



**CIF TA Facility for Clean Energy Investments**

*First Call for Proposals*

**EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)**

*Proposal submission for*

**Capacity building for renewable energy integration in Kazakhstan**

2020-05-15



## Proposal submission template

### Country/ region

Kazakhstan

### Project Title

Capacity building for renewable energy integration in Kazakhstan

### Implementing MDB(s)

European Bank for Reconstruction and Development (“EBRD”)

### MDB client

The Kazakhstan Electricity Grid Operating Company (KEGOC) is a public joint stock company that owns and operates the electricity transmission grid of Kazakhstan. As a Transmission System Operator (TSO), KEGOC is a state-owned natural monopoly with responsibility for ensuring the stability and reliability of the national network as well as equal access to the wholesale electricity market.

### MDB focal point

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## Detailed description of proposed activity

Despite Kazakhstan's growing share of renewable energy in the country, the Transmission System Operator (TSO) – the Kazakhstan Electricity Grid Operating Company (KEGOC) – lacks sufficient operational and technical capacity to adequately integrate renewable energy into the power system of the country.

Therefore, to establish the enabling environment to **mobilize and accelerate large scale private sector investments in clean energy** in Kazakhstan, the proposed project (the "Project") aims to support KEGOC to assess and build the capacity necessary to manage the integration of renewable energy in the national grid at scale.

### ***Thematic focus area***

The Project, submitted under the CIF's TAF, will support the **thematic focus area of energy sector policy and regulation with investment relevance with the intent of scaling up clean energy investments in Kazakhstan.**

### ***Expected outcomes***

The Project's expected Outcome is that Kazakhstan's TSO – KEGOC – will have the capacity and tools necessary to manage the integration of renewable energy in the power system at scale, and thereby facilitate and accelerate large scale investments by the private sector. This Project-level Outcome is consistent with the TAF Outcome for the energy sector policy and regulation, which is that energy-focused policy and regulatory framework for private investments in renewable energy and energy efficiency is enhanced.

### ***Project structure***

To reach this Outcome, the Project is structured under two Components that will include the following interventions eligible under TAF:

#### **Component 1: Gap analysis, action planning and support**

Even at the existing renewables penetration level, there is a broad consensus that the power system as a whole is already lacking flexibility. The TSO is constrained in allowing the scaling of intermittent renewable energy for this reason, therefore it is critical that flexibility in the system is unlocked.

Overall system operations procedures and rules appear not up to current international standards. For example, the grid code is old and as such does not robustly provision for intermittent renewables; there is no economic dispatching; communications systems are not up-to-date (e.g., dispatching is done by phone). Addressing these issues is a necessary condition to enable the provision of flexibility by existing power plants in the system, which will in turn facilitate the integration of intermittent renewable energy.

The gap analysis aims to review the status of the mentioned relevant elements and establish a benchmark based on international practices which will feed into the action plan.

**1.1 Gap analysis.** Undertake a gap analysis of the TSO’s processes, procedures and capacity (relative to international practices) needed to better integrate intermittent renewable energy sources in Kazakhstan, including but not limited to:

- a) overall system operation tools and procedures (e.g., standards, forecasting, dispatching and metering of generation);
- b) communications and other control centre systems and protocols; and interactions with distribution system operators;
- c) institutional capacity to implement gender-responsive operations, including capacity to respond to gendered and socially-differentiated needs;
- d) inclusion of KEGOC women technical staff in planned trainings and career development opportunities consistent with international best practice standards in the energy sector.

**1.2 Action planning.** Design an action plan based on addressing the issues raised by the gap analysis. This analysis will consider the identified gaps on system tools and procedures; communications and related systems and protocols; institutional capacity; and how to support women staff’s capacity development to align to international best practice standards in the energy sector.

**1.3 Implementation support and training.** Provide implementation support, including training to the relevant stakeholders, to implement the action plan.

## **Component 2: Grid code review, amendments and support**

The current Kazakh grid code is broadly considered outdated and thus remains a hurdle to the technical integration of intermittent renewable energy. Therefore, it is important to bring the grid code up-to-date to facilitate operational flexibility, security and quality of supply to improve the functioning wholesale electricity markets.

**2.1 Grid code review.** The grid code, trading and settlement code, grid connection arrangements and system charging regimes will be reviewed with amendments proposed. KEGOC will be supported to assess where the current grid code requires enhancements, to draft grid code amendments in consultation with stakeholders, and to finalise the updated grid code. The development of the proposed amendments will include a targeted stakeholder consultation – with both men and women - on grid codes conducted through a roundtable format, to ensure that reforms (including regarding reliability, distribution, and affordability) reflect the socially-differentiated needs and interests of diverse stakeholders, both men and women.

**2.2 Grid code technical assistance and training.** Provide technical assistance, including training on the operation and rules of the balancing market.

## Justification and theory of change

### *(a) Alignment national context and challenges*

#### ***National context***

Kazakhstan is one of the largest emitters of greenhouse gases (“GHG”) in Central Asia, with ca. 72% of its electricity generated from coal. GHG emissions have increased by 40% since 2006 due to the economy’s overdependence on fossil fuels. At the same time, Kazakhstan possesses significant resources of renewable energy, such as wind, solar and hydro. Access to a reliable source of energy is of fundamental importance for the economic development and improving living standards in the country.

Consequently, the diversification of energy sources and decarbonisation of the economy are priorities of the Government of Kazakhstan (“GoK”). In order to overcome its power sector challenges, and reduce the country’s emissions, Kazakhstan’s policy is now based on promoting a more environmentally friendly system of energy supply that will include a range of renewable resources. This approach recognises the fact that country’s landscape is highly favourable for renewable energy development.

Under the Green Economy strategic initiative approved in 2013 and in line with the country’s Nationally Determined Contribution (NDC) under the Paris Agreement, the GoK has set a target of generating 3% of its total electricity from renewable sources by 2030, 6% 2025, and 10% of all of its power from alternative energy sources by 2030.

#### ***EBRD and CTF in Kazakhstan***

The EBRD’s involvement in Kazakhstan’s renewable energy market began in 2008, when the government and the EBRD signed a Sustainable Energy Action Plan (SEAP). This document outlined a range of joint actions, comprising investment and technical assistance. Following the signing of the SEAP, the government of Kazakhstan approached the EBRD asking for comments on a proposed renewable energy law.

The EBRD and the CTF have played a key role in the development of renewables sector in Kazakhstan. Between 2010 and 2015, the CTF provided a total of €1 million to support the work of the EBRD and the government of Kazakhstan in creating a favorable environment for renewable energy through analyzing barriers, identifying incentive mechanisms, and drafting primary and secondary legislation. The timeline of legislation and policy activities are summarized in Figures 1 and 2, and the supported projects are noted in Figure 3.

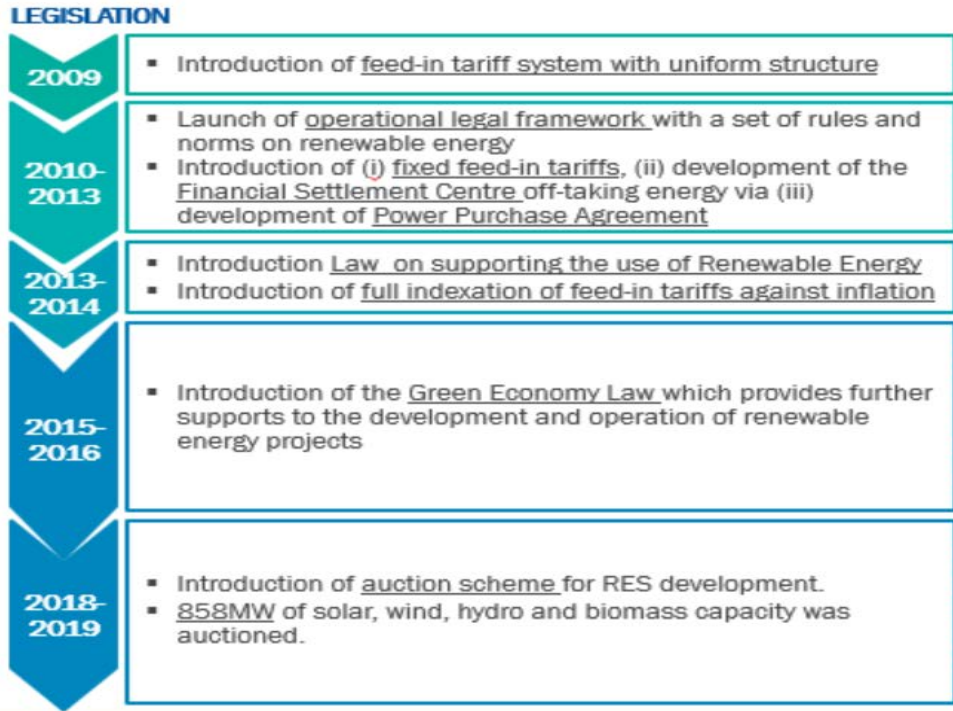


Figure 1. Timeline of legislation interventions

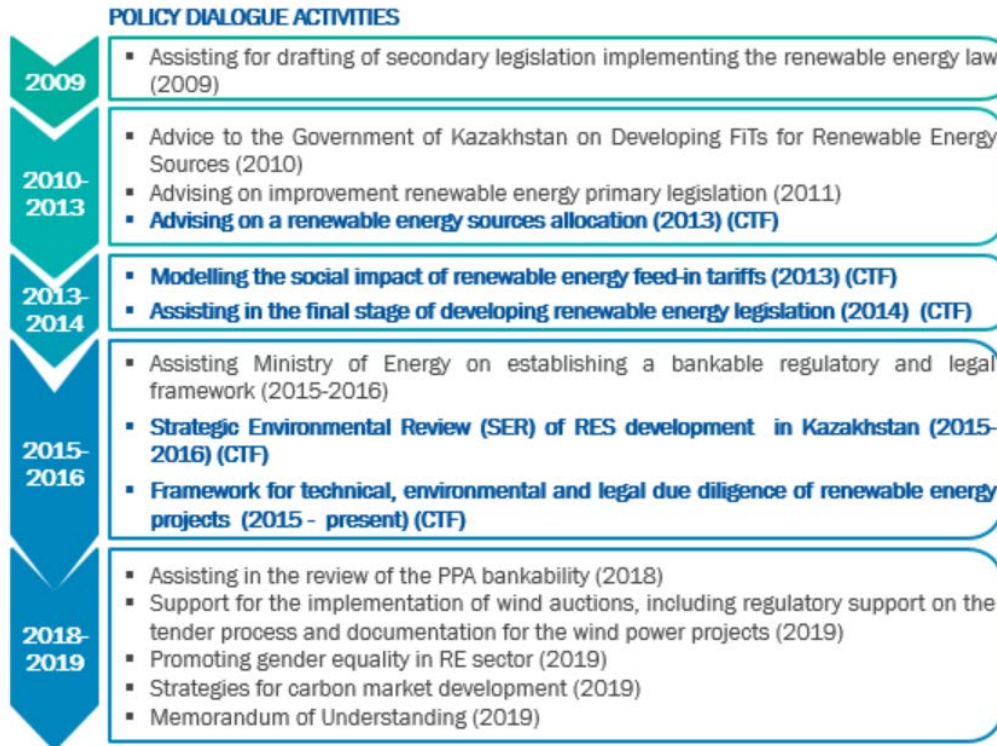


Figure 2. Timeline of policy dialogue activities (CTF-supported activities highlighted)

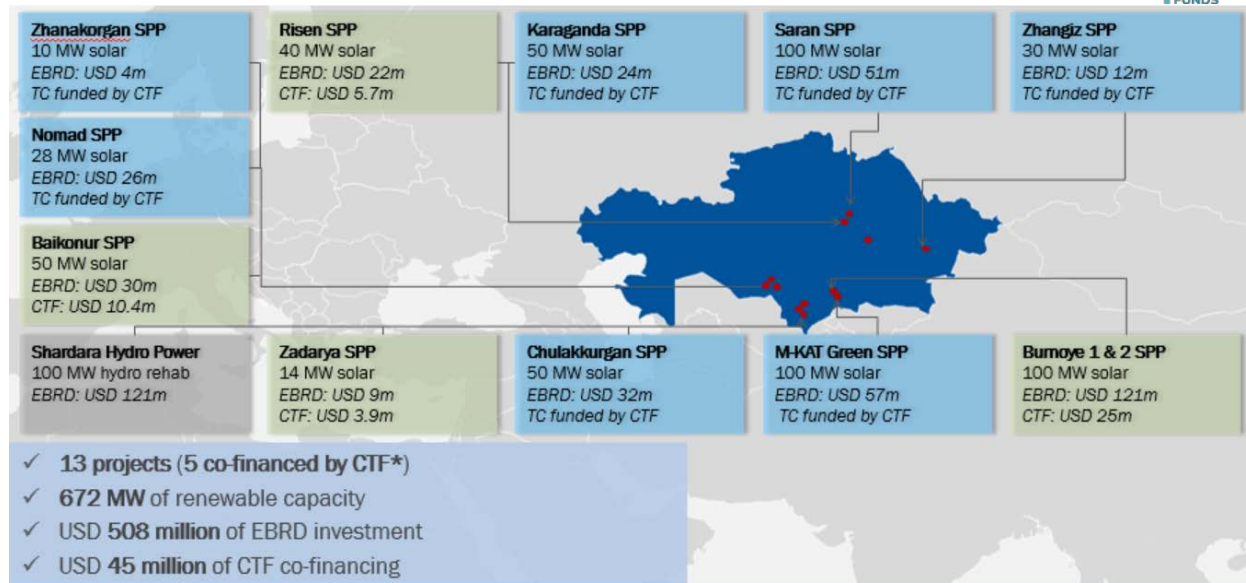


Figure 3. Promoting Green Economy Transition in Kazakhstan: Projects in 2014 – 2019

In 2013, Kazakhstan country adopted its first renewable energy regulation with the support of the CTF and EBRD technical assistance. The framework initially emphasized support to renewables projects through feed-in-tariff scheme. Following the continued active policy engagement of the Bank however, in 2018 Kazakhstan commenced the transition to a renewable auctions scheme, which is helping to bring down the costs of renewable energy through increased competition. A series of first tenders for the total of 858 MW of renewable generation capacity pushed the average prices per kWh down by 31% for solar, 11% for wind, and 14% for small-scale hydropower.

The EBRD remains closely engaged with the GoK with the Memorandum of Understanding signed in 2019 providing the basis for the long-term cooperation in the area of renewable energy development in the country. Through dedicated Kazakhstan Renewables Framework Phases I & II for the total amount of EUR 500 million of EBRD debt financing, the Bank has financed close to 600MW of renewable generation capacity. Projects financed under the frameworks are expected to result in GHG emission reductions of over 850,000 tonnes of CO<sub>2</sub> annually. In addition to supporting Kazakhstan's renewable energy generation targets, the Bank's financing and policy work are aimed at assisting the country to transition from a renewables market dependent on the fee-in-tariff system to a new competitive, market-based auction regime that should result in increased efficiency and cost reductions, ultimately improving the sustainability and viability of the country's renewable energy market.

As a result of these measures, Kazakhstan's renewables market has seen continued growth of the generation volume coming from wind, solar and small hydropower plants. In 2019 alone, the installed renewables capacity nearly doubled compared to previous year. It is expected that as of 2020 year-end the total renewable generation capacity would further increase up to 1600 MW, which is line with the 2020 target of 3% of renewable generation in total energy mix and on track to achieve 6% in 2025.



### ***Challenges and opportunities***

As solar- and wind-based electricity generation is variable (“VRE”) due to dependence on weather conditions, the increasing penetration of renewable technologies pose challenges to the power system. In Kazakhstan, these challenges are compounded by

- i) lack of maneuverable capacity (most plants are base load coal-fired plants) and
- ii) limited institutional capacity of the TSO to manage renewable energy integration (e.g., lack of technical knowledge specific to VRE generation; reliance on outdated processes to manage the grid).

It is therefore critical to unlock all available grid potential and help the TSO to manage the increasing penetration of intermittent generation sources to support further private sector investment and finance in the renewable energy in the country.

In addition, without the tools to ensure safe and reliable operation of the grid, support from key stakeholders will be undermined and sector development will stagnate or even could be adversely affected.

#### *(b) Mobilizing private sector investment and finance*

In 2008, the EBRD began its involvement in Kazakhstan’s renewable energy market, when the government and the EBRD signed a Sustainable Energy Action Plan (“SEAP”), which outlined a range of investment and technical assistance joint actions. Technical assistance activities focused on regulatory support in the area of renewable energy. The CTF allocated US\$ 116 million to back the creation of a renewable energy market by funding investment and technical assistance and, as a result, CTF-funded technical assistance began in 2010.

The EBRD reconfirmed its commitment to supporting the renewable energy sector in Kazakhstan through the approval in 2016 and 2019 of the Kazakhstan Renewables Framework Phase I & II for total EUR 500 million of EBRD debt financing to support construction of various renewable energy projects (wind, solar, small-scale hydropower and biogas). The Framework also envisages financing of the electricity grids to support the integration of these renewable energy projects into the national transmission system. In addition, it aims to broaden the range of investors and co-financiers, in particular by mobilizing new, international investors and lenders. The Framework is co-financed by a contribution from the Green Climate Fund in the amount of US\$ 110 million (US\$ 106 million in concessional loan finance and US\$ 4 million for policy related technical assistance).

Key objectives of the Framework are:

- support the low carbon transition of the Kazakh economy away from the current coal dominance by facilitating the competitive entry of renewable energy investment in combination with the power network upgrades to facilitate this renewable energy uptake;
- support Kazakhstan in reaching its renewable energy targets;
- support the transition of the country’s renewables regime to one based on competitive tendering of renewables projects;



- facilitate a new policy dialogue to support the design and implementation of the country's first site-specific wind auctions in order to strengthen the competitive renewables tendering scheme more widely;
- support women's access to economic opportunities in the renewable energy sector in Kazakhstan by enabling women to access high quality technical skills training in green technologies that directly reflect the needs of the sub-project clients.

*(c) How the proposal complements existing work*

This proposed Project complements on-going work with the focal entity – the Ministry of Energy (MoE) of Kazakhstan – under the EBRD's Kazakhstan Renewables Framework and with the Green Climate Fund (GCF). The overarching goal of the on-going work is to facilitate investment in renewable energy at scale in Kazakhstan. That work involves (i) enhancing the legal and regulatory framework applicable to renewable energy projects, and (ii) supporting the authorities in implementing competitive auctions for the procurement of site-specific wind power projects. The above work is focusing on developing pilot showcase projects which once successful could be replicated.

A key challenge for replication, however, is the limited capacity of the TSO to manage increasing intermittent electricity generation from such renewable energy projects. The capacity of the TSO has been identified as a barrier to further growth of intermittent renewables, and may pose a considerable threat to reliability of the system.

**The proposed Project, therefore, is considered to be an essential, complementary and unique contribution to secure Kazakhstan's green path.** Also, of note is that the Project has mainstreamed gender elements related to the TSO's operations / capacity gap analysis, and action plan development; and stakeholder consultations and trainings, which are a unique contribution of the Project among existing work in the renewable energy sector.

*(d) Theory of change*

The theory of change (ToC) of the proposed Project, presented in Figure 4, conveys the underpinning project logic and highlights the relationship between:

- Barriers and inputs;
- Project activities;
- Project outputs;
- Expected Project Outcomes
- TAF-level Outcomes; and
- the resulting Transformational Impact as a consequence of this sequence of actions and impacts.

The ToC that to achieve the transformational impact of assisting countries – in particular Kazakhstan under the proposed Project – to accelerate investments and market development of clean energy, the energy-focused policy and regulatory framework must be enhanced to support private investments in renewable energy and energy efficiency. To achieve this, the Project will work with Kazakhstan's TSO – KEGOC – to build the capacity and tools necessary to manage the integration of renewable energy in the power system at scale, and will support grid reform, and thereby facilitate and accelerate large scale investments by the private sector.

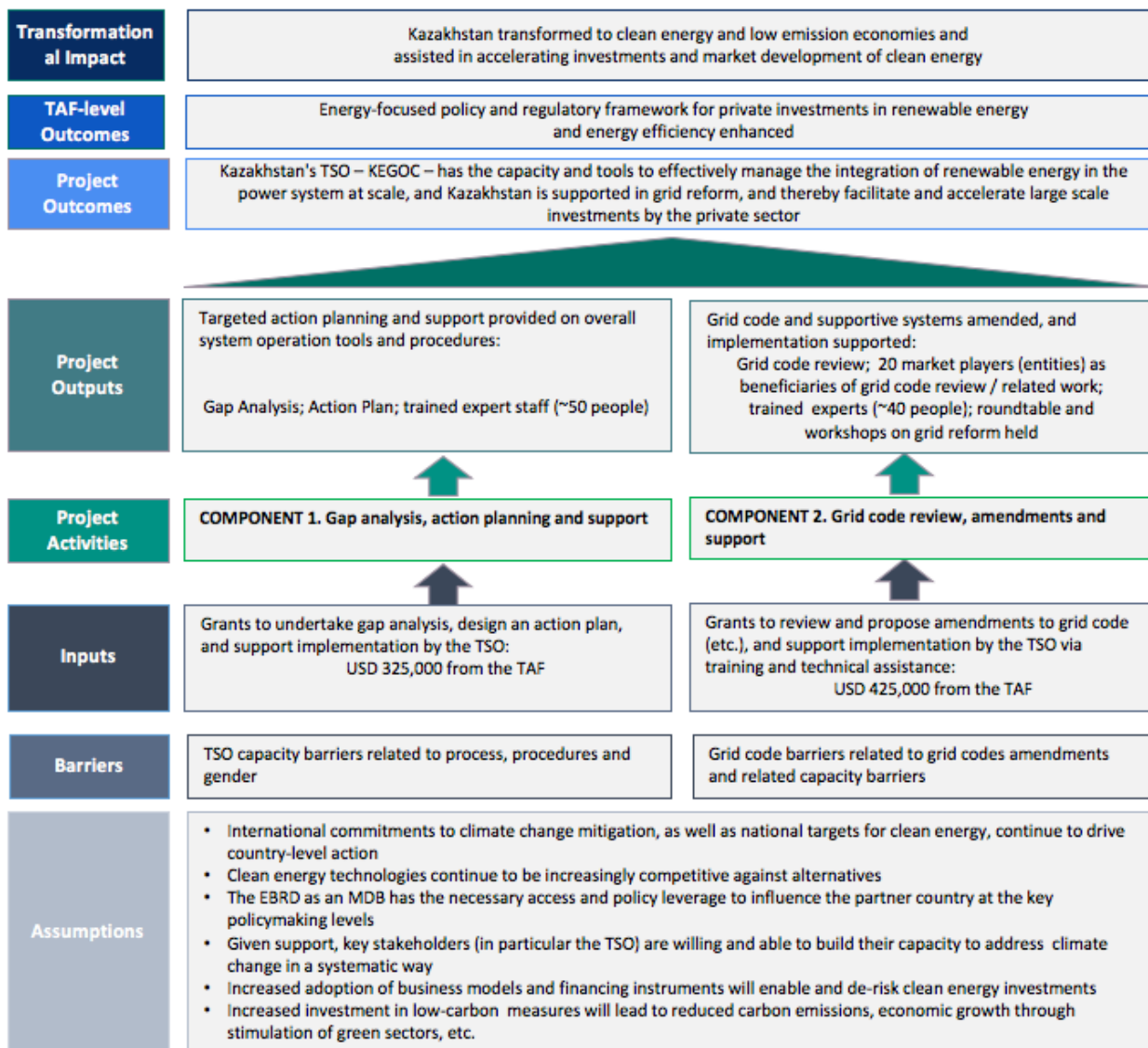


Figure 4. Project-level Theory of Change

### Consistency with selection criteria

The proposed Project is consistent with the TAF selection criteria as noted in Table 1.

Table 1. Summary of consistency with selection criteria

TAF Selection Criteria	Description
1. Align with national low carbon priorities, Paris Agreement, and sustainable development goals, including appropriate consideration of social and environmental impacts.	The GoK commenced the development of renewables regulations in 2009 and subsequently approved the Renewable Energy Law in June 2013 with the aim to increase the share of renewable energy in the country's electricity generation mix to 6% by 2025 and to 10% by 2030, in accordance with the Green Economy Concept strategic initiative launched in 2013, and in line with the

TAF Selection Criteria	Description
	country's Nationally Determined Contribution (NDC) under the Paris Agreement.
2 Integrated with and complementary to existing support programs of MDBs and contribute to the mainstreaming of clean energy finance mobilization within MDBs.	The proposed Project is complementary to, and will be integrated and mainstreamed with, the EBRD's own activities in Kazakhstan that have been described in this Proposal, specifically those funded by the CTF and the GCF.
3 Contribute to stronger policy framework and local capacity that facilitates scaling up of clean energy technologies by eliminating key barriers.	The proposed Project focuses on the developing the capacity of a key stakeholder – KEGOC – to effectively manage the integration of renewable energy in the power system at scale. The Project in particular targets elimination of key capacity barriers via supporting necessary analysis, code and standard development, etc. further enabled by implementing a training and support program.
4 Contribute to increased mobilisation of private sector investment and finance in clean energy.	By building KEGOC's capacity in targeted areas the Project will support and thereby enable KEGOC's readiness for increased renewable energy absorption and ultimately ensure the stability and reliability of the national network as well as equal access to the wholesale electricity market.
5 Follow an integrated approach involving key stakeholders (bi- and multilateral actors and initiatives, as well as both intra <sup>1</sup> - and inter-MDB), in order to address key issues along the value chain (from upstream policy support to downstream pipeline development) that support market transformation.	Multiple stakeholders necessary to support market transformation will be involved in the Project, ranging from the Ministry of Energy of Kazakhstan, to the Financial Settlement Centre as the off-taker for renewable energy generation, TSO itself as well as sector players such as existing power producers, IFIs including ADB and agencies such as USAID.
6 Follow active partnership model that harnesses the competencies of national and international energy, investment and finance institutions.	The Project will actively partner with national stakeholders. In particular the main stakeholder for the implementation of the Project is KEGOC, which is a key national partner to support and manage the integration of renewable energy in the power system at scale.
7 Integrate gender equality design considerations, particularly in TAF's three focus areas, as well as in the overall results framework.	Gender considerations has been included in the design of the Project, with activities mainstreamed under Components 1 and 2.

### Main focus area(s)

<input checked="" type="checkbox"/> Energy sector policy and regulation with investment relevance <input type="checkbox"/> Financial sector policy and regulation with energy relevance <input type="checkbox"/> Transaction enablers
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<sup>1</sup> Involvement by both public and private sector arms of the MDBs will be important to ensure that issues at the interface of public and private are not overlooked.

## Complementarity and additionality

The proposed activities are both complementary and additional to EBRD's own activities in Kazakhstan that have been described above and further in the EBRD Green Economy Transition (GET) Case Study: Renewable Energy in Kazakhstan<sup>2</sup> (2018).

As noted above (section *Justification and Theory of change, (c) How the proposal complements existing work*) a key challenge for renewables in Kazakhstan is the limited capacity of KEGOC to manage increasing intermittent electricity generation from renewable energy projects, and the capacity of the TSO has been identified as a barrier to further growth of intermittent renewables. The proposed Project is considered to be an essential, complementary and unique contribution to secure Kazakhstan's green path. Furthermore, the gender elements mainstreamed in the Project are an additional contribution to work in the renewable energy sector.

In addition, the proposed Project complements USAID's "Power the Future (PtF)" Regional Program, that aims to support five Central Asian countries (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan) in the transition to a cost-effective, low-carbon and sustainable economy by expanding the deployment of renewable energy. The EBRD has been working closely with USAID's PtF team based in Kazakhstan to (i) share outputs for each team's awareness of past and on-going work, and (ii) ensure EBRD's work complements and adds to USAID's.

Furthermore, the proposed activities will draw upon the results of:

- (i) technical assistance provided by the ADB for the benefit of KEGOC on "Integration of Renewables Into Kazakhstan's Power System". The study dated May 2019 focuses on broader issues concerning integration of renewable energy sources into the national grid of Kazakhstan;
- (ii) the UNDP-funded "De-risking Renewable Energy Investment" project, that seeks to promote private-sector investment in renewable energy in Kazakhstan to achieve Kazakhstan's 2030 and 2050 targets for renewable energy. The Project was designed to identify, assess and mitigate RES investment risks through analyzing the barriers and risks for renewable energy in Kazakhstan.

## Transformational change and knowledge sharing

While it is understood that the transition to low carbon economies and clean energy pathways is influenced by many variables and, therefore, is not expected to be directly attributed to TAF interventions; this proposal articulates a results chain from Project interventions to TAF-level outcomes and impact (see Theory of Change section and diagram).

To achieve the transformational impact of assisting Kazakhstan to accelerate investments and market development of clean energy, the Project focuses on transaction enablers that include instruments and systems to enable and de-risk clean energy investments. To achieve this, the Project will work with Kazakhstan's TSO – KEGOC – to build the capacity and tools necessary to manage the integration of renewable energy in the power system at scale. The proposed technical assistance support areas will

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<sup>2</sup> Available here:

<https://www.ebrd.com/cs/Satellite?c=Content&cid=1395283825471&pagename=EBRD%2FContent%2FDownloadDocument>

enable the TSO to build capacity and get access to best international practice with regards to system operation tools and procedures related to integration of renewables, which in turn will enable increase of share of renewables in the grid supporting Kazakhstan's ambitions in line with its NDCs.

Knowledge sharing is supported under the Project and is integrated into each of the three Components:

- Component 1 will codify and share knowledge related to system operation tools and procedures (e.g., standards, forecasting, dispatching and metering of generation; communications and other control centre systems and protocols; and interactions with distribution system operators). This will be shared as part of dedicated training to the relevant key technical staff.
- Component 2 will establish amendments to the grid code, trading and settlement code, grid connection arrangements and system charging regimes, and will support knowledge uptake on the operation and rules of the balancing market. Stakeholder inputs will be solicited through a roundtable on grid codes.

Gender will be mainstreamed throughout components 1 and 2 of the Project. International best practice related to women's career development standards in the energy sector will be incorporated in trainings and work-based learning opportunities for women in the TSO and will be shared with relevant energy market players.

The Project will develop a range of knowledge products that will be disseminated through appropriate formats and varied channels as noted in Table 2.

*Table 2. Knowledge products*

<b>Knowledge products</b>	<b>Dissemination approaches and formats</b>	<b>Beneficiaries</b>	<b>Timing</b>
1. Action plan	Internal review and supported implementation supported by technical consultants (report)	TSO relevant staff	Report: Q2 2022, with ongoing support for implementation provided throughout (Q3 2020 to end Q2 2022)
2. System operation tools and procedures	Training (training materials)	TSO relevant technical staff	Q3 2021
3. Grid code amendments	Roundtable on Grid Code (report)	Private sector, public entities, MDBs, and other stakeholders	Q2 2021
	Training (training materials)	TSO relevant technical staff	Q4 2021

### Budget<sup>3</sup>

The indicative request under the CIF TAF is for USD 750,000 under the renewable energy allocation.

Table 3 provides the indicative itemized budget (in USD)

*Table 3. Indicative budget*

<b>BUDGET ITEM</b>	<b>Indicative Budget (USD)</b>
Consulting services	
(a) Gap analysis and action planning	75,000
(b) Implementation support	100,000
(c) Grid code review	75,000
(d) Grid code technical assistance	100,000
	<b>350,000</b>
Training	<b>250,000</b>
Workshops, seminars (including Roundtable on Grid Codes) and outreach	<b>100,000</b>
Operating costs (e.g., office equipment) to implement activities	<b>50,000</b>
<b>TOTAL</b>	<b>750,000</b>

\* gender elements may be integrated into these services and provided by one consultancy supporting across Components.

### Implementation plan and timeline

The indicative implementation plan and timeline are presented in Table 4.

EBRD will report on the progress of the Project on semi-annual basis in line with EBRD procedures.

The Consultant will be contracted by EBRD in line with EBRD Procurement Policies and Rules.

Note that the overall and individual tasks' timing will vary depending on any changes in the timetable of the beneficiary, as well as on any challenges that may arise during the implementation of the tasks defined in the Terms of Reference, which will be developed shortly.

*Table 4. Implementation plan and indicative timeline*

<b>Key Activities and Milestones</b>	<b>Timing</b>
Procurement Notice advertised	July-August 2020
Consultant selection and consultancy contract negotiation and signing	September-October 2020
Overall assignment:	October 2020 to end July 2022 (20 to 24 months duration)

<sup>3</sup> The provided budgetary split is indicative and will be revised/confirmed prior to contract signing.

<b>Component 1: Gap analysis and action plan</b>	
Gap analysis report (deliverables containing gap-analysis on current capacity of TSO and action-plan for its capacity building)	October 2020 to January 2021
Interim Report (detailing implementation of action-plan, e.g., local staff training)	September-October 2021
Final Report (detailing achievements and potential next-steps for KEGOC to take)	June-July 2022
On-going advice on implementation of recommendations related to grid operation and management	October 2020 to end July 2022 (ongoing throughout)
Training and work-based learning opportunities	September 2021 to June 2022
<b>Component 2: Grid code review, amendments and support</b>	
Code review and amendments, including stakeholder consultation through a Roundtable on Grid Codes	October 2020 to July 2021
On-going advice on implementation	October 2020 to end July 2022 (ongoing throughout)
Closure	July 2022

### Stakeholder engagement and partnerships

The motivation for the proposed Project stems from the on-going EBRD's policy dialogue engagements in Kazakhstan focused on renewable energy. As part of these engagements the Bank has engaged with a broad stakeholder base relevant to the renewable energy sector in Kazakhstan including the Ministry of Energy, the off-taker for renewable energy (the Financial Settlement Centre), the electricity market operator (KOREM), other international organisations (specifically, USAID and UNDP), as well as renewable energy associations (specifically, the RES Association and the Solar Association).

This on-going engagement has revealed that there is a broad consensus among stakeholders that the scaling and acceleration of renewable energy investment in Kazakhstan would be enabled by support to KEGOC's management of the electricity grid in the context of a growing share in the electricity generation mix of intermittent renewable energy from solar PV and wind power projects.

The main stakeholder for the implementation of the Project is KEGOC. Key stakeholders will primarily include the Ministry of Energy of Kazakhstan, the Financial Settlement Centre (as the off-taker for renewable energy generation) and USAID, while also including substantial engagement with the other relevant entities. A major stakeholder engagement to be undertaken is on grid code amendments via a Roundtable on Grid Codes, targeting private sector, public entities, MDBs, and other stakeholders.



## Results framework

The EBRD will monitor and report on this as a TAF-supported project through its own institutional arrangements and project results frameworks (which will provide some additional granularity and intermediary project-level data). The methodology used by the EBRDs for each of the relevant TAF outcome indicators, as well as any additional indicators from their own results frameworks, will be included as part of the submission to the CIF Administrative Unit so that the data calculations are clear and can be aggregated to the extent possible.

It is noted that the TAF works in concert with other initiatives, and that progress and achievements reported by MDBs (including the EBRD for this proposed Project) in this context are contributions and cannot be exclusively attributed to TAF interventions.

<i>Results</i>	<i>Indicators</i>	<i>Baseline</i>	<i>Targets</i>	<i>Data source and means of verification</i>
<b>TRANSFORMATIONAL IMPACT</b>				
Countries transformed to clean energy and low emission economies  Countries assisted in accelerating investments and market development of clean energy	Level of investment from private capital sources in clean energy in countries that have received TAF support (absolute and share of total)	To be discussed	To be established and updated as appropriate	To be established and updated as appropriate
<b>OUTCOMES<sup>4</sup></b>				
CIF TAF OUTCOME 1:  Energy-focused policy and regulatory framework for private investments in renewable energy and energy efficiency enhanced	Number of energy related policies, laws, or regulations adopted, updated, or changed to support private sector investments (removing barriers, limiting risks) with TAF assistance	0  (Baseline set to zero for new TAF projects)	1 energy-related policies, laws, or regulations adopted, updated, or changed to support private sector investments with TAF assistance	EBRD Reports

<sup>4</sup> Data for applicable outcome indicators will be collected at project/program level and aggregated at the facility level and complemented by additional indicators from the MDB project log frames.

<i>Results</i>	<i>Indicators</i>	<i>Baseline</i>	<i>Targets</i>	<i>Data source and means of verification</i>
<b>OUTPUTS</b>				
Output 1. Targeted action planning and support provided on overall system operation tools and procedures	Gap Analysis Action Plan number of KEGOC expert staff trained	0 (Baseline set to zero for new TAF projects)	Gap Analysis report Action Plan report KEGOC expert staff trained: at least 50 people (collection of sex-disaggregated data)	Project reports Training materials
Output 2. Grid code and supportive systems amended, and implementation supported	Grid code review Market players (entities) as beneficiaries of grid code review / related work Trained experts	0 (Baseline set to zero for new TAF projects)	Grid code reviewed, shortcomings/omissions identified, recommendations developed, discussed with stakeholders and proposed to authorities  20 market players (entities) as beneficiaries and contributors to grid code review / related work  Trained expert staff: at least 40 people (collection of sex-disaggregated data)	Project reports Training materials

The MDBs will develop a detailed results framework with indicators for each individual project/program financed by the MDBs and the facility. In most cases, these frameworks may utilize indicators that are more sector-specific than the indicators in this TAF results framework consistent with the managing for development results (MfDR) approach with emphasis on impact and outcomes and respects the requirement to work within the MDBs' own project/program management approach.

Project results frameworks should include reference to *sex-disaggregated* results indicators, including number and percentage of women and men trained with support of TAF financing, and/or other gender indicators, as relevant. The technical assistance-level indicators include gender responsive aspects in strategy, legislative reforms, and transaction enablers.

### Assumptions and risks/ risk management

#### (a) Assumptions

The achievement of TAF objectives overall is based on the following assumptions:

- (i) international commitments to climate change mitigation, as well as national targets for clean energy, continue to drive country-level action;
- (ii) clean energy technologies continue to be increasingly competitive against alternatives;

- (iii) the EBRD has the necessary access and policy leverage to influence partner countries at the key policymaking levels;
- (iv) focus on climate and clean energy among MDBs including remains strong.

*(b) Risks*

Risk categories	Level	Mitigating action
Regulatory / Political Risk	Medium	Potential reluctance to implement reforms is mitigated by the progress achieved in the renewables/power sector to date, acceptance and willingness of the authorities to cooperate with EBRD and other IFIs active in the country and the authorities' track record in reforming the sector.
Implementation risk	Medium/ High <i>* see Covid-19 pandemic below</i>	<p>The implementation of the activity will respond to the context and needs of the beneficiary as and when unforeseen circumstances occur.</p> <p>Of note, since the proposed Project was first submitted for consideration, Covid-19 has induced unprecedented uncertainty that will impact the Project's planned implementation approach.</p> <p>Given that the Project anticipates beginning in July 2020, potential actions to mitigate Covid-19 related impacts include:</p> <ul style="list-style-type: none"> <li>• front-loading desk reviews to ensure that the work can begin but without immediate travel e.g. gap analysis, code review</li> <li>• considering how virtual technical assistance can be integrated in activities, to the extent possible</li> <li>• scheduling face-to-face stakeholder consultations, roundtable and trainings for 2021, and exploring suitable virtual consultation and training options</li> <li>• working closely with the CIF / CTF teams to accommodate changes required during implementation.</li> </ul> <p>During implementation, the EBRD monitors the progress through consultants, on-the-ground staff and through interactions with the main partners (KEGOC). A similar strategy is in place for quality assurance, whereby both external consultants and internal experts review, evaluate and monitor progress.</p>
Macroeconomic risks	Medium - Low	The economy of Kazakhstan is the largest in Central Asia although the growth has moderated in recent years as the country remains reliant on minerals, its main export article. External shocks / events may deter further investments in renewable energy, which is however mitigated by the supportive regulatory framework.
Gender Aspects	Low	The Project will ensure that all consultations with stakeholders will be designed in a gender responsive way and that both men and women will be consulted and will participate in all discussions related to the Programme. The EBRD's Gender and Economic Inclusion team has contributed to this proposal, and their recommendations for gender are fully mainstreamed in the proposed Project.

**\*Covid-19 Pandemic**

The coronavirus (COVID-19) pandemic is having a profound and deeply damaging impact on the countries where the EBRD works, posing enormous challenges for policymakers across all our regions.

Value destruction – as many economic activities are suspended for a prolonged period of time and businesses risk insolvency – is a major immediate threat to the economy. The EBRD role, in this context, is to protect the economy and transition gains achieved by supporting existing clients to preserve value and survive this period of unprecedented disruption. At the same time, the EBRD, through its investment and policy advice, will play a more systemic role in supporting the broader private sector.

Crucially, the success of such support and the nature and extent of the recovery will depend on how governments respond, particularly as the state participates more actively in the market. The EBRD will therefore also support governments with measures to cope with the immediate disruption of the crisis – including capacity building to address businesses’ concerns and mitigate vulnerabilities across different sectors and especially among small and medium enterprises.

The coronavirus pandemic and the ensuing socio-economic dislocation have the potential to entrench – and exacerbate – existing inequalities, as well as jeopardise hard-fought commitments to the green economy transition. Our policy advice will thus aim to ensure an inclusive and gender-responsive crisis response, strengthen good governance and safeguard the shift to the green economy.

The Bank is rapidly increasing support for clients and governments in the face of the coronavirus pandemic and now anticipates committing all activity in 2020/2021 to helping the 38 emerging economies where it invests to combat its economic impact.

EBRD shareholders have approved a comprehensive series of response and recovery measures that will significantly enhance the EBRD Solidarity Package, first unveiled on 13 March. The Bank stands ready to provide substantial support in form of finance and policy support up until the end of 2021 support to help combat the immediate threat from the virus.

Crucially, EBRD is also preparing our countries for the post-virus era and to safeguard everything they have achieved so far in building sustainable, fair and open market economies.

As part of our own policy response, we are monitoring, country by country, the economic channels of disruption associated with the pandemic and the crisis response measures taken by individual governments to date.

Our focus is on the measures and indicators that can foster private sector resilience and enable a rapid recovery once the pandemic subsides.

Because the available data in our countries of operations are diverse, and the indicators we can use are not necessarily comparable, we have also created an EBRD Policy Comparator. It lists the most implemented policies across our countries of operations and shows, country by country, which policies are being implemented, and where

These reports found on the EBRD's website (<https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response>) are live documents compiled by our regional economists and will be updated regularly as information, such as economic indicators, becomes available or as the policy of the government changes. The update on Kazakhstan (dated 2020-05-13) is attached as Annex A.

### Co-financing, if any

The proposed activity will be implemented under the EBRD's Kazakhstan Renewables Framework that is aimed at providing financing and policy support to assist Kazakhstan in improving the sustainability, viability and efficiency of the country's market for renewables. It is currently co-financed by the GCF and EBRD's own funds. The proposed Project will contribute to the aims and activities Framework alongside the GCF and will be a part of large package of activities including policy dialogue and capacity building support that will facilitate enabling environment for RES in Kazakhstan. As part of this framework, EBRD and GCF have pledged to mobilise USD 7 million to support these activities.

### Gender considerations and expected results

While the renewable energy sector is vital to Kazakhstan's economy, women are not equally benefiting from employment opportunities in the Power and Energy sector. Currently, women are under-represented in the Kazakh power and energy sector (ca. 31% of total Industry Employment) and are particularly absent from the higher paying jobs, with average ~20% pay gap across all salary levels – the third largest gap by sector in Kazakhstan. Not only legal prohibitions against women working in certain jobs persist, but also few women possess the university and vocational skills training that would qualify them for positions in renewable energy engineering, industrial management and core operations.

The gender activities of this Project will build on the gender activities developed under EBRD's Integrated Approach to Economic Inclusion in Natural Resources and Power and Energy, and under the Kazakhstan Renewable Energy Framework Phase I & II, and on the assessment of the barriers that women face accessing jobs in the renewable energy sector. The gender activities will aim at promoting equal opportunities for women in the Renewable Energy sector. With consultant's support, KEGOC will:

- Undertake an assessment to identify gaps and develop plan for improving equal opportunities policies and practices in its workplace
- Create training and work-based learning opportunities for women
- Explore how to support women's career development and align with international best practice standards.

Any future investment projects that may emerge as a result of this Project will include gender elements and commitment from the client side.

Annex A. Responding to the Coronavirus: Update on Kazakhstan (2020-05-13)

# Responding to the Coronavirus Crisis

## Update on Kazakhstan (13/05/20)



### EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits		Health	External Assistance		
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)	
*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

#### Economic channels of disruption

##### Exports, private consumption, services

- Severe lockdown (curfew in major cities, schools, non-essential businesses closed) affecting private consumption and the service industry
- Lower prices and weak global demand reducing commodity exports
- Services affected strongly: the sector declined by 17.5% y/y in Apr 2020 (namely, trade, transport, real estate and administrative services)

#### Selected crisis impact indicators

**EBRD GDP growth outlook** 2020: **-3%**  
(May 2020) 2021: **5.5%**

**Business Activity Index** **37.2** (down 4.3 points m/m)  
(published by the NBRK, April 2020)

**Business Activity Index in Services** **34.8** (down 3.9 points m/m)  
(published by the NBRK, April 2020)

**Exports** **down 8% y/y**  
(January-February 2020)

**Exchange rate** **down 9%**  
(01 January - 13 May 2020)

#### Crisis response measures to date

##### Support for healthcare, vulnerable individuals and businesses

- US\$ 10 billion anti-crisis package to support vulnerable individuals and businesses, strengthen the healthcare system
- KZT 600 billion subsidised short-term lending to SMEs for working capital needs
- KZT 1 trillion in subsidised lending under 'Economy of Simple Things'
- KZT 1 trillion 'Employment Roadmap' program to create jobs and finance infrastructure projects
- Forward contracts for government purchases of agricultural products

#### Selected crisis response indicators

- Direct support to firms** Deferral of taxes and other obligatory payments for SMEs in affected sectors until Jun 2020. Property tax cancelled for hospitality sector until end-2020  
Individual entrepreneurs exempted from individual income tax
- Support to individuals** Minimum wage for affected individuals - KZT 42,500 (US\$ 95) per month  
3-month payment holidays for loans  
VAT reduced from 12% to 8% for essential food products until Oct 2020
- FX restrictions** Mandatory sale of FX revenue by SOEs, tightening of FX sale to local companies
- Export quotas** Wheat (200,000 tonnes), flour (70 tonnes) until June 2020

#### Key short-term priorities

Improve targeting of fiscal stimulus measures, focusing on vulnerable sectors, SMEs, and individuals

To learn more about EBRD's support to Kazakhstan visit: <https://www.ebrd.com/kazakhstan.html>

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