

AIFC



**THE STRATEGY OF ENSURING REGIONAL
LEADERSHIP OF THE AIFC
IN THE SPHERE OF GREEN FINANCE UNTIL THE
YEAR 2025**

Astana, 2017

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A. LIST OF ABBREVIATIONS

AIFC – Astana International Financial Centre

ENSO – Energy Saving Engineering Solutions

GFA – Green Finance Awards

KPI – Key Performance Indicator

AFSA – Astana Financial Services Authority)

AIFC – Astana International Financial Centre

ICGT – International Center of Green Technologies and Investment Projects.

UN – United Nations

RK – Republic of Kazakhstan

UN FCCC – United Nations Framework Convention on Climate Change

ISC – Investors Service Center

PSC – Public Service Center

SDG – Sustainable Development Goals

B. INTRODUCTION

In the view of global trends and active policy of the world community on the reduction of the environmental impact, there are necessary decisive moves in favor of changing economic landscape based on the principles, methods, and approaches contributing to the accelerated development of the green economy. Green finance will be one of the moving forces of these actions.

The Republic of Kazakhstan, being an active member in the process of transition to a sustainable development and combating climate change, puts into an effect programs for the transition to a green economy. In its desire to take timely actions for the transition to a green economy, the Republic at the moment sets ambitious sustainable goals covering all of the spheres of life.

The Republic adopted the "Concept for Transition to a Green Economy," regarding which Kazakhstan aims to increase the share of alternative and renewable energy to 50% by 2050. In April 2017 the Environmental Code of the Republic of Kazakhstan was amended, to fulfil the terms of Paris Agreement that gave the Ministry of Energy the authority to approve the distribution coefficients of the greenhouse gas emissions. Starting 2018, Kazakhstan will restart the emissions trading scheme, which will allow the country to reach the stated contributions under terms of the Paris Agreement and to reduce greenhouse gas emissions by 15% until the year 2030. These objectives are taken into account in the Strategic Development Plan of the Republic of Kazakhstan until the year 2025.

The adopted Strategy "Kazakhstan-2050: New Political Course of the Established State" sets certain benchmarks for building a stable and efficient economic model based on green financial instruments. To achieve the stated goals President of Kazakhstan establishes The Astana International Financial Centre (AIFC) by the Decree No. 24 dated May 19, 2015.

The initiative for creation and development of the AIFC is an opportune and well-grounded move aimed at diversifying the national economy and modernizing the financial system.

The AIFC is a key for the creation of a well-functioning capital market, that makes possible to achieve more free and cheap distribution of resources of vital importance for economic growth.

C. STRATEGIC PREREQUISITES FOR CREATION OF THE REGIONAL HUB OF GREEN FINANCES BASED AT THE AIFC

In accordance with The 2030 Agenda for Sustainable Development based on the UN Sustainable Development Goals (SDG), the Republic of Kazakhstan aims to achieve a just, rights-based, equitable and inclusive world. The governments of the UN member countries have already begun to include the new agenda in their plans for development, strategies, and visions.

During Ministerial Conference "Ensuring Sustainable Energy Development" and the 8th International forum on energy for sustainable development, held on June 11, 2017, in Astana within the framework of EXPO-2017, there were adopted approaches for creation of the International Center for Green Technologies and Investment Projects (ICGT) on the basis of infrastructure of Expo-2017. Earlier, the President of the Republic of Kazakhstan N. Nazarbayev at the 70th UN General Assembly announced an initiative for creation of ICGT.

Well-timed steps taken on the introduction of elements of sustainable development into the strategic plans for the development of the Republic will allow Kazakhstan to enter a new stage of forming a sustainable future and become a leader in the region. Thanks to its legal status and opportunities, the AIFC is the only site in the region able to implement an approbation of the range of green financial instruments, as well as to assist in their application.

Taking into account the created favorable conditions and the geographic position of Kazakhstan, the AIFC should become a regional hub of green finance promoting the development and management of green financing instruments in the Central Asian and Eastern European region, linking the best world practices of the West and the East.

D. THE STRATEGIC DIRECTIONS AND OBJECTIVES OF THE AIFC AS A HUB OF GREEN FINANCES

Many objective factors confirm that the AIFC has a unique opportunity to become a regional leader in the field of green finance. The functioning of the AIFC should be based on a long-term capacity building strategy of Kazakhstan and the Central Asian region, using innovative approaches and the best world practices for the transition to a Green Economy.

Based on documents of the joint project of the AIFC and the European Bank for Reconstruction and Development on the development of the Concept for the Development of Green Financial System of Kazakhstan¹, own analysis and research within the framework of the project, as well as a survey among green finance experts, the following four strategic directions for the development of the AIFC were highlighted:

1. Creation of the green finance hub based at the AIFC.
2. Creation of the market for green financial instruments.
3. Development of competencies in the sphere of green economy.
4. AIFC image improvement as a hub of green finance at the regional and world level.

Selected strategic directions include goals, objectives and activities, implementation of which will enable the AIFC to take the leading positions on the global map of green financial centers.

¹ The concept was adopted by the decision of the Board of JSC "Administration of AIFC" No. 27 of October 3, 2017

THE STRATEGIC DIRECTION 1: CREATION OF THE GREEN FINANCE HUB

The goal of this direction is a preparation for the creation of the regional hub of green finance based at the AIFC and the creation of comfortable working conditions for the AIFC members and organizations conducting activities in the field of green finance on the AIFC site. For achievement of the set goal, we define two objectives described below.

Objective 1. Creation of a favorable legal and economic environment for the members of the AIFC and organizations conducting activities in the field of green finance on the AIFC site and/or implementing green projects

The achievement of this objective suggests the implementation of the following activities:

- The development of a mechanism for subsidizing the second opinion² on green securities on the AIFC exchange (for 5-10 pilot green securities issues);
- The definition of benefit proposals for consulting, educational and other services.

For stimulation of the development of green finance market on the AIFC exchange and attraction of members, who will work with green finance, it is necessary to develop a mechanism for subsidizing the second opinion for risks assessment and provision of the most reliable information to the exchange members. Taking into account that at the 70th session of the UN General Assembly, the Head of State initiated the creation of the ICGT which was also supported by international experts during the Ministerial Conference, we consider it advisable to carry out a second opinion subsidizing through the AIFC.

The AIFC provides its members with unprecedented working conditions, including the provision of centralized "one-stop access," not only to visa-migration and tax services, ISC services through the PSCs and special PSCs, but also to services for assistance in search of housing, educational and medical institutions, and other.

However, to stir up the activities in the sphere of green finance, the AIFC as green finance hub should take measures to provide possible benefits for consulting, educational and other services.

Objective 2. Preparation of internal structure of bodies and organizations of the AIFC as well as key stakeholders for launching and circulation of green financial instruments on site

For the preparation and uninterrupted functioning of the AIFC as a green finance hub it is necessary to:

² Obtaining an objective opinion of a third-party organization regarding compliance with the criteria for green projects

- Establish the AIFC Center of Excellence in the sphere of green finance (it is not necessarily an establishment of a stand-alone organization; it is possible to establish a working group):
 - To recruit and hire specialists for the green finance training;
 - To train the specialists and trainers of the AIFC in the field of green finance;
 - To develop training programs, according to which these trainers will be able to further train other people (the AIFC members and organizations conducting their activity in the field of green finance on the AIFC site and other market members) in the field of green finance;
- Establish the AIFC green finance Research Center (it is not necessarily an establishment of a stand-alone organization, but rather it is possible to establish a working group). The primary function of the Research Center should be advising and preparation of expert opinion on green projects, as well as monitoring the green finance and green instruments market trends;
- Define the interaction protocol between the AIFC bodies and organizations, as well as key stakeholders involved in the creation of the green finance market including the Green Finance Research Center, the Green Finance Center of Excellence, the AIFC Exchange, the AIFC FinTech Hub, the AFSA, and Expat Center, and other.

Achievement of the AIFC leadership as a green finance hub involves the development of competencies in the stated area, made possible through the creation of the AIFC green finance Center of Excellence, which will become the structural unit of the AIFC. Among the first steps for its creation, it is necessary to create a database of knowledgeable green finance experts, form the pool of trainers and develop effective programs for spreading knowledge in this direction.

To achieve growth of green finance knowledge, and taking into account the current trends in the field, as well as the opportunities for introducing new mechanisms and instruments of the green financing system, it is expected to establish the green finance Research Center. At the same time, the list of the primary functions of this Center should include consulting and preparation of expert opinion on green projects, as well as performing research requiring an interdisciplinary approach and looking for new solutions.

Moreover, to ensure the efficient functioning of the AIFC as a green finance hub, it is necessary to define a clear interaction protocol of the AIFC bodies and organizations, as well as key stakeholders that operate and provide services in the sphere of green finance. This protocol will define interaction with such bodies as the AIFC Exchange, the Green Finance Center of Excellence, Green Finance Research Center and others. At the same time, the structural subdivisions do not necessarily mean the departments of the AIFC, but also individual legal entities, as well as its working groups.

KPI

The key indicator: the number of the AIFC members and organizations conducting their activity in the field of green finance on the AIFC site.

The purpose of the indicator: monitoring the number of entities conducting green finance activities on the AIFC site that demonstrates the interest of subjects in the green economy.

The additional indicator: the number of green projects, for which financing is arranged on the AIFC site.

The purpose of the indicator: evaluation of the activity of the AIFC site members in terms of implementing green projects.

THE STRATEGIC DIRECTION 2: CREATION OF THE MARKET OF GREEN FINANCIAL INSTRUMENTS

The goal of this direction is to form a stable market for green financial instruments in Kazakhstan through the development of some administrative measures facilitating the issue and trade of green financial instruments at the AIFC site.

The second strategic direction envisages the measures to ensure the regulatory and normative infrastructure of the green financial market at the AIFC Exchange including settlement regulation systems, circulation of green financial instruments, ensuring disclosure of information by issuers and participants in the green financial market.

A particular legal regime within the specified boundaries of the AIFC allows the development of regulatory and normative documentation necessary for the operation of the green financial market.

In this regard, it will be reasonable to launch the green financial market in two stages: to start, inside the AIFC Exchange for testing the regulatory mechanism of the green financial market. After the successful implementation of the first stage, it would be safe to proceed to the second stage - the approval of regulatory and normative documentation at the national level.

Objective 1. Formation of a regulatory framework (standards, disclosures, reports) to ensure the issue and trade of green financial instruments at the AIFC site

This stage involves the development and implementation of the necessary framework for the creation of a market and the issuance/circulation of green bonds at the AIFC site, among the AIFC members and organizations conducting their activities in the field of green finance on the AIFC site.

Activities for the implementation of the objective:

Stage 1. (pilot launch at the AIFC site level)

- The qualification of the procedure for disclosing information on the implementation of green projects and the implementation of environmental obligations (actual and potential impact of the project results on the environment, companies' efforts to mitigate environmental impacts);
- The qualification of the criteria necessary for the classification of the list of activities eligible to be called green projects (ENSO classification);
- The development of regulations for the evaluation and selection of green projects;
- The qualification of the criteria necessary for the classification of types of securities eligible to be called green based on Climate Bonds Standards and Green Bonds Principles;
- The development and approval of rules for the accreditation of verifiers of green securities in accordance with accepted international standards;

- The development and implementation of a system for monitoring and tracking the issuance of green bonds and issuers' reporting thereon;
- The development, approval, and implementation at the AIFC site of regulatory acts for the circulation of green bonds on the AIFC Exchange and among the market participants: acceptance into the listing, in pledge, and other.

Stage 2. (national and international level)

This stage involves the transmission of the results of the previous stage at the national and international level:

- The amendments to national regulatory and legislative acts for internal circulation of green financial instruments. For example, providing an opportunity to work with green bonds issued at the AIFC site for financial structures (for example, banks) that are not the AIFC members;
- The development of the necessary regulatory framework based on world standards and requirements for the subsequent placement of green instruments on international exchanges.

Objective 2. Launching of the trade in green securities through the implementation of two main stages: a pilot launch with administrative support and the main launch

It is also practical to launch the green securities trading market in two stages. At the stage of the pilot launch, green instruments that are the most refined and accessible in the world market should be developed, one of which is green bonds, followed by the addition of other financial products, in particular, greenhouse gas emissions trading.

The launch of the first stage should take place with the administrative support of local executive bodies or the Government of the RK (1-3 issuers), which will speed up the process of formation of the securities market.

The implementation of the activities will take place in 2 stages:

Step 1. (pilot launch, at the level of the AIFC)

- The consulting support in the preparation of the project for the issuance of green bonds with administrative support (for example, the project of modernization of municipal companies, and other);
- The advisory support from the AIFC and ICGT for the certification of green bonds under Climate Bonds Standards, or for the verification of green securities in accordance with accepted international standards, or on obtaining a second opinion according to the approved model;
- The assistance of the AIFC in obtaining a guarantee or insurance of risks related to payments of issued green bonds to increase their attractiveness to investors;
- The advisory support from the AIFC and ICGT for the pilot placement of

green bonds on the AIFC Exchange;

- The advisory support of the ICGT of pilot issuers of green bonds to ensure disclosure of information on the transaction between them and investors, monitoring the transaction.

Step 2. The withdrawal from the AIFC site to the international level

- The main launch to the national and international markets.

Objective 3. Researching the possibility and economic feasibility of launching the market of derivatives of green financial instruments

To expand the market for green financial instruments, we suggest providing a systematic and step-by-step approach to assessing the feasibility of launching derivatives of green financial instruments. It is necessary to study the following issues to implement this task:

- The quotas for greenhouse gas emissions:
 - The positive and negative world experience in the quotas trading;
 - The measures that the government takes to reduce emissions, specific features (in particular, regulation) of the market;
 - The order and improvement of the emission inventory (in individual sectors);
 - The financial and technical support of the market;
 - The procedure for implementing projects and programs to reduce emissions;
 - The factoring costs for reducing emissions;
 - The pricing and investment solutions.

Recycling certificates:

- The world experience in handling recycling certificates;
 - The possibility of using the certificates themselves as green securities (free circulation of certificates on the AIFC Exchange);
 - The use of recycling certificates as an instrument of green financing (covering part of funds upon the green auto loans financing);
 - The possibility of introducing recycling certificates in various sectors of the economy (agriculture, light and heavy industry).
- The use of other green financing instruments in cooperation with UNDP BIOFIN at the AIFC site:
 - Climate Bonds, financing projects in the field of adaptation and mitigation of climate change;
 - Blue Bonds, financing projects for sustainable development of fisheries and conservation of aquatic ecosystems;
 - Ecosystem Green Bonds secured by assets and associated with sustainable green initiatives that provide cash flows;
 - Wildlife Impact Bond aimed at improving the protection of flora and

fauna, as well as reducing the risks of extinction and loss of biodiversity;

- Conservation Impact Bond aimed at achieving the result of environmental protection;
- Other possible green financing instruments.

KPI

The key indicator: the number of issues of green bonds at the AIFC site.

The purpose of the indicator: formation of a stable market of green financial instruments in Kazakhstan.

The additional indicator 1: the volume of transactions on green bonds at the AIFC site.

The purpose of the indicator: an increase in the green financial market.

The additional indicator 2: growth rate of foreign investors working at the AIFC site.

The purpose of the indicator: an increase in the number of foreign investors operating at the AIFC site.

The additional indicator 3: the growth rate of green transactions at the AIFC Exchange.

The purpose of the indicator: an increase in the number of green transactions on the AIFC Exchange.

THE STRATEGIC DIRECTION 3: DEVELOPMENT OF COMPETENCES IN THE SPHERE OF GREEN ECONOMY

Green finance is a new direction, within which the knowledge base is regularly updated and expanded. Without proper preparation, a full implementation of the potential of the green financial system is impossible. To ensure a high level of development and competitiveness, as well as assessing the effectiveness of the AIFC green finance work, human capital accumulation, dissemination, and efficient knowledge sharing are necessary. In particular, during the research, experts repeatedly noted the strategic importance of training and retraining of personnel in the field of green finance.

Thus, the continuous improvement of the competencies of the subjects of the green financial system in Kazakhstan and the provision of its professional personnel becomes one of the key requirements in the implementation of the AIFC goals as a hub of green finance.

We identified two primary tasks for the implementation of this direction.

Objective 1. The Organization of training of specialists in the field of green finance and mechanisms for working with green financial instruments

The AIFC Center of Excellence in the sphere of green finance will perform the following activities:

- The development and implementation of training programs, retraining and advanced training courses in the field of green finance;
- conducting training by the own trainers of the AIFC Center of Excellence in the field of green finance with the involvement of specialists from green financial centers and consulting companies;
- The development and implementation of its own program of international certification of specialists in the application of green financial instruments.

At the moment, the AIFC Center of Excellence in the field of green finance is the only structure in the region to increase human capital - specialists using green financial instruments. Moreover, its own certification program in the field of the application of green financial instruments coordinated with international institutions of education and training of specialists in the field of green finance and investment is in demand at the international level will ensure the competitiveness of trained personnel and will assign the reputation of the leader to the AIFC.

Objective 2. Information support for AIFC members and organizations conducting activities in the field green finance on the AIFC site

The following is necessary to implement this objective:

- Establishing of cooperation with a network of international experts in the field of green finance;
- Forming and updating of the knowledge base in the field of green finance with the provision of open access to information to participants of the AIFC and organizations conducting activities in the field of green finance on the AIFC site.

The implementation of this objective implies the creation of an extensive knowledge-sharing network for disseminating the most current information on green finance and providing an opportunity for interaction between the state, industry, private business in this field.

KPI

The key indicator: the number of trained specialists in green finance, who continue to work at the AIFC site

The purpose of the indicator: monitoring the effectiveness of measures to improve competencies in the sphere of green finance.

The additional indicator 1: number of specialists trained in the AIFC Center of Excellence.

The additional indicator 2: the demand for AIFC programs for training and certification of specialists in the field of green finance at the international level (in terms of the number of foreign participants in training programs).

The purpose of indicators 1 and 2: assessment of the increase of confidence in the AIFC competencies in green finance.

THE STRATEGIC DIRECTION 4: AIFC IMAGE IMPROVEMENT AS A HUB OF GREEN FINANCE AT THE REGIONAL AND WORLD LEVEL

The goal of this strategic direction is to ensure the international community's confidence in the AIFC as a hub of green finance in the Eastern European and Central Asian regions.

The Kazakhstan model of the AIFC as a hub of green finance will be the central core of the national economy oriented towards sustainable development.

An integral part of the AIFC positive international image will be the holding of high-level events in Astana with the participation of the heads of financial centers of the world and global investors, as well as the positioning of the AIFC as a hub of green finance on international platforms.

The strategic tasks of this direction are:

Objective 1. Holding international events to support and develop the sphere of green finance

The following activities will be performed in order to implement this task:

- The Establishment of the annual green finance prize Green Finance Award:
 - The development of the Concept of the Award Ceremony;
 - The development and coordination of the budget of the ceremony;
 - The development of a plan and procedure for the conduct of the ceremony.
- The Initiation of the nearest possible event of the UN FCCC in Astana:
 - The preparation of the justification for holding the event in Astana, including determining the competitive advantages of Kazakhstan over other applicants;
 - The preparation of an application for the nearest possible event of UN FCCC in Astana.
- The Participation in EXPO-2020 in Dubai:
 - The preparation of the concept of participation of the AIFC as a hub of green finance, determination of competitive advantages of participation in EXPO-2020.
- Monitoring of major international events in the field of green finance and the formation of the AIFC participation plan as a hub of green finance:
 - The Evaluation of prospects and benefits of participation;
 - The Organizational arrangements for participation.

Objective 2. Establishment of cooperation with international networks of experts in the field of green finance

- active work within the International Network of Financial Centres for Sustainability;
- indexing the AIFC green finance performance in the Global Green Finance

Index.

Joining the efforts of a growing number of financial centers around the world can play a crucial role in combating climate change and the transition to sustainable development. For example, on September 28, 2017, Casablanca hosted the first global forum of world financial centers in the field of sustainable economy, which resulted in the decision to create an International Network of Financial Centres for Sustainability, which is called upon to make joint efforts in the development of the green financial system.

Furthermore, in spring 2018, the publication of the first green finance index is planned within the framework of The Global Green Finance Index initiative aimed at the development of the green component of the world financial centers. The published research results within the framework of this index will provide an assessment of the effectiveness of green financial centers taking into account various indicators.

Active work in these two areas will increase the level of trust in the AIFC and help strengthen its image in the international arena.

Objective 3. The development of a Media Program on the positioning of the AIFC as a regional hub for green finance

The following activities should be performed when implementing this task:

- The development of a communication strategy and a detailed media plan;
- Ensuring the media activity of the AIFC following the media plan.

This task is aimed at adopting elaborate measures to eliminate reputational costs, ensuring maximum transparency of the AIFC activities in the sphere of green finance, raising awareness of the AIFC activities and cultivating the AIFC image as a hub of green finance using a wide range of PR instruments. This will, in turn, expand the role of the AIFC in promoting the transition to the green economy of Kazakhstan, the regional movement towards sustainable development, and the positioning of the AIFC as a regional hub of green finance.

Objective 4. Formation of information and analytical base for international organizations that provide grants, concessional financing and free consultancy support for projects in the field of green economy

The following activities should be performed when implementing this task:

- Negotiating with organizations that provide grant funding for green projects;
- The signing of memorandums on cooperation with organizations allocating grant financing;
- The internships for the AIFC staff in organizations that provide grant funding for a detailed study of the financing mechanisms of green projects.

Realization of this task will allow establishing long-term contacts with international organizations that allocate grants for the implementation of green

projects and accelerate the process of financing similar projects in Kazakhstan and the Central Asian region. For example, there are a number of international organizations actively working around the world, such as the Green Climate Fund, UNEP Finance Initiative, World Bank Grants, and others. However, it should be noted that out of 58 grant programs of the Green Climate Fund, only 5 projects are implemented in the Central Asian and Caucasus region, which is 9% of the total number of grants allocated. Besides, the need to intensify the work in this area is since the Central Asian region was one of the last to join the climate race, as a result of which there is a minimal number of projects approved for financing in the region and Kazakhstan in particular.

KPI

The key indicator: an increase in the number of foreign investors and participants of the AIFC and organizations carrying out activities in the field of green finance on the AIFC site.

The purpose of the indicator: increasing confidence in the AIFC as a hub of green finance.

The additional indicator 1: number of references to AIFC activities in the field of green finance in foreign media.

The purpose of the indicator: an increase in the awareness of the global community in the AIFC activities in the sphere of green finance.

The additional indicator 2: number of international organizations working with AIFC to attract grants for implementing green projects in the target region.

The purpose of the indicator: increasing funding and facilitating access to financing of green projects.

E. ANNEXES

Annex 1. MONITORING SYSTEM OF IMPLEMENTATION OF THE STRATEGY FOR SECURING THE REGIONAL LEADERSHIP OF THE GREEN FINANCE AFTER 2025

The system for monitoring the implementation of THE STRATEGY OF ENSURING REGIONAL LEADERSHIP OF THE AIFC IN THE SPHERE OF GREEN FINANCE UNTIL THE YEAR 2025 (hereinafter referred to as the “Strategy”) will allow to promptly to receive reliable information on the implementation of the strategy according to the plan as well as assess the effectiveness of the implemented instruments and decisions, and the effectiveness of the implemented activities.

The system for monitoring the implementation of the strategy is a system of KPI indicators that allow the assessment of the effectiveness of the implementation of each strategic direction, and tasks thereon.

Another objective of this monitoring system is to minimize the risks associated with the implementation of the Strategy.

Monitoring the values of indicators in accordance with this document will allow timely corrective actions to be implemented and effective measures to take place for the full implementation of the Strategy.

In the process of implementation, the value of indicators should be adjusted depending on the trends of green economy development in Kazakhstan and abroad, the development and application of best practices in the sphere of green finance, the experience of other green financial hubs.

The description of the KPI for the implementation of the AIFC Regional Leadership Ensuring Strategy in the field of green finance until 2025 in the context of strategic directions is sited below.

STRATEGIC DIRECTION 1: CREATION OF THE GREEN FINANCE HUB

The key indicator: the number of participants of the AIFC and the organizations carrying out activity in the field of green finance on the AIFC site.

An absolute indicator is characterizing the number of participants of the AIFC and organizations carrying out activity in the field of green finance on the AIFC site. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicator: monitoring the number of entities engaged in activities in the field of green finance at the AIFC site shows the interest of entities in the green economy.

The additional indicator: the number of green projects for which funding is raised at the AIFC site.

An absolute indicator is characterizing the number of green projects launched and implemented at the AIFC site. At the same time, only projects that

received funding through green financial instruments at the AIFC site are considered. The indicator is subject to monitoring from 2018.

The purpose of the indicator: assessment of the activity of the participants of the AIFC site in the part of the implementation of green projects.

STRATEGIC DIRECTION 2: FORMATION OF THE GREEN FINANCIAL INSTRUMENTS MARKET

The key indicator: the number of issues of green bonds at the AIFC site.

An absolute indicator is characterizing the number of issuers that placed their green securities on the AIFC Exchange in the reporting period. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicator: formation of a stable market of green financial instruments in Kazakhstan.

The additional indicator 1: the volume of transactions on green bonds at the AIFC site.

An absolute indicator is characterizing the total volume of transactions made in the reporting period at the AIFC site. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicator: an increase in the green finance market.

The additional indicator 2: the growth rate of foreign investors working at the AIFC site.

The ratio between the indicators of the number of foreign investors (non-residents of the Republic of Kazakhstan, or groups of individuals consisting of non-residents of the Republic of Kazakhstan) operating at the AIFC site in the field of green finance of the reporting year and the same indicator for the previous period. The indicator is subject to monitoring from 2019; the reporting period is the fiscal year.

The purpose of the indicator: an increase in the number of foreign investors operating at the AIFC site.

the additional indicator 3: the growth rate of green transactions on the AIFC Exchange.

The ratio between the indicators of the number of green transactions on the AIFC Exchange of the reporting year and the same indicator for the previous period. The indicator is subject to monitoring from 2019; the reporting period is the fiscal year.

The purpose of the indicator: an increase in the number of green transactions on the AIFC Exchange.

STRATEGIC DIRECTION 3: DEVELOPMENT OF COMPETENCES IN THE SPHERE OF GREEN ECONOMY

The key indicator: the number of trained specialists in green finance who continue to work at the AIFC site.

An absolute indicator is characterizing the number of certified experts in green finance working at the AIFC site in the field of green finance. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicator: monitoring the effectiveness of measures to improve competencies in the sphere of green finance.

The additional indicator 1: number of specialists trained in the AIFC Center of Excellence.

An absolute indicator is characterizing the number of certified specialists in green finance, trained in the AIFC Center of Excellence. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The additional indicator 2: the need for AIFC programs for the preparation and certification of specialists in the field of green finance at the international level (regarding increasing the number of foreign participants in training programs).

An absolute indicator is characterizing the increase in the number of foreign participants in training programs. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicators 1 and 2: assessment of the increase of confidence in the AIFC competence in the sphere of green finance.

STRATEGIC DIRECTION 4: AIFC IMAGE IMPROVEMENT AS A HUB OF GREEN FINANCE AT THE REGIONAL AND GLOBAL LEVEL

The key indicator: an increase in the number of foreign investors, participants of the AIFC and organizations carrying out activities in the field of green finance on the AIFC site.

An absolute indicator is characterizing the growth in the number of investors, participants of the AIFC and organizations carrying out activities in the field of green finance on the AIFC site and/or implement green projects at the AIFC site. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicator: an increase in confidence in the AIFC as a hub of green finance.

The additional indicator 1: the number of references to the AIFC activities in the field of green finance in foreign media.

An absolute indicator is characterizing the growth in the number of references to the AIFC activities in the field of green finance in foreign media. The indicator is subject to monitoring from 2018; the reporting period is the fiscal year.

The purpose of the indicator: raising awareness of the global community in the activities of AIFC in the sphere of green finance.

The additional indicator 2: number of international organizations working with AIFC to attract grants for the implementation of green projects in the target region.

An absolute indicator is characterizing the growth of the number of international organizations working with AIFC to attract grants for the implementation of green projects. The indicator characterizes the increase of image and confidence of foreign companies in AIFC as a hub of green finance. The indicator is subject to monitoring from 2018, the reporting period is the fiscal year.

The purpose of the indicator: increasing funding and facilitating access to financing of green projects.

Annex 2. KPI for the implementation of the Strategy

Name	Monitoring period	Unit of measurement	Target values by year							
			2018	2019	2020	2021	2022	2023	2024	2025
STRATEGIC DIRECTION 1: CREATION OF THE GREEN FINANCE HUB										
The number of participants of the AIFC and the organizations carrying out activity in the field of green finance on the AIFC site	annually from 2018	unit	1	2	3	4	5	6	7	8
the number of green projects for which funding is raised at the AIFC site	annually from 2018	unit	1	3	5	5	5	5	5	5
STRATEGIC DIRECTION 2: FORMATION OF THE MARKET OF GREEN FINANCIAL INSTRUMENTS										
The number of issues of green bonds at the AIFC site	annually from 2018	unit	1	3	5	5	5	5	5	5
The volume of transactions on green bonds at the AIFC site	annually from 2018	USD	500 000	1 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000
The growth rate of foreign investors working at the AIFC site	annually from 2019	%	-	3	5	5	7	7	10	15
The growth rate of green transactions on the AIFC Exchange	annually from 2019	%	-	3	5	5	7	7	10	15
STRATEGIC DIRECTION 3: DEVELOPING COMPETENCES IN THE GREEN ECONOMY										

Name	Monitoring period	Unit of measurement	Target values by year							
			2018	2019	2020	2021	2022	2023	2024	2025
The number of trained specialists in green finance who continue to work at the AIFC site	annually from 2018	person	10	20	20	25	25	25	25	50
The number of specialists trained in the AIFC Center of Excellence	annually from 2018	person	5	10	10	20	25	25	25	50
The need for AIFC programs for the preparation and certification of specialists in the field of green finance at the international level (in terms of the number of foreign participants in training programs)	annually from 2018	person	5	10	10	20	25	25	25	50
STRATEGIC DIRECTION 4: AIFC IMAGE IMPROVEMENT AS A HUB OF GREEN FINANCE AT THE REGIONAL AND GLOBAL LEVEL										
The growth in the number of foreign investors, participants of the AIFC and organizations carrying out activities in the field of green finance on the AIFC site	annually from 2018	unit	1	3	6	9	12	15	18	21
The number of references to AIFC activities in the field of green finance in foreign media	annually from 2018	unit	10	10	15	15	20	25	30	30
The number of international organizations working with AIFC to attract grants for the implementation of green projects of the target region	annually from 2018	unit	1	2	3	5	7	8	9	10

Annex 3. Implementation Plan for the Strategy

Task	No	Event title	Estimated terms of execution	Implementation with the participation of third parties
STRATEGIC DIRECTION 1: CREATION OF THE GREEN FINANCE HUB				
Objective 1. Creation of a favorable legal and economic environment for the members of the AIFC and organizations conducting activities in the field of green finance on the AIFC site and/or implementing green projects	1.	The development of a mechanism for subsidizing the second opinion ³ on green securities on the AIFC exchange (for 5-10 pilot green securities issues)	January-June 2018	Together with the Ministry of Energy of the Republic of Kazakhstan
	2.	The definition of benefit proposals for consulting, educational and other services	January-June 2018	AFSA, the AIFC Exchange
Objective 2. Preparation of internal structure of bodies and organizations of the AIFC as well as key stakeholders for launching and circulation of green financial instruments on its site	3.	Establish the AIFC Center of Excellence in the sphere of green finance (it is not necessarily an establishment of a stand-alone organization; it is possible to establish a working group)	January-June 2018	As part of the Bureau of Continuing Professional Development of the AIFC
	4.	Establish the AIFC green finance Research Center (it is not necessarily an establishment of a stand-alone organization, but rather it is possible to establish a working group). The primary function of the Research Center should be advising and preparation of expert opinion on green projects, as well as monitoring the green finance and green instruments market trends	January-June 2018	Together with the Ministry of Energy of the Republic of Kazakhstan, Ministry of Education and Science of the Republic of Kazakhstan, Nazarbayev University
	5.	Define the interaction protocol between the AIFC bodies and organizations, as well as key stakeholders involved in the creation of the green finance market including the Green Finance Research Center, the Green Finance Center of Excellence, the AIFC Exchange, the AIFC FinTech Hub, the AFSA, and Expat Center, and other	January-June 2018	
STRATEGIC DIRECTION 2: CREATION OF THE MARKET OF GREEN FINANCIAL INSTRUMENTS				
Objective 1. Formation of a regulatory framework (standards, disclosures, reports) to ensure the issue and trade of green financial	<i>Stage 1. (pilot launch at the AIFC site level)</i>			
	6.	The qualification of the procedure for disclosing information on the implementation of green projects and the implementation of environmental obligations (actual and potential impact of the	January-June 2018	Together with the Ministry of Energy of the Republic of Kazakhstan

³ Obtaining an objective opinion of a third-party organization regarding compliance with the criteria for green projects

Task	No	Event title	Estimated terms of execution	Implementation with the participation of third parties	
instruments at the AIFC site.		project results on the environment, companies' efforts to mitigate environmental impacts)			
	7.	The qualification of the criteria necessary for the classification of the list of activities eligible to be called green projects (ENSO classification)	January-June 2018	Together with the Ministry of Energy of the Republic of Kazakhstan, Nazarbayev University	
	8.	Development of regulations for the evaluation and selection of green projects	January-June 2018	Together with the Ministry of Energy of the Republic of Kazakhstan, Nazarbayev University	
	9.	The qualification of the criteria necessary for the classification of types of securities eligible to be called green based on Climate Bonds Standards and Green Bonds Principles	January-June 2018	Together with the Ministry of Energy of the Republic of Kazakhstan, Nazarbayev University	
	10.	The development and approval of rules for the accreditation of verifiers of green securities in accordance with accepted international standards	July-December 2018	Interested government agencies	
	11.	The development and implementation of a system for monitoring and tracking the issuance of green bonds and issuers' reporting thereon	July-December 2018	Interested government agencies	
	12.	The development, approval, and implementation at the AIFC site of regulatory acts for the circulation of green bonds on the AIFC Exchange and among the market participants: acceptance into the listing, in pledge, and other	July-December 2018		
	<i>Stage 2. (national and international level)</i>				
	13.	The amendments to national regulatory and legislative acts for internal circulation of green financial instruments. For example, providing an opportunity to work with green bonds issued at the AIFC site for financial structures (for example, banks) that are not the AIFC members	January-June 2019	Interested government agencies	
	14.	The development of the necessary regulatory framework based on	January-June 2019	Government of the Republic of	

Task	No	Event title	Estimated terms of execution	Implementation with the participation of third parties
		world standards and requirements for the subsequent placement of green instruments on international exchanges		Kazakhstan
Objective 2. Launching trade in green securities through the implementation of two main stages: a pilot launch with administrative support and the main launch	<i>Step 1. (pilot launch, at the level of AIFC)</i>			
	15.	The consulting support in the preparation of the project for the issuance of green bonds with administrative support (for example, the project of modernization of municipal companies, and other)	if necessary	LEB, potential issuer
	16.	The advisory support from the AIFC and ICGT for the certification of green bonds under Climate Bonds Standards, or for the verification of green securities in accordance with accepted international standards, or on obtaining a second opinion according to the approved model	if necessary	Together with the Ministry of Energy of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan
	17.	The assistance of the AIFC in obtaining a guarantee or insurance of risks related to payments of issued green bonds to increase their attractiveness to investors	if necessary	Interested government agencies
	18.	The advisory support from the AIFC and ICGT for the pilot placement of green bonds on the AIFC Exchange	if necessary	Together with the Ministry of Energy of the Republic of Kazakhstan
	19.	The advisory support of the ICGT of pilot issuers of green bonds to ensure disclosure of information on the transaction between them and investors, monitoring the transaction	if necessary	Together with the Ministry of Energy of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan
	<i>Step 2. The withdrawal from the AIFC site to the international level</i>			
	20.	The main launch to the national and international markets	2019-2025	Interested government agencies
Objective 3. Researching the possibility and economic feasibility of launching the market of derivatives of green financial instruments	21.	Research on the possible development of the market for greenhouse gas emission quotas	2019-2025	
	22.	Research on the possible development of the market for utilization certificates	2019-2025	
	23.	<u>Use of other green financing instruments in cooperation with UNDP BIOFIN at the AIFC site</u>	2019-2025	UNDP BIOFIN
STRATEGIC DIRECTION 3: DEVELOPMENT OF COMPETENCES IN THE SPHERE OF GREEN ECONOMY				

Task	No	Event title	Estimated terms of execution	Implementation with the participation of third parties
Objective 1. Organization of training of specialists in the field of green finance and mechanisms for working with green financial instruments	24.	The development and implementation of training programs, retraining and advanced training courses in the field of green finance	constantly	
	25.	conducting training by the own trainers of the AIFC Center of Excellence in the field of green finance with the involvement of specialists from green financial centers and consulting companies	constantly	
	26.	The development and implementation of its own program of international certification of specialists in the application of green financial instruments	2019-2020	
Objective 2. Information support for AIFC members and organizations conducting activities in the field green finance on the AIFC site	27.	Establishing of cooperation with a network of international experts in the field of green finance	constantly	
	28.	Forming and updating of the knowledge base in the field of green finance with the provision of open access to information to participants of the AIFC and organizations conducting activities in the field of green finance on the AIFC site	constantly	
STRATEGIC DIRECTION 4: AIFC IMAGE IMPROVEMENT AS A HUB OF GREEN FINANCE AT THE REGIONAL AND WORLD LEVEL				
Objective 1. Holding international events to support and develop the sphere of green finance	29.	The Establishment of the annual green finance prize Green Finance Award	2019	Interested government agencies
	30.	The Initiation of the nearest possible event of the UN FCCC in Astana	2019-2025	Interested government agencies
	31.	The Participation in EXPO-2020 in Dubai	May-October 2020	Interested government agencies
	32.	Monitoring of major international events in the field of green finance and the formation of the AIFC participation plan as a hub of green finance	constantly	
Objective 2. Establishment of cooperation with international networks of experts in the field of green finance	33.	Active work within the International Network of Financial Centers for Sustainability	constantly	
	34.	Indexing the AIFC green finance performance in the Global Green Finance Index	constantly, after creating the index	

Task	No	Event title	Estimated terms of execution	Implementation with the participation of third parties
Objective 3. Development of a Media Program on the positioning of AIFC as a regional hub for green finance	35.	The development of a communication strategy and a detailed media plan	constantly	
	36.	Ensuring the media activity of the AIFC following the media plan	constantly	
Objective 4. Formation of information and analytical base for international organizations that provide grants, concessional financing and free consultancy support for projects in the field of green economy	37.	Negotiating with organizations that provide grant funding for green projects	constantly	
	38.	The signing of memorandums on cooperation with organizations allocating grant financing	constantly	
	39.	The internships for the AIFC staff in organizations that provide grant funding for a detailed study of the financing mechanisms of green projects	constantly	