

**KAZAKHSTAN SOUTH-WEST CORRIDOR ROAD PROJECT:
PCM MANAGEMENT ACTION PLAN
TO ADDRESS THE RECOMMENDATIONS OF THE PCM COMPLIANCE REVIEW**

1. Recommendations to address the findings of non-compliance at the level of EBRD systems or procedures

1.1 Recommendations regarding the unclear assignation of responsibilities

1.1.1 Identify in the Loan Agreement or in the relevant project documentation the agency within the Borrower that is responsible for the submission of the [Annual Environmental and Social Reports] AESRs, the contact details of this agency and the contact department within the Bank responsible for the receipt of the AESRs

1.1.1 Management Response

The obligation to furnish information is the responsibility of the Client. The Client is also responsible for determining who, within its organisation, should prepare and submit reports to the Bank. The Client needs the flexibility to determine who is best placed to prepare the report, and this entity may change over time. The point is noted, however, that the Client needs to give clear responsibility and identify who will prepare the reports for the Bank. As much as possible this information should be reflected in the financing documentation.

The Bank's internal Operations Manual clearly defines the responsibilities for receipt of AESRs and their review.

A new system is currently being piloted by the EBRD department responsible for administering operations, which will enable Bank's clients to submit their AESRs online. The system will automatically register and file the AESR and send it to the relevant project team members, and this should increase efficiency in the reporting and monitoring process. However, the system still relies on the Clients actively submitting their reports in a timely manner in accordance with their obligations provided for in the financing documentation.

1.1.1 Actions	Resources	Timetable
<p>A. The Bank will review the text in the internal Operations Manual to clarify circulation of AESRs and update, if necessary, to take account of the new electronic reporting.</p> <p>B. The Bank will encourage its Clients to sign up to the new electronic reporting system, but it should be noted that the system is optional and may not be suitable for all of the Bank's Clients.</p> <p>C. For the reports which are not submitted through the electronic system, AESRs are to be sent to a centralized e-mail address within the Environmental and Sustainability Department (ESD) and this will be communicated to the department responsible for operations administration. This will ensure that the reports will be received and filed appropriately in a central location, in addition to going to the environmental and social specialist to review.</p> <p>D. ESD will review relevant training materials on E&S issues for Bank staff, in particular the sections on project implementation and monitoring, and clarify the importance of environmental and social reporting and the effects of delays and non-compliance at the project level. The materials will emphasize the roles and responsibilities in liaising with the Client and reminding the Client to submit their reports to the Bank in a timely manner and in accordance with the schedule agreed in the legal documentation.</p>	<p>No additional resources are needed.</p>	<p>Q1 2017</p> <p>Q1 2017</p> <p>Q2 2016</p> <p>1Q 2017</p>
<p>1.1.1 Status Update (to be completed in MAP progress reports)</p>		

1.1 Recommendations regarding the unclear assignment of responsibilities

1.1.2 Clarify the role of the different consultants assigned to a project in the preparation and submission of the AESRs and ensure this information is included in the consultancy agreements and other relevant legal documentation

1.1.2 Management Response

For projects, the responsibility of preparation and submission of the AESRs lies with the Clients. In some projects, consultants working on project implementation or on monitoring the project are tasked with assisting the Clients in the preparation of the AESRs. The responsibility of consultants, particularly when there are more than one consultancy working with a Client or the Bank on a project,

needs to be clarified in the Terms of Reference for the consultants or other relevant documents. This is primarily a practical implementation issue.

1.1.2 Action	Resources	Timetable
E. The standard templates for project implementation units and monitoring consultants will be reviewed and updated as needed to clarify the responsibilities with respect to assisting the clients with preparation of AESRs.	No additional resources are needed.	Q1 2017

1.1.2 Status Update (to be completed in MAP progress reports)

1.1 Recommendations regarding the unclear assignment of responsibilities

1.1.3 Clarify the specific roles played by the different Bank departments and officers with respect to following up and ensuring the submission of the AESRs.

1.1.3 Management Response

The specific role of different Bank departments is described in the Banking Department’s Operations Manual. This document outlines the overall responsibility for maintaining contact with the Client and receiving the annual reports and the various departments involved in reviewing reports.

1.1.3 Action	Resources	Timetable
F. Management to review project implementation, monitoring and reporting sections of the Operations Manual and Operational Guidelines and update as needed.	No additional resources are needed.	Q1 2017

1.1.3 Status Update (to be completed in MAP progress reports)

1.2 Recommendations regarding the communications shortcomings

The Bank Management has indicated that they have already identified some of the communication shortcomings with respect to monitoring low-risk projects and in particular the submission of AESRs. Consequently, the Bank Management has informed that a number of measures have been implemented to address these shortcomings. In particular, the Bank has created an automated system that replaced the old manual system and automatically alerts Bank officers regarding existing breaches of covenants. In addition to this the Bank has introduced information management measures.

The Compliance Review Expert welcomes these efforts and calls on the Bank to ensure that adequate coordination systems are put in place to provide clear channels for the different Bank departments and officers involved in the monitoring of the AESRs to communicate, obtain and exchange information on: (i) the timing of the legal requirements to submit the AESRs; (ii) the reception of the AESRs; (iii) the communication with the Borrower as to the fulfilment of the obligation to submit the AESRs; and (iv) any information provided by third parties regarding the environmental and social impacts of the project, the clients’ management of environmental and social issues, including implementation of environmental and social actions plans (or management systems in the nomenclature used in the Bank’s 2014 Environmental and Social Policy) and the monitoring of the implementation of such plans or systems. Consequently, the Management Action Plan should include measures to ensure that:

- The automated system gathers and distributes the information identified in (i) and (ii) above to all relevant Bank officers.
- There are formal procedures for communicating with the Borrower regarding the non-compliance with the submission of the AESRs.
- Any information provided by third parties to the Bank regarding item (iv) above be timely communicated to the Bank officers relevant to the monitoring of the environmental and social performance of the project.
- Any internal monitoring reports relating to or containing information on the implementation of the environmental and social performance of a project, including the submission of AESRs be timely sent to ESD in a timely manner.

The Compliance Review Expert therefore requires that the Bank includes in the Management Action Plan the details of the changes that have already been introduced to address the communication shortcomings identified in the Compliance Report and those that need to be introduced to address the recommendations made in this Report.

Recommendations

1.2.1 The automated system gathers and distributes the information identified in (i) and (ii) above to all relevant Bank officers.

1.2.1 Management Response

The Management Action Plan briefly describes changes in internal processes and nomenclature that may be needed to be updated from time to time. The PCM Officer and Expert may request review the more detailed documents that are internal to the Bank.

The electronic Client reporting system mentioned previously is currently being piloted.

1.2.1 Action	Resources	Timetable
G. See Action F above.	No additional resources are needed.	1Q 2017

1.2.1 Status Update (to be completed in MAP progress reports)

1.2 Recommendations regarding the communications shortcomings

1.2.2 There are formal procedures for communicating with the Borrower regarding the non-compliance with the submission of the AESRs

1.2.2 Management Response

The current procedure for responsibility is set out in the Bank’s Operations Manual for communicating with the Client on reporting obligations, including AESRs. The new online system currently being piloted in covenant monitoring by periodically sending reminders to the Client of their reporting obligations set out in the loan agreement. In addition, when uploaded by the Client, the system will automatically file and distribute the reports to the appropriate Bank officers for their review.

The Bank will discuss ways to increase reporting compliance for Clients that choose not to sign up to the voluntary electronic system.

1.2.2 Action	Resources	Timetable
H. The new electronic system is being piloted and will result in increased reminders to Clients	No additional resources are needed.	1Q 2017

when reports are due. The Bank will discuss internally on what measures can be taken for Clients who choose not to sign up to the electronic system, and will report in the next update report.		
---	--	--

1.2.2 Status Update (to be completed in MAP progress reports)

1.2 Recommendations regarding the communications shortcomings

1.2.3 Any information provided by third parties to the Bank regarding item (iv) above be timely communicated to the Bank officers relevant to the monitoring of the environmental and social performance of the project.

1.2.3 Management Response

Noted and will be addressed in the Operations Manual and Operational Guidelines. It also will be included in training for relevant Bank staff.

1.2.3 Actions	Resources	Timetable
I. The Management to review project implementation, monitoring and reporting sections of the Operations Manual and Operational Guidelines to cover timely communication of information received from third parties to the relevant departments and work with relevant Bank departments to implement the changes.	No additional resources are needed.	1Q 2017
J. ESD to review training materials and update information on monitoring and reporting for new staff.		1Q 2017
K. Management will inform relevant staff in a high level communication about the critical importance of monitoring and reporting.		1Q 2017

1.2.3 Status Update (to be completed in MAP progress reports)

1.2 Recommendations regarding the communications shortcomings

1.2.4 Any internal monitoring reports relating to or containing information on the implementation of the environmental and social performance of a project, including the submission of AESRs be sent to ESD in a timely manner.

1.2.4 Management Response

The specific roles of Bank departments are described in the Banking Department's Operations Manual and Operational Guidelines. Training materials will be reviewed to ensure adequate attention is paid to reporting and inclusion of support departments.

1.2.4 Action	Resources	Timetable
L. Management to review project implementation, monitoring and reporting sections of the Operations Manual and	No additional resources are needed.	1Q 2017

Operational Guidelines to strengthen the processes related to distribution of environmental and social information to relevant environmental and social specialists.		
1.2.4 Status Update (to be completed in MAP progress reports)		

2. Monitoring and reporting on the implementation of any recommended changes

2.1 Recommendations regarding monitoring and reporting on the implementation of any recommended changes		
2.1 The Bank Management should (i) report on the changes introduced to address the unclear assignment of responsibilities; and (ii) monitor the implementation of the changes made to address the communication shortcomings to evaluate their effectiveness and report on the results to assess the need to introduce further changes.		
2.1 Management Response		
The Bank will report on the implementation of the actions above on a six monthly basis to the PCM Office until the actions are closed out.		
2.1 Action	Resources	Timetable
M. Report on the implementation of the actions above on a six monthly basis	No additional resources are needed.	Until all the actions are closed out
2.1 Status Update (to be completed in MAP progress reports)		

2.2 Recommendations regarding monitoring and reporting on the implementation of any recommended changes		
Finally, since the Compliance Review Report has acknowledged that residents of villages along the road corridor have been affected by the Project, the Compliance Review Expert encourages the Bank to continue its efforts to addressing such concerns through its ongoing relationship with the Client and the processes of the Problem-solving Initiative currently underway.		
2.2 Management Response		
Noted, this will become part of project monitoring. The PCM Office will likely have a separate reporting system on Problem-Solving Initiative activities.		