**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 20 November 2024[1]

KAZAKHSTAN

KEGOC INTEGRATION OF THE WEST ZONE

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

1 As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

CAGR	Compound annual growth rate
CAPEX	Capital expenditures
CCY	Currency
CEO	Chief Executive Officer
CFADS	Cash Flow Available for Debt Service
CHP	Combined Heat and Power
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
ESAP	Environmental and Social Action Plan
ESD	Environment and Sustainability Department
ESDD	Environmental and Social Due Diligence
ESP	Environmental and Social Policy
FSC	Financial Settlement Centre
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse gas
HIPCA	High Impact Partnership on Climate Action
IFRS	International Financial Accounting Standards
JSC	Joint-stock company
KEGOC	Kazakhstan Electricity Grid Operating Company
KREMZK	Committee on Regulation of Natural Monopolies and Protection of Competition
KZT	Kazakh tenge
LESA	Lender’s Environmental & Social Advisor
LMA	Lender’s monitoring advisor
LTA	Lender’s technical advisor
NWF	National Wealth Fund
OGC	Office of the General Council Counsel
OHL	Overhead Lines
OPEX	Operating expenditures
p.a.	per annum
PSD	Project summary document
RAROC	Risk-adjusted return on capital
RES	Renewable energy source
SCADA	Supervisory control and data acquisition
TC	Technical Cooperation
TSO	Transmission System Operator
UPS	Unified Power System
USD	US Dollar

CURRENCY EQUIVALENTS

Current[2] USD 1.00	=	KZT 481
Current[3] EUR 1.00	=	KZT 532
31 Dec 2023 EUR 1.00	=	KZT 502.2
Average in 2023 EUR 1.00	=	KZT 493.3
30 June 2024 EUR 1.00	=	KZT 504.8
Average in 1H2024 EUR 1.00	=	KZT 485.5

MEASURES

gCal	Giga-calorie
kV	Kilovolt
GW	Giga-watt
kWh	Kilowatthour
MW	Mega-watt

[2] USD KZT rate as of 30/08/2024
[3] EUR KZT rate as of 30/08/2024

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Kazakhstan Electricity Grid Operating Company JSC ("KEGOC", "TSO" or the "Company"), a company incorporated in Kazakhstan, are submitted for consideration by the Board of Directors.

The facility will consist of a senior loan to the Company in the amount of up to EUR 270 million equivalent to be disbursed in KZT, USD and/or EUR. [REDACTED]

The operation will enable KEGOC to construct 500kV transmission infrastructure to integrate the West electric power system zone into the Unified Power System (the "UPS") of Kazakhstan (the "Project"), to deliver a resilient and efficient energy system, while accelerating the decarbonization of the energy sector. The Project's transition impact stems from the resilient and green qualities. The Project will improve system reliability, ensure uninterrupted supply of electricity to the population, enable integration of renewables, and enhance energy security of Kazakhstan. The Project's GET share is 100%, and it is expected to achieve CO_2 emissions savings [REDACTED] through the reduction of curtailment of the renewable energy sources [REDACTED] through the reduction in electricity losses. The Project is also Gender SMART, as it will introduce a new gender responsive training course aimed at supporting women to excel in technical roles.

Pre-signing project preparation TCs were funded by the Government of Japan via Japan-EBRD Cooperation Fund ("JECF") and the EBRD Shareholder Special Fund ("SSF").

[REDACTED]

I am satisfied that the operation is consistent with the Bank's Strategy for Kazakhstan, the Energy Sector Strategy 2024-2028 , the Strategy for the Promotion of Gender Equality, the Approach to Accelerating the Digital Transition, the Green Economy Transition Approach and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

KAZAKHSTAN – KEGOC INTEGRATION OF THE WEST ZONE – DTM 55284	
Transaction / Board Decision	Board approval[4] is sought for a senior loan of up to EUR 270 million in EUR, USD and/or KZT in favour of JSC Kazakhstan Electricity Grid Operating Company (the “Company”, “KEGOC”), the national Transmission System Operator (“TSO”). Proceeds from the Bank’s investment will be used to construct 500kV overhead transmission lines and a 500kV substation as well as to expand switchyards at two substations.
Client	An existing client of the Bank, KEGOC is the national TSO playing a strategic role in the economy of Kazakhstan. The Company is responsible for the power transmission and dispatch and ensures stability and reliability of the high voltage Unified Power System of Kazakhstan. KEGOC is 85% owned by Samruk-Kazyna, a sovereign wealth fund of Kazakhstan (“SK”), and 15% is in free float.
Main Elements of the Proposal	Transition impact: **Resilient –** the Project will enable connection of c.12GW of renewable energy capacities to the grid by 2030 and will strengthen resilience of the grid and of the wider West Kazakhstan area against negative consequences of the climate change such as power and water supply disruptions. The project will also support cybersecurity resilience through enhancing the cybersecurity skills and processes of the entity. **Green** – the Project is expected to reduce curtailment of renewable energy sources and reduce electricity losses with overall CO2 emission savings [REDACTED] Additionality The Bank will provide long-term financing in local currency, which is currently limited in availability from local commercial banks. The Bank will require the Company to comply with the best Environmental & Social (“E&S”) standards by covenanting and monitoring the implementation of ESAP. *Standard-setting:* The Project will support the Company with introducing a new gender responsive training course on technical skills aimed at guiding more women towards STEM (Science, Technology, Engineering, and Mathematics) careers in this traditionally male-dominated field. Sound banking The Company has a sound financial track record with external credit rating at BBB/stable (Fitch Ratings), Baa1/stable (Moody’s), and BB+/stable (S&P), largely on par with sovereign rating.
Key Risks	Regulatory and financial risks are mitigated by the following: (i) the strategic role of KEGOC as the national TSO; (ii) the KEGOC’s investment program, including the Project, has already been approved and associated costs will be reflected in the tariff; (iii) sustainable debt levels and financial performance, and (iv) strong position of its majority shareholder NWF Samruk-Kazyna. Implementation risk is mitigated by (i) an extensive experience of KEGOC in transmission line construction projects (track record of 3,000 km of high-voltage transmission lines constructed); (ii) an engagement of independent implementation supervisors; (iii) the Lender’s monitoring advisors will be hired to assess implementation progress and E&S performance, compliance with the Bank’s Performance Requirements, reporting to the Bank on a regular basis.
Strategic Fit Summary	The Project is consistent with the Bank’s Strategy for Kazakhstan, the Energy Sector Strategy 2024-2028, the Strategy for the Promotion of Gender Equality, the Approach to Accelerating the Digital Transition, the Green Economy Transition Approach and with the Agreement Establishing the Bank.

[4] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A senior unsecured loan of up to EUR 270 million equivalent in EUR, USD and/or KZT in favour of JSC Kazakhstan Electricity Grid Operating Company. The loan's proceeds will be used to finance construction of (i) 500kV overhead transmission lines between towns of Ulke and Karabatan in West Kazakhstan, (ii) 500kV substation in Karabatan, (iii) expansion of 220 kV switchyard at the Karabatan substation and the 500 kV switchyard at the Ulke substation [REDACTED]
Existing Exposure	[REDACTED]
Maturity / Exit / Repayment	[REDACTED]
Potential AMI eligible financing	[REDACTED]
Use of Proceeds - Description	The proceeds of the loan will be used as follows: (i) construction of 500 kV Karabatan – Ulke power line connecting West Energy Zone with the rest of the country; (ii) construction of 500kV switchyard at "Karabatan" substation; (iii) expansion of the 220 kV switchyard at the "Karabatan" substation and 500 kV switchyard at the Ulke substation.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	Borrower – KEGOC; Regulator - Committee on Regulation of Natural Monopolies in Kazakhstan; Construction consortium - "EIS Corporation" LLP in consortium with "Building and Construction" LLP and "Scientific and Engineering Center Energetika" LLP.
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Unsecured corporate loan.
Other material agreements	Letter of Information
Associated Donor Funded TC and Blended Concessional Finance	**A. Technical Cooperation ("TC")** Pre-signing **TC1: An Ornithological Assessment (Bird Study);** [REDACTED] Due-Diligence, ESIA, Monitoring. [REDACTED] **TC2: Environmental and Social Impact Assessment ("ESIA")**. [REDACTED] **TC3: Technical Due Diligence ("TDD")**. [REDACTED]

	<u>Post-signing</u> **TC4: Lenders' Environmental & Social Advisor:** to strengthen the capacity of the Company to manage the various components of the Environmental and Social Action Plan by engaging the Lenders' Environmental & Social Advisor. [REDACTED] **TC5: Lenders' Technical Monitoring Advisor**the Lender's Monitoring Advisor will be hired to assess implementation progress [REDACTED]. **TC6: Cybersecurity Resilience**. [REDACTED] **TC7: Digitalisation.** [REDACTED]. [REDACTED]

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Kazakhstan, with its vast geography spanning over 2,900 kilometres from east to west and total installed power capacity of 24.6GW (20.4GW available) faces three key challenges in its power system: (a) heavy reliance on carbon-intensive, polluting power sources, with 70% of generation coming from coal; (b) depreciated generation and transmission infrastructure, which undermines the reliability of power supply; and (c) lack of flexible capacity, leading to high dependence on the imports of balancing power from the neighbouring countries.

Designed with careful considerations of climate change impacts, energy and cybersecurity, as well as gender responsiveness, the proposed Project aims to address these challenges by (a) facilitating the integration of 12GW of renewable energy across various regions of Kazakhstan; (b) enhancing the resilience of the West Zone to ensure robust infrastructure capable of meeting the evolving climate challenges; and (c) strengthening the country's energy security by enabling the use of domestic power generation capacity to manage potential energy supply fluctuations.

Accelerating the Green Agenda

One of the critical challenges faced by Kazakhstan is decarbonisation of its electricity sector away from heavy reliance on carbon-intensive fuels towards a more sustainable energy mix. With an ageing generation fleet, growing population, rapid urbanization, and vast renewable energy potential, Kazakhstan is taking steps to build a green and sustainable economy. Kazakhstan is the first country in the region to adopt the Long-term Decarbonization Strategy (“LTS”), which targets achieving net-zero emissions by 2060. The LTS is reinforced by the Low Carbon Pathway (“LCP”) for the energy sector which is responsible for 80% of the country’s carbon emissions. According to the LCP, developed with the support of the EBRD and USAID, Kazakhstan needs to address its existing balancing capacity with flexible generation replacing coal and strengthened domestic interconnections.

In line with this strategy, Kazakhstan recently announced auctions for 6.8GW of renewable energy sources. By 2030, 12GW of new renewable capacity is expected to be integrated into the country’s transmission system. To deploy renewables at scale, the Government embarked on a grid strengthening program, which includes new transmission infrastructure developed by KEGOC and introduction of large-scale renewables with battery energy storage systems by private developers of renewable energy projects. The Project plays a unique and pivotal role in the overall energy strategy of the country – i) to connect the West Zone to the national transmission network, facilitating distribution of renewable energy across different regions; and ii) directly support integration of renewables in western Kazakhstan, ensuring a secure electricity supply for green desalination and green hydrogen production in the future. By facilitating renewable energy integration, the Project makes a crucial contribution to Kazakhstan’s national climate goals. It demonstrates how targeted infrastructure investments can drive the transition to a more sustainable and environmentally friendly energy landscape and support Kazakhstan’s efforts in reducing carbon emissions and promoting renewable energy use, in alignment with global efforts to combat climate change through tripling renewables by 2030 (COP28).

The Project will also strengthen the resilience of Kazakhstan's western region in the context of evolving climate change challenges. The proposed infrastructure is meticulously designed and engineered to be climate-resilient, integrating an extensive range of technical solutions that safeguard against the long-term impacts of climate change and guarantee continuous and reliable operations. Beyond the immediate project area, the Project aims to enhance the resilience of the entire West Zone. [REDACTED] By ensuring a stable and uninterrupted electricity supply from the rest of Kazakhstan, the Project will help maintain critical services such as the regional water supply, dependent on electricity for desalination. Connecting the West Zone to the rest of the country will also help mitigate potential environmental risks of emergency shutdowns, contributing to the overall stability and sustainability of the region in the face of climate-related challenges.

Energy Security - Enhancing Grid Resilience and Reliability

Kazakhstan's power grid was originally built as a part of the Soviet unified power system and was divided in three electricity systems – the northern and western regions connected to the Russian network (with a 7,644 km common border), and south regions were part of the Central Asian Power System ("CAPS"), which relied on regional cooperation on water (and hydro power) management. The North and South of Kazakhstan energy systems were interconnected only in 1998 with the support of the Bank. However, the transmission system in western Kazakhstan still operates in isolation from the rest of the country and is solely connected to the Volga region of Russia.

[REDACTED]

The western region, characterized by vast distances and sparse population, faces persistent difficulties due to outdated generation infrastructure and grid bottlenecks. The extreme heatwave in summer of 2023 exposed these vulnerabilities, leading to a critical failure at the MAEK power plant in the Mangystau region and widespread power outages in the city of Aktau and wider region. These outages disrupted essential electricity supply to the population and put at risk the regional public infrastructure, including water supply systems. In the Mangystau region, where natural freshwater sources are close to non-existent, the population relies entirely on a seawater desalination plant. Any disruption in electricity poses a threat to reliability of this vital infrastructure.

[REDACTED] Strong domestic interconnection will reduce Kazakhstan's dependence on electricity imports and will allow the use of domestic generation capacity to cover possible imbalances in the West Zone.

The Project consists of: (i) construction of the 500kV Karabatan – Ulke power line, approximately 600km-long[5], along the Atyrau – Aktobe highway; (ii) construction of the 500 kV Karabatan substation; (iii) expansion of the 220 kV switchyard at the Karabatan substation and 500 kV switchyard at the Ulke substation. The Project includes construction of a transmission infrastructure connecting the West Zone with the country's UPS across the territory of Kazakhstan, to bolster resilience of the power grid and enhance energy security in the currently isolated western region.

The Project is supported by Cybersecurity Resilience and Digitalisation technical assistance. Cybersecurity training for IT staff through the Cybersecurity Resilience Programme strengthens KEGOC's defences against potential cyber-attacks. The Digitalisation Programme aims to modernise Kazakhstan's energy system by integrating digital technologies into the grid system, in particular a Demand Response Management System, which will enable better balancing of supply and demand, optimizing energy consumption, and enhancing grid stability Overall, the Project targets strengthening of KEGOC's outdated Soviet-era infrastructure; supporting reliability of public services; expanding the grid and enhancing its digital capabilities - crucial elements for the national energy security, grid resilience and the country's renewable energy ambitions.

Alignment with the Bank's Strategies

The Project is consistent with the Bank's Strategy for Kazakhstan, the Energy Sector Strategy, the Strategy for the Promotion of Gender Equality , the Approach to Accelerating the Digital Transition and the Green Economy Transition approach , aiming to support cleaner

[5] The length will be confirmed during the detailed design phase.

production and distribution of energy through greater energy and resource efficiency. The Project is 100% GET.

The Project will also enhance women's access to market-relevant technical skills at KEGOC [REDACTED]. With support from the Bank, KEGOC will develop and implement a new training program aimed at encouraging more women to pursue careers in STEM (Science, Technology, Engineering, and Mathematics), in this traditionally male-dominated field. The initiative will aim equipping entry-level and mid-level female employees with technical skills, focusing on digital and green technologies.

The project also contributes to a number of UN Sustainable Development Goals (SDGs), namely: SDG 7: Affordable and Clean Energy, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation and Infrastructure, and SDG 13: Climate Action.

1.2 TRANSITION IMPACT

The table below sets out the TI Objectives and details of the Project. Please see the transition impact scoring chart in ***Annex 1***.

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	The project will allow the connection of planned renewable energy installations which currently are not possible due to inadequacy of the grid, or lead to a decrease in the curtailment of existing renewable energy installations.	The Project will enable the system to accommodate planned c.12GW of new renewable energy capacity and up to 1.5-1.8GW/3.0-3.6GWh of battery storage to the grid by 2030. [REDACTED]. The Project will also increase the climate resilience of the energy and transmission system of the West Zone by transferring and redistributing energy from unaffected regions of the country.
1.2	The project helps the client achieve, for the first time, international best practice in infrastructure cyber resiliency [REDACTED].	The cybersecurity training efforts for IT security staff on OT security matters through the Cybersecurity Resilience Programme TC increases the KEGOC's resilience to disruptions due to cyber-attacks. As a TSO, KEGOC constitutes Critical National Infrastructure. The provision of its services is digitally dependent therefore a compromise of its Operational Technology could lead to major disruptions of its services. Supporting the training of core security personnel in line with international standards will ensure that the entity has the human capital and processes in place to mitigate and remediate evolving cybersecurity threats in the energy sector, thus leading to greater resilience. [REDACTED]

Secondary Quality: Green

Obj. No.	Objective	Details
2.1	The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.	The Project is attributed 100% GET. This share has been calculated in line with RES curtailment clause of the GET Handbook. [REDACTED] Please see ***Annex 3*** for more details.

Digital Approach*:* The Project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025 as it will enable the client to mitigate and remediate cybersecurity risks that could impede the provision of essential digitally dependent services to the population. The digital - cybersecurity component of the project is in support of the Resilient Transition Quality as outlined above and monitoring indicator 1.2, 1.3 below.

Delivery Risks: Risk to Transition Impact stems from the client's failure to implement the investment programme. The risk is mitigated by KEGOC's experience in implementing similar projects in the past.

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (**repeat transaction**).	In March 2023, The Bank invested in the KEGOC's bond project . Building on the efforts to strengthen electricity transmission system in Kazakhstan, the Bank now aspires to participate in the priority investment project for the country which enhances energy [REDACTED] security and ensures reliability of electricity supply. The Project will enable the Bank to strengthen its involvement in the country's energy transition efforts, facilitating integration of c.12GW renewable energy sources. Given large investment needs in upgrading the national transmission grid coupled with tariff affordability concerns, long-term financing is viewed as a key for the sustainable development of the energy system in the country.
Financing Structure - EBRD offers a **tenor**, which is above the market average and is necessary to structure the project.	[REDACTED]
Standard-setting: Gender SMART Tag: EBRD provides expertise on **higher gender standards** and/or equal opportunities action plans.	The Project will improve access to the market-relevant technical skills for women at KEGOC by introducing a new training course aimed at guiding more women towards STEM (Science, Technology, Engineering, and Mathematics) careers in this traditionally male-dominated field. [REDACTED] the Company will introduce a new gender-responsive training course on technical skills, with a focus on digital and green skills, for entry-level and mid-level female employees.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Regulatory Risk	Medium / High	The Regulator may decide to freeze tariffs of the natural monopolies in response to the worsened socio-economic environment, as it happened after social unrest in Kazakhstan in January 2022, while the Company's creditworthiness depends on the regulated tariff. *Mitigants:* Fiscal position of the Government (Baa1/stable Moody's, BBB/stable Fitch and BBB-/stable S&P) is expected to remain stable and sufficient to mitigate potential socio-economic instability. [REDACTED] The regulatory track record on tariffs has always been good and sufficient for KEGOC to maintain strong operating margins. Recently, the government has been gradually shifting towards market-based tariff systems to encourage investment in

		critical infrastructure. The new balancing market model, introduced in July 2023, has reinforced the company's standing. [REDACTED] The credit rating of KEGOC is at investment level; rating from Fitch and Moody' remains on par with sovereign, for S&P's one notch below sovereign. KEGOC's strong financial profile is underpinned by the appropriate tariff-setting mechanism and its historically strong liquidity position. The Company's cash flows are stable, and indebtedness is low [REDACTED]
Operational Risk	Low / High	Company's aged assets may result in further and more frequent power outages which will impact its revenue stream. *Mitigants:* The electricity blackouts that happened in the Central Asia in January 2022 and in the West of Kazakhstan in July 2023 brought to the fore the need to develop an investment program, which in addition to the Project includes strengthening of the South Zone, being implemented since the last year, as well as 220-500 kV network rehabilitation in some areas of the national system. Once implemented, those projects will substantially improve resilience of the national energy system, reducing power outages. The ongoing Capacity building TC is expected to support KEGOC in this process. [REDACTED]. The Company maintains and continuously develops its highly professional staff, who significantly contributed to the rapid system recovery after blackouts.
Completion risk and cost overruns	Medium/ Medium	The Project could be adversely affected by construction delays and cost overruns. *Mitigants:* KEGOC is highly experienced in implementing projects for the construction of transmission lines and substations, successfully commissioning over 3,000 km of high-voltage transmission lines in the past 20 years. [REDACTED] The Lender's Monitoring Advisor will be hired to assess implementation progress, reporting to the Bank on a regular basis. There is a stable revenue stream from existing operations, which will allow KEGOC to meet debt service obligations in case of potential project delays.
Sanctions Risk	Medium/ Medium	KEGOC has existing links to InterRAO and FGS UES, Russian SOEs engaged in electricity export/import operations and transmission. *Mitigants*: [REDACTED] No adverse developments or new sanctions risk exposures have been identified since the completion of KEGOC Bond transaction in 2023.
Transmission Volume Risk	Medium/ Low	Demand for electricity may reduce, negatively impacting volumes of energy transmitted by KEGOC. *Mitigants*: [REDACTED]. Given the regulatory environment and the stability of the Company's cash flows, it is expected that the Company will be able to honour its debt service obligations.

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Overall objectives of project	Monitoring benchmarks	Implementation timing
Timely implementation of the Project	Completion according to the timeline and within the budget.	[REDACTED]

Maintaining appropriate environmental standards	Successful and timely implementation of the ESAP.	[REDACTED]

Primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Number of new/improved service connections facilitated by the client.	500kV Karabatan – Ulke overhead transmission line.	[REDACTED]	[REDACTED]	. [REDACTED]
1.2	Improved cybersecurity standards.	IT security staff to complete training [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Demonstrated quantitative evidence of client's improved cyber resilience.	Quantitative evidence of improved cyber resilience [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	CO_2 emissions reduced (tonnes/year).	Confirmation on GHG emissions reduced as a result of electricity losses reduction.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Energy savings (GJ/year).	Energy savings stemming from electricity losses reduced as the result of the Project.	[REDACTED]	[REDACTED]	. [REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Implementation Progress	Clients Supported	Number of clients / institutions supported.	[REDACTED]	[REDACTED]	[REDACTED]
Implementation Progress	Investments Financed	Number of investment projects financed directly by the EBRD or via partner financial institutions.	[REDACTED]	[REDACTED]	[REDACTED]
Implementation Progress	Financing Leveraged	Amount of co-financing leveraged (disaggregated by public and private sector).	[REDACTED]	[REDACTED]	[REDACTED]
Gender SMART Tag	Number of women enhancing their skills as a result of training	KEGOC will introduce a new training course on technical skills for entry-level and mid-level female employees.	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 BORROWER / INVESTEE COMPANY

<u>The Client's snapshot.</u>

Since 1999, the EBRD has been supporting KEGOC by investing in key infrastructure developments. KEGOC is the national TSO and plays a strategically important role in the economy of Kazakhstan. The Company is responsible for power transmission and dispatch and ensures stability and reliability of the high voltage Unified Power System of Kazakhstan. Following KEGOC's IPO in December 2014 and the subsequent Secondary Public Offering

(SPO) in November 2023, Samruk-Kazyna, acting on behalf of the Kazakhstan government, holds 85% of the ordinary shares of the Company, with the remaining shares being publicly traded. Please see more detailed shareholding structure in ***Annex 2***.

Financial highlights

	KZT, billion					EUR, million				
	2021	2022	2023	1H2023	1H2024	2021	2022	2023	1H2023	1H2024
Revenue	186	217	252	114	158	370	448	511	234	326
EBITDA	86	99	109	56	71	170	204	221	114	146
EBITDA margin	*46%*	*46%*	*43%*	*49%*	*45%*	*46%*	*46%*	*43%*	*49%*	*45%*
Profit after tax	39	33	43	23	35	78	69	88	47	72
Total Assets	1,093	987	1,002	982	1,003	2,241	2,002	1,995	1,981	1,987
Total Liabilities	356	333	316	318	304	730	676	629	642	602
Net Debt / EBITDA	1.00x	0.72x	0.80x	1.67x	0.98x	1.00x	0.72x	0.80x	1.67x	0.98x
EBITDA / Interest	6.75x	7.05x	4.89x	5.91x	5.07x	6.75x	7.05x	4.89x	5.91x	5.07x
Debt / Equity	0.23x	0.24x	0.24x	0.26x	0.23x	0.23x	0.24x	0.24x	0.26x	0.23x
Current ratio	1.61x	1.89x	3.12x	3.18x	4.32x	1.61x	1.89x	3.12x	3.18x	4.32x

The financial analysis is based on the consolidated IFRS accounts audited by RSM Qazaqstan LLP for 2021-1H 2024. In 2021 - 1H 2024, KEGOC's financial standing remained strong, the Company continued to demonstrate stable and consistent results, particularly from its core business, being grid transmission and balancing. In 2023, the Company achieved a 16% y/y increase in revenue, reaching KZT 252 bn (EUR 511 mm), driven by market reforms and the introduction of a new service within the National Power Grid. The revenue for 2023 is comprised of (i) electricity transmission revenue (42%), service for the use of national transmission system (26%, a new revenue item after introduction of the service in 2023), revenue from dispatch services (14%), sales of balancing electricity (7%), as well as other services (11%). Operating expenses (excluding depreciation) increased by 25% y/y in the same year, largely on the back of higher electricity costs and losses (24% of OPEX in 2023) and larger labour costs (21% of OPEX in 2023), reaching KZT 143 bn (EUR 290 mm). As a result, EBITDA in 2023 grew by 10% y/y to KZT 109 bn (EUR 221 mm), though EBITDA margin declined to 43% (from 46% in 2022). Net profit rose to KZT 43 bn (EUR 88 mm), up from KZT 33 bn (EUR 68 mm) in 2022.

The Company historically maintains a large amount of cash invested in short and medium-term financial instruments. As of 30 June 2024, cash position amounted to KZT 61.8 bn (EUR 123 mm), complimented by c. KZT 29 bn (EUR 57.5 mm) portfolio of short-term financial assets allocated among bank deposits, Samruk Kazyna bonds and sovereign/treasury notes. KEGOC maintains one of the best credit ratings in the country due to stable and consistent operating results, particularly from its core business of grid transmission and balancing.

The Company's strategic importance, strong financial profile, and improvements in the regulatory framework, following market reform in July 2023, supported its investment grade rating of BBB/stable by Fitch, BB+/stable by S&P, and Baa1 by Moody's with a stable outlook. [REDACTED]

4. MARKET CONTEXT

Kazakhstan's power sector is dominated by coal-fired generation dating back to Soviet times and accounting for c.70% of the energy balance. The Government is prioritizing implementation of the renewable support schemes and achieved its first milestone of 3% RE generation in the total mix by YE2020. Further milestones include 6% of RE generation by 2025 and 15% by 2030). In 2023, the volume of electricity generated by RE facilities reached 6.68 billion kWh, or 5.92% of the country's total power generation. The Government of Kazakhstan is developing measures to expand RES integration and further strengthen competitive landscape, including arrangement of RES auctions in 2023-2027 for the total capacity of 6.77GW. Despite this positive trend, further scale up of renewables is complicated by the high depreciation of grids (average depreciation is 66% as reported by the Ministry of

Energy in the beginning of 2024), as well as the absence of enabling infrastructure, such as storage facilities and balancing generation capacities.

The transmission sector in Kazakhstan is represented by KEGOC as the Transmission System Operator, and regional distribution companies, operating regional networks. Following the launch of the single buyer system and the real-time balancing market in July 2023, KEGOC launched a new service for the use of national transmission system to mitigate losses incurred from importing high-cost electricity from Russia during peak demand for balancing purposes, which was previously sold at reduced prices during off-peak hours.

KEGOC, as a natural monopoly, is regulated by the Committee on Regulation of Natural Monopolies and Protection of Competition (“KREMZK”), which approves tariffs for the Company. The methodology for setting the transmission tariff is based on the full cost recovery together with a net profit determined by applying an agreed rate to the regulated asset base (“RAB”). The underlying principle is that the transmission revenues should be sufficient to cover eligible costs for an uninterrupted provision of transmission and dispatching services.

[REDACTED]

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

[REDACTED]

5.2 SENSITIVITY ANALYSIS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorized A (ESP 2019). The construction and operation of a high voltage line (500 kV) integrating electric power system to the west of Kazakhstan (also referred to as the West Zone) with the UPS of the country, may be associated with potentially significant E&S impacts and requires a full ESIA in line with the EBRD Environmental and Social Policy (“ESP”) as well as national and EU legislation. The Project has undergone a comprehensive ESIA preparation process, including several public consultations. The development of the ESIA was closely monitored by the Bank, and the ESIA package, inclusive of Non-Technical Summary (“NTS”), Stakeholder Engagement Plan (“SEP”), Resettlement Framework (“RF”) and Environmental and Social Management Plan (“ESMP”) have been disclosed (including ESAP) on the Bank and Client's website in July 2024 for a 120-day consultation period in line with the Bank's Access to Information Policy prior to Board considerations.

The Feasibility Study, as well as the pre-EIA, was initiated by KEGOC in 2023. Based on the feasibility study, the proposed routing corridor has received endorsements from various local and competent Authorities. The project will undergo a national EIA process when the detailed design is completed. Relevant permits will be issued prior to construction and operation as applicable.

KEGOC is an existing client to EBRD and has successfully implemented the previous ESAP under another project. External ESDD combined with preparation of ESIA has been carried out and verified that the Company has all required E&S procedures in place, including ISO-certified Environmental and Health & Safety Management systems. Such systems will be applied to the proposed project. Management plans will be developed by the Contractor and cascaded as appropriate to sub-contractors. KEGOC has a comprehensive labour policy and procedures in place, including worker grievance mechanism and Code of Conduct for suppliers. Project-specific Health and Safety Management plans will be prepared to address both occupational and community risks, including traffic impacts, noise, exposure to electromagnetic field, and emergency response. Company will further review risks of Gender-based Violence and Harassment ("GBVH") arising from project construction and influx of workers. KEGOC will be required to develop a robust monitoring framework of the management plans, including relevant training, to ensure appropriate cascading of the procedures to the workforce and overall compliance with EBRD PR2 and PR4. Any worker accommodation required during construction phase of the project will comply with the IFC-EBRD worker accommodation guidance (2008).

The project will have limited impacts on physical environment, and a limited amount of non-hazardous waste is anticipated during construction. Specific management plans for dust, noise and waste will be prepared by the Contractor. Erosion control and site restoration measures will be developed and implemented during construction, and closely monitored by the Client.

According to ESIA baseline studies, the Project will not impact any physical structures or residential properties by its 60m servitude strip along the overhead line route. Nevertheless, Project specific RF has been developed to manage any potential impact on land, landowners, and users, with clear commitments included into ESAP agreed with KEGOC. Based on the RF, further Resettlement Plan may need to be developed when EPC contractor is onboard and final design clarifies land take impacts.

The project area intersects several Key Biodiversity Areas for birds: Saghyz Important Bird Area ("IBA"), the State Reserved Zone in Northern part of the Caspian Sea, and the Ural River Delta - RAMSAR, and several Priority Biodiversity Features ("PBF") are likely to be affected, as revealed by appropriate baseline studies already undertaken in spring, summer and autumn. Habitat clearance and construction will be undertaken outside of breeding season, and mitigations measures including insulators, deterrents, guano shields and divertors will be added to the design of the power line wherever bird activity needs it. Independent ornithological experts have confirmed that impacts on those species will be limited so long as the appropriate mitigation measures during construction and operation are implemented. No loss is anticipated with these measures, but monitoring will be undertaken to confirm these assumptions. The ESIA identified that the project will also temporarily affect critical habitat for the common hamster during the construction phase. A biodiversity management plan will be developed with the support of relevant third-party experts and include preconstruction surveys and a biodiversity action plan ("BAP"). An outline BAP, including preconstruction surveys and translocation principles, is part of the annexes disclosed already. The BAP will be further developed next year, after the detailed design is completed, most likely with TC support. The aim is to ensure appropriate temporary relocation of the common hamsters to a more suitable habitat and improvement of the degraded habitat on the route after construction, this to ensure a Net Gain as per EBRD PR6. This will be monitored as part of the Project and information provided through reporting.

Along some parts of the OHTL, pre-construction archaeological investigations are required along with the implementation of a chance finds procedure as stated in the ESMP. Any finds are expected to be avoidable or managed in accordance with national legislation, the EBRD PR8 and GIP.

The Project has general support from stakeholders and local communities. Public hearings for the Project were conducted during review and approval of the national EIA in September 2023, followed by stakeholder engagement and consultations held during preparation of ESIA, involving representatives and community members from the affected municipalities along the OHL route, in May 2024. Additional ESIA disclosure activities have been carried out in the open House format, including Focus-Group discussions ("FGDs") in five different locations in mid-October 2024, and included subject-specific engagements with relevant experts on the affected PBFs and CH as required.

Questions and concerns raised by stakeholders and community members ranged from the access to electricity connection, OHTL routing, employment opportunities, duration and start of construction, environmental protection measures, potential risks to public health and animal grazing as well as impact on land use. It is currently estimated there will be approximately 965 workers required at the peak of construction. The detailed summary of the consultation meetings conducted to date, as well as upcoming engagement activities, project information disclosure, grievance mechanism and contact points are included in the SEP developed for the project. All comments and feedback received from the stakeholders regarding the Project ESIA will be summarised and disclosed in the Public Consultation Report ("PCR") before Board.

A comprehensive ESAP for the Project has been developed and agreed with the Client to ensure that the Project is structured to meet the EBRD PRs. Lender's Environmental and Social advisor ("LESA") will be hired to oversee Project delivery in line with the Bank's requirements, as well as agreed ESAP and ESMP. The Bank will closely monitor implementation of the Project through E&S reporting from Client and LESA, monitoring visits to the Project, if necessary.

6.2 INTEGRITY

In conjunction with OCCO, updated integrity (including sanctions) due diligence was carried out on KEGOC, its majority shareholder Samruk-Kazyna and senior personnel, and other relevant parties. [REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues (including sanctions) have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

6.3 CONCESSIONAL FINANCE

[REDACTED]

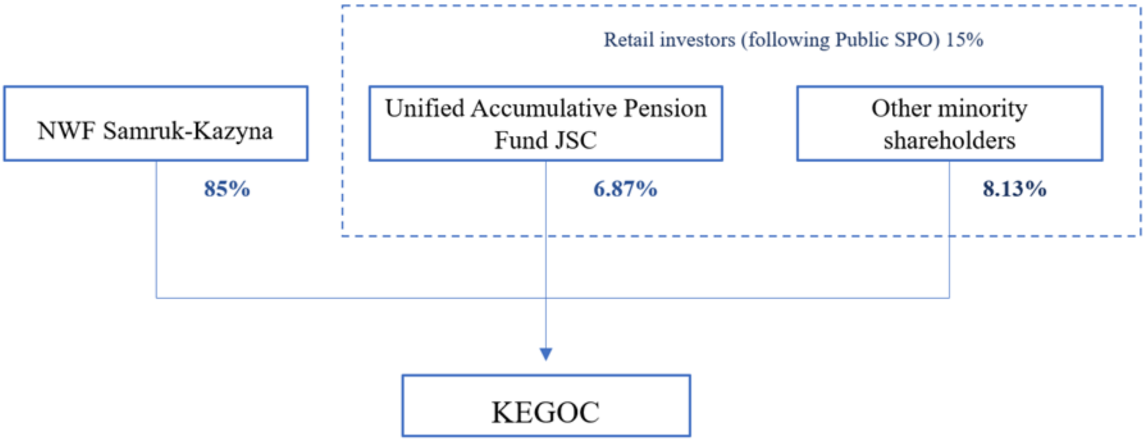
ANNEXES TO OPERATION REPORT

ANNEX 1	TRANSITION IMPACT SCORING CHART
ANNEX 2	SHAREHOLDING STRUCTURE
ANNEX 3	GREEN ASSESSMENTS
ANNEX 4	HISTORICAL FINANCIAL ANALYSIS
ANNEX 5	PROJECT IMPLEMENTATION (PROCUREMENT PLAN)

ANNEX 1 – TRANSITION IMPACT SCORING CHART

[REDACTED]

ANNEX 2 – SHAREHOLDING STRUCTURE



* Unified Accumulative Pension Fund JSC is a national pension fund established in August 22, 2013 and owned by the Government of the Republic of Kazakhstan represented by Committee for State Property and Privatization of the Ministry of Finance.

ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project entails financing of construction of approximately 6oo km long 500kV Karabatan-Ulke overhead transmission line, construction of 500 kV outdoor switchgear at Karabatan substation and expansion of 220kV and 500 kV outdoor switchgears at Ulke Substation and implementation of associated activities.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **GET.**

[REDACTED]

PARIS ALIGNMENT ASSESSMENT

General screening of alignment with the mitigation goals of Paris Agreement

- The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.
- The projects activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- The project is consistent with the substantial contribution criteria of the EU Taxonomy as it results in CO_2 emission savings [REDACTED] . There are no activities included in the 'non-aligned list'.-

Alignment with the adaptation goals of Paris Agreement

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. No material physical climate risks have been identified/all material physical climate risks have been addressed.

GET ATTRIBUTION

The Project is attributed 100% GET. This share has been calculated in line with RES curtailment clause of the GET Handbook "If the transmission or distribution system is dedicated to or is required for the evacuation of non-nuclear, very-low carbon electricity or reducing its curtailment, the financing of such investment shall be fully eligible". The Project leads to [REDACTED] CO_2 emission reduction resulting from RES curtailment [REDACTED] .

The **GET adaptation finance attribution is 50%,** based on the Project's objective to enable and increase the climate resilience of the energy and transmission system of the West Zone.

The Project's contribution to the climate resilience of the wider generation and transmission system is through the addition of "redundancy": The West Zone's generation and transmission system has repeatedly suffered from bouts of climate-related disturbances such as heatwaves, causing localised disruption and failure of energy supply and transmission.

By strategically connecting the West Zone with the UPS, the Project will mitigate the fallout of localised generation/transmission failure in the West Zone by transferring and redistributing energy from unaffected regions of the country.

Establishing energy transfer capacity is a recognised objective under this transaction, and the benefits will spill over beyond the project boundaries and enable climate resilience of the wider system. Based on these two features, the project is attributed a "enabling, shared objectives" GET adaptation finance share of 50%.

[REDACTED]

ANNEX 4 – HISTORICAL FINANCIAL ANALYSIS

The financial analysis is based on the consolidated IFRS accounts 2021 - 1H2024 audited by RSM Qazaqstan LLP.

	KZT, billion					EUR, million				
Income statement	2021	2022	2023	1H2023	1H2024	2021	2022	2023	1H2023	1H2024
Revenue	186	217	252	114	158	370	448	511	234	326
% change	*n/a*	*17%*	*16%*	*n/a*	*38%*	*n/a*	*21%*	*14%*	*n/a*	*39%*
Gross profit	103	112	121	60	77	204	231	246	123	158
Gross profit margin	*55%*	*52%*	*48%*	*52%*	*49%*	*55%*	*52%*	*48%*	*52%*	*49%*
EBITDA	86	99	109	56	71	170	204	221	114	146
EBITDA margin	*46%*	*46%*	*43%*	*49%*	*45%*	*46%*	*46%*	*43%*	*49%*	*45%*
Profit after tax	39	33	43	23	35	78	69	88	47	72
% change	*n/a*	*-15%*	*30%*	*n/a*	*53%*	*n/a*	*-12%*	*28%*	*n/a*	*54%*
Balance sheet	31-Dec-21	31-Dec-22	31-Dec-23	30-Jun-23	30-Jun-24	31-Dec-21	31-Dec-22	31-Dec-23	30-Jun-23	30-Jun-24
Cash	13	28	46	29	62	26	56	91	58	123
Receivables	13	21	34	23	31	27	43	68	46	62
ST financial assets	40	57	31	47	29	82	116	61	96	57
Other CA	8	7	10	9	11	16	14	20	19	22
Total Current Assets	**73**	**113**	**120**	**108**	**133**	**150**	**229**	**240**	**218**	**264**
Fixed Assets	979	859	870	853	859	2,007	1,743	1,732	1,721	1,702
Other Assets	41	15	11	20	10	83	30	22	41	21
Total Assets	**1,093**	**987**	**1,002**	**982**	**1,003**	**2,241**	**2,002**	**1,995**	**1,981**	**1,987**
ST Debt and LT Debt	49	17	7	12	6	101	34	13	24	13
Bonds	122	139	157	158	154	250	283	312	318	305
Payables	24	22	20	15	9	50	44	39	29	18
Other Liabilities	160	155	133	135	134	329	314	264	271	266
Total Liabilities	**356**	**333**	**316**	**318**	**304**	**730**	**676**	**629**	**642**	**602**
Equity	737	654	686	663	699	1,511	1,326	1,365	1,338	1,385
Total Liab & Equity	**1,093**	**987**	**1,002**	**982**	**1,003**	**2,241**	**2,002**	**1,995**	**1,981**	**1,987**
Cash Flow Statement	2021	2022	2023	1H2023	1H2024	2021	2022	2023	1H2023	1H2024
CFO	**90**	**85**	**78**	**38**	**53**	**178**	**174**	**158**	**78**	**109**
CFI	**-62**	**-31**	**-28**	**-19**	**-14**	**-124**	**-64**	**-57**	**-38**	**-29**
ow, CAPEX	-40	-50	-55	-26	-18	-80	-103	-112	-53	-37
CFF	**-39**	**-43**	**-36**	**-18**	**-22**	**-78**	**-88**	**-73**	**-37**	**-46**
ow, Debt repayment	-26	-49	-32	-14	-14	-52	-100	-64	-28	-29
ow, Dividends	-42	-13	-50	-30	-22	-82	-27	-102	-62	-45
Net change in cash	**-10**	**16**	**18**	**1**	**16**	**-19**	**34**	**36**	**3**	**34**

In 2021 - 1H 2024, the KEGOC's financial standing remained strong, the Company continued to demonstrate stable and consistent results, particularly from its core business, being grid transmission and balancing. In 2023, the Company achieved a 16% increase in revenue, reaching KZT 252 bn (EUR 511 mm), driven by market reforms and the introduction of a new service within the National Power Grid. The revenue for 2023 is comprised of (i) electricity transmission revenue (42%), service for the use of national transmission system (26%, a new revenue item after introduction of the service in 2023), revenue from dispatch services (14%), sales of balancing electricity (7%), as well as other services (11%). Operating expenses (excluding depreciation) increased by 25% y/y in the same year, largely on the back of higher electricity costs and losses (24% of OPEX in 2023) and larger labour costs (21% of OPEX in 2023), reaching KZT 143 bn (EUR 290 mm).

As a result, EBITDA in 2023 grew by 10% y/y to KZT 109 bn (EUR 221 mm), though EBITDA margin declined to 43% (from 46% in 2022). Net profit rose to KZT 43 bn (EUR 88 mm), up from KZT 33 bn (EUR 68 mm) in 2022.

The Company historically maintains a large amount of cash invested in short and medium-term financial instruments. As of 30 June 2024, cash position amounted to KZT 61.8 bn (EUR 123 mm), complimented by c. KZT 29 bn (EUR 57.5 mm) portfolio of financial assets allocated among bank deposits, NWF Samruk-Kazyna bonds and sovereign/treasury notes.

As of 1H2024, KEGOC's total debt comprised of hard-currency (USD/EUR) loan of KZT 6.4 bn (4% of total debt) from the IBRD and local currency bonds amounting to KZT 154 bn (96%). In October 2022, KEGOC fully prepaid one of the IBRD loans maturing in 2035, totalling to KZT 21 bn (USD 46 mm), as part of its long-term FX risk management strategy. By December 30, 2023, KEGOC had also fully repaid EUR 202.5 mm loan for the implementation of the "Kazakhstan National Electricity Transmission Rehabilitation Project, Phase 2".

In 1H 2024, KEGOC's financial ratios improved and remain well within the covenanted levels: Total Debt / Total Equity at 23%, Net Debt/EBITDA at 1.0x, EBITDA/interest at 5.1x, and current ratio at 4.3x.

Ratios/Covenants levels	2021	2022	2023	1H2023	1H2024
Current Ratio (not less than 1:1)	1.61	1.89	3.12	3.18	4.32
Net Debt / EBITDA (not more than 4:1)	1.00	0.72	0.80	1.67	0.98
Total Debt / Total Equity (not more than 60%)	0.23	0.24	0.24	0.26	0.23
EBITDA/Interest (not less than 1.2x)	6.75	7.05	4.89	5.91	5.07

[REDACTED] The Company's strategic importance, strong financial profile, and improvements in the regulatory framework, following market reform in July 2023, supported its investment grade rating of BBB/stable by Fitch, BB+/stable by S&P, and Baa1 by Moody's with a stable outlook.

ANNEX 5 – PROJECT IMPLEMENTATION

Procurement classification – *Public sub-sovereign*

[REDACTED]

The Project will be implemented by the Borrower –KEGOC. KEGOC is highly experienced in implementing projects for the construction of transmission lines and substations, which is its core operations area. Over the past years, the Borrower has successfully commissioned over 3,000 km of high-voltage transmission lines. The Borrower has vast experience in implementation of IFI financed projects, including EBRD. To illustrate, KEGOC has started construction of the ADB-financed "Strengthening of the South" project, which is of similar size and nature as the aforesaid project. Moreover, the procurement capacity assessment (see details in the following section on "Procurement arrangements") demonstrated sufficient capacity and capability for procurement of the required contracts through its corporate procurement rules in compliance with the key requirements of the PPR and related EBRD policies, as per the requirements of article 3.27, 3.61 and 3.62 of the PPR on Procurement by Utilities.

Additionally, the Borrower is well acquainted with compliance and reporting obligations under the Bank's financing documents, having signed several loans with EBRD, the World Bank, and more recently, the Asian Development Bank. KEGOC has a solid track record of reporting and meeting the requirements of international financial institutions.

To mitigate procurement risks, the Borrower will be supported by experienced consultants to assist with project management, design and supervision of works.

Contracts risk assessment – Medium High

The Project includes three main works contracts for the following:

- Construction of 500 kV Ulke - Karabatan overhead electricity transmission line [REDACTED]
- Rehabilitation and expansion of 500 kV Ulke substation [REDACTED]

Construction of 500 kV outdoor switchgear at Karabatan substation [REDACTED] The construction of high-voltage transmission lines and substations is the core business of the Borrower, with the use of standard contract templates provided by Samruk Kazyna, being the designated entity which develops the procurement rules, maintains the electronic procurement portal and controls adherence to the Samruk Kazyna procurement rules by state companies owned and controlled by them (including KEGOC).

The EBRD Project Implementation Adviser (PIA), duly supported by the Technical and Legal DD consultants, has reviewed the procurement documents and draft contracts, and has issued a set of recommendations to be implemented during the detailed design stage of the Project. In conclusion, the procurement documents, draft contracts and technical specifications have been deemed adequate for proceeding with the Project.

[REDACTED]

Project implementation arrangements:

The Project will be implemented by the contractor under KEGOC's supervision with engagement of independent contracts implementation supervisors.

KEGOC plans to engage technical and author supervisory consultants to assist with project implementation [REDACTED]

The Bank will engage the Lender's Monitoring Advisor and the Lender's E&S Advisor to follow-up and monitor the contracts' implementation. Both consultants will have a wide scope of works, which among other things includes quarterly monitoring and reporting on design, procurement, construction, compliance with ESAP implementation, use of the Bank's loan proceeds review, and other matters related to the Project.

Procurement arrangements:

The Project is classified as a public sector operation for procurement purposes. The Bank allows a particular group of utilities, which fall under the scope of public sector operations, to use their established procurement procedures instead of the Bank's procurement procedures under specific conditions and requirements.

Accordingly, the procurement under the Project is conducted following alternative procurement rules for utilities, as provided for in Article 3.27 and 3.61-62 of the Bank's Procurement Policies and Rules (PPR).

The alternative procurement rules have been reviewed by the Bank's PIA, duly supported by the Technical and Legal DD consultants, to establish if the procedures are acceptable to the Bank (as required by the PPR).

[REDACTED]

All consultants of the Bank will be procured in accordance with Section III Article 3 Procurement Rules for a Public Sector Operation of the Bank's PPR.

[REDACTED]