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ENVIRONMENTAL AND SOCIAL ASSESSMENT OF THE LOGISTICS AND CARGO TRANSHIPMENT TERMINAL

Category B Project

NON-TECHNICAL SUMMARY



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NON-TECHNICAL SUMMARY

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LIST OF ABBREVIATIONS

BAT	Best Available Techniques
EBRD	European Bank for Reconstruction and Development
ESP	Environmental and Social Policy
E&S	Environmental and social
GET	Green Economy Transition
GHG	greenhouse gas
GIP	Good International Practice
LLP	Limited liability partnership
OHS	Occupational Health and Safety
PR	Performance Requirement (of EBRD)
RK	Republic of Kazakhstan
TLC	transport and logistics centre

DISCLAIMER

This document has been prepared by Ecoline International Ltd. (the Consultant) for the sole use of Eastcomtrans LLP and TLC Zhetygen LLP (together - the Clients) and the EBRD in accordance with generally accepted consultancy principles, the budget and the terms of reference agreed between the Consultant and the Clients. The Consultant assumes no responsibility to any other party in respect of or arising out of or in connection with this document and/or its contents.



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1. PROJECT INTRODUCTION AND OVERVIEW

1.1. Introduction

The European Bank for Reconstruction and Development (the “EBRD”) is considering providing finance to Eastcomtrans LLP and TLC Zhetygen LLP (together ‘the Companies’ or ‘the Clients’) for constructing a new transport and logistics centre (TLC or container terminal) on the principle of operation of the "Dry Port" near Almaty, Kazakhstan (‘the Project’). Design, construction and subsequent operation will be carried out by TLC Zhetygen LLP in agreement with Eastcomtrans LLP.

The Project is categorized “B” as per the 2019 EBRD’s Environmental and Social Policy (ESP). As the Project construction activities have already started, Ecoline International Ltd. (Bulgaria) (the “Consultant”) was commissioned to carry out an Environmental and Social (E&S) Compliance Assessment of the current construction activities and the operational practices of Eastcomtrans LLP and TLC Zhetygen LLP against the EBRD’s ESP, as defined through the applicable Performance Requirements (PRs) and national legislation. The results of this assessment are summarised in the present **Non-Technical Summary**.

1.2. Project Rationale, Description and Current Status of Site Works

The TLC will be a modern logistics terminal for processing cargo flows for import, export and transit, for servicing the Kazakhstan-China transport corridor, as well as for expediting cargo transportation through the territory of Kazakhstan, neighbouring countries and long-distance international routes.

Siting the TLC next to the Zhetygen railway station (ca. 35 km east from Almaty), will significantly unload the Almaty railway junction, including the Almaty-1 station. The demurrage of wagons for sorting at this station currently reaches 3-4 days.

In addition, the redirection of the railway freight flow bypassing the Almaty will reduce the level of pollutant emissions and noise impact from the handling of railway cargo at the Almaty-1 station (**Figure 1**), while not causing significant impacts at Zhetygen. The distance between the TLC site and the nearest residential area (Zhetygen settlement) is 543 m.

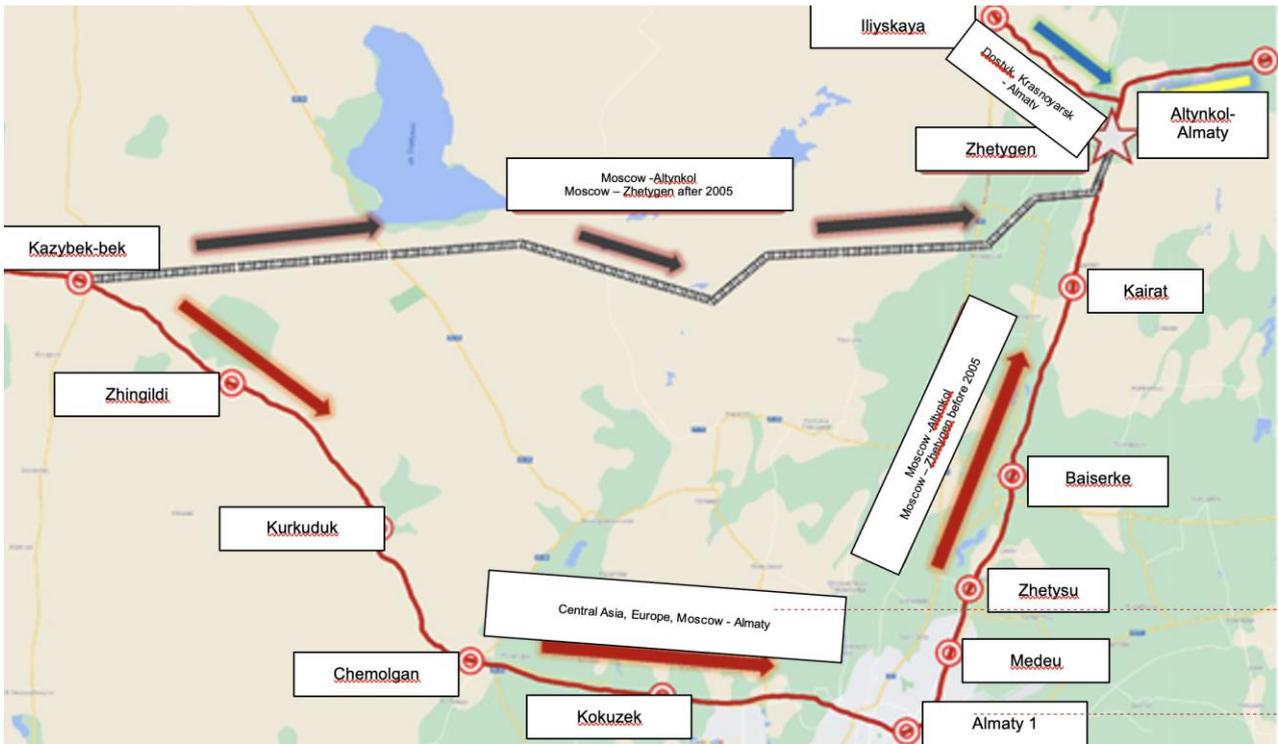


Figure 1. Location of the Project in the context of the planned development of Kazakhstan’s railway routes (a grey railroad is planned for the future)

The construction of the container terminal is the first out of four phases of the Project expansion (**Figure 2**). Phases 2-4 will be designed after commissioning the container terminal and assessing the market prospects. **The EBRD is considering financing the construction of the TLC (i.e., phase 1 only – the Project)**, and the E&S compliance and preliminary E&S assessment covered the same phase correspondingly.

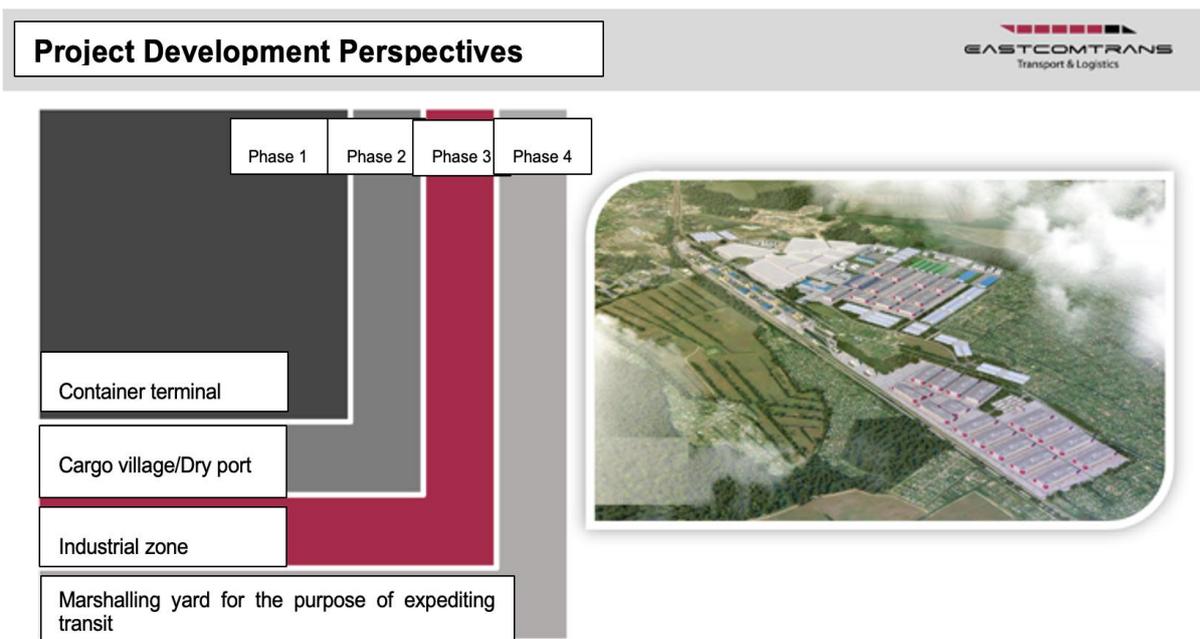


Figure 2. Implementation stages of the TLC Zhetysay construction project

The total area of the new TLC will be 51.2 ha. The TLC includes the container freight station, temporary storage warehouse, administrative and amenity buildings, pumping

station and other structures. The site work commenced in July 2022. The General Contractor, Zhetysu Group Corporation LLP, was selected via a tender and is responsible for design and construction works.

2. PROJECT E&S COMPLIANCE

2.1. PR1. Assessment and Management of E&S Risks and Impacts

Eastcomtrans LLP, as the EBRD's client since 2014, have been implementing a variety of E&S actions to align with the EBRD's requirements. As part of the earlier commitments, Eastcomtrans LLP has created an E&S management system.

In 2021, Eastcomtrans LLP outsourced the activities for repair and preparation of wagons. However, the EBRD requires its clients to be responsible for overseeing the management of E&S risks arising from the mutual activities of the main contractors and suppliers. Thus, the existing E&S management systems should be extended to cover the performance of both Companies, including contractor management.

2.2. PR2. Labour and Working Conditions

The national labour legislation is generally compliant with EBRD PR2 requirements. The Companies demonstrates compliance with the national legislation (at least where the information was made available to the Consultant) and no major gaps with PR2 requirements have been identified.

The Companies will need to ensure that its contractors develop their own Human Resource policies in compliance with the national legislation and EBRD PR2 requirements. A Contractor Management Plan which would provide for management and monitoring of the contractor compliance with labour requirements is also required to be developed by the Companies.

2.3. PR3. Resource Efficiency and Pollution Prevention and Control

The TLC Zhetygen's Prospective Construction Project includes 4 phases, the construction of the first stage of Phase 1 (platforms and railway tracks) is currently underway. The construction and operation of the first phase of the TLC is not expected to significantly affect air quality and noise level for the nearest residential areas. In the future, construction will continue (second stage). Simultaneously with the construction of the second stage and the commissioning of the first stage, the environmental impact (emissions, noise) will increase, therefore, the design of subsequent stages of the Project development should take into account the impacts of the previous stages and ensure that environmental, sanitary and hygienic requirements would not be exceeded.

During construction works, an emphasis should also be made on waste management and maintenance of construction equipment and vehicles and their refuelling ensuring regular E&S control over construction contractor activities.

When designing the subsequent stages, the Company will use the applicable best available technologies (BAT) and good international practices (GIPs), for example, for dust suppression during transshipment operations, reducing energy and resources consumption, etc. Similarly, the design of production facilities for processing agricultural raw materials will consider the applicable BAT and GIPs.

2.4. PR4. Health, Safety and Security

The Companies' occupational health and safety (OHS) performance is generally compliant with the national requirements. Several non-conformities against the EBRD requirements that had been observed at the TLC construction site and worker accommodation site in relation to OHS, fire safety, and electrical safety were immediately addressed by TLC Zhetygen LLP following the E&S Consultant's site visit. In accordance with identified non-conformities a Programme for Monitoring and Verifying the OHS Performance of the Companies' Contractors and Subcontractors will be developed as well as to engage closely with them on OHS issues.

2.5. PR5. Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

No physical or economic displacement is triggered by the Project activities. The land acquisition for the Project (and its potential future development – Phases 2-4) is almost completed. The land plots are reported to be acquired by the Companies at market prices from their owners following negotiated settlements (via willing buyer/willing seller deals). The deals were concluded with the official registration of land use rights.

2.6. PR6. Biodiversity Conservation and Sustainable Management of Living Natural Resources

The TLC construction site is located on former agricultural land plots. Upon purchasing, the lands changed their status and were transferred from agricultural to industrial land. The planned Project will not cause moderate or significant changes in the life of most animal species represented in the Project area, since in terms of natural landscape it is similar to the adjacent territories, and they can move from the affected land (which is a limited area) to the environs. No alien species are planned to be introduced within the Project implementation framework. Therefore, no special recommendations are provided for this PR, however it is advisable to implement standard activities to exclude environmental pollution.

2.7. PR10. Information Disclosure and Stakeholder Engagement

The Companies comply with the national regulations on information disclosure and public consultations during the EIA procedures, etc. They do not yet have a mechanism for identifying and analysing external stakeholders, their expectations and concerns. External stakeholders can raise and address complaints through the Eastcomtrans LLP's chancellery; this mechanism will be extended to allow for addressing anonymous complaints. Analysis of the grievances received is yet to be carried out.

It is recommended for the Companies and its contractors and subcontractors to develop a documented process, which will describe how engagement with identified stakeholders will be carried out throughout the project life cycle, elaborate it to a full-scale Stakeholder Engagement Plan, if needed, provisioning for a person responsible for its implementation, and establish a Grievance Mechanism for external stakeholders that would allow for addressing concerns and grievances, including anonymous.

3. PARIS AGREEMENT ALIGNMENT AND GREEN ECONOMY TRANSITION (GET)

The Project is not expected to lead to the increase in greenhouse gas (GHG) emissions in the region. Rather, the operation of the TLC will lead to a reduction in the downtime of road transport due to the relocation of reloading operations outside the city of Almaty (the city with heavy urban traffic), reduction of traffic jams, as well as due to organising the work of the TLC with customers, taking into account international best practices, which allow building optimal logistics schemes for customers, reducing the distance of cargo delivery and its processing time. All the above will contribute to the reduction of GHG emissions.

The brief GET assessment does not provide any evidence that the Project is not aligned with the EBRD GET criteria for compliance in terms of building developments and energy efficiency and thus can be considered eligible for GET finance.

Specific actions and recommendations for increasing the resilience of the Project to climate change hazards and improving energy efficiency are being considered in the Project design.

4. MONITORING AND REPORTING

Implementation of the described above impacts and risks mitigation measures related to contractor OHS performance, waste management, environmental pollution, grievance mechanism and other E&S aspects will be monitored during construction and operation of the TLC. During the operation, monitoring will be conducted annually and reported to the EBRD. The annual reports will be checked against the EBRD ESP 2019 PRs. Monitoring is to be carried out throughout the project life-cycle.

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