

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

Approved by the Board of Directors on 9 March 2022<sup>1</sup>

**KAZAKHSTAN**

**GRCF2 W2: ALMATY ELECTRIC PUBLIC TRANSPORT**

*[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]*

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<sup>1</sup> 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.

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**ABBREVIATIONS / CURRENCY CONVERSIONS**

AET	Almatyelectrotrans LLP
BPS	Business Procurement Specialist
CAPEX	Capital Expenditures
CDP	Corporate Development Programme
CF	Cash flow(s)
CNG	Compressed natural gas
COGS	Cost of goods sold
DA	Depreciation and Amortization
DSRA	Debt Service Reserve Account
DSCR	Debt Service Coverage Ratio
EBITDA	Earnings before interest, taxes, depreciation and amortization
EIRR	Economic Internal Rate of Return
E&S	Environmental & Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
EUR	Euro
E&S	Environmental and Social
FS	Feasibility Study
FX	Foreign currency exchange
FY	Financial Year
GBVH	Gender Based Violence and Harassment
GrCF / GrCF2 / GrCF2 W2	Green Cities Framework/ Green Cities Framework 2/Green Cities Framework Window II
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse Gases
GWP	Global Warming Protection
IFRS	International Financial Reporting Standards
KZT	Kazakhstani tenge
MW	Megawatt, unit of power
OPEX	Operating expenses
Pax	Passenger
PM	Particle Matter
PIP	Priority Investment Programme
PIS	Project Implementation Support
PIU	Project Implementation Unit
PPP	Public-private partnership
PPR	Procurement Policies and Rules
PR	Performance Requirements
PSA	Project Support Agreement
PSC	Public Service Contract
RAROC	Risk-adjusted return on capital
SDGs	United Nations Sustainable Development Goals
SGA	Selling, General, and Administrative Expense
SPZ	Sanitary protection zone
SSF	EBRD Shareholder Special Fund
TC	Technical Cooperation
TI	Transition Impact
TOR	Terms of Reference
VAT	Value Added Tax

**CURRENCY CONVERSION**

(as of 19 November 2021)

EUR 1 = KZT 489.1

## PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Almatyelectrotrans LLP (the “Borrower” or “AET”), a public transport company wholly owned by the municipality of Almaty (the “City Akimat”), Kazakhstan, are submitted for consideration by the Board of Directors.

The facility will consist of a loan to AET of up to KZT 28.8 billion (EUR 58.9 million) (the “Loan”), consisting of two tranches: Tranche 1 of up to KZT 18.0 billion (EUR 36.8 million) to be committed at signing and Tranche 2 of up to KZT 10.8 billion (EUR 22.1 million) to be committed at the Bank’s discretion. The City Akimat will contribute up to KZT 11.1 billion (EUR 22.7 million) in co-financing. The Loan will be supported by project support undertakings from the City Akimat.

The operation will enable the Borrower to upgrade its electric public transport assets via (i) acquiring 190 modern energy efficient trolleybuses, (ii) rehabilitating trolleybus depot and maintenance equipment, and (iii) modernising trolleybus infrastructure in Almaty, Kazakhstan. The Project will serve as Almaty’s ‘trigger investment’ under Green Cities Framework 2 Window II (“GrCF2 W2”) and formally initiate Almaty’s participation in EBRD Green Cities. The *Green Quality* will be achieved through climate change mitigation by the reduction of GHG emissions, supporting a shift to electric mobility, public transport services improvement, and development of a Green City Action Plan (“GCAP”) for Almaty. As part of the *Inclusive quality*, the Borrower will improve women’s access to employment as trolleybus drivers, introduce a new, replicable and internally accredited training programme for trolleybus drivers, and develop improved HR standards and practices increasing the share of female heads of department. The Project is 100 per cent GET. Additionally the Project will covenant a tariff increase to reduce the cost recovery gap, an update of the Public Service Contract (the “PSC”) and an introduction of a Corporate Development Programme (“CDP”) for AET.

Technical Cooperation (“TC”) support for the Project preparation was financed by the EBRD Shareholder Special Fund (“SSF”). Post-signing TCs, including Project Implementation Support, Pre-Shipment Inspection and Corporate Development Programme will be also financed by SSF Work Plan 2021-2022. The GCAP development for Almaty is financed by the Federal Ministry of Finance of the Republic of Austria.

I am satisfied that the operation is consistent with the Bank’s Strategy for Kazakhstan, the MEI Sector Strategy, the Green Economy Transition Approach 2021-2025, the Equality of Opportunity Strategy, the Strategy for the Promotion of Gender Equality, and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan and SSF TC grant substantially on the terms of the attached Report.

**Odile Renaud-Basso**

## BOARD DECISION SHEET

<b>KAZAKHSTAN – ALMATY ELECTRIC PUBLIC TRANSPORT - DTM 51583</b> <b>Framework: GREEN CITIES 2 - WINDOW II - DTM 50674</b>	
<b>Transaction/ Board Decision</b>	<p>Board approval<sup>2</sup> is sought for a senior loan of up to KZT 28.8 billion (EUR 58.9 million) in favour of Almatyelectrotrans LLP. The Loan will be split into (i) Tranche 1 of up to KZT 18.0 billion (EUR 36.8 million) committed at signing and (ii) an uncommitted Tranche 2 of up to KZT 10.8 billion (EUR 22.1 million). Decision on the commitment of Tranche 2 will be delegated to Management. The Loan will be backed by the Project Support Agreement (the “PSA”) to be signed between the Bank, the City Akimat and the Borrower. The Project will be co-financed by the City Akimat by up to KZT 11.1 billion (EUR 22.7 million) (“City Contribution”). Proceeds of the Loan and the City Contribution will be used to finance: (i) the acquisition of 190 modern energy efficient trolleybuses to renew electric public transport fleet; (ii) the upgrade of 10 power supply substations; and (iii) the modernisation of trolleybus depot, maintenance equipment and trolleybus infrastructure (“Project”). The Project will serve as Almaty’s ‘trigger investment’ under GrCF2 W2.</p> <p>Board approval is also sought for the utilisation of funds under SSF Work Plan 2021-2022 of EUR 700,000 in favour of the Project: (i) Project Implementation Support (EUR 400,000), (ii) Corporate Development Programme (EUR 150,000), and (iii) Pre-shipment Inspection (EUR 150,000) assignments.</p>
<b>Client</b>	AET is a municipal public transport operator fully owned by the City Akimat.
<b>Main Elements of the Proposal</b>	<p><u>Transition impact:</u>  <i>Primary Quality – Green</i> through (i) significantly contributing to climate change mitigation by the reduction of GHG emissions, (ii) supporting a shift to electric mobility and public transport services improvement, which is necessary for decarbonising the sector, and (iii) supporting the development of a comprehensive GCAP that will support the City Akimat to measure, identify, benchmark and prioritise environmental challenges and identify mitigation actions and investments.  <i>Secondary Quality – Inclusive</i> through (i) a favourable change in licencing requirements, particularly improving women’s access to employment as trolleybus drivers; (ii) a new, replicable and internally accredited training programme for trolleybus drivers; and (iii) improved HR standards and practices increasing the share of female heads of department.  <u>Additionality:</u> the Bank will provide necessary long-term financing that is not readily available in the market from local commercial banks to municipal companies for the projects of such nature.  <u>Gender Smart:</u> Gender additionality at the city-level will be achieved by following GCAP’s 2.1 methodology, which covers gender and inclusion considerations.  <u>Sound banking:</u> The Project satisfies sound banking criteria due to the acceptable credit quality of Almaty and RAROC.</p>
<b>Key Risks</b>	<p><u>Implementation risk:</u> Project Implementation Support (“PIS”) consultants will assist the Borrower with procurement support and ensure smooth project implementation in compliance with the EBRD’s Procurement Policies and Rules (“PPR”) (“TC 3”). Implementation risks are also mitigated by AET’s and the City Akimat’s previous experience in the implementation of similar projects with the Bank.  <u>Repayment risk:</u> will be mitigated by the PSA and the PSC terms, which will include debt service and operation subsidy support obligations of the City Akimat.  <u>Tariff risk:</u> most revenues will continue to be generated from the City Akimat’s subsidies to AET in line with the state-approved cost-recovery methodology.</p>
<b>Strategic Fit Summary</b>	The Project is fully consistent with: (i) the Strategy for Kazakhstan, (ii) the Municipal and Environmental Infrastructure Sector Strategy 2019-2024, (iii) the Green Economy Transition Approach 2021-2025, (iv) the Equality of Opportunity Strategy, (v) the Strategy for the Promotion of Gender Equality, and (vi) with the Agreement Establishing the Bank.

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	<p>The Loan of up to KZT 28.8 billion (EUR 58.9 million) consisting of two tranches:</p> <ul style="list-style-type: none"> <li>• Tranche 1, committed at signing – up to KZT 18.0 billion (EUR 36.8 million);</li> <li>• Tranche 2, uncommitted – up to KZT 10.8 billion (EUR 22.1 million). Approval of Tranche 2 commitment is sought to be delegated to the Management.</li> </ul> <p>The Loan will be backed by the PSA between the Bank, the City Akimat and the Borrower. The Project will be co-financed by the City Contribution in the amount of up to KZT 11.1 billion (EUR 22.7 million).</p> <p>The Project will serve as Almaty’s ‘trigger investment’ under GrCF2 W2.</p>
<b>Existing Exposure</b>	None.
<b>Maturity / Repayment</b>	A 10-year tenor [REDACTED].
<b>Potential AMI eligible financing</b>	None.
<b>Use of Proceeds</b>	[REDACTED]
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	<ul style="list-style-type: none"> <li>• AET as the Borrower;</li> <li>• the City Akimat for the PSA, the PSC and GCAP.</li> </ul>
<b>Conditions to disbursement</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	[REDACTED]
<b>Other material agreements</b>	None.
<b>Associated Donor Funded TC and co-investment grants/concessional finance</b>	<p><b>Technical Cooperation (TC)</b></p> <p><u>Pre signing:</u></p> <p><b>TC1: Project Preparation Support</b>, including (i) technical review of AET’s trolleybus operation and the PIP assessment, (ii) financial and economic review of the proposed investment, (iii) environmental and social due diligence, and (iv) preparation of technical and functional specifications of the new trolleybuses. The cost of the assignment - EUR 198,000; financed by the SSF.</p> <p><u>Post signing:</u></p> <p><b>TC2: Development of Almaty GCAP</b> in order to prioritise investments, capacity building and policy objectives in support of the green agenda. GCAP will include gender and digital considerations. The cost of the assignment - EUR 299,300; financed by the Federal Ministry of Finance of the Republic of Austria.</p> <p><b>TC3: Project Implementation Support (“PIS”)</b> to support the Borrower with procurement, contracting, implementation monitoring and ESAP implementation. The estimated cost of the assignment is up to EUR 400,000; to be financed by SSF Work Plan 2021-2022.</p> <p><b>TC4: Corporate Development Programme (“CDP”)</b> to (i) improve the Borrower’s operational procedures, commercial standing, service and environmental performance; (ii) review and propose amendments to the PSC that will include revision of performance KPIs for AET; (iii) update an equal opportunities action plan, (iv) facilitate policy dialogue with the relevant government authorities to improve the licensing procedures for better access of women to trolleybus driver job; (v) support in relaunching a training programme for trolleybus drivers. The estimated cost of the assignment is up to EUR 150,000; to be financed by SSF Work Plan 2021-2022.</p> <p><b>TC5: Pre-shipment Inspection</b> of the procured trolleybuses at the premises of manufacturer. The estimated cost of the assignment is up to EUR 150,000; to be financed by SSF Work Plan 2021-2022.</p>

	<p><b><u>Reimbursement:</u></b> The above assignments are non-reimbursable transactional TCs, required to evaluate the investment and assist the Borrower with the Project's implementation and capacity building.</p> <p><b><u>Cost sharing:</u></b> No cash contribution will be applied due to the affordability constraints of the client and its dependence from the state subsidies. In line with the Bank's cost-sharing policy dated 1 January 2021, a cash contribution will not be provided taking into account the public ownership of the Borrower and its lack of ability to make a financial contribution due to lack of funding in the public budget. The Borrower is exempt from paying VAT or other indirect taxes hence no parallel cost-sharing will be applied.</p>
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[REDACTED]

# INVESTMENT PROPOSAL SUMMARY

## 1. STRATEGIC FIT AND KEY ISSUES

### 1.1 STRATEGIC CONTEXT

Almaty with population of more than 2 million, is Kazakhstan's largest and most important business and financial centre, contributing around 20 per cent of the country's GDP. The city has been experiencing a deficit of convenient "green" public transportation aggravated by an increasing number of private cars.

Air pollution is one of the most pressing challenges for Almaty. The city is one of the most polluted municipalities in Central Asia, with heavy and mostly energy inefficient transport contributing up to 65 per cent of the city's total air pollution volume. The improvement of public transport system via a gradual upgrade of an outdated fleet and infrastructure by modern, energy efficient and clean modes of transport is an integral part of the City Akimat's development strategy.

The city's public transport system carries over 375 million passengers per year. The bulk of passenger traffic (circa 86 per cent) is carried out by buses and minibuses operated by private and municipal companies. The rest is managed by electric public transport spread between trolleybuses (10 per cent) and the city's metro network (4 per cent). Almaty is the only municipality in Kazakhstan with an operational trolleybus network comprising of 9 routes managed by a municipal public transport company Almatyelectrotrans LLP, which was established in 1937. The Project will finance the upgrade of the Borrower's trolleybus fleet and its infrastructure resulting in the reduction of GHG and air pollution emissions in the city. Successful Project implementation will further contribute to a transport modal shift from using private vehicles towards electric public transport. Furthermore, a change in the licencing laws is sought to promote women as trolleybus drivers.

The investment is a sub-project under GrCF2 W2, and is Almaty's '**trigger investment**' that formally initiates the city's participation in EBRD Green Cities. In addition to improving public transport services, the Project will support Almaty to develop GCAP that will (i) identify the city's priority environmental challenges, (ii) articulate vision and strategic objectives, and (iii) propose priority actions and green investments to address their identified challenges. GCAP development will cover gender and inclusion aspects. The Project is eligible under EBRD Green Cities due to its significant impact on reducing greenhouse gas emissions, air pollution and Almaty's commitment to develop GCAP in 2022.

The Project will also improve women's access to employment in the transport sector via the elimination of unnecessary barriers in the driver licensing rules introduced in 2014. This barrier is particularly increasing now when the company is upgrading the trolleybus fleet and creating new jobs in the sector. The Project will support the Borrower in policy dialogue with the city and national level authorities to promote changes in the current legislation via high-standard trainings for trolleybus drivers. By introducing the training that would enable the employment of drivers without work experience on other types of transport, AET, being the only trolleybus depot operator in the country, will be able to train and employ drivers for the new trolleybus fleet, increase the number of employed women and newcomers in future in general, as in next three years alone at least 12 per cent of the workforce will reach retirement age. These limitations add to the issue of low female participation in the transport sector as operators, drivers, engineers, and leaders. Discrimination and stereotyping, poor career prospects and a lack of access to the relevant competences are barriers to women's entry and advancement within the sector.

The Project is consistent with the Municipal and Environmental Infrastructure Sector Strategy, which calls for "*increased access to essential municipal infrastructure focused on quality, resource efficiency, reduced environmental impact*". It is also aligned with the Bank's Country Strategy for Kazakhstan which points to "*improved environmental infrastructure at the local and municipal level*" as one of the key focus areas. Thanks to its positive impact on the environment, the Project is also consistent with the Bank's Green Economy Transition Approach 2021-2025. This recognizes the potential for increased activity under GET in, among other areas, "*municipal finance in urban transport*" and the Equality of Opportunity Strategy as well as the Strategy for the Promotion of Gender Equality based on measures taken to improve women's access to skills and employment in the transport sector.

The Project also contributes to the United Nations Sustainable Development Goals (“SDGs”), namely: SDG 3 - Good Health and Well-being, SDG 7 - Affordable and Clean Energy, SDG 9 - Industry, Innovation and Infrastructure, SDG 11 - Sustainable Cities and Communities, and SDG 17 - Partnerships for the SDGs.

## 1.2 TRANSITION IMPACT

GrCF2 represents a strategic and multi-project approach seeking to help identify and address environmental challenges in selected large cities in our countries of operation. The primary goal is to achieve significant environmental improvements and to promote the Green transition quality within the relevant cities. In addition to the environmental objective, GrCF2 also promotes sustainable cities through inclusive, resilient, well-governed and smart urban development. Depending on which area can generate the strongest and most relevant transition impact, either Well-governed, Inclusive, Resilient or Competitive will be pursued and presented as the secondary transition quality for each sub-project under the framework. These transition objectives are supported by the development and implementation of a city-specific GCAP aiming to identify environmental challenges, facilitate better coordination and buy-in among stakeholders and help to prioritise and develop the best ways to address the environmental challenges through targeted investments, services and policy instruments.

The Project will primarily help to promote the Green transition quality through the renewal of the Borrower’s electric transport fleet resulting in GHG emissions reduction, as well as facilitating modal shift to the greener public transport. The upgraded trolleybus fleet will consume less electricity, resulting in cost savings and environmental benefits. Thus, the Project qualifies as a positive climate mitigating activity eligible for ERBD Green Cities and 100 per cent GET.

The Project will also support the Inclusive objective through (i) policy dialogue to seek favourable change in the driver licensing requirements, which especially affect women’s access to jobs, (ii) inclusive HR practices to increase female participation in the workforce for trolleybus drivers and the executives level, and (iii) development and delivery of internally accredited trolleybus driving training programmes.

In addition, the Project is covenanting the development and adoption of CDP, including (i) development of the recommendations for the PSC improvements and its adoption by the City Akimat and (ii) fare tariffs increase to reduce the public transport service cost-recovery gap. The Transition Impact (“TI”) objectives of GrCF2 W2 and the relevance of the framework to the proposed sub-project are provided in more detail in Section 2 below.

**Delivery risks:** The main risks to delivery of the transition impact are related to the Project implementation and development of GCAP. Implementation risks are mitigated by the Borrower’s and the City Akimat’s previous experience in implementing similar projects with the Bank during 2010-2016 (please see Section 1.3). The City Akimat has been demonstrating strong commitment to develop GCAP and it is recognised as one of the key strategic initiatives and priorities for the city.

## 1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction with the same client/group either with the same use of proceeds or in the same country ( <b>repeat transaction</b> ).	During 2010-2016, the Bank supported AET by providing loan financing under four investment projects for the modernisation of its CNG buses, trolleybuses and supplementary infrastructure (OpIDs 39082, 43718, 41924, and 40810). AET fully prepaid all the previous loans in 2016. The Project will further contribute to the City Akimat’s efforts in improving its public transport operations and services.

Additionality sources	Evidence of additionality sources
<p><b>Financing Structure</b></p> <p>EBRD offers financing for infrastructure projects that is not available in the market from commercial sources on reasonable <b>terms and conditions</b>, e.g. a longer grace period, restricted foreign currency financing etc. Such financing is necessary to structure the project.</p> <p>EBRD offers a <b>tenor</b>, which is above the market average and is necessary to structure the project of this nature.</p>	<p>The Bank provides a long-term financing with a tenor of 10 years [REDACTED], which is not readily available in Kazakhstan from local commercial banks to municipal companies for the investment of this nature.</p>
<p><b>Risk mitigation</b></p> <p>EBRD helps the client to mitigate <b>carbon transition risks</b> and take climate action, such as to move along a low carbon transition pathway.</p>	<p>The Project will contribute to the reduction of GHG emission and air pollution, one of most pressing environmental challenges for Almaty. In addition to environmental benefits, the investment will significantly improve the quality of public transport services. This will facilitate a gradual shift from the usage of private vehicles in a favour of public transport.</p>
<p><b>Standard-setting: helping the Borrower to achieve higher standards</b></p> <p>Borrower seeks/makes use of EBRD expertise on <b>corporate governance</b> improvements, including for climate risk management.</p> <p>Borrower seeks/makes use of EBRD expertise on <b>best international procurement standards</b>.</p> <p>Borrower seeks/makes use of EBRD expertise to achieve higher <b>gender and inclusion standards</b>.</p>	<p>The Bank's sector expertise, proposed financing terms focused also on institutional development impact, including transition impact, procurement and environmental standards improvements (as reflected in GET contribution) go beyond the capacity of commercial funding sources and promotes performance improvements and greater operational and financial management transparency.</p> <p>The Borrower will make use of EBRD expertise on higher inclusion and gender standards as part of GCAP development.</p>
<p><b>Knowledge, innovation, and capacity building</b></p> <p>EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to <b>strengthen the capacity of the Borrower</b>.</p>	<p>To substantiate, the Bank's sector technical and institutional expertise, a comprehensive post-signing TC support package will be mobilised during the Project implementation to support the Borrower and the city in the Project implementation and the completion of GCAP.</p>

#### 1.4 SOUND BANKING - KEY RISKS

Risks	Probability/ Effect	Comments
<i>Project specific risks</i>		
Project implementation risk	Moderate/ Moderate	The Project implementation risk is expected to be moderate due to the Borrower's successful track of records under the previous projects with the Bank. The PIS and CDP consultants will be contracted to support the Borrower with the Project's physical implementation and institutional development.
Tariff risk	Moderate/ Moderate	Current ticket price is below the cost recovery level. The proposed tariff increase [REDACTED] will push the Borrower to work further on its financial and operational performance efficiency increase and the City Akimat to monitor the service quality. It is envisaged, that the

		City Akimat will continue providing operational subsidy support [REDACTED].
Collection risk	Moderate/ Moderate	The risk of revenue leakage arising from conductors/drivers not reporting sale of tickets was mitigated by the introduction of an e-ticketing system in 2016. Present passenger fare revenue collection ratio is stable. [REDACTED].
Repayment risk	Medium/ Low	The risk is mitigated by the Project support undertakings from the City Akimat. The PSA will include, <i>inter alia</i> , explicit debt service support obligations by the City Akimat.
<b>External risks</b>		
Climate Risk	Low/ Medium	Climate-related financial risks associated with carbon transition and physical climate change are considered to be low.
FX risk	Low/ Medium	The Loan will be denominated in local currency, KZT. The Project cost will include contingencies. Potential capital cost overruns, including FX risk, will be covered by the Borrower and/or the City Akimat.

## 2. MEASURING / MONITORING SUCCESS

Overall objectives of project	Monitoring benchmarks	Implementation timing
Good financial and operational performance.	Revenue, profitability, cash-flows in line with projections.	[REDACTED]
On-time project implementation.	Completion according to the timeline and within the budget.	[REDACTED]
Submission of GCAP for adoption.	Submission of Almaty GCAP to the city's council.	[REDACTED]
CDP implementation.	Successful development of CDP and its implementation.	[REDACTED]

This sub-project will be monitored individually. Information collected at the sub-project level will be aggregated and used to inform Framework level monitoring. The TI objectives of GrCF2 W2 Framework and the relevance for this sub-project are detailed in the tables below:

Transition Impact Monitoring Indicators and Benchmarks (FW)								
Primary quality: Green								
Obj No.	FW Monitoring Indicator	Corresponding Sub-project Monitoring Indicator	Details (FW)	Details for Specific Sub-project	Baseline (Sub-project)	Target (Sub-project)	Due date (FW)	TC-related?
1.1	Number of recommended policy or strategy agreed by relevant stakeholder(s)	Recommended policy or strategy agreed by relevant stakeholder(s)	<b>New Green City Action Plans:</b> [REDACTED] new GCAPs finalised and submitted for approval by relevant authorities, and includes priority actions and a monitoring strategy in each participating city. Baseline target of GrCF and GrCF2 combined is [REDACTED] GCAPs.	GCAP is sent to the City Akimat for approval including an implementation and monitoring strategy.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Performance or action	Performance or action plan	<b>Strong follow-on support:</b>	Trigger – the Project is the	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	plan implemented by the client	implemented by the client	[REDACTED] transactions (under GrCF2 and future extensions) are follow-on investments addressing priority environmental challenges identified in GCAPs.	Almaty's first with EBRD Green Cities, and includes a GCAP that will enable follow on opportunities.				
1.3	Performance or action plan implemented by the client	Performance or action plan implemented by the client	<b>Multiple green investments:</b> Each participating city makes [REDACTED] investments (with or without EBRD financing) that address priority environmental challenges identified by GCAP, where all EBRD financed projects will meet the extended Framework's eligibility criteria for investments.	The Project will be signed and implemented and meets the eligibility criteria for investment under GrCF2 due to, among others, significant GHG reductions. It envisages annual reduction of [REDACTED] CO <sub>2</sub> (or 55 per cent savings from baseline) following the completion of the Project.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.4	Performance or action plan implemented by the client	Performance or action plan implemented by the client	<b>Effective GCAP implementation:</b> The Framework achieves at least 50 per cent of all verifiable targets, set in GCAP [REDACTED] (including both investments and well-defined policy measures).	Trigger – the Project will support the City to develop a Green City Action Plan that sets verifiable targets.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Improved environmental standards	Improved environmental standards	<b>Environmental impact:</b> The Framework achieves significant environmental improvements for at least one priority environmental challenge, i.e. the promotion or protection of certain performance levels (colour codes) for priority environmental challenges as	While the Project addresses climate mitigation and other environmental issues, the relevant environmental improvements within Almaty will not be monitored at the project level.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

			specified in GCAPs, for more than 50 per cent of the Green Cities.					
<b>Secondary quality: Inclusive</b>								
Obj No.	FW Monitoring Indicator	Corresponding Sub-project Monitoring Indicator	Details Sub-project level	Details for Specific Sub-project	Baseline (Sub-project)	Target (Sub-project)	Due date (Sub-project)	TC--related?
2.1	Number of stakeholders with practices improved (e.g. inclusive infrastructure services/design, inclusive HR policies and practices, equal opportunities, inclusive procurement practices)	Practices of the relevant stakeholder improved (e.g. inclusive infrastructure services/design, inclusive HR policies and practices, equal opportunities, inclusive procurement practices)	Relevant stakeholders will develop and adapt new or substantially improved policies and practices to accommodate previously excluded target groups, on topics such as infrastructure service delivery and design (accessibility, safety and security, etc.), HR policies and practices, support for equal opportunities and/or inclusive procurement approaches.	The Project will introduce equal opportunity policies and practices increasing the share of the company's female workforce [REDACTED] at executives levels.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of training programs developed and implemented	Tailored training programme developed and implemented	The sub-project will introduce a new, replicable and accredited training programme in partnership with local training institutions. Training numbers will be set in line with client's workforce size and training needs. Typically, this will be no less than 60 individuals from the relevant target group. Gender-disaggregated data will be reported and, where relevant, specific targets for female participants will be set.	The Project will introduce a new, replicable and internally accredited training programme improving skills for at least 120 people, of which 35 per cent female.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote and help implement priority policy actions, as identified in GCAP, to unlock inclusive growth.	The Project will significantly improve policy practices and	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

				standards by seeking a favourable change in the licensing laws for trolleybus drivers, increasing women's access to the jobs as they were previously banned.				
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### ADDITIONAL MONITORING INDICATORS

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date	Donor
Total population benefitting	Total population benefitting from improved transport services and access to new trolleybuses (individuals)	The whole population of Almaty (2 million people) will benefit from the Project.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CO <sub>2</sub> emissions reduced	Annual reduction in tonnes of CO <sub>2</sub> equivalent savings (tonnes CO <sub>2</sub> eq / yr)	Annual reduction [REDACTED] of CO <sub>2</sub> emissions (or 55 per cent compared to baseline).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy indicators	Recommended policy or strategy agreed by relevant stakeholder(s)	The GCAP for the City of Almaty includes a gender assessment, which aggregates the analysis and information gathered throughout the GCAP development (such as gender-disaggregated data, and the analysis the gender specific needs and barriers in access to services and infrastructure in cities in the various sectors covered by the GCAP 2.1 methodology), and the recommendations to address gender and inclusion in the City (as subset of Green city actions) that are the results of the analysis.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## 3. KEY PARTIES

### 3.1 THE BORROWER

AET was established in 1937 as the city's public transport services provider. AET operates its own fleet of up to 800 compressed natural gas ("CNG") and diesel buses and 190 trolleybuses transporting in total about 180 million passengers per year (48 per cent of the passenger traffic). The fleet is accommodated at AET's own 4 bus and 1 trolleybus depots. In total, 57 bus and 9 trolleybus routes (2,900 km and 250 km in length respectively), accounting for circa 43 per cent of all city routes are operated by the Borrower regularly. The trolleybus operations are supported by 18 power supply substations with a total capacity of 55 MW located along the trolleybus routes. Total employees are 2,500, including 270 trolleybus drivers out of which 25 per cent are female. The Borrower's fare revenue is collected by the e-ticketing operator, Onay [REDACTED]. The Borrower is a former client, it had attracted debt financing from EBRD, during 2010-2013, under the previous PSAs with the City Akimat, for the modernisation of its fleet and infrastructure (OpIDs 39082, 43718, 41924, and 40810). AET had a good track record as the Bank's client, it was current on its previous obligations to the Bank and prepaid all the outstanding loans to the Bank in 2016.

Table 1 – Summary of historic financials of the Borrower

Items	KZT (million)			EUR (million)		
	2018	2019	2020	2018	2019	2020
<b>PL items</b>						
Total revenue, including:	9,343	20,699	16,951	23.0	48.5	36.0
- fare revenue	3,898	12,461	8,684	9.6	29.2	18.4
- subsidies	5,366	8,117	8,101	13.2	19.0	17.2
- other revenue	80	120	166	0.2	0.3	0.4
EBITDA	3,798	1,250	1,065	9.3	2.9	2.3
net profit / (loss)	(4,936)	(9,620)	(6,176)	(12.1)	(22.5)	(13.1)
<b>BS items</b>						
total assets	46,318	50,506	47,147	113.8	118.4	100.0
total liabilities, including:	1,174	15,174	9,312	2.9	35.6	19.8
- loans	-	7,134	-	-	16.7	-
- leases	-	4,181	4,224	-	9.8	9.0
total equity	45,144	35,332	37,835	110.9	82.8	80.3
<b>CF items</b>						
net CF from operations	5,441	3,483	321	13.4	8.2	0.7

[REDACTED]

### 3.2 THE CITY OF ALMATY

Almaty, with the population of more than 2 million inhabitants, is the country's largest and most important business and financial centre, contributing around 20 per cent of the national GDP. In August 2021, Fitch affirmed Almaty a credit rating of BBB with a stable outlook to Almaty, the same as Kazakhstan's sovereign rating.

In 2020, despite Covid-19 pandemic crisis, the city's operating surplus was KZT 222 billion (EUR 471 million) or 29 per cent of the total operating revenue mainly due to: (i) corporate income tax adjustments for SMEs – from 2020 the tax revenue remains within Almaty instead of being transferred to the central budget, and (ii) an increase of current transfers from the central budget earmarked for education, healthcare and social protection due to the Covid-19 crisis. [REDACTED].

## 4. MARKET CONTEXT

At present, there are 15 public transport operators in Almaty providing services to more than 380 million passengers annually on more than 100 routes. AET being the only public state owned entity is the largest transport operator. Contracts for the provision of public transport services, the PSCs, are tendered by the City Akimat for the periods of 5 to 10 years. It is possible to renew contracts for another 5 years, subject to operators' fleet quality.

Current tariffs are below the cost-recovery level and have not been increased since 2012. The City Akimat has been considering a staged tariffs increase [REDACTED]. Based on the approved tariff subsidy methodology, the City Akimat is responsible for compensating operational losses calculated as the difference between the estimated service cost and fare revenue. The methodology allows for the compensation of depreciation cost of the fleet, maintenance capex, drivers' salaries, spare parts, fuel and a profit margin.

Before the Covid-19 crisis, passengers numbers grew steadily by 7 per cent on a year-to-year basis due to the City Akimat's efforts to modernise public transport services and improve traffic management via capex programmes blended by the sector institutional reforms. The substantial growth in passengers numbers in 2015 was due to the introduction of the Onay e-ticketing system, which revealed a significant number of unauthorised and nonregistered passengers regularly using the service.

In the last few years, with the support by the City Akimat, public transport operators have largely invested into their fleet renewal by purchasing new CNG, diesel and electric buses - nearly 35 per cent of the city's public transport fleet is aged below 3 years. The proposed investment will supplement the City Akimat's efforts to facilitate the upgrade electric public transport fleet, maintenance equipment and infrastructure focusing on the development of environment friendly CO<sub>2</sub> zero emission modes of transport. In parallel, the City Akimat has been considering various options to develop the bus rapid transit and light rail transit systems in the coming years. Further development and extension of the metro system is also going on and is mainly financed by the central budget.

## 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

Categorised B (ESP 2019). Any environmental and social impacts potentially associated with the Project, will be site-specific and addressed through appropriate mitigation measures. An environmental and social analysis of the proposed investment as well as a review of environmental, social, health and safety policies and procedures and the capacity of the company to manage risks associated with the proposed Project was completed internally by the Bank. It confirmed that the Project is structured in line with the EBRD's Performance Requirements ("PR"s). The Project is also aligned with Paris Agreement for both mitigation and adaptation, and there are no material climate hazards affecting this project.

The environmental and social due diligence ("ESDD") was carried out by an independent consultant as part of the Feasibility Study. It indicated that the Project will bring substantial environmental and public health benefits through modernisation of the trolleybus fleet. It will improve air quality in the city, accessibility and mobility for all user groups and improve overall quality, safety and efficiency of the urban transportation. The Project implementation and the development of a subsequent Almaty GCAP also provides an opportunity for the City Akimat to enhance the positive impacts of the new low-floor trolleybus fleet through continuing to adapt the current public transport infrastructure (e.g. through continuous improvement and refurbishment of passenger stops and curbs) to be more inclusive and accessible for low-mobility user groups.

ESDD identified that AET has the institutional capacity to implement the Project in compliance with the Bank's PRs and national legislation. The Project implementation is limited to an urban area within the boundaries of the current urban development and no sensitive ecological receptors or protected areas will be affected. In addition, it is confirmed that the Project will not have significant adverse social impacts on local communities or other project affected parties, nor will the Project require the acquisition of land or result in involuntary resettlement or economic displacement. [REDACTED].

ESAP has been developed for the Borrower to address the areas for improvement identified during the ESDD. Carrying out these necessary mitigation measures will enable the Borrower to comply with national regulations and the Bank's PRs. ESAP covers among other issues the development and implementation of the Environmental Management and Occupational Health & Safety Management Systems in line with ISO 14001 and ISO 45001 respectively; improvement of the human resource policies and procedures (including on gender equality and gender based violence and harassment ("GBVH")) and improvement of the sanitary and welfare facilities for employees; ensuring that the tender documentation specifications for the trolleybuses include accessibility and inclusion requirements for vulnerable users; enforcement of SPZ for all depots in accordance with national legislation; road safety training for drivers and fleet managers; improved waste management practices, as well as implementation of a stakeholder engagement plan and grievance mechanism. The environmental and social performance of the Project and implementation of ESAP will be monitored through the annual Environmental & Social ("E&S") reports and the Project site visits when deemed necessary.

## 6.2 INTEGRITY

In conjunction with the OCCO, internal integrity due diligence was undertaken on the Borrower, its management, Almaty Akim (the city Mayor), and the administration in charge of transport and infrastructure. [REDACTED]. No integrity issues were identified on the Borrower and associated parties and no conflict of interest. Therefore, it was concluded that [REDACTED] the Project does not pose an unacceptable integrity or reputational risk to the Bank.

Whilst the Borrower is subject to regular checks by the state anti-corruption bodies, to strengthen its anticorruption framework, AET had previously implemented anticorruption measures as part of past projects with the EBRD. This included regular financial and operations progress reporting, audit, CDP implementation, as well as the PSC. All mentioned anticorruption measures are in place and will be covenanted in the Loan Agreement and the PSA.

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

**ANNEXES TO OPERATION REPORT**

ANNEX 1	HISTORICAL FINANCIAL STATEMENTS OF THE BORROWER
ANNEX 2	HISTORICAL FINANCIAL STATEMENTS OF THE CITY
ANNEX 3	GREEN ASSESSMENT
ANNEX 4	EIRR ANALYSIS
ANNEX 5	PROJECT IMPLEMENTATION
ANNEX 6	TC SSF FICHE
ANNEX 7	IMPLEMENTATION PROGRESS OF GRCF / GRCF2

## ANNEX 1 – HISTORICAL FINANCIAL STATEMENTS OF THE BORROWER

Items	KZT (million)			EUR (million)		
	2018	2019	2020	2018	2019	2020
<b>PL</b>						
Total revenue, including:	9,343	20,699	16,951	22.8	48.2	35.6
- fare revenue	3,898	12,461	8,684	9.6	29.2	18.4
- subsidies	5,366	8,117	8,101	13.2	19.0	17.2
- other revenue	80	120	166	0.2	0.3	0.4
COGS	(5,343)	(17,416)	(16,949)	(13.1)	(40.8)	(36.0)
SG&A	(243)	(713)	(487)	(0.6)	(1.7)	(1.0)
other income (cost)	343	364	1,594	0.8	0.9	3.4
<b>EBITDA</b>	<b>3,798</b>	<b>1,250</b>	<b>1,065</b>	<b>9.3</b>	<b>2.9</b>	<b>2.3</b>
D&A	(8,918)	(10,889)	(6,784)	(21.9)	(25.5)	(14.4)
EBIT	(5,120)	(9,640)	(5,719)	(12.6)	(22.6)	(12.1)
financial income (expenses)	206	20	(457)	0.5	0.0	(1.0)
EBT	(4,914)	(9,620)	(6,176)	(12.1)	(22.5)	(13.1)
income tax	(22)	-	-	(0.1)	-	-
<b>net profit / (loss)</b>	<b>(4,936)</b>	<b>(9,620)</b>	<b>(6,176)</b>	<b>(12.1)</b>	<b>(22.5)</b>	<b>(13.1)</b>
<b>BS</b>						
cash	5,555	3,800	1,525	13.6	8.9	3.2
accounts receivable	1,583	662	1,426	3.9	1.6	3.0
inventory	462	223	218	1.1	0.5	0.5
other ST assets	4,034	5,214	7,367	9.9	12.2	15.6
<b>total ST assets</b>	<b>11,634</b>	<b>9,898</b>	<b>10,536</b>	<b>28.6</b>	<b>23.2</b>	<b>22.4</b>
fixed assets	34,649	40,586	36,588	85.1	95.1	77.6
other LT assets	35	22	23	0.1	0.1	0.0
<b>total LT assets</b>	<b>34,684</b>	<b>40,608</b>	<b>36,611</b>	<b>85.2</b>	<b>95.2</b>	<b>77.7</b>
<b>TOTAL ASSETS</b>	<b>46,318</b>	<b>50,506</b>	<b>47,147</b>	<b>113.8</b>	<b>118.4</b>	<b>100.0</b>
other loans (ST part)	-	2,402	-	-	5.6	-
accounts payable	573	2,682	3,222	1.4	6.3	6.8
staff remuneration	144	387	379	0.4	0.9	0.8
other ST liabilities	457	789	1,486	1.1	1.8	3.2
<b>total ST liabilities</b>	<b>1,174</b>	<b>6,260</b>	<b>5,088</b>	<b>2.9</b>	<b>14.7</b>	<b>10.8</b>
other loans (LT part)	-	4,733	-	-	11.1	-
leases	-	4,181	4,224	-	9.8	9.0
<b>total LT liabilities</b>	<b>-</b>	<b>8,914</b>	<b>4,224</b>	<b>-</b>	<b>20.9</b>	<b>9.0</b>
charter capital	66,641	67,441	76,118	163.7	158.1	161.5
retained earnings	(22,489)	(32,108)	(38,282)	(55.3)	(75.3)	(81.2)
other equity	992	-	-	2.4	-	-
<b>total equity</b>	<b>45,144</b>	<b>35,332</b>	<b>37,835</b>	<b>110.9</b>	<b>82.8</b>	<b>80.3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>46,318</b>	<b>50,506</b>	<b>47,147</b>	<b>113.8</b>	<b>118.4</b>	<b>100.0</b>

[REDACTED]

**ANNEX 2 – HISTORICAL FINANCIAL STATEMENTS OF THE CITY**  
[REDACTED]

## ANNEX 3 – GREEN ASSESSMENT

### Introduction

**GRCF2 Window II Almaty Electric Public Transport (Kazakhstan)**, the Loan of up to KZT 28.8 billion (EUR 58.9 million) in favour of AET, the city’s municipal urban transport company incorporated in Kazakhstan. The Loan proceeds will be used to finance the acquisition of 190 new trolleybuses for the older fleet replacement, as well as the rehabilitation of 10 power supply substations. The investment is a sub-project under the EBRD Green Cities Programme, and is Almaty’s ‘trigger investment’ that formally initiates the city’s participation in the Programme. The Project will lead to annual savings of [REDACTED] CO<sub>2</sub>eq (54.84 per cent from baseline), [REDACTED] SO<sub>x</sub> (100 per cent from baseline), [REDACTED] NO<sub>x</sub> (100 per cent from baseline) and [REDACTED] PM (100 per cent from baseline).

The Green Assessment Annex presents the results of the following assessments which were undertaken for the Project:

- a. Paris Agreement alignment (“PA”) determination – showing the project is **aligned** for both mitigation and adaptation.
- b. GET finance attribution – showing that the project is considered as **100 per cent GET**. The Project has been awarded as 100 per cent GET in accordance with the section A.5.3.1.1 of the GET Handbook, Zero-direct-emissions fleet and related infrastructure: ‘Projects involving new vehicles with zero tailpipe emissions and infrastructure for zero-carbon transport systems (for example, electric and hydrogen) are 100 per cent GET.’

In addition, the Climate-related financial risk screening indicated that no further assessment was required as the project counterparty is considered low risk in terms of both Carbon Transition and Physical Climate Risk.

### PA Assessment

The Project was assessed as aligned with both the mitigation and adaptation goals of the Paris Agreement.

#### *1. Paris Agreement determination for mitigation*

The Project falls under the category of ‘universally aligned’ activities (Electric public transport), thus it is aligned for mitigation.

#### *2. Paris Agreement determination for adaptation*

The screening of the Project indicated that it does not face any potentially material physical climate risks. Further, based on the information provided on the potential impacts at the system level, this project is unlikely to undermine climate resilience of the system in which it operates. As such the Project is considered aligned for Adaptation.

### GET Attribution Emissions assessment methodology:

The methodology of the emission assessment is based on the following parameters: traffic performance, fuel consumption and emission factor of each type of vehicle. The model considers a ‘baseline’ scenario in which there are Golden Dragon Euro V CNG buses, old trolleybuses (existing trolleybus fleet) and a ‘with project’ scenario in which there are old trolleybuses and new trolleybuses.

The emission factors have been taken from the EPA 2019 guidebook. GHG pollutants (CO<sub>2</sub>, N<sub>2</sub>O and methane) have been grouped into CO<sub>2</sub>eq using the GWP factors of each element. The air pollutant considered are SO<sub>x</sub>, NO<sub>x</sub> and PM. The emission factors of the guidebook (expressed in g of pollutant per km) have been translated into g of pollutant per kg of fuel and have been multiplied by the fuel consumption and mileage both parameters provided by AET to calculate total emissions on both ‘baseline’ and ‘with project’ scenario. [REDACTED].

#### *With Project Scenario*

The ‘with project’ scenario assumes that the current trolleybuses will operate only during 2023 and that in the following years all new trolleybuses will be in operation substituting the older trolleybuses. Using the same method as the baseline scenario, multiplying the mileage on this scenario to the emission factors and the consumption considered on the first table, results in the total emission figures. The average annualised emission numbers have been detailed in the table below. [REDACTED]

## **ANNEX 4 – EIRR ANALYSIS**

[REDACTED]

## ANNEX 5 – PROJECT IMPLEMENTATION

### Procurement classification – *Public (sub-sovereign)*

[REDACTED]

*Contracts risk assessment*

*- Moderate*

The Project involves procurement contracts for 190 trolleybuses and 10 power supply substations, in which the Borrower has a wide experience. Therefore, contracting should not be complex. AET has previously successfully worked with the EBRD in 2009-2016 and prepaid all previous loans (OpIDs 39082, 43718, 41924, and 40810).

#### **Project implementation arrangements:**

The Borrower will establish a PIU with an overall Project management responsibility. The PIU will be supported by a TC funded Project Implementation Support consultant to assist with (i) the preparation of tender documentations; (ii) the procurement of trolleybuses, including assistance with technical acceptance of vehicles, spare parts, documentation and training; and (iii) if proven necessary, advice on procurement of the depot construction and workshop equipment.

Additionally Project procurement will be supported with a TC funded Pre-shipment Inspection assignment of the procured trolleybuses at the manufacturer's premises.

#### **Procurement arrangements:**

The Project is classified as public sector for procurement purposes. Goods, works and services, financed from the Loan and TC funds, will be procured following open tendering procedures in accordance with Section III, Article 3 of the Bank's PPRs for the public sector operations and will use the Bank's Standard Tender Documents.

All consultancy contracts financed by donors will be procured in accordance with Section III, Article 5 of the Bank's PPR.

All tenders will be managed using the EBRD Client Electronic Procurement Portal. All loan and grant financed contracts will be subject to prior review by the Bank.

The contracts financed by the City Akimat will be procured using national procurement rules.

The Procurement Plan below provides the details of planned investment and consultancy assignments. [REDACTED].

**ANNEX 6 – TC SSF FICHE**  
**EBRD SHAREHOLDER SPECIAL FUND**

[REDACTED]

## **ANNEX 7 – IMPLEMENTATION PROGRESS OF GRCF / GRCF2**

Since 2016, the GrCF and GrCF2 have mobilised nearly EUR 5 billion in EBRD and donor funding. GrCF, approved by the Board in November 2016, set an ambitious agenda for the Bank’s municipal business, with the over-arching aim being ‘to serve as a sector-wide catalyst for addressing environmental challenges at the city-level’. [REDACTED]. In October 2018 a new Framework was approved by the Board, GrCF2 [REDACTED].