PROJECT IMPLEMENTATION REPORT

Project ID:	4348
Project Name:	Reducing GHG Emissions through a Resource Efficiency Transformation Programme (ResET) for Industries in Kazakhstan
Countr(ies):	Kazakhstan
Implementing Agency:	EBRD

TABLE OF CONTENTS

I. OVERVIEW 3
A. Description 3
B. Ratings and Disbursements 3
C. Key Dates 3
II. PROGRESS STATUS AND ISSUES 4
A. Progress: Information on progress and outcomes of project implementation activities 4
B. Challenges: Information on challenges of project implementation activities 8
C. Stakeholder Engagement 8
D. Gender Equality 10
E. Knowledge Management 10
III: MINOR AMENDMENTS 11
IV: GEOGRAPHIC COORDINATES OF PROJECT ACTIVITIES 12
V. ANNEX 12

I. Overview

A. Description

Project name
Reducing GHG Emissions through a Resource Efficiency Transformation Programme (ResET) for Industries in Kazakhstan

Country
Kazakhstan

GEF ID	Implementing Agency
4348	EBRD

Executing Entity
Ministry of Industry and New Technologies (MINT)

Trust Fund	Project Type
GET	FSP

PIR Submission	Fiscal Year , PIR Number
9/15/2026	FY 2026 , NGI Reflow

Objective
Reduce energy consumption and associated GHG emissions by facilitating the adoption of more efficient technologies and processes in Kazakhstan.

B. Ratings and Disbursements

Implementation Progress	Development Objective
Satisfactory	Satisfactory

Overall risk
Moderate Risk

Project Financing	Cumulative Disbursement
7,763,550.00	7,090,000.00

C. Key Dates

CEO Endorsement/Approval	Agency Approval
2/29/2012	2/29/2012

Implementation Start	First Disbursement
3/1/2012	8/28/2013

Expected MTR	Actual MTR
6/6/2017	6/6/2017
Expected Completion	Actual Completion
12/31/2026	12/31/2024

II. PROGRESS STATUS AND ISSUES

A. Progress: Information on progress and outcomes of project implementation activities

2.1 Progress on Implementation Activities

Overall progress: The programme has been successful – despite the initial delay in implementation – and able to fully deliver its technical assistance package by introducing necessary regulatory changes and capacity building to encourage energy efficiency improvements across the targeted sectors. The implementation of the investment component regained its pace after the constraints illustrated in the March 2017 Mid-Term review report (e.g. continued economic slowdown, complexity of implementing grant incentive payments with public companies) have been addressed. Additional delays related to the COVID crisis also temporarily hindered implementation of green capex investments in the country.

Five direct finance EBRD projects have been supported. They are expected to achieve 363,450 tCO2e in direct GHG emission reductions over 10-year investment lifetime. This drew down USD 1,462,616 from the GEF, which mobilised c. USD 54.5 m of EBRD green financing (representing c. 125% of the USD 40m target).

Additionally, intermediated financing model for Micro, Small & Medium Enterprises (MSMEs) has been deployed based on the KazSEFF+ model (as originally proposed under ResET Programme) in the form of credit lines provided by the EBRD to participating financial intermediaries (PFIs) for on-lending to the private sector commercial, industrial and agribusiness entities for energy efficiency and resource efficiency projects.

The Pilot GEFF in Kazakhstan was a Framework that provided up to US$ 30 million for financing green economy transition investments, in alignment with the EBRD's methodology for intermediated financing of sustainable energy and resource technologies. It was the first credit line to offer financing to PFIs, including two local banks and one microfinance organisation, to support private-sector sub-borrowers in Kazakhstan with investments in green technologies and services.

This Facility contributed to Kazakhstan’s priorities as outlined in the Country Strategy 2017-2021, which was approved by the EBRD Board and supports a transition to a green economy. It highlighted the importance of aligning with Kazakhstan’s COP21 commitments and adapting to the “greening” of trade and investment partners, which is crucial for implementing a green economy framework and fostering a competitive private sector under new environmental conditions.

The EBRD continues to aid Kazakhstan’s transition to a low-carbon and climate-resilient economy by financing projects in energy, renewables, agriculture, municipal sectors, and by promoting the development of favourable legal and regulatory frameworks for sustainable energy, water, and resource use.

As the utilisation of the Facility has been progressing, the Bank has expanded the definition of the eligible investments to include circular economy activities. This definition is guided by the EU Categorisation System for Circular Economy that provides high-level guidance on the application of circularity principles to investment projects. The EBRD has accelerated intermediated financing activities resulting in signing of three PFIs and development of a good portfolio of sub-projects financed by PFIs in Kazakhstan. USD 3,500,000 from the Green Environmental Fund (“GEF”) was committed for sub-borrower incentive payments alongside USD 30,000,000 co-financing from the EBRD.

The Pilot GEFF in Kazakhstan operated from September 2020 to January 2024. During this period, three PFIs (KMF, BCC and Shinhan Bank) provided various types of loans for different target segments. A total of 1,683 loans were issued under the Pilot

GEFF, amounting to US$ 26,000,689. The total investment cost for eligible projects exceeded US$ 51.6 million. The target client segments and distribution channels were aligned with the PFIs' business models.

The most popular product categories under the Pilot GEFF were commercial and home appliances, transport, refrigerators, and power cogeneration. Of the total loans, 76% by number and 98% by volume were for commercial projects, while 24% by number and 2% by volume were for residential projects. Among the sub-borrowers, 59% were women, 39% were men, and large corporate sub-borrowers accounted for 2% of the projects.

The environmental impact of the Pilot GEFF was significant, with primary energy savings of 1,842,463 GJ per annum and CO2 savings of 166,351 tons per annum.

Pilot GEFF Kazakhstan was supported by a EUR 2,058,330 TA package (EUR 1,800,000 funded by the Federal Ministry of Finance of Austria and EUR 258,330 by the EBRD-Global Environment Facility (GEF), (ResET)). GEFF loans were available in 86% of the country, distribution is linked to PFIs network.

Throughout the operation of the Facility, the geopolitical landscape remained unstable. The political and economic situation in Kazakhstan faced significant turbulence and associated risks. The following factors negatively impacted Kazakhstan’s economy and financial sector:

- Outbreaks of COVID-19 in 2020 and 2021
- Riots and clashes in Almaty in January 2022
- The Russian invasion of Ukraine in February 2022, which affected supply chains to and from Kazakhstan
- The introduction of international sanctions on trade and financial relationships with Russian enterprises and banks
- Disruptions in international trade relations
- Restrictions on financial transactions

Despite these adverse external and internal impacts, Kazakhstan demonstrated resilience. According to the EBRD’s Regional Economic Prospects report published on May 16, 2023, Central Asian economies, including Kazakhstan, have proven resilient to unfavourable geopolitical conditions and have adapted to the new reality.

Progress in the reporting period:

Activities in the reporting period included working with banking and other relevant teams to expedite disbursement of previously signed investment projects, and complete remaining activities under the TA components.

2.2 Outcomes of Implementation

Current FY Development Objective (DO) Rating	Satisfactory	**Previous FY Development Objective (DO) Rating**	Satisfactory
Current FY Implementation Progress (IP) Rating	Satisfactory	***Previous FY Implementation Progress (IP) Rating***	Moderately Satisfactory

Explanation of DO (impact) Rating:

Direct lending modality:

- **The programme is on track to achieve most of its major global environmental objectives.** Since inception, five direct investment projects, with GEF's USD 1.46m of incentive grant support, remain under Programme framework and are expected to contribute 32% (363 $ktCO_2$ over 10 years) to the expected GHG emission reduction target. One of those investment projects was successfully completed and disbursed by the end of 2019, while the others are scheduled to be completed by the end of 2024, with the incentive payments being disbursed following verification.

Intermediated financing modality:

Overview of GEFF in Kazakhstan as of end of the Facility implementation:

PFIs	EBRD funds committed USD	EBRD funds disbursed USD	GEF funds committed USD	GEF funds disbursed for sub-borrower incentives USD	No. of sub-loans disbursed	Expected CO2 emissions savings t/py	No. of projects verified	Expected CO2 emissions savings t/py from verified sub-projects 10 years lifetime
KMF	5,000,000	5,000,000	583,333	62,708.96	1,494	2,038	1,494	20,380
BCC	20,000,000	20,000,000	2,333,000	1,237,600.63	120	163,632	120	1,636,320
Shinhan Bank	5,000,000	5,000,000	583,333	492,159.72	696	681	69	6,810
Total	**30,000,000**	**30,000,000**	**3,499,666**	**1,792,469.31**	**1,683**	**166,351**	**1,683**	1,663,510

- **Despite the difficulties registered, and in particular the Russian invasion in Ukraine that affected economy in Kazakhstan in general, the project team has been working on finding modalities to progress the development objectives.** Two main avenues for advancing energy efficiency investments continued in the targeted sectors have been identified and will be pursued going forward as:

(1) regular review of PFIs sub-projects and sub-loans pipelines to identify new direct lending opportunities;

(2) deployment of intermediated financing model for MSME sector based on the KazSEFF+ model (as originally proposed under ResET Programme) in the form of credit lines provided by the EBRD to participating financial intermediaries for on-lending to the private sector commercial, industrial and agribusiness entities for energy efficiency and resource efficiency projects. The EBRD accelerated intermediated financing activities resulting in signing of the second partner bank and development of a good pipeline of small-scale sub-projects to be financed by PFIs.

The following results were achieved by individual PFIs:

As of the end of Facility implementation 1,494 sub-projects have been financed by KMF. The list below provides an outline of the achievements of credit line:

- Number of sub-loans disbursed: 1,494
- Volume of sub-loans disbursed: cumulatively worth USD 3,684,351

- CO2 savings: 2,038 tonnes/year
- Energy savings: 31,572 GJ/year
- The Portfolio demonstrates a good variety of technologies, regions, rural/urban, sectors, sub-borrower types:
  - Financed technologies included: drip irrigation, heating systems, heat pumps, thermal insulation systems, motors and pumps, cooling and refrigeration, windows.
  - Through the PFI branch networks the facility provided loans across the country in Akmola, Aktobe, Almaty, East Kazakhstan, Jambyl, Karagandy, Kyzylorda, Pavlodar, Shymkent, Turkestan and West Kazakhstan regions.
  - Sub-borrowers were pre-dominantly micro companies and individuals.
- All sub-projects signed by KMF, support investments in pre-approved technologies, and 62% of the sub-loans were signed by women-owned or led companies.

BCC concentrated on larger projects in the corporate sector mainly in the area of energy generation. There was a significant increase in sales of electric vehicles by car-financing department of BCC. The below data provides an overview of the achievements of BCC credit line of US$ 20 million to date:

- Number of sub-loans financed: 120
- Volume of sub-loans disbursed: cumulatively worth USD 17,316,337
- Number of sub-loans verified: 120
- CO2 savings: 163,632tonnes/year
- Energy savings: 1,803,197 GJ/year

As of the end of June 2024, 69 sub-projects have been financed by Shinhan Bank, 69 of them have been completed and verified. Shinhan Bank works with SMEs and individuals. The below data provides an overview of the achievements of Shinhan Bank credit line of US$ 5 million:

- Number of sub-loans disbursed: 69
- Volume of sub-loans disbursed: cumulatively worth USD 5,000,000
- CO2 savings: 681 tonnes/year
- Energy savings: 7,694 GJ/year

[*]However, we note that the project as a whole may not be able to fully meet the overall CO2 targets, including through the use of the remaining funding.

Explanation of IP Rating:

The Programme is on track to achieving its key outputs, albeit after delays in the investment component.

The policy support work under Component 1 is completed.

The work under Component 2 is completed as well.

The Programme made significant progress under Component 3, although external economic factors (described above) delayed progress in committing GEF grant funding for investment support.

In line with the recommendations of the Mid-term Review, USD 1m from Component 3 (Investments) was moved to Component 2 (TA), in order to support the technical capacity building of the companies and develop a pipeline of climate investments.

B. Challenges: Information on challenges of project implementation activities

2.3 Challenges in Implementation & Risks			
Current FY Risk Rating	Moderate Risk	***Previous FY Risk Rating***	Moderate Risk

General Comment on Challenges:

The risks to the implementation of the Program were linked to weak economic situation within Manufacturing & Services sector in Kazakhstan, which resulted in low interest among local companies to embark on any capex projects.

It is expected that post-COVID 19 economic recovery in the region as well as ongoing war in Ukraine will further amplify the existing risks in addition to the newly emerging challenges in the short and medium term. Based on EBRD's experience in the region during the COVID crisis in 2020-2021, the private sector is in immediate need of liquidity and capex investments are oftentimes no longer prioritised. As GEF grants are provided for capex investments in green technology, this situation may affect the utilisation rate of the grants.

The Programme has struggled to convert a number of pipeline of projects, largely due to bankability and in-country challenges. Challenges in identifying suitable investments have been experienced due to economic conditions in Kazakhstan, leading to a slower-than-expected utilisation of GEF funding, and to the existence of cheaper finance in the market especially in sectors like agribusiness.

- In Kazakhstan, SMEs account for employing around 3.3 million people. SMEs comprise 28.4% of GDP and 37% of employment. According to the recent survey, 69.6% of SMEs were forced to suspend their economic activities and another 2.2% completely ceased their operations during the quarantine. The self-employed suffered even more, with 71% suspending their activities due to the introduction of quarantine measures.
- The most affected sectors are tourism, other services, hitting women entrepreneurs particularly hard, and construction. According to the results of the UNDP SEIA survey, quarantine measures have led to the rupture of supply chains for 42% of SMEs. Half of SMEs noted their inability to continue their current activities from a lack of capital. About 40% of SMEs are worried about the instability of the national

currency, 31%-about the future; and 18% of SMEs pointed to fund-raising problems. Some aspects of the crises have also affected women more than men.

- Given the underlying socio-economic vulnerabilities and specific sectors hit by the crisis where women's labour participation is predominant, such as retail, tourism, hospitality and services, as well as women's roles and responsibilities in family care, promotion of gender equality under GEFF during the recovery phase is important. It is therefore particularly important that 56% of the sub-loans were extended to women-led or owned businesses.

GEFF's focused on providing dedicated support to private sector businesses (predominantly MSMEs) helped foster green recovery, support domestic consumption patterns and revitalise economic growth. As the vast majority of SMEs in the region rely on domestic consumption, support to small businesses as well as individuals were of critical importance. Promotion of energy and resource efficiency solutions is supporting domestic trade and servicing of these green solutions helping to create and sustain jobs and strengthen local supply chains of technologies and services. The programme therefore helped to serve the base of the economic pyramid prioritising green investments and securing sustainability of economic assets for both women and men-led businesses.

The Pilot GEFF Kazakhstan Facility's implementation risks were linked to Kazakhstan's weak economic situation in the Manufacturing & Services sector, resulting in low interest from local companies for capex projects. Post-COVID-19 economic recoveries and the ongoing war in Ukraine amplified these risks and introduced new challenges in the short and medium term. Based on EBRD's experience during the COVID crisis (2020-2021), the private sector urgently needs liquidity, with capex investments often deprioritised.

The Facility has struggled to convert its project pipeline due to bankability and in-country challenges, exacerbated by economic conditions and cheaper finance options, especially in agribusiness.

To sum up, the GEF project has had difficulties in finding larger size companies (with higher absolute impact). However, on the other hand, it has had a strong positive effect in introducing green investments to smaller SMEs and microbusinesses and supporting them, which has a lower overall GHG impact, but provides much needed development opportunities and provides key resources to start to reduce the impact of these lower end actors.

Table 3: Risk Table

Risk	Original Rating	Rating in current year	Action taken to manage risks
Political risk (i.e., low government commitment to energy efficiency in industry)	Low	Moderate	No change in risk assessment and mitigation strategy since the previous reporting period.
Technology risk	Low	Low	No change in risk assessment and mitigation strategy since the previous reporting period. The technologies to be used are all available and proven.
Financial risk	Moderate	High	No change in risk assessment and mitigation strategy since the previous reporting period. The region is going through post-COVID crisis recovery and green investment are not prioritised.
Climate risk	Low	Low	No change in risk assessment and mitigation strategy since the previous reporting period.

Risk	Original Rating	Rating in current year	Action taken to manage risks
			The EBRD continues to build international and local capacity in the area of climate technology assessments and climate technology investment pipeline development, both of which consider climate risks.
Implementation Risk	Low	Moderate	No change in risk assessment and mitigation strategy since the previous reporting period. Project implementation risk is being mitigated by the EBRD's local presence and extensive experience in the Region and close working relationships with in-country partners.

C. Stakeholder Engagement

Section 3: Information on progress, challenges and outcomes on stakeholder engagement

A wide range of stakeholders were involved in the context of the marketing and dissemination activities to be carried out during the lifetime of the programme.

As described elsewhere in the report, the project has had a wide impact on large number of smaller actors.

D. Gender Equality

Section 4: Information on Progress on gender-responsive measures as documented at CEO Endorsement/Approval in the gender action plan or equivalent

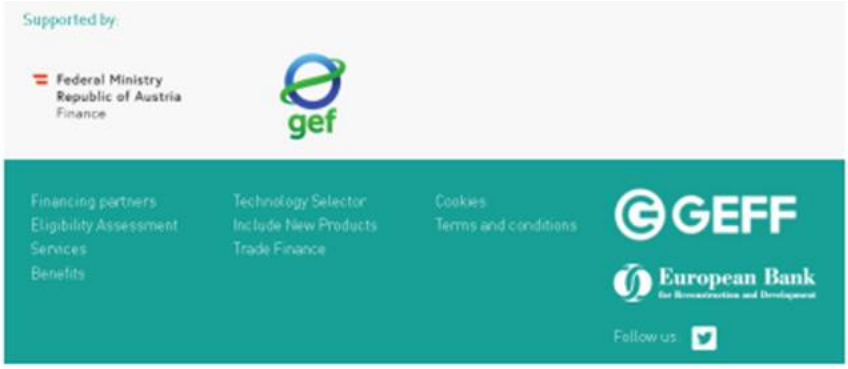
The Gender dimension was not included in the original structure of the proposal and is not monitored as part of the project. However, 61% of the sub-loans under the GEF Kazakhstan model were extended to women-led or owned businesses.

E. Knowledge Management

Section 5: Knowledge activities / products (when applicable), as outlined in knowledge management approved at CEO Endorsement / Approval

The facility's donors were properly introduced in all online and offline communication materials:

1. Donors were placed on the Facility website: https://ebrdgeff.com/kazakhstan/



2. The facility's launch event was held online due to the global COVID-19 pandemic. The donors' visibility was prominent on all presentation materials, and both donors were invited to the event as speakers.

3. Successful projects are often the inspiration for new green investment opportunities. The examples provided here demonstrate what has already been achieved with GEFF expertise and financial help.

https://ebrdgeff.com/kazakhstan/projects/

In the course of implementation period the PC has also worked with three PFIs: BCC, KMF and Shinhan Bank on implementation of the E-learning programme of the EBRD Green Finance Academy. The PC provided on-going support to various requests of the PFIs on technical matters related to the process of registration, allocation of courses and creation of groups of learners. The PC maintained regular contacts with the EBRD staff responsible for the Green Finance Academy. The situation update of the E-learning status was included in all regular working group calls with the PFIs and is described in detail for each PFI after the sales and marking sections.

III: Minor Amendments

CONTEXT	
Result Framework	
Components and Cost	
Institutional And Implementation Arrangements	

Financial Management	
Implementation Schedule	Revised Expected Closing Date: 31 December 2026
Executing Entity	
Executing Entity Category	
Minor Project Objective Change	
Safeguards	
Risk Analysis	
Increase of GEF Financing up to 5%	
Co-Financing	
Location of Project Activity	
others	

IV: Geographic Coordinates of Project Activities

Location Name	Latitude	Longitude	GeoName ID
Kazakhstan, Nur-Sultan (Astana)	51.18	71.44583	

Location Description:

Multiple sub-projects in multiple locations across the country

Activity Description:

V. ANNEX

Uploaded Document

Document Category	Title
M and E Document	4348_2026_EBRD GEF PIR RESET Final