



Project Summary Information

Date of Document Preparation: 06/19/25	
Project Name	Inclusive and Sustainable Economic Growth Development Policy Operation
Project Number	P000999
AIIB member	Kazakhstan
Sector/Subsector	Energy
Alignment with AIIB's thematic priorities	Green infrastructure
Status of Financing	Under Preparation
Objective	To help the Government of Kazakhstan (GoK) implement crucial policy reforms to support the country's transition to a greener economy.
Project Description	<p>Kazakhstan is an upper-middle-income country and the largest economy in Central Asia. Kazakhstan is currently the 20th largest emitter worldwide of greenhouse gases (GHG) on a per capita basis, with electricity and heating accounting for 84 percent of overall emissions. Kazakhstan is among the top ten most energy-intensive economies, using three times as much energy per unit of output compared to the OECD average. Therefore, decarbonizing the economy is an urgent priority, and Kazakhstan has ambitious targets for addressing climate change, which require strong action. This includes scaling up the development of large-scale and distributed renewable energy, enabling the emission trading scheme to contribute to meeting the NDC, implementing tariff reforms in electricity and heating to remove energy subsidies, achieving full cost recovery, and strengthening energy efficiency.</p> <p>The proposed Program supports the Government of Kazakhstan (GoK)'s reforms aimed at (i) facilitating a cleaner energy transition through developing small-scale distributed renewable energy, (ii) improving financial sustainability in electricity by enacting systematic electricity tariff adjustments in line with a new incentive-based methodology to achieve full cost recovery levels, (iii) reducing fossil-fuel subsidies in heating through tariff reforms, (iv) promoting energy efficiency to reduce the carbon footprint of the economy by implementing more stringent energy efficiency norms for the highest energy-intensive industrial enterprises, and (v) strengthening emissions monitoring, reporting and verification to help meet the NDC. The Program will be co-financed in parallel with the World Bank (WB), as the lead financier. The Program is aligned with the goals of the Low Emissions Development Strategy (LEDS) of the Republic of Kazakhstan, which was adopted in February</p>

	<p>2023 and aims to reduce greenhouse gas (GHG) emissions by 15 percent by 2030 and attain carbon neutrality by 2060, and the updated 2023 NDCs.</p> <p>The Ministry of Finance of the Republic of Kazakhstan is the main executing agency and is coordinating the implementation of all policy actions supported by this operation with respective line ministries.</p>
Expected Results	<p>The Program aims to facilitate Kazakhstan's transition to a greener economy through a series of policy reforms targeting renewable energy, energy efficiency, and financial sustainability. Key expected outcomes include an increase in renewable energy capacity from 440 MW in 2022 to 2500 MW by 2026, achieving full cost recovery for electricity and heating tariffs, and a reduction in energy intensity in the industrial sector from 2.2% to 7%. Additionally, the program seeks to improve emissions monitoring and verification processes, with a target of preparing 230 facility-level reports to support Kazakhstan's climate commitments. Overall, the program is designed to drive private sector investment, enhance energy efficiency, and align with Kazakhstan's greenhouse gas reduction goals, thereby promoting sustainable economic growth.</p>
Environmental and Social Category	Not applicable
Environmental and Social Information	<p>Applicable Policy and Categorization. AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Exclusion List (ESEL) and provisions related to CPBF set forth in Section 16 of the ESP, are applicable to this Program. Therefore, the provisions on Environmental and Social (ES) categorization in the ESP do not apply to this Program. The assessment of ES impacts of the Program is largely informed by the analytical work of the World Bank (WB), the lead co-financier, including an ES impact analysis matrix that has been prepared covering the Program's policy actions. This outlines the potential direct and indirect impacts of each prior action, along with corresponding mitigation measures.</p> <p>Environmental and Social Aspects. The policy actions constituting the Program are expected to generally result in net positive environmental impacts. Lowering the country's reliance on fossil fuels through the implementation of strategies supporting decarbonization efforts, energy efficiency improvements, and the advancement of renewable energy technologies has wide-ranging cascading benefits to the environment and socioeconomic conditions. All PAs will help create an enabling environment to scale up the sourcing of renewable energy and promote efficient energy use. In turn, this will contribute to the overall reduction of GHG emissions, climate change mitigation, and improvement of air quality, leading to better public health and conservation of ecosystems. The overall social and poverty impact of the Program is expected to be positive, while negative distributional impacts are expected for policy actions supporting electricity and heating tariff adjustments, which can be mitigated through social protection programs. According to WB's assessment, the government's capacity for environmental management is deemed adequate, with recent developments such as a series of updates to the Environmental Code to mainstream environmental sustainability in projects.</p>

	<p>Gender Aspect. The Program's policy reforms are expected to yield broad socioeconomic benefits but have gender-differentiated impacts. In Kazakhstan, women often experience higher rates of energy poverty due to income disparities and traditional household roles, making them more vulnerable to tariff adjustments. To mitigate the adverse effects of tariff adjustments on poor and vulnerable households, there will be government reforms towards the existing social protection systems, such as the HU benefit program, which will provide targeted support. To promote a just transition, the Program will incorporate gender-sensitive measures into its implementation, utilizing opportunities in renewable energy expansion and energy efficiency retrofits to enhance women's employment.</p> <p>Information Disclosure and the Program Grievance Redress Mechanism (GRM). ES matrix prepared will be disclosed on the Bank's website in a timely manner to inform the Member's consultation. The final ES matrix will be disclosed prior to the approval of the CPBF. Individuals and communities who believe that they are adversely affected by the Program may submit complaints to the responsible government authorities and the appropriate local/national grievance mechanisms. The information of the GRM to be used and AIIB's Project-affected People's Mechanism (PPM) will be timely disclosed in the appropriate manner.</p> <p>Monitoring and Evaluation Arrangement. The Ministry of Finance (MOF) is the main executing agency and is coordinating the implementation of all policy actions supported by this operation with respective line ministries, including Ministry of National Economy, Ministry of Industry and Infrastructural Development, and others. AIIB and WB will jointly conduct regular policy dialogue and monitor implementation.</p>
Cost and Financing Plan	World Bank: USD 600 million AIIB: USD 300 million
Borrower/Investee Company/Counter party/Guaranteed entity	Republic of Kazakhstan
Guarantor	Not Applicable
Implementing Entity/Sponsor	Minister of Finance of the Republic of Kazakhstan

Estimated date of loan closing (SBF)/Estimated date of last disbursement (NSBF)/ Estimated Date of first disbursement (Fund)	June 30, 2026			
Contact Points:	AIIB	World Bank	Borrower	Implementation Organization/Sponsor
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Date of Concept Decision	June 19, 2025			
Estimated Date of Appraisal Decision	August 28, 2025			
Estimated Date of Financing Approval	September 24, 2025			

Independent Accountability Mechanism	The Project-affected People's Mechanism (PPM) has been established by AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through the processes of AIIB's Management. For information on AIIB's PPM, please visit: How We Assist You - Project-Affected People's Mechanism .
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