

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Kazakhstan	Project Title:	ALES Energy Transition and Modernization Project
Lending/Financing Modality:	Corporate Finance	Department/ Division:	Private Sector Operations Department/ Infrastructure Finance Division 1

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: general intervention
<p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</p> <p>The Asian Development Bank (ADB) will provide a corporate loan of up to \$214,000,000 equivalent in tenge to Joint Stock Company Almaty Electric Stations (ALES) for the ALES Energy Transition and Modernization Project in Almaty. The investment will support Kazakhstan’s intended nationally determined contribution under the Paris Agreement, which is the reduction of greenhouse gas emissions by 15%–25% by 2030.^a The project is consistent with ADB’s country partnership for Kazakhstan, 2017–2021, focusing on the reduction of emissions in the energy sector,^b and is also aligned with ADB’s Strategy 2030, particularly key operational priorities on (i) accelerating progress in gender equality; (ii) tackling climate change, building climate change and disaster resilience, and enhancing environmental sustainability; and (iii) making cities more livable.^c</p>
<p>B. Results from the Poverty and Social Analysis during Transaction Technical Assistance or Due Diligence</p> <p>1. Key poverty and social issues. Since its independence in 1991, Kazakhstan has undergone deep economic transformations. Its gross domestic product increased by 2.8 times during 2000–2014, and poverty incidence declined from 62.1% in 2001 to 4.6% in 2018.^d The use of coal for heat and power generation in all major cities, including Almaty, comes with severe impacts on the environment and climate change, and health. Epidemiological studies suggest the prevalence of chronic obstructive pulmonary disease and bronchial asthma in Kazakhstan, which could be associated with poor air quality.^e If unabated, this could reverse certain development gains, particularly in health and economic productivity.</p> <p>2. Beneficiaries. The project is expected to deliver significant benefits to the residents of Almaty through increased heat and power supply and improved air quality. Project construction will create 629 new jobs, with 726 jobs in the peak period. Local suppliers are likely to benefit, as construction will require procurement of goods and services.</p> <p>3. Impact channels. More efficient and cleaner heat and power supply will contribute to the climate change mitigation goals of Kazakhstan. The fuel transition from coal to gas of JSC Almaty Electric Stations Combined Heat and Power Plant 2 (CHP-2) will also reduce the threat of pollution and other health risks that could have harmful economic and social impacts, particularly for poor and vulnerable individuals. The project will bring benefits to the local economy through generation of additional employment opportunities during construction.</p> <p>4. Other social and poverty issues. The government’s sanitary protection zone (SPZ), which was created as a health and safety buffer zone around the plant site to restrict habitation and other social and economic activities in the vicinity of the plant, has only partially been enforced. The new plant will reduce environmental and health and safety risks and impacts on neighboring communities, and should reduce the need for the SPZ. If the SPZ is revised and enforced by the local government, this may have socioeconomic impacts on local residents and will need to be managed in line with ADB’s Safeguard Policy Statement (2009).</p> <p>5. Design features. The project is designed to support the modernization and full replacement of coal by natural gas as the primary fuel of CHP-2. ALES’s environmental and social management system will be enhanced following ADB requirements to improve ALES’s capacity to manage environmental and social risks and impacts.</p>
II. PARTICIPATION AND EMPOWERING THE POOR
<p>1. Participatory approaches and project activities that will strengthen inclusiveness in project implementation. In compliance with the requirements of national legislation, public hearings on the project’s report on possible environmental impacts were held on 29 November 2021 in Almaty. A stakeholder engagement plan has been developed to promote meaningful stakeholder engagement throughout project implementation. Environmental and social documentation is disclosed on the website of Samruk-Energy Joint Stock Company (the project sponsor) and hard copies are available for public access at ALES’s office. Public consultation on the project was carried out and the preliminary results of the environmental and social impact assessment were disclosed on 21 October 2022.</p> <p>2. Civil society organization participation. The stakeholder engagement plan ensures civil society organizations (CSOs) are represented in public consultations. CSOs that have been engaged include specialized environmental, social, and research organizations.</p> <p>3. Approaches of civil society organization participation envisaged during project implementation:</p>

<p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. Indigenous peoples impacts are not anticipated for this project.</p> <p>3. Plan or other actions.</p> <table border="0"> <tr> <td><input type="checkbox"/> Indigenous peoples plan</td> <td><input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</td> </tr> <tr> <td><input type="checkbox"/> Indigenous peoples planning framework</td> <td><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</td> </tr> <tr> <td><input type="checkbox"/> Social impact matrix</td> <td></td> </tr> </table>	<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan	<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input checked="" type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary	<input type="checkbox"/> Social impact matrix	
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V. ADDRESSING OTHER SOCIAL RISKS								
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market.</p> <p><input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (L)</p> <p>2. Labor market impact. The project and its contractors will ensure labor and working conditions are in accordance with the environmental and social management plan (ESMP) to be developed with the final environmental and social impact assessment. The project will ensure compliance with national labor laws and will take measures to comply with international core labor standards. Modernization of CHP-2 may lead to a reduction of maintenance personnel. If reduction of the number of personnel is inevitable, ALES will develop a collective dismissal plan following the national labor code and lenders' requirements that defines the rights of employees to compensation and support measures; the plan is subject to disclosure and consultation with affected workers and will be approved by ADB prior to implementation.</p>								
<p>B. Affordability</p> <p>Tariff increase is anticipated because of changes in the fuel structure. In order to minimize tariff growth rates, the repayment of loans is planned to be carried out at the expense of income received from the capacity market.</p>								
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):</p> <p><input checked="" type="checkbox"/> Communicable diseases (L) <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. The project will address any risks relating to an influx of workers through the implementation of measures detailed in the ESMP.</p>								
VI. MONITORING AND EVALUATION								
<p>1. Targets and indicators. The project design and monitoring framework includes the following socioeconomic indicators: improved air quality; additional jobs created; and implementation of awareness raising sessions on gender equality principles, especially on anti-sexual harassment and gender-based violence.</p> <p>2. Required human resources. A community liaison officer will be engaged to help implement the stakeholder engagement plan and grievance redress mechanism.</p> <p>3. Information in the project administration manual. Not applicable.</p> <p>4. Monitoring tools. ALES will submit semiannual environmental and social monitoring reports to inform ADB on its implementation of the ESMP and, if necessary, the resettlement plan. The implementation of the gender action plan will be part of ALES's development effectiveness monitoring reporting to ADB.</p>								
<p>^a United Nations Framework Convention on Climate Change. 2016. Intended Nationally Determined Contribution: Submission of the Republic of Kazakhstan. Bonn.</p> <p>^b ADB. 2017. Country Partnership Strategy: Kazakhstan, 2017–2021—Promoting Economic Diversification, Inclusive Development, and Sustainable Growth. Manila.</p> <p>^c ADB. 2018. Strategy 2030: Achieving Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. Manila.</p> <p>^d Independent Evaluation Department. 2022. Kazakhstan: Validation of the Country Partnership Strategy Final Review, 2017–2021. Manila: ADB.</p> <p>^e D. Assanov, V. Zapasnyi, and A. Kerimray. 2021. Air Quality and Industrial Emissions in the Cities of Kazakhstan. <i>Atmosphere</i>. 12 (3).</p> <p>^f World Bank. 2021. Women, Business, and the Law 2021: Kazakhstan. Washington, DC.</p> <p>^g J. Mynbayeva, S. Kelly, and L. Kazembekova. 2020. Study on the Role of Women in Kazakhstan's Energy Sector. Kazenergy. 5 May.</p> <p>Source: Asian Development Bank.</p>								