framework of state programs;

- monitoring of the entrepreneur's payment discipline;
- monitoring the implementation of the entrepreneur's project;
- monitoring the compliance of the entrepreneur's project with the terms of the programs, under which support was provided.

### **Results of monitoring within the framework of implementation of state programs**



128. In order to optimize the monitoring of the use of budgetary funds, the Fund developed a multifunctional software package that allows you to inspect the objects/asset/place of project implementation/targeted use of funds using a mobile application with photo and video recording according to a given algorithm.

129. The results of this work of the Fund will be measured by the following KPIs:

- Revenue of enterprises supported by the Fund (per year). Within this indicator, it is planned to increase the total revenue of enterprises in 2033 to 13,000 billion tenge.
- Increase in taxes paid by business entities supported by the Fund to 85 billion tenge by 2033.
- Created jobs by business entities that received support from the “Damu” Fund (per year) 9,600 units by 2033.

### **Paragraph 2. Strategic Direction 2. Sustainable institutional development of the “Damu” Fund**

130. Sustainable institutional development is the process of building and strengthening institutions, through the allocation and use of human, material and financial resources to achieve certain goals in a sustainable manner, ensuring predictability and trust between the State, the private sector and citizens.

131. Sustainable institutional development provides the basis for economic development, social progress and political stability, which is an important component of the sustainable development of society and the economy as a whole. It helps create an enabling environment for entrepreneurship, innovation, social justice and environmental sustainability.

132. The developed countries of the world, through development institutions, are striving to contribute to the sustainable development of their economies, increasingly focusing on environmental and social aspects in providing financial support that are fundamental to achieving socially meaningful results.

133. In his message to the people dated September 01, 2023 "Economic Course of Fair Kazakhstan," President Tokayev K.K. said: "Attracting green finances is becoming more and more relevant for leading economies. Over the past seven years, over two and a half trillion dollars have been allocated to green bonds in the world. The principles of ESG in a short period have become the standard practice of financial institutions. "

134. The “Damu” Fund, as a socially responsible organization that implements state comprehensive measures of financial support for entrepreneurship in Kazakhstan and its regions, is involved in solving environmental, social and corporate problems (Environmental, Social and Corporate Governance, ESG) as part of its activities. The Fund strives to actively support sustainable development initiatives by implementing best practices and improving its internal regulatory documents in the field of corporate and social responsibility, sustainable development, environmental and gender policies.

135. The Fund discloses information to ESG as part of the annual report in accordance with the principles of the Global Reporting Initiative (GRI) and KASE requirements for information disclosure in the annual report of listed companies.

136. Sustainable development in the Fund ensures the consistency of the three components in the long term: economic, environmental and social.

137. The economic component directs the activities of the Fund to the profitability of its activities, ensuring the interests of the Sole Shareholder and investors, increasing the efficiency of processes, increasing investments in the creation and development of more advanced technologies.

138. The environmental component helps to minimize the impact on biological and physical natural systems, the optimal use of limited resources, the use of environmentally friendly, energy and material-saving technologies.

139. The social component is focused on the principles of social responsibility, which, among other things, include ensuring labor safety and preserving the health of employees, fair remuneration and respect for the rights of employees, individual development of personnel, implementation of social programs for personnel, creation of new jobs, sponsorship and charity, environmental and educational actions.

140. As part of the internal evaluation, the “Damu” Fund today takes into account 14 of the 17 UN Sustainable Development Goals in its activities, continuing to improve and achieve sustainable development initiatives:

Goals 1 and 2: Elimination of poverty and hunger

- The Fund on an ongoing basis provides charitable assistance to veterans of the Second World War, labor veterans and children of war. The Fund participates in the annual charity fair organized by the Holding. The Fund regularly provides targeted assistance to large, poor families, as well as other types of charitable assistance and support in accordance with the appeals of private Funds and individuals.

3 Objective: Good health and well-being

- Within the framework of measures to support the affected sectors of the economy from COVID-19, in September 2021, the “Damu” Fund made the debut issue of social bonds at the KASE site in the amount of 1 billion tenge;

- The organization of the work process in the Fund in terms of labor protection is aimed at increasing the level of protection of employees, creating safe working conditions and preserving the health of employees, systematically introducing a safety culture and preventing accidents;

- Employees of the Fund participate in the “Donor Day” campaign on an annual basis, thereby making their unique contribution to the health and life expectancy of other people;

- In order to reduce the threat to life and preserve the health of the Fund's employees, free medical insurance is provided and annual on-the-job medical examinations are carried out. At the same time, seasonal vaccination is organized for the prevention of SARS and influenza.

4 Goal: Quality Education

On an ongoing basis, training and professional development of employees are carried out in accordance with the training plan for employees of the Fund. The Fund has a talent pool, providing decent motivation and remuneration. In 2022, 446 employees underwent training.

Goal 5: Gender Equality

Stimulating the development of women's entrepreneurship is one of the main directions of state policy determined by the Head of State. As the Head of State Kassym-Zhomart Tokayev noted, support for women's entrepreneurship along with the institution of family, mothers with many children, ensuring gender balance are the most important priorities of state policy. In this regard, the Fund seeks to create equal working conditions and career opportunities and does not allow for gender, ethnic or other discrimination. The “Damu” Fund's gender policy has been implemented.

- Over the past decade, the Fund has implemented a number of programs to support women entrepreneurs, as of 01.01.2023, the Fund has supported 85.0 thousand women's entrepreneurship projects in the amount of 2,382 billion tenge, including: Women in Business Programme in cooperation with the European Bank for Reconstruction and Development (implementation period 2015-2021), the Program for financing MSMEs, including women entrepreneurs within the framework of the agreement between the Government of the Republic of Kazakhstan, the Asian Development Bank and the “Damu” Fund (implementation period 2011-2020), as well as within the framework of the Fund's

own program "Program of conditional placement of funds in STB for subsequent microcredit of women's entrepreneurship" (implementation period 2009-2018). Thanks to the state support measures provided by the Fund, women account for 46% of the total number of entrepreneurs who received financial support under all programs of the Fund

#### 6 Goal: Clean Water and Sanitation

Within the framework of the "green office" concept, the Fund is working to improve the culture of rational use of water resources and sanitation for all, including the Fund provides workers with clean drinking water, as well as sanitation items (sanitizers, soap, napkins, etc.).

#### 7 Goal: Affordable and clean energy

In 2020, the Fund made its debut placement of "green" bonds on the stock exchange Astana International Financial Center (AIX), with the support of UNDP as part of the project "Reducing the risks of investing in renewable energy sources" by 200 million tenge. The issue was carried out in accordance with the principles of the International Capital Market Association (ICMA). For which, in April 2021, the Fund was awarded the prestigious Climate Bonds Initiative international organization award in the "Green Market Pioneer" category.

#### 8 Goal: Decent Work and Economic Growth

State support measures implemented by the Fund (subsidizing the interest rate, guaranteeing loans and preferential lending) are aimed at stimulating micro, small and medium-sized enterprises to maintain existing and create new permanent jobs, increase the level of production of domestic enterprises and ensure greater availability of financing.

- Within the framework of the internal personnel policy, the Fund strives to create competitive working conditions, providing reliable and safe working conditions for all employees.

#### 9 Goal: Industrialization, Innovation and Infrastructure

- The Fund supports micro, small and medium-sized entrepreneurs, both in priority sectors of the economy, including in the field of processing, manufacturing, medicine, training, tourism, etc., and without industry restrictions.

- The Fund annually holds an exhibition of Kazakhstan producers "ULTYQ ÓNIM," which received state support, which serves as an effective platform for uniting Kazakhstan producers, providing participants with a unique opportunity to exchange experience in the production, processing and promotion of domestic products to achieve high results in improving the quality of products and services.

#### 10 Goal: Reducing Inequality

In order to create and ensure equal opportunities, the Fund develops tools to support social and youth entrepreneurship.

In order to support and include in the active life of the Fund people who have difficulties in physical development, including those with disabilities or mental characteristics, in the total number of employees of the Fund there are employees with disabilities.

#### 11 Goal: Sustainable Cities and Human Settlements

"Damu" Fund, together with the UN Development Program in Kazakhstan and the Government of the Republic of Kazakhstan, with the financial support of the Global Environment Facility (GEF), is also working on the project: "Sustainable Cities for Low-Carbon Development," under which the Fund signed an agreement with UNDP in 2017. The goal of the project is to support and develop the energy efficiency of urban infrastructure and reduce CO2 emissions by subsidizing the interest rate and part of the principal debt on MSME loans.

In 2022, the Fund signed a new Agreement with UNDP to subsidize projects within the framework of "Sustainable Cities for Low-Carbon Development in Kazakhstan" with a grant of 1.3 million US dollars (585.4 million tenge).

#### 12 Goal: Responsible Consumption and Production

In order to transition to rational development and efficient use of natural resources, within the framework of the "green office" concept, work is being carried out to improve the culture of energy saving, to reduce resource consumption (energy consumption, water consumption). Paper free optimization. In 2022, the level of electricity consumption was reduced by 12% compared to 2021.

### 13 Goal: Fighting Climate Change

To achieve a common goal on climate change and adaptation, reducing the rise in global temperature to 1.5 degrees Celsius, as well as ensuring zero carbon dioxide emissions, “Damu” Fund encourages investments in energy efficiency and RES, in connection with which, The Fund, together with UNDP, supports entrepreneurs on tools to subsidize the remuneration rate and guarantee, as part of the project "Reducing the risks of investing in renewable energy sources."

Within the framework of support programs implemented by the Fund, 141 "green" projects were supported for a total amount of loans of more than 150.4 billion tenge.

### 17 Goal: Partnership for Sustainable Development

The Fund is actively involved in national and international sustainable development initiatives aimed at facilitating the country's accelerated transition to a green economy. So, in 2022, the Fund became one of the founders of the National ESG Club Kazakhstan, actively works with international institutions and financial organizations on raising funds to provide financial support for "green" and sustainable projects.

141. The “Damu” Fund, as a national development institute within the framework of the second strategic direction, has two strategic goals:

1. Improving the level of sustainable development;
2. Digitalization of business processes;
3. Improving the level of corporate governance.

## **Strategic Goal - Improving Sustainable Development**

142. The Fund is aware of the importance of its influence on the economy, environment and society to ensure sustainable development in the long term, maintaining a balance of interests of stakeholders. A responsible, thoughtful and rational stakeholder engagement approach will contribute to the sustainable development of the Fund.

143. When achieving the goal of cost-effective and sustainable activities, the Fund follows international best practices in environmental and social issues, as well as in corporate governance (ESG factors) within the framework of projects that receive financial support from the Fund, in order to develop the practice of responsible investment in accordance with the main international standards in this area - the Principles of Responsible Investment of the United Nations and the Equator Principles.

144. The Fund considers the use of international standards in the field of sustainable development as a necessary condition for ensuring the compliance of its activities with international best practices and the achievement of sustainable development goals and objectives.

145. As part of the achievement of the strategic goal, the Fund plans to solve the following key task:

### **Upgrading the Sustainability Rating**

146. The key tool to assess the effectiveness of the implementation of ESG issues in the company's activities is the sustainability rating. Moreover, such a rating is aimed at identifying the risks and opportunities of the company to determine its sustainability in the long term.

147. In August 2023, the international rating agency S&P Global Corporate Sustainability Assessment assigned the Fund a score of "22." It should be noted that the average assessment of financial institutions of the same sector in the field of sustainable development in the international rating is fixed at the level of "21."

148. The assessment was carried out on the basis of an analysis of the activities of the “Damu” Fund for 2022 in the field of sustainable development. According to S&P Global, the Fund ranks 66th percentile in the global financial industry. The fund received 26 points on the management and economic aspect (Governance & Economic Dimension), 5 points on the environmental aspect (Environmental Dimension), 27 points on the social aspect (Social Dimension).

149. At the same time, the agency highly appreciated the business ethics of the Fund - 55 points (business ethics) and customer relationship management - 100 points (customer relationship management).

150. Under this Development Strategy of the Fund for a ten-year period, the sustainable development rating is included as the main key indicator of the Fund's sustainable development activities.

151. The high level of assessment contributes to strengthening the reputation of the company and increases its image, in this regard, within the framework of this Development Strategy until 2033, the "Damu" Fund plans to purposefully develop social, corporate and environmental agendas and improve management practices.

152. The results of this work of the Fund will be measured by the following KPIs:

- receiving a rating from an international rating agency by 2033 at a level not lower than 70.

### **Strategic goal - Digitalization of business processes**

#### **Large-scale digitalization of the Fund's services**

153. The development of information technologies for the digitalization of MSME business processes is also one of the priorities of state policy. In his message to the people dated September 01, 2023, the Economic Course of Fair Kazakhstan, the Head of State said that one of the important tasks is to turn Kazakhstan into an IT country.

154. According to the Concept for the Development of MSMEs in Kazakhstan until 2030, the increased demand for the development of digitalization has determined a new factor of competitiveness. State policy in this direction will, on the one hand, maximize interaction with entrepreneurs and enterprises using digital platforms, on the other hand, contribute to the development and expansion of opportunities for entrepreneurial activity based on platform solutions, taking into account and protecting the interests of all interacting parties. Modern digital technologies will contribute to the interaction of citizens with the state in the simplest, fastest and most transparent format.

155. One of the key reforms possible to have a positive impact on the growth of medium-sized companies is the creation of an equal competitive field for access to financial instruments for SMEs through the use of digital solutions based on transparent and objective ratings and criteria.

156. The "Damu" Fund strives to make business processes as accessible, convenient and transparent as possible for entrepreneurs. To achieve this goal, digital technologies have been systematically introduced since 2016. Due to this, in 2022 the level of digitalization of the Fund was 100%, which allowed entrepreneurs to submit online applications and receive support from the Fund remotely.

157. In order to increase the efficiency of using available information resources, the Fund in 2022 integrated with a single bgov.kz business support portal (hereinafter referred to as the Portal) on the SSO (Single Sign-On) principle. The Portal provides information on all support programs for micro, small, medium and large enterprises of subsidiaries of JSC "NMH "Baiterek" and also sets up a service selector who offers programs taking into account the selected conditions. This means that entrepreneurs now have quick and convenient access to the full picture of available programs designed to improve their business.

158. Considering that front-end (main) business processes are the processes of providing products/services to MSME customers, which are the main activities of the Fund, the following projects are being implemented:

1) As part of the use of artificial intelligence, it is planned to digitalize the contact center (planned implementation period 2025-2026):

- Voice robot assistant: voice robot assistant is able to conduct a dialogue close to human communication. The accuracy of client speech recognition is 95% or more. He independently processes typical cases, passing on more complex questions to operators.

- Automatic callbacks: A long wait for a connection can cause a strong negative reaction from customers. The automatic callback feature allows customers to request a callback from a company when there are no available operators, or if waiting in the queue for a connection takes too long. With this simple call-center digitalization function, you can almost instantly improve the quality of customer service in your company and prevent the appearance of unnecessary negativity.
- IVR voice menu: interactive voice menu (or IVR) is a software system that interacts with the caller and, depending on the response received from the subscriber, performs the necessary action/provides the necessary information. The introduction of an interactive voice menu will increase the level of customer satisfaction and the efficiency of operators, as it makes it possible to automatically direct calls to the departments necessary for the client.

2) Robotic Process Automation (RPA) is the use of artificial intelligence technology that allows you to configure computer software (robot) to perform and digitalize routine business tasks, process transactions, manage data and communicate with other systems (planned implementation period 2025-2026). Robotization of business processes will allow:

- increase efficiency: robots can work 24/7, increasing productivity;
- increase speed: robots can handle tasks much faster than humans;
- improve accuracy and reduce the number of errors: robots perform tasks precisely according to the specified instructions, minimizing the possibility of errors;
- free staff from routine tasks: digitalization of routine tasks allows employees to focus on more complex and strategic tasks.

3) The Office in Pocket mobile application is a universal mobile application created to combine all the Fund's information systems in one place. It provides users with the ability to manage their work tasks on the go, offering a convenient and effective way to manage working time (planned implementation period 2026-2027). The main functions are:

- Corporate mail: Users can view, send and manage their corporate mail directly from the application. It is synchronized with the corporate mail server to ensure that the information is up to date.
- Work processes: the application integrates with various systems of the Fund to provide the user with information about current work tasks, projects, deadlines and other works, as well as a built-in calculator for calculating vacation days. Users can update work status, send memos, delegate tasks, and more.
- Calendar: Users can view their appointments, deadlines and other important dates on an integrated calendar.
- Notifications: The application provides notifications about new emails, upcoming meetings, deadlines and other important notifications.
- Security: all data in the application is protected using modern encryption and authorization technologies. Users can be assured of the security of their information.

4) Development of the Corporate Data Warehouse is an analytical center, in particular the introduction of the following tools:

- Master Data Management: can be used to ensure consistency, accuracy and completeness of data in the repository. Provides a centralized way to manage master data entities, such as customer, product, or employee data. This helps reduce data duplication, improve data quality, and improve the reliability of reporting and analytics. The planned implementation period is Q1 2026 - Q4 2026.
- Data Catalog: can be used to improve data retrieval and access in the repository. Provides metadata and context for data, helping users more easily find and understand the data they are



looking for. It also helps maintain data consistency and manageability. Planned implementation period 2026-2027.

- In-depth analytics: With in-depth analytics such as machine learning and artificial intelligence, more value can be extracted from data into storage. These technologies can help in identifying hidden schemes and relationships in data, predicting future trends and behavior, and digitalizing complex analytical tasks. Planned implementation period 2026-2027.

5) Integration of the Fund's information systems with state databases will open up wide opportunities for more rapid obtaining of information about private business entities. As a result, the consideration of applications will be carried out much faster, and decisions on them will be made on the basis of the most relevant and complete data. The Fund will be able to update information in its systems in a timely manner. This will increase the accuracy and relevance of the data used in supporting entrepreneurs and in making resource allocation decisions.

Connecting to government databases will simplify and speed up the monitoring of projects participating in government support programs. This will enable the Fund to monitor and assess their progress in a timely manner and to respond in a timely manner to any emerging problems or changes. The planned implementation period is Q1 2024 - Q4 2024.

6) Digitalization of financial reporting, as part of the development of analytical competencies. The main effects of digitalization:

- Increased efficiency: Reduced time for data collection, analysis and presentation, which will free up time for employees to perform more complex and analytical tasks.
- Reducing errors: the risk of the human factor will be minimized, which will reduce the likelihood of errors in reports, and increase their accuracy.
- Improving transparency: auditing financial data will become easier, improving transparency for all stakeholders, including management, investors and regulators.
- Increased scalability - the reporting process becomes easily scalable. As the company grows and the volume of data for processing increases, digitalized systems can quickly adapt to meet new needs.
- Compliance: Modern financial reporting software is usually updated to meet new financial standards and regulatory requirements, which helps the company to be up to date.

7) Online portal for entrepreneurs - Marketplace

It is planned to develop an online portal for potential customers, where an entrepreneur will be able to manage personal accounts, make payments and monitor the financial activity of his company, as well as ask questions and find B2B partners within the framework of the "catalog of entrepreneurs." The proposed development will reduce the burden on bank managers and increase customer satisfaction, as well as positively affect:

- *Reduction of operating costs*: online office will reduce the cost of rent and maintenance of physical offices, as well as the cost of personnel. This can significantly improve financial performance and redistribute human resources.
- *Increased availability*: customers will have the opportunity to access the Fund's services at any time, from anywhere in the world, which will increase the convenience of service and can lead to an increase in the client base.
- *Improved customer experience*: The online office provides more flexible and faster ways to serve customers. Online consultations and self-service through applications will allow customers to solve their financial issues without unnecessary delays.
- *Reduction of paperwork*: the introduction of electronic processes and online formats can significantly reduce the use of paper documentation and improve the efficiency of information processing as part of ESG's commitment to principles.

- *Digitalization and optimization of processes*: the online office is able to digitalize many operations, which will reduce the likelihood of errors and speed up data processing, which will also reduce the risks associated with the human factor.

159. The effectiveness of the online office implementation directly depends on several key factors. This is primarily due to the quality of the development and implementation of the online office system. Also, successful implementation depends on the degree of customer attraction and their motivation to use online services, instead of traditional service methods. An important aspect is also the smooth transition from old methods to new online processes.

160. In addition, data security and the reliability of online systems play a decisive role in assessing the effectiveness of this project. In this regard, the Fund strives to ensure a high level of information protection and the availability of online services for customers.

161. In order to analyze the effectiveness of this project, the Fund will use various methods and metrics. The evaluation will include a comparison of the results after the implementation of online offices with the initial expectations and plans of the Fund. Such an analysis will make it possible to assess how successful the transition to new technologies has been and what benefits it has brought to clients and the Fund itself.

162. The results of this work of the Fund will be measured by the following KPIs:

- The degree of implementation of key performance indicators in terms of digitalization is 100% by 2033.

### **Strategic Goal - Improving Corporate Governance**

163. The Fund views corporate governance as a means of improving efficiency, ensuring transparency and accountability, strengthening reputation and reducing the cost of raising capital. The Fund considers the proper system of corporate governance as its contribution to ensuring the rule of law in the Republic of Kazakhstan and the factor determining the place of the Fund in the modern economy and society as a whole. The corporate governance system provides for a clear delineation of powers and responsibilities between the bodies, officials and employees of the Fund.

164. The fundamental principles of corporate governance are:

- 1) the principle of delimitation of powers;
  - 2) the principle of protection of the rights and interests of the Sole Shareholder;
  - 3) the principle of effective management of the Fund by the Board of Directors and the Management Board;
  - 4) the principle of sustainable development;
  - 5) the principle of risk management, internal control and internal audit;
  - 6) the principle of managing corporate conflicts and conflicts of interest;
- principles of transparency and objectivity of disclosure of information on the Fund's activities.

165. The supreme body is the sole shareholder, the governing body is the Board of Directors, and the executive body is the Management Board.

166. The corporate governance system of the "Damu" Fund provides:

- 1) a clear management system, differentiated powers and decision-making process, no duplication of functions and processes;
- 2) common standards, policies and processes, including the definition of common approaches to planning, monitoring and control, performance assessment and application of corrective actions;
- 3) access to quality information;
- 4) appropriate risk management.

167. As part of the achievement of the strategic goal, the Fund plans to solve the following key task:

#### **Increased trust and satisfaction of MSMEs with the Fund's activities**

## **Transparency of the Fund**

168. Given the high level of attention to the activities of the “Damu” Fund, as a subject of the quasi-public sector, the Fund will ensure a high level of transparency of decisions made regarding the implementation of national projects, as well as certain internal procedures that attract the greatest attention of external audiences (procurement, hiring, provision of financial and non-financial support tools). To perform this task, it is planned to use the capabilities of modern information technologies and traditional means of communication.

169. The “Damu” Fund is constantly working to improve corporate governance within the framework of a single policy determined by the Sole Shareholder and aimed at increasing the attractiveness of the Fund for potential investors, increasing its long-term value, reducing the cost of borrowed capital. Increased transparency would increase confidence in the Fund's work and have a positive impact on the attraction of external funding and its value.

170. In carrying out its activities, the Fund exerts influence or is influenced by stakeholders. Stakeholders can have both a positive and negative impact on the activities of the Fund, namely on achieving profitability, sustainable development, reputation and image, create or reduce risks. The Fund attaches importance to good stakeholder engagement.

171. In order to establish dialogue and long-term cooperation, manage relations with stakeholders, the Fund draws up a map of stakeholders, taking into account risks and ranking taking into account the dependence (direct or indirect), obligations, situation (paying special attention to high-risk areas), influence and various prospects.

172. In accordance with the current legislation of the Republic of Kazakhstan on joint-stock companies, the Fund will strive to disclose relevant information about its activities, financial condition, credit and dividend policies, development prospects, etc. Increased transparency of activities is also necessary to increase the level of confidence of stakeholders in the activities of the Fund.

173. In order to ensure information openness and transparency of the Fund's activities, as well as to increase its investment attractiveness, the following complex communication tools are used:

### **1) Marketing Tools:**

- conducting marketing research;
- studying the needs of MSMEs that have received state support;

### **2) PR tools:**

- working with the media;
- Specialized activities;
- media monitoring;
- corporate website;
- social networks.

### **3) Advertising tools:**

- outdoor advertising (signs, banners);
- Printed products;
- audio-videos;
- branding of offices.

### **4) Information platforms of the Fund**

174. The development of information technologies provides the Fund with the opportunity to expand the coverage of the target audience with information and analytical and consulting services, the provision of which can be carried out remotely using the capabilities of the Internet (online):

- Social networks of the Fund (facebook, instagram, telegram, youtube) - the most popular Internet platform for interaction, exchange of information and content with the Internet audience, the source of providing up-to-date and operational information on the activities of the Fund, including programs and measures of state support.

- The corporate website of the Fund - [www.damu.kz](http://www.damu.kz) - is an important channel of communication and interaction with the population (in particular MSMEs, customers and partners), as well as a tool for providing various services and services online, with regular updating and content content.

175.To improve the quality of corporate governance, the Fund conducts diagnostics of corporate governance based on the best international practices. The purpose of diagnostics is to improve the level of corporate governance, through a structured and consistent approach to the assessment and development of the corporate governance system, based on the best world practice.

**Promotion of the Fund's activities through partner, public organizations and the media (hereinafter referred to as the media).**

176.Given the high economic and social importance of the “Damu” Fund's activities, the Fund will strive to actively inform target audiences about its activities. This will make it possible to involve citizens and the business community in the programs implemented by the Fund, as well as to purposefully strengthen its business reputation.

177.The communication activities of the Fund will continue to be carried out in accordance with current trends and best practices. Work in this direction will contribute to strengthening public confidence in the Shareholder, development institutions, state bodies and, in general, in the state policy in terms of supporting MSMEs. Our goal is to establish a strong position in the market, increase awareness and create a positive perception of the Fund among a wide audience.

178.An important factor in the growth of trust of target audiences in the activities of the Fund will be the choice of forms and methods of interaction with the public. The effective solution of the main communication problems will be facilitated by established relations with partner and public organizations, the media and work with social networks contributes to the solution.

179.In terms of raising awareness about the activities of the Fund through partner organizations and the media, the Development Strategy provides for the implementation of the following activities of partner organizations (STB, MFI, PC): issuing joint press releases, signing agreements/memorandums, interaction with public organizations.

180.In the direction of interaction with the media: placement of information in the media (Internet portals, TV, radio, printed publications), placement of press releases, interviews, analytical materials, advertising and image audio-video materials, infographics, photo galleries from events, coverage of important events/events, holding open days with coverage in the media.

181.Today, social networks are a popular promotion tool. Thus, in this direction, the Fund is actively working on placing posts/publications, photographic materials, information, advertising and image video materials, infographics, coverage of important events/events, as well as successful stories of MSMEs supported.

**Proactive work with regions in order to promote targeted regional programs**

182.The Fund, being the main institute for supporting MSMEs in the country and the operator of the main state and own support programs for MSMEs, continues to increase the coverage of supported domestic entrepreneurs from year to year. More and more entrepreneurs in Kazakhstan are seeking financial state support from the Fund, and therefore, for the convenience of entrepreneurs in 2022, the Fund expanded its branch network by creating branches in new areas.

183.In 2022, for the development of the Fund's branch network, the Concept for the Development of Regional Branches of the “Damu” Fund was developed, which provides for the development of regional branches of the Fund in 17 regions and 3 cities of republican significance.

184.Due to the breadth and diversity of factors, each region has its own unique features: natural and climatic, geographical, demographic, socio-cultural, transport and logistics and others, which can play a role in the formation of the economic component of the region, and, as a result, the entrepreneurial base. In order to organize business support activities, in addition to operating existing tools available, it is not enough to have detailed knowledge of the region, to have information about its advantages and disadvantages, but it is also necessary to correctly predict expectations, to determine priorities for the direction of its activities for its full implementation.

185.Given the objective geographical and economic diversity of the country due to its vast territory, individual needs for the development of entrepreneurship in specific regions are eroded. As a result, the Fund, together with local executive bodies, developed targeted regional programs, for

example: in Astana - Astana Business, AstanaZhasStart, Astana Start up, in Almaty - Zhibek Zholy, Almaty Business, Jana Businnes, in Shana ymkent - "Men kasipker bolamyn," "Isker qala," in Mangistau region - "Sayakhat," "NurCapital," etc.

186. These programs were implemented at different times in all regions of the republic due to relatively small volumes allocated from regional budgets and co-financing by the Fund's own funds for the implementation of projects in certain sectors of the economy of a particular region, which provided for a reduction in the imbalance in the distribution of available credit funds in regional and sectoral sectors.

187. Due to the limited availability of business entities to preferential loans and the achievement of the goal of covering more entrepreneurs, the Fund intends to continue to implement joint programs. In order to expand the coverage of the country's entrepreneurs with state support measures, the Fund plans to reorient the work of the front office from a wait-and-see approach to an active search for promising projects and investors, taking into account the specifics of each region (geography, ecology, population outflow, etc.).

### **Stimulating the transition of small business to medium business through the implementation of a training project on business development, on programs of international financial institutions**

188. Along with the increase in financial support for MSMEs using popular instruments such as concessional lending, subsidizing interest rates and guaranteeing loans, the activities of the "Damu" Fund should be aimed at developing non-financial support, including increasing the competence of MSMEs by establishing business relations with foreign partners with the participation of international and foreign organizations.

189. The "Damu" Fund has more than 25 years of experience supporting MSMEs in Kazakhstan. During this period, more than 196 thousand entrepreneurs became participants in the programs of the "Damu" Fund, more than 701 thousand entrepreneurs and the population with an entrepreneurial initiative took part in programs to train and advise entrepreneurs.

190. Increasing entrepreneurial potential through a training project by establishing business relations with foreign partners is a logical continuation of measures to improve the business climate in the country and stimulates the development of small businesses and its transition to medium.

191. The training project is designed for top and middle managers of the enterprise in priority sectors of the economy and will be a logical continuation of stimulating small businesses to switch to medium-sized enterprises, by increasing the potential of Kazakhstan entrepreneurs through establishing business ties with foreign partners, developing export potential and technological transfer.

192. The project provides for a thematic business internship abroad, an internship at foreign enterprises of a similar profile and the establishment of business relations with foreign partners on the transfer of technologies and the acquisition of equipment, the mutual supply of goods, works and services, the acquisition of franchises and licenses, the receipt of grants from international and foreign organizations, the creation of joint ventures and more.

### **Improvement of the risk management system**

193. The Fund's risk management system includes a system of processes and procedures that provide the executive body and management body of the Fund with timely information on risks and decisions to minimize them.

194. The main element of the Fund's risk management process is its integration with the specifics of the organization, the main principles of activity, business processes and the involvement of each employee in the risk management process.

195. The risk management system is aimed at implementing the principles of comprehensive credit risk analysis within the framework of SME project guarantee programs. Taking into account the importance of implementing the program, the Fund annually improves the methodology for assessing project risks, which allows to minimize credit risks at an early stage.

### **Improvement of the internal control system**

196.The internal control system is an integral part of the corporate governance system and an important element ensuring the efficiency of business processes. The Internal Audit Service of the Fund (IAS) assesses the effectiveness, effectiveness, efficiency of activities and programs, conducts audits on corporate governance, risk management and internal control. The IAS provides guidance and advice to management. Thus, it represents guarantees in the field of corporate governance, risk management and internal control in the Fund and is recognized as a key element of the transformation.

197.The IAS conducts a prospective assessment of human resources through the development of a strategic plan that sets out the objectives of internal audit in the field of competence development and the planned activities of the management for personnel development, including interaction with professional bodies.

198.Understanding the Fund's strategic direction and potential challenges and risks, IAS is changing IAS staff skills and audit services to meet future needs. IAS continuously improves its professional practices by integrating performance data, global best practices and feedback from audited objects.

199.To achieve strategic goals, IAS integrates quantitative and qualitative performance indicators.

### **Personnel Development**

200.Within the framework of human resources management activities, the Fund adheres to the goals and objectives of the Holding's Unified Personnel Policy.

201.The goal of the Unified Personnel Policy is to strengthen the organization's position, requiring the sustainable development of highly professional and mobile labor resources sufficient to fulfill the strategic objectives.

202.HR policy objectives aimed at achieving the set goal:

- Providing the personnel necessary to achieve the goals set, while respecting the principles of diversity and inclusion.
- Increasing the level of competence of workers to ensure the development of human capital, especially in terms of digital skills.
- Increase and maintain the level of involvement and return on staff.
- Digitalization of HR processes, including the process of selection and recruitment, performance assessment, as well as development and training.
- Set up and calibrate the performance management process.
- Development of a corporate culture based on ESG principles.

203.To provide the Fund with the necessary human resources with the necessary qualifications and the required motivation, the Fund, within the framework of the Strategy, actively works to develop and nurture personnel, through the creation of an effective system of training and training of employees. The objectives of the Human Resources Fund are to attract and retain professionals in the Fund who can contribute to the development and growth of the Fund's efficiency. Within the framework of the personnel policy, taking into account a unified approach to all subsidiaries of the Holding, the Fund plans to develop in the following areas:

1) planning of labor resources will be carried out through the use of open competitive selection, ensuring transparency, as well as by creating a personnel reserve from the best employees of the Fund;

2) the increase in the level of labor productivity of employees will be carried out through the assessment of activities, the method of application of key performance indicators, certification of personnel and motivation programs;

3) productive human capital management will provide a system of continuous training and development of personnel, the introduction and application of modern technologies and information management systems in labor processes, including digitalization of knowledge management processes;

4) ensuring fair and competitive remuneration for work on the basis of the implemented system of grades and taking into account the review of wages on the market.

**Expert support of analytical studies of international development organizations in the field of MSMEs (OECD, etc.).**

204. The Fund, as the main institute for supporting MSMEs in Kazakhstan, will constantly monitor and analyze the main indicators of the development of this sector, the results of which will be published in the form of periodic reports available to a wide audience. In order to promote Kazakhstan's investment opportunities for foreign organizations, as well as to increase the status of Kazakhstan's participation in international organizations, the Fund will provide expert support for analytical studies of international development organizations in the field of MSMEs, such as "Financing MSMEs and entrepreneurs" (OECD), "Review of financing MSMEs in Asia" (ADB), etc.

205. The results of this work of the Fund will be measured by the following KPIs:

- assessment of trust and satisfaction of MSMEs with the activities of the “Damu” Fund at a level not lower than 95% by 2033.

## Chapter 5. Strategic Key Performance Indicators of “Damu” Fund

206. Within each strategic direction, the “Damu” Fund will regularly monitor the achievement of the tasks using KPIs.

№	Indicator	Calculation Method	2033
<b>STRATEGIC DIRECTION 1.</b>			
<b>Support and development of start-up and active micro, small and medium-sized enterprises</b>			
<b>Ensuring the availability of MSMEs to the Fund's financial programs</b>			
1	Share of MSMEs that received financial support to the total number of MSMEs operating on the market, %	$X/Y * 100\%$ where X - Number of supported unique MSMEs under the Fund's financial programs with accumulation since 2024; Y - Number of active MSMEs on the market at the beginning of the reporting period	5,3%
2	Share of average entrepreneurs in the total number of supported entrepreneurs	$X/Y * 100\%$ where X - Number of supported projects of medium-sized entrepreneurs under the financial programs of the Fund; Y - Total number of MSME projects supported by the Fund's financial programmes	5%
<b>Ensuring economic efficiency of supported MSMEs</b>			
3	Revenue of enterprises supported by the Fund (for the year), billion tenge	Total revenue of enterprises for the reporting period supported by the Fund	13 000
4	Increase in taxes paid by business entities supported by the Fund, billion tenge	Amount of taxes of participants of financial support programs in the reporting year - amount of taxes of participants of financial support programs in the previous year	85
5	Created jobs by business entities supported by the “Damu” Fund; for the year	Number of jobs created during the reporting period by business entities supported by the Fund	9 600
<b>STRATEGIC DIRECTION 2.</b>			
<b>Sustainable institutional development of the “Damu” Fund</b>			
<b>Improving the level of sustainable development</b>			
6	Sustainability Rating	Sustainability rating received from an international rating agency	70
<b>Digitalization of business processes</b>			
7	Degree of implementation of key performance indicators in terms of digitalization	$z = (((y1/x1) + (y2/x2) + \dots + (yi/xi)) * 100) / n$ , where z = performance to achieve target KPIs for the reporting year in the KPI map of the Digitalization Strategy xi = target KPI for the reporting year yi = actual value of KPI for the reporting year i = KPI sequence number n = number of KPIs for the reporting year	100%
<b>Improving corporate governance</b>			



<b>8</b>	Assessment of trust and satisfaction of MSMEs with the activities of “Damu” Entrepreneurship Development Fund” JSC, %	Assessment of the degree of trust and satisfaction of MSMEs with the activities of the Fund, carried out through an independent company	at least 95%
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## **Conclusion**

207. The development strategy of the “Damu” Fund is aimed at the development of the MSME sector of Kazakhstan and takes into account successful and effective experience in implementing both state and own MSME development programs. The Fund has more than twenty-five years of experience in financial and non-financial support for MSMEs, as well as a number of other strengths that will be used to improve the effective implementation of the Development Strategy and achieve the goals and objectives set.

208. In order to ensure mass coverage of financial instruments of the Fund, within the framework of the Development Strategy, the Fund will continue to work on existing conditional programs of placement of credit funds through partners, by increasing the volume of financing of micro, small and medium-sized enterprises. Also, the Fund will implement tools to increase the availability of lending, including subsidizing the interest rate and guaranteeing loans. In terms of guarantee, the Fund will use both the existing guarantee tool within the framework of the National Project and the Mechanism, and increase the volume of guarantees issued without industry restrictions under its own “Damu-Optima” program, reaching the status of the MSME Support Guarantee Fund as the main operator of the guarantee tool in the country.

209. One of the priorities of the Fund, taking into account the strategic objective of increasing the share of coverage of MSMEs, including medium-sized entrepreneurs with financial programs, is to increase the volume of borrowed funds and diversify funding sources.

210. Also, as part of the strategic direction to improve the sustainable development rating, the Fund plans to make efforts, actively introducing into the conditions of the implemented support tools, as well as into all internal principles and policies the conditions and requirements for achieving sustainable development goals within the framework of ESG initiatives.

211. The “Damu” Fund will continue to support and develop entrepreneurship in Kazakhstan, as well as improve its own efficiency and transparency.

212. As a result of the implementation of the Development Strategy, the Fund will be positioned as a national development institution that provides comprehensive measures of financial and non-financial support for the country's entrepreneurs.

### Interpretation of abbreviations:

<b>ADB</b>	Asian Development Bank
<b>JSC</b>	Joint Stock Company
<b>JSC “NMH “Baiterek”/Sole Shareholder/Shareholder, Holding</b>	National Management Holding Baiterek JSC
<b>STB</b>	Second-tier banks
<b>"BRM-2020 "/" BRM- 2020" Program</b>	Unified Business Support and Development Program "Business Roadmap 2020"
<b>"BRM-2025 "/" BRM- 2025" Program</b>	State Business Support and Development Program "Business Roadmap 2025"
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EIB</b>	European Investment Bank
<b>State Program "Yenbek" Program "Yenbek"</b>	The state program for the development of productive employment and mass entrepreneurship for 2017-2021 "Yenbek" approved by the Government of the Republic of Kazakhstan dated November 13, 2018 No. 746
<b>IE</b>	Individual Entrepreneur
<b>KPI</b>	Key Performance Indicators
<b>LC</b>	Leasing Company
<b>RK</b>	Republic of Kazakhstan
<b>Mechanism, EST</b>	Mechanism of crediting and financial leasing of priority projects "economy of simple things," approved by the Decree of the Government of the Republic of Kazakhstan dated 11.12.2018 No. 820
<b>LEB</b>	Local Executive Body
<b>MFO</b>	Microfinance organization
<b>National Project, NatProject</b>	National project for the development of entrepreneurship for 2021-2025, approved by the Government of the Republic of Kazakhstan dated October 12, 2021 No. 728
<b>NB RK</b>	National Bank of the Republic of Kazakhstan
<b>NF RK</b>	National Fund of the Republic of Kazakhstan
<b>OECD</b>	Organizations for Economic Cooperation and Development
<b>MSME</b>	Micro, small and medium-sized enterprise entity
<b>SME</b>	Small and medium-sized enterprise entity
<b>Media</b>	Media
<b>PBE</b>	Private Business Entity
<b>“Damu” Fund/Fund</b>	“Damu” Entrepreneurship Development Fund” JSC