

Luxembourg, 11/12/2024

Environmental and Social Data Sheet

Overview

Project Name: KAZAKHSTAN - STRATEGIC FRAMEWORK FACILITY
 Project Number: 2024-0004
 Country: Kazakhstan
 Project Description: A strategic framework loan to support transport (Trans Caspian Transport Corridors) and renewable energy diversification with investments developed by public and private entities and financed by the Development Bank of Kazakhstan.

EIA required: multi-scheme operation. Requirements for E(S)IA vary by scheme type/size/complexity. To be determined for allocations.

Project included in Carbon Footprint Exercise¹: no
 (details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

The operation consists of a framework loan to support sustainable infrastructure investments (schemes or sub-projects) in Kazakhstan. The framework loan is to be intermediated by the Development Bank of Kazakhstan (DBK) to support eligible promoters developing schemes in two sectors:

- Energy sector: Renewable energy schemes, primarily wind energy and photovoltaic (PV). These schemes are developed by Independent Power Producers (IPP) obtaining concessions in public auctions.
- Transport sector: Road rehabilitation and construction schemes under the "medium" programme for Rehabilitation of Public Highways of National Importance developed by the National Company KazAvtoZhol.

All schemes/sub-projects proposed to be financed by EIB shall be allocated to the framework loan following the operation Allocation Procedure, including EIB eligibility criteria and scheme requirements on environmental and social aspects.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

Luxembourg, 11/12/2024

Environmental Assessment

National legislation

The Environmental Code of the Republic of Kazakhstan (No 400-VI 3PK) was adopted on 2 January 2021 to replace the 2007 Environmental Code. Following the recommendations by the OECD, Kazakhstan introduced considerable changes in the 2021 Code, when compared with the 2007 Code. The 2021 Environmental Code entered into force on 1 July 2021.

The EU-funded project “European Union – Central Asia: Water, Environment and Climate Change Cooperation” (WECOOP) concluded that the level of compliance of the 2021 Environmental Code with the EU environmental acquis and other internationally recognised approaches can be considered high.²

Environmental assessment of schemes

Based on the expected type of infrastructure investments, if located within the EU, it is likely that the schemes will fall under Annex I or Annex II of the EU's Environmental Impact Assessment (EIA) Directive (2011/92/EU as amended by 2014/52/EU). For investments subject to an ESIA and/or biodiversity assessment as defined by national legislation, the FI shall ensure that the ESIA and/or the biodiversity impact assessment is carried out and the related public consultation is undertaken in accordance with national legislation and the EIB performance E&S standards.

The development of individual schemes according to relevant legislation and standards, and the responsibility for managing their environmental and social aspects will rest with the scheme promoters. All schemes will require an environmental permit prior to start of construction.

In addition, it is proposed that an environmental and social management system (ESMS), or equivalent, is established for the EIB operation. The ESMS shall be applied by the promoters of all EIB financed schemes. The ESMS shall summarise the processes and procedures to ensure compliance of schemes with relevant environment, climate and social legal frameworks and the EIB Environmental and Social (E&S) Standards³. For all investments, climate change risks and vulnerability are to be assessed.

Specifics on energy sector schemes:

Schemes will be located across Kazakhstan. Specific requirements related to environmental and social impact are to be analysed at scheme allocation stage. Only renewable energy schemes in line with the EIB Energy Lending Policy are eligible under this framework loan. Renewable energy schemes contribute to climate change mitigation.

Specifics on transport sector schemes:

The proposed schemes to be financed include road rehabilitation under KazAvtoZhol's “medium” road rehabilitation programme. The target for the programme is the

² <https://wecoop.eu/kazakhstan-environmental-code-in-english/>

³ Available at <https://www.eib.org/en/publications/eib-environmental-and-social-standards>, Version dated February 2022.



Luxembourg, 11/12/2024

rehabilitation of approximately 5,000 km of existing republican and public roads over a period of four years. Schemes may be located across Kazakhstan. Rehabilitation under the medium programme is expected to include general civil engineering works, junction improvements, pavement replacing/resurfacing, drainage replacement, road signs and markings, lighting and/or other road ancillary works/equipment installation. Works are likely to all be within the existing road alignments. Land acquisition is not expected for the schemes, and this will be confirmed prior to allocation under the operation.

Road rehabilitation schemes could have limited temporary environmental impacts during the construction phase and, potentially, during their operation. Environmental impacts during construction may come from increased/diverted local traffic through traffic-related air pollution, exhaust gas and noise emissions, waste and water pollution, and generation of construction and demolition noise, dust, waste, and vibration. These direct impacts will have to be mitigated by following the project ESMS (or equivalent), national legislation, requirements of the relevant competent authority as included in planning/development and environmental permits and adhering to good industry practice.

Social Assessment, Public Consultation and Stakeholder Engagement

Schemes are to be developed according to national legislation and the EIB's Standards. The ESMS, or equivalent, shall summarise the procedure for the project. Further assessment of social aspects may be required for allocation of schemes under the EIB operation.

Moderate negative social impacts might arise if land acquisition is required for some schemes. To mitigate land-acquisition related impacts, a Resettlement Framework is to be included in the ESMS. Depending on the magnitude of impacts, the promoter may be required to develop a Resettlement Action Plan (RAP) or/and Livelihood Restoration Plan (LRP) to address resettlement and/or economic displacement of Project Affected Persons (PAPs).

For all other social impacts that might arise from the implementation of schemes, the promoter will follow the ESMS (or equivalent). This includes considerations about risk and impact identification and management related to vulnerable communities and individuals, workers' rights, community and occupation health and safety.

The EIB will ensure that the FI has an ESMS which includes a Human Rights Policy and a Code of Ethics in place, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the underlined solar PV projects, in compliance with the applicable provisions of the relevant E&S standards of the Bank, the national laws and the principles and standards of ILO conventions.

Other Environmental and Social Aspects

The financial intermediary (FI), DBK, has adopted environmental and social governance (ESG) principles based on which, the environmental and social compliance of schemes to be financed are reviewed following DBK procedures. This requires that the schemes fulfil the requirements established by the environmental

Luxembourg, 11/12/2024

legislation of the Republic of Kazakhstan. This includes demonstration of either an environmental impact assessment or a screening of the impacts of the planned activity.

Conclusions and Recommendations

All schemes/sub-projects proposed to be financed by EIB shall be allocated to the framework loan following the EIB's allocation procedures, whereby the sub-projects will be approved by EIB once their compliance with EIB eligibility criteria and environmental and social standards are confirmed.

The project is therefore considered acceptable for EIB financing in environmental and social terms, with the following undertakings:

- The project ESMS (or equivalent), referencing EIB E&S Standards, shall be established for the project and followed by the underlying promoter(s) for all the sub-projects.
- The FI shall demonstrate the availability of qualified resources to manage environmental, social and climate change issues.
- When relevant, the FI shall deliver to EIB the EIA report and other relevant environmental documents.
- The FI shall not commit any EIB funds against schemes that require an ESIA or biodiversity assessment according to national law without, prior to commitment, ensuring that the consent from the competent authority has been issued.
- For all schemes, the FI/promoter(s) shall provide, together with an allocation request,
 - A statement signed by the promoter that confirms environmental and social compliance with the EIB standards.
 - Environmental and Social Action Plan addressing identified gaps for the scheme and Environmental and Social Management Plan.
 - Resettlement action plan, where applicable.
- The FI will be required to undertake reasonable efforts to ensure that the projects it finances are screened for any labour issues in the supply chain and will endeavour where possible to cascade down similar requirements in its finance contracts with the promoters. In line with this, DBK, inter alia and on a best effort basis, will require the solar PV installation companies to obtain certificates from suppliers certifying no violations of labour rights to produce panels.
- The Bank will require the FI to store and maintain updated any E&S relevant documents (e.g., environmental studies, and Nature/Biodiversity Assessments, Environmental and Social Management Plans).