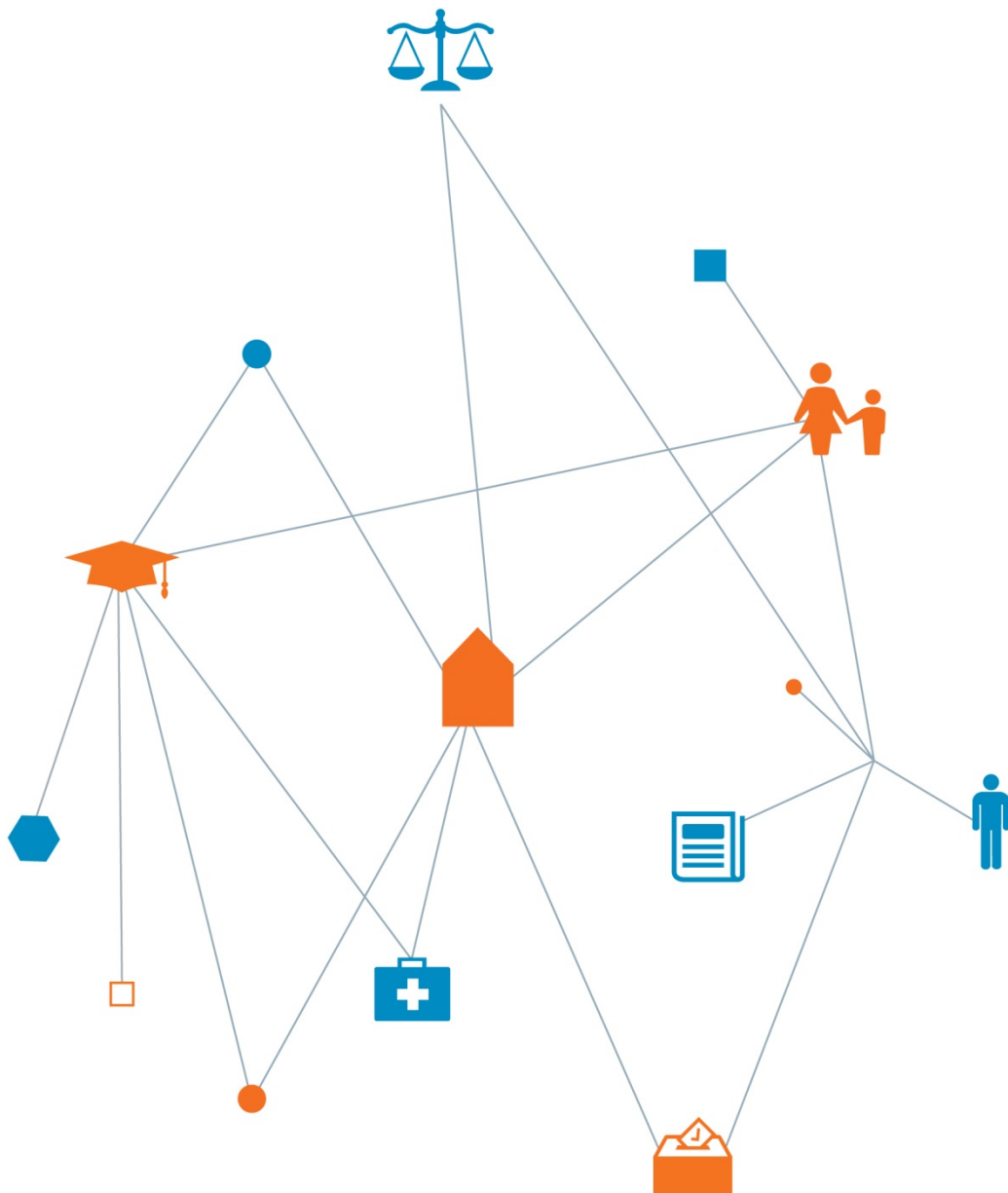




Economics and Private Sector Professional Evidence and Applied Knowledge Service (EPS PEAKS)

Final Report

Central Asia Private Sector Development Scoping Mission





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Knowledge Service (EPS PEAKS)**

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Department for International Development (DFID)
Central Asia Private Sector Development Scoping Mission

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Project Director

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Executive Summary

PSD Mission Summary

1. The United Kingdom Agency for International Development (UKAID) Department for International Development (DFID) Central Asia (CA) office in Dushanbe funded a “short term scoping mission to explore opportunities to initiate a private sector development (PSD) programme for both the Kyrgyz Republic (Kyrgyzstan) and the Republic of Tajikistan. The PSD mission was conducted in Bishkek on 18th – 20th September and continued in Dushanbe on 22st – 26th September with scheduled full day meetings throughout this period.
2. Two PSD mission trip reports were drafted as a result of this PSD mission. The *“Report on Scoping Mission in Central Asia”* outlines, on a broad scale, the various components that need to be considered, including: (i) Framework for Intervention, (ii) Details on the Constraints for the Growth of the Private Sector, (iii) Specific Entry Point Interventions Received, (iv) A Suggested Way Forward, and (v) Next Steps. As requested by DFID, this PSD mission trip report follows a different more focused path, which provides an initial first look at *“Potential Interventions in Mining, Energy and Water Resources Management”*.
3. The four members of the PSD team included Ms Shahnila Azher, the team leader and Mr Michael Biddison, Adam Smith International advisor. Ms Azher is a Senior Private Sector Development Adviser that leads the growth and private sector team at the DFID Bangladesh office. Mr Biddison has experience in the CA mining, energy, and water resources management sectors. Representing DFID CA on the PSD team were Ms Shahlo Rahimova, regional programme manager, and Mr Shuhrat Mirzoev, project economist. Due to scheduling conflicts, Mr Mirzoev was unable to attend the meetings in Bishkek.
4. The PSD team was able to meet with key government ministries and agencies and with donors, international financial institutions (IFIs), investors, and other stakeholders that may be affected by very initial recommendations for DFID PSD program entry point interventions. Since meeting participants were informed that these PSD mission trip reports may be distributed, it should be noted that the sources of information and data obtained in PSD mission meetings are not directly footnoted or attributed to a single person or group.
5. The initial consultations with DFID enabled the PSD team to learn more about its interest in the establishment of a PSD programme in Kyrgyzstan and Tajikistan, which include possible activities in energy, mining, and water resources management. This is certainly encouraged, as is well known in the CA region Kyrgyzstan and Tajikistan have great potential to unlock a wealth of mineral resources, provide substantial hydropower generation of low cost electricity, and manage upstream renewable water supplies to meet downstream irrigation needs. DFID recognizes that these three sectors are key for economic growth and should be preliminary drivers for attracting PSD investors – this potential has not been fully realized.
6. Therefore, this preliminary PSD mission trip report provides a short summary that identifies a sampling of DFID’s potential entry points for PSD interventions in mining, energy and water resources management, given the existing opportunities and bottlenecks. This report is complementary to efforts undertaken by other development partners, and DFID’s previous engagement in the private sector development in line with its overall priorities and mission.
7. What is not covered in this report are extensive details on background technical and analytical criteria, such as: macro and micro economic analyses; internal and external financial evaluations, accounting processes and procedures, published data appraisals, statistical research, market studies, sector reviews, investor trends, specific detailed interviews, and other forms of data and information (comparisons to similar projects elsewhere, scenario projections, SWAT evaluations, value for money assessments, etc.). These technical and analytical criteria are important, but it should be recognised that the most common denominators for evaluating risk of failure or success of proposed programmes, projects, and investment commitments can be broadly categorised as loosely-defined ‘politics’ and control.
8. The value of this trip report as a result of a scoping study is to get a feel on a comfort zone with providing support for these three sectors. The PSD programme opportunities are certainly there. Citizens of Kyrgyzstan and Tajikistan experience freezing conditions every year as power outages and frequent load shedding are quite

common; large sums of royalties, customs fees and tax revenues from mineral wealth are not recovered and allocated back into state budgets; water resources are not efficiently and effectively managed – from generating hydropower through agricultural use. This is a commonly shared opinion, especially amongst the well-informed citizens as it is well documented. If DFID decides to enter into supporting reforms in these complex and highly politically-driven foundation-building sectors, then its role and resource capabilities need to be evaluated and basic decisions should be made early-on. A clear involvement in the policy advocacy (if any) should be also decided up front. What is important for DFID is whether or not to make an upfront no holds-barred commitment and pursue (i) opportunities to provide leadership in important niche areas of these sectors, or (ii) becoming a player on a team of donors and IFIs without much direct exposure. Of course, other alternatives exist such as choosing (iii) combining either options, or (iv) none of these options.

9. This report provides information that can nudge DFID towards a more comfortable decision on PSD programme planning and investment.

Conclusions & Recommended Next Steps

10. Based on the evaluation of mining, energy and water resources management data and information that was collected from a number of sources during the PSD scoping mission, it is proposed that DFID consider a balanced investment portfolio to kick-start a PSD programme in one or more of these three sectors. This portfolio should include leadership in one or more entry point interventions that would be jointly conducted with counterpart governments, either on an individual basis or on a partnership basis with other donors, IFIs, and private firms with established PSD programmes in energy, mining and water resources management. Additionally and more specifically focused on mining interventions, DFID should join the GTZ and the World Bank Group PSD programmes in the role as a partner(s). It should be noted that there are other partner programmes in these countries that DFID should consider, which focus on the energy and water resources management sectors.
11. With the acknowledgement of limited PSD resources for these three sectors of Kyrgyzstan and Tajikistan, the PSD team endorses the strategic appointment of a residential PSD senior advisor to work alongside and advise a government ‘champion’ that has decision-making authority in one or more of these sectors. In this case, a champion is loosely defined as “an influential and knowledgeable government official that currently serves in a well-respected capacity as a minister, agency chairman, deputy prime minister, presidential staff or advisor, Member of Parliament, or other trusted official that has a reputation for embracing change and is not primarily driven by a political agenda”. In its initial planning stage, the embedded PSD advisor will assist the champion in conducting a current assessment of the sector and they jointly will identify next step entry point interventions that DFID and the government are willing to provide resources and support. Each intervention would be designed to utilize the necessary and required tools in the development toolbox to ensure success and achieve expected timely results. Both DFID and the government counterpart will share responsibilities and provide resources to jointly conduct interventions that build on the following goals and strategic objectives:
 - › Relatively low cost and low risk projects that demonstrate quick-return and value for money benefits;
 - › Measurable short-term milestones that lead to highly visible results;
 - › PSD benefits and influence are established with government leaders and investors;
 - › Government ownership with assurances of project support allow for sustainable reforms;
 - › Necessary market-based reforms are adopted through legislation, regulations and policy;
 - › The creation of sustainable employment opportunities for local citizens with an emphasis on gender equality and women’s rights;
 - › Logical and necessary next steps are planned and taken for further PSD programme interventions;
 - › Working relationships with government and investors are established that favours successful PSD programmes;
 - › Credibility and expertise is demonstrated and earned by DFID in these project sectors.
12. Supported by two separate meetings with representatives of the Kyrgyz State Agency of Geology and Mineral Resources and GIZ advisors on the pronounced need to strengthen its regulatory authority, it is recommended that DFID appoint a residential senior PSD mining advisor in a high priority leadership role. As discussed in the

Mining section of this report, many follow-on entry point interventions could be jointly considered after an initial assessment. This would be interpreted as DFID providing a leadership role in the mining sector of Kyrgyzstan, which when properly construed, would position DFID to bridge the gap between government and investors. The Agency sent a clear message that it was ready to undertake necessary reforms and a senior mining advisor that has both worked in the private sector and in government decision-making positions would be well received.

13. Furthermore, with the development of a close alignment with the two partnership projects proposed by GIZ and the World Bank Group, the embedded PSD mining advisor would have an opportunity to support and complement a foundation provided by those two projects in Kyrgyzstan. Of particular importance is “Conduct a Bid Tender Process for the Award of a Mining License” and “Appoint a Senior Mining Transition Advisor to the Kumtor Mine”, which was directly requested by the Agency. It is recognized that these requests have been shopped around to different IFIs and donors, which the GIZ PSD programme components appear to address. In this instance, it is recommended that DFID enter into discussions with GIZ as a partner and agree to its role and responsibilities.
14. As a high priority for DFID leadership on the energy side, it is recommended that DFID investigate an opportunity to appoint a residential senior PSD energy advisor with the Tajik Ministry of Energy and Water Resources. As discussed in the Energy section of this report, many follow-on entry point interventions could be considered after an initial assessment, including “Create An Energy Service Company”. Opportunities would be created for the embedded PSD energy advisor to provide advisory services and assist the Ministry in vital decisions that involve ADB, USAID, EBRD, and World Bank projects, which all include PSD elements. Additionally, the difficult energy issues involving BT, TALCO, and Sangtuda 1 power generation station all require an objective perspective with requirements for technical assistance. The Ministry sent a clear message that it was ready to undertake necessary reforms and a senior energy advisor that has both worked in the private sector and in government decision-making positions would be well received. More specifically, it was requested that the PSD energy advisor assist the Ministry on CASA 1000, taking a perspective from the Tajik side and building a bridge with all of the stakeholders that will lead to healthy and sustainable agreements, reforms, and infrastructure development.
15. Even though it was not specifically addressed in PSD mission meetings, a third recommended high priority that will establish DFID leadership is the appointment of a residential senior PSD water resources management advisor to the Kyrgyz Ministry of Agriculture, Water Management and Processing Industries. As discussed in the Water Resources Management section of this report, many follow-on entry point interventions could be considered after an initial assessment. The extremely important (both for Kyrgyzstan and the surrounding countries) “Design & Install Energy & Water Coordination Technology” intervention would also include the Kyrgyz State Energy Regulatory Commission and the Kyrgyz Ministry of Energy and Industry as candidate government organizations and be responsive to the CA Energy and Water Nexus.
16. In summary, these recommendations for entry point interventions in mining, energy and water resources management provide for an embedded senior PSD advisor as a high priority in each of these three sectors. When working closely with an influential champion in each country, agreements for next step interventions can be more readily designed and timely conducted in accordance with specific needs. DFID should also negotiate its role and contribute to the GIZ and World Bank Group as a partner in the mining sector components. It should also take into account and consider partnership opportunities with other donor and IFI programmes in the energy and water resources management sectors.

A. Overview



Kyrgyz Republic Overview

Background

17. The Kyrgyz Republic (Kyrgyzstan) experienced a record 10.5 percent economic growth in 2013. However, the Kyrgyz economy is reliant on remittances of nearly 30% and the slowdown in the Russian economy is translating into lower remittances for Kyrgyzstan. The economy is dependent on the mining industry, which is largely dominated by the production of gold from the Kumtor Mine. Therefore, informal economic activity and growth in the non-gold economy (agriculture, energy, tourism, and construction) should reduce its vulnerability to external shocks.
18. Poverty levels remain high. As of 2012, 38 percent of the citizens were poor and 4.4 percent extremely poor (DFID). Absolute poverty levels are on the rise; however, there is a trend toward a narrowing of income gaps and inequality is lowest in rural areas.
19. Kyrgyzstan is heavily dependent on imports, which grew by 13 percent due to the domestic demand fuelled by remittances and low consumer inflation. Services imports increased by 8.5 percent in 2013. The Russian Federation remains the largest trade partner, followed by China and Kazakhstan (minerals, food products, chemicals). However clashes between Kyrgyz and Tajik border guards in early 2014 have led to a large reduction in trade between the countries (82 percent).
20. Fiscal discipline has been improved and in 2013 the budget deficit reduced considerably, due to restrained government spending, strong revenues, improved tax administration, higher growth rates, as well as the strong donor and international financial institution (IFI) activity. Value added tax is the largest source of revenue, providing 8.6 percent of gross domestic product (GDP), whilst sales tax contributed 1.2 percent of GDP to the budget. The public sector wage bill has not grown since 2012, helping to stabilise the fiscal situation and shrink the deficit. However, given that the wage freeze is temporary, keeping the fiscal deficit low will be a challenge.

Mining

21. The mining sector comprises approximately 26 percent of tax revenues, 10 percent GDP and 50 percent export earnings (World Bank). Gold exports grew steadily in 2013 with gold exports up 31 percent year-on-year between 2012 and 2013. Most of this increase came during the last quarter of 2013 following exceptional gold production at the Kumtor Mine (DFID). Investment levels increased toward the end of 2013, due to foreign direct investment (FDI) as a result of transactions made by the Kumtor Mine.
22. Concerns exist, however, as to the rising dissatisfaction on contract issues, governance and field enforcement, social matters, and sharing of revenues that are generated from the Kumtor Mine as well as other mines. In the case of the Kumtor Mine, the surrounding local governments and their communities have expressed dire concerns with greater expectations for employment, taxes and revenue sharing, greater access to goods and services, and other market demand and supply issues. One example that was cited was the inability to maintain a supply of fresh meat (raising and harvesting cattle) that would be dedicated for consumption by mine employees and possibly create a value chain of supplies and services. Another example was the inability to procure mining materials and minerals at the local level so that value chain products could be sold locally.
23. The Kyrgyz Republic adopted the Extractives Industry Transparency Initiative (EITI) in 2004, but questions still exist as to its full transparency and implementation according to the EITI Standard. Kyrgyzstan's 2014-2016 EITI work plan sees activities around monitoring local extractive industry funds for development, monitoring use of resources for environmental protection, contract transparency, and establishing a transparent mechanism for the allocation of extractives industry funds for infrastructure investment.

Energy

24. According to the World Bank, the Kyrgyz energy sector is one of the largest providers of revenue in the economy and accounts for 3.9 percent GDP and 16 percent of production. Kyrgyzstan's primary generating capability comes from multiple hydropower stations in the Syr Darya river basin, some with large water storage capacity. Challenges to the sector's performance include high commercial and technical losses, tariffs that do not allow a satisfactory recovery of costs, inadequate budgets and funding, aging infrastructure that needs repair or

modernised, load shedding and periodic energy shortages, less than reliable district heating systems, and a portfolio of weak governance and unstable regulatory compliance issues.

Water Resources Management

25. Water provision and governance of water systems are very complex in Kyrgyzstan, since there are many various stakeholders at different levels that have interest and control. These stakeholders in water resources are affected by the political and institutional context within the country, as well as within the CA region.
26. The “CA Energy and Water Nexus” relates to the generation of electric power and release of water downstream through the Syr Darya River basin, which has created conflict with Kyrgyzstan’s downstream neighbours, Uzbekistan and Kazakhstan. Since the fall of the former Soviet Union and the break-up of CA into five independent countries the energy and water system has operated differently than when it was first conceptualised. Since Soviet times and in response to regional and political realities, Kyrgyzstan has consistently operated its upstream hydropower facilities to meet lower cost electric power demand as a first priority throughout the year. This does not always coincide, however, with the need to store water supplies during the winter and release water supplies during the summer for downstream irrigation and agricultural purposes. USAID, World Bank, European Bank of Reconstruction and Development (EBRD), ADB, and others have made several attempts to re-establish a better method to operate and manage the energy and water synergies that will simultaneously satisfy all three countries, but more cohesive work needs to be planned and conducted.
27. Throughout the rural areas of the country, opportunities exist to construct and operate small hydropower systems, which can be used to supplement energy supplies (transmission grid connections, renewable energy infrastructure) for a variety of purposes, including the supply of electric power for operating water and wastewater systems, irrigation canal pump stations, and other village and local community needs.

Tajikistan Overview

Background

28. Tajikistan's economy grew by 7.4 percent in 2013, bolstered by continued inflows of remittances. The recent slowdown in the Russian economy will more likely translate into lower remittances, which can be worrying for an economy with such a high reliance on financial inflows. Provision of services is the largest sector of the Tajik economy, followed by agriculture. Growth rates of agricultural and industrial sectors have slowed; however, within industry the mining sector output has been high. Construction has also been a driver of economic growth. Nevertheless, investment in construction is largely provided by state-owned companies, crowding out space for FDI. In the former Soviet Union, Tajikistan FDI is considered to be one of the lowest in the region.

Mining

29. Tajikistan has large mining potential; however its mining capabilities and capacities are way underdeveloped. Tajikistan has more than 400 known deposits of gold, silver, zinc, lead, mercury, tin, uranium, oil, gas, precious stones and other minerals. It hosts one of the largest silver deposits in the world, the Bolshoi Konemansur deposit (EITI). Geologists with experience in gold mining in Tajikistan estimate there are as much as 8000 tons of gold available to be extracted (ASI). Tajikistan has been an EITI Candidate country since February 2013 and intends to pursue the EITI Standard as an EITI Compliant country.

Oil & Gas

30. Very preliminary oil and gas exploration is underway with a joint venture project between Total, CNPC, and Tethys Petroleum, with Gazprom also undertaking some exploration activities. The PSD team met with a representative of Total, who did not disclose any confidential information about their exploratory operations. Recent meetings with representatives of the Afghanistan Ministry of Mines and Petroleum provided some optimism that the Chinese National Petroleum Corporation exploratory operations have gone well just across the Amu Darya River, so that geologic reservoir may well extend into Tajikistan, as well.

Energy

31. As documented by World Bank and other reports, Tajikistan has had a continued winter energy crisis since the breakup of the Soviet Union, with 70 percent of Tajik citizens suffering from electricity shortages during the winter. These shortages are costing the Tajik economy approximately USD 200 million, equivalent to 3 percent GDP.
32. Due to its dependency on primarily run-of-the-river hydropower stations along the Amu Darya River basin, there is a surplus of energy supplies generated during the summer and a shortfall of energy supplies during the winter. Tajikistan is no longer connected through Uzbekistan to the CA transmission grid, which, in the past, accepted surplus electric power in the summer and provided electric power during the winter shortfalls. Although Tajikistan has a power purchase agreement with Afghanistan to generate and deliver surplus electric power in the summer, there still is spillage during this season, as Afghanistan's demand cannot fully accommodate the surplus.
33. Primarily funded by the World Bank, the *Central Asia South Asia 1000* (CASA 1000) project is scheduled to begin rehabilitation and construction of an extended transmission power system next year. The CASA 1000 system will connect the sellers of hydropower (Kyrgyzstan and Tajikistan) to the buyers (Afghanistan, Pakistan, and possibly India), which will provide reliable long-term low cost energy resources to the South Asia countries and additional revenues to the CA countries for approximately 5-8 months per year, thus eliminating spillage of run of the river generation plants. With the planned construction of the Rogun hydropower generation plant, Tajikistan will have storage capability during the summer, so that Rogun hydropower generation can better meet Tajik demands for electric power and heat in the winter.

Water Resources Management

34. The CA Energy and Water Nexus presents a slightly different situation with the downstream water needs of Uzbekistan for summer irrigation and the energy demand for Tajikistan during the winter. There are many complexities, since Tajikistan desires to continue the construction of Rogun hydropower generation plant with storage capabilities in the higher reaches of the Amu Darya River basin to allow for more stable and reliable

domestic electric power and water supplies year-round. At the same time, Uzbekistan does not support the construction of Rogun, partly due to its experiences with the leverage exhibited by Kyrgyzstan on the storage and release of water supplies in the Syr Darya River basin. Therefore, Uzbekistan no longer supports the CA transmission grid nor supplies or receives electric power from Tajikistan and Kyrgyzstan (and Turkmenistan, as well). Donors, IFIs, and interested countries have all pursued avenues to resolve the Amu Darya River basin energy and water synergies, but it's an extremely political situation that has steadily continued to deteriorate since the CA republics became separate nations.

Key Initial Findings from the Scoping Mission

35. The private sector development (PSD) scoping mission conducted meetings on 18th – 20th September in Bishkek with officials representing ministries and state agencies of the Government of the Kyrgyz Republic. Additionally, meetings took place on 22nd – 26th September in Dushanbe with officials representing ministries and state agencies of the Government of Tajikistan. In both countries, PSD meetings were held with representatives of other donors, IFIs, private sector investors, and interested stakeholders.
36. In some meetings, concern and caution were expressed on DFID's stated interest to explore possible entry points for PSD projects in the region due to for example *"very limited bankable projects in Kyrgyzstan and maybe even less in Tajikistan"*. For the past 20+ years, many donors and IFIs have carried out different development projects in efforts to grow the economy in various sectors. Many methodologies were tried and variations of approaches were introduced to see where these projects would gain a foothold. Some of these projects are known to have achieved great success and some of them, *"although quite successful in their own right and, to a lesser extent, did not achieve the entire range of anticipated results"*. Thus, allowing for gaps and voids that can be filled by follow-on projects.

Essential Donor & IFI Success Stories

37. The following snapshots of donor (USAID) and IFIs (World Bank, ADB, and EBRD) energy and water resources management past projects are representative of instruments and methodologies that have been conducted in Central Asia and capture the interest of private investors:
- The development of a micro-hydropower plant (0.70 MWs) for a small isolated community (Jangy Nukat, Kyrgyzstan) was conceived as a public-private partnership (PPP) demonstration model to assist in attracting PSD investment. The private side of the partnership was provided by citizens of Jangy Nukat in cash and in-kind labor, as well as funds donated by the first lady of Kyrgyzstan. The public contribution was from the USAID-funded Natural Resources Management Programme (NRMP). This was largely a train-the-trainer effort to promote replications of the process, combining technical assistance and training on engineering, planning, construction, maintenance, operations, and policy oversight. The training overlapped into simplified regulatory functions, such as the development of a tariff methodology to bill customers for consumption and ensure recovery of costs. Replications have been conducted in Kyrgyzstan and Tajikistan by other donors and IFIs, as well as private companies. The micro-hydropower plant provides for more reliable electric power to the entire community, including the ability to pump irrigated water for growing tobacco and other crops, as well as drying and storage of those crops.
 - Modernization of electric power substations and installations of electric 'tamper-proof' meters were provided by NRMP with an emphasis on train-the-trainer on-the-job field processes at Serverelectro in Kyrgyzstan. This effort was combined with policy to demonstrate a reduction in technical and commercial losses, thus decreasing demand and increasing collections. Replications of this project have resulted in overall lower costs and more reliable electric power, which is attractive to PSD investors and customers.
 - The drafting of legislation and corresponding regulations for the creation of an "independent decision-making" electric power regulatory agency in Kyrgyzstan was funded by USAID in the late 1990's. The regulatory body was created, appointed and trained on many regulatory functions through executive exchanges with the National Association of Regulatory Utility Commissioners (NARUC) and electric power companies from different countries. However, excessive political demands became an issue within the upper reaches of government (such as lower tariffs for 'special' citizens). These actions resulted in a very tight budget, which did not allow the regulatory agency to properly conduct its regulatory responsibilities.
 - Conceptualized in the mid-to-late 1990's and with continuous efforts by multiple projects funded by the World Bank, EBRD, USAID and others, the Government of Kyrgyzstan recently restructured and commercialized its state-owned energy company into seven joint stock companies, including the allowance of private companies with capital investment into the Chakan hydropower plant and JV Kalininskaya hydropower plant. Due to these recent changes in policy, investors are looking for further opportunities to invest in electric power in Kyrgyzstan.
 - In the NRMP USAID created water user associations and farmer associations, furnishing main irrigation canals with communications and automation capabilities, constructed on-farm water resource

management structures, which among other instruments and methodologies directly benefitted the agriculture and water resources management sectors. These notable demonstration model procurements were conducted in tandem with policy training on the conservation of water, management of large democratic associations, maintenance of equipment, public outreach through radio talk shows, better crop management (resulting in less salinization of soils), and better management and governance of these two sectors combined. On the business side, training courses were specifically designed and provided in marketing, finance, equipment procurements, operations, water-use efficiency tools, irrigation and agribusiness management, and maintenance operations. The exposure and use of these instruments have kept costs down, increased production and provided opportunities for PSD investment. Large scale replications of this demonstration have been funded by other IFIs and USAID launched follow-on projects.

- NRMP demonstration models on district heating systems and energy efficiency retrofits in residential, commercial, government, and industrial customer facilities have created economic and financial incentives for governments to fund further retrofits and provide opportunities for small business development. These demonstrations were strategically conducted in hospitals, orphanages, residential and commercial buildings, and small industrial plants in order to attract PSD investment and jumpstart energy conservation.
- The World Bank and the ADB, in joint project cooperation, facilitated training and negotiation of a power purchase agreement between Tajikistan (seller) and Afghanistan (buyer), which resulted in the construction of a 220 kV electric power transmission line to facilitate the cross-border trade. This provides a strong step toward the World Bank lead on the implementation of the CASA 1000 regional electric trade project. It is anticipated that this project will result in large-scale PSD throughout these buyer and seller countries.
- The introduction of the Naryn Syr Darya Planning Instrument (NASPI) as a tool to plan the operation of a complex system of multi-year run of the river and storage reservoirs to meet conflicting uses of water for irrigation and hydroelectric power generation during different seasons was conducted by NRMP. Additionally, Toktogul Reservoir Operating Rules were developed to coordinate the timely release of water from upstream hydroelectric power generation with downstream irrigation canal and on-farm agricultural demand. These and other projects, such as: energy and water agreements to balance upstream hydroelectric power generation and downstream water supply demand with the trade of fuel supplies for thermal electric power and district heat facilities; power trade agreements that address open access, sales, wheeling, metering protocol, and tariff methodologies; river basin decision support systems to calculate and forecast agricultural season water inflows in river basin systems; and data and information systems to enable the Syr Darya and Amu Darya River Basin Water Organizations to better monitor and manage regional water resources are all related to the CA Energy and Water Nexus, which was negotiated in different stages amongst and between representatives of all five CA countries. USAID provided executive exchanges, training, capacity building, legal and technical assistance, demonstration models and a variety of tools in funding these ongoing projects.

38. These are a few illustrative examples of success stories on Central Asia projects sponsored by donors and IFI's for the past two decades in the energy and water resources management sectors, which has served to attract direct and indirect PSD investment. That being said, it appears that decision-makers and undue influential parties continue to have their own self-interests in mind, as donors and IFIs continue to introduce various brands of development tools in an effort to build momentum and break-free logical and worthwhile reforms that build confidence with PSD Investors.

Readiness to Cooperate with DFID

39. In PSD mission meetings with government officials a "readiness to cooperate" with DFID was always expressed. Several officials presented some of the government initiatives and introduced a list of priority projects to consider as possible candidates for cooperation. This priority list generally makes sense and seems workable, but it should be recognised that there appears to be a higher echelon of undue influence and political weight behind the statements made by the officials at the meetings. In many meetings it was clear that other Government officials and members of other entities would have to be involved and group approvals would be needed before certain projects would be carried forward. As an example, even though it is not stipulated in the law or regulations, the qualified statement was made that *"the Kyrgyz State Agency for Geology and Mineral Resources does not announce major mine decisions until approved by a commission of*

government leaders". On the energy side, the statement was made that *"the CASA 1000 electric power tariffs are too political and politicians make it political"*. On a follow-up statement and still speaking on behalf of the Kyrgyz government on energy regulatory issues *"we do it to ourselves"*. In Tajikistan, while discussing the mining issues, the PSD team was told by a government official that *"the government wants to manage everything and is worried about losing control"*. The clear message was that basically group decision-makers and higher echelon interest groups make major decisions that may affect PSD investment in important sectors. As a result, a deployment of a careful stakeholder management strategy would be envisaged.

40. The PSD team also proposed some general project ideas for consideration, which some government officials seemed willing to further consider and explore. One proposal, which was well received by almost all government officials, was to place or "embed" an experienced expat with, preferably leadership qualities in both industry and government in a strategic ministry or agency to advise on tactical and calculated next step strategic activities, as well as provide on-the-job training sessions. Another proposal that received good reception was the placement of a strong transition advisor, who would serve to bridge misunderstandings on business and government processes, such as agreements, contracts and licenses. This could serve to be one and the same person, as well, since they know the business and technical environment. The whole point is to match a knowledgeable expat advisor with a government "champion" to build trust and confidence for the influence of needed change and reforms. In fact, a pipeline of entry point interventions would emerge that could favourably serve to introduce and fuel PSD investment for the benefit of the country and its citizens.

For possible DFID entry points into mining, energy, and water resources management with an overall project theme of attracting and sustaining PSD, the following illustrative list of key initial findings were expressed in PSD mission meetings as 'qualified' impressions and observations, reflecting on many of the challenges that shape the current status of these sectors. To further clarify, these key initial findings are not opinions from the PSD team, but rather a collection of statements, concepts and ideas that were provided to the PSD team. These key initial findings should be closely scrutinized and considered before moving forward. Please note they are not listed in any particular order or priority. They include:

- The lack of reliable electric power in the Kyrgyz Republic and Tajikistan creates major disruptions in the economy and continues to diminish the interest of serious investors.
- Both the Kyrgyz Republic and Tajikistan are isolated from some surrounding border countries, due to disputes, customs, lack of traditional trade routes, poor travel logistics infrastructure, serious political and social differences, and market preferences for products and services.
- Sufficient electric power and tolerable heating capability are critical to citizens in the winter, especially to those that live and work in the rural areas.
- In many sectors laws are weak and need to be revised according to international standards and best practices – coordination between central and local governments may not be presumed and should be strengthened wherever possible.
- While better quality laws are being adapted, an implementation gap is persistent in both countries. Certain follow-on rules and regulations, instructions, processes and procedures should be revised and properly implemented according to the rule of law.
- Many government ministries and state companies have a great need for technical training and capacity building, as well as electronic equipment and access to the Internet. When questioned about the enforcement capabilities and compliance for the use of energy conservation technologies in new housing construction in Kyrgyzstan and Tajikistan, the government agency responded that only old Soviet "GOST" standards were relevant and in effect. In PSD mission meetings with government mining representatives on the need for technical training and capacity, a long list was recited, including "the government has lack of financial resources and funding; it needs to learn to record taxes and revenues received with the proper software and equipment; best practices should be introduced in the performance of field inspections; there is a need for assistance in organizational restructuring; procedures to conduct bid tenders should be revised; exposure to mining sector forums, including contract negotiations and contract management would be much appreciated; seminars that exposed state government workers to the risks taken by the private sector would pay dividends".
- Investors have concerns over the lack of all-around basic education and general business skills – business administration, accounting, marketing, finance, economics, etc.

- › Shadow business operations are estimated to be from 39% - 50%+, which does not support taxes, revenues and pensions and provides for the influx of illegal labor, goods and services.
- › Sometimes there is an underlying reservoir of mistrust and misunderstandings between and amongst parties when undertaking projects, including local and central Governments, donors and IFIs, private investors, civil service organizations, non-government organizations, and other stakeholders.
- › It's well understood that governments, donors and IFIs, private investors, and interested stakeholders all have good intentions and mean well when proposing and implementing projects.
- › The linkage of the CA Water and Energy Nexus means everything – it must be resolved to attract world class investors – including mining companies.
- › You can't attract investment without price competitive, reliable electric power and water supplies.
- › There is a window of opportunity, whereby Kyrgyzstan and Tajikistan should seek to become world examples of “Green” countries – since these countries have renewable energy (hydropower), conservation awareness, built-in climate change initiatives, water resources management, organically grown foods and natural agricultural products, and other green capacities that are desired by growing markets – Green tourism might be a specialty area to consider.
- › Government leaders seem to always agree to donor and IFI interventions on a variety of activities, however, progression on the actual work plans (where the rubber meets the road in implementation procedures) do not always achieve results on a timely manner as initially agreed upon by all parties.
- › Focus on attracting smaller size businesses in PSD and stay below the “threshold” so as not to encroach upon interference or attention of government officials.
- › The government is reserved in taking chances – “control” is omnipresent. In this particular context, this general statement was made by certain government officials and donor representatives alike, especially when referring to the lack of investment opportunities in the energy and mining industries. Advice was given that *“investors should try to stay below 5.0 million USD thresholds to not attract attention of ‘controlling’ influential groups”*. In Tajikistan, there are tight government controls on banks and financial institutions that frustrate small and medium enterprises (SMEs). Interest rates are not competitive, loans are relatively short-term, and the timing for loan approvals is excessively slow and cumbersome. For a small entrepreneur that sees an opportunity to invest in a start-up energy service company (ESCO), the marketplace may be positioned for these types of services, but the financial institutions are not ready.
- › The government does not have capital to properly operate its infrastructure and cannot meet the cost of maintenance, rehabilitation, and modernization. In Tajikistan, a knowledgeable senior government official stated that *“transmission lines and generators on one single grid make it very difficult to manage. Generation, transmission and distribution should be operated by the private sector”*.
- › There is a need to find ways and mechanisms to better facilitate private / public dialogue, wherever possible.
- › Obligatory organized crime exists in both countries and has great influence in grey market operations.
- › “There is great potential for Kyrgyzstan – depending upon leadership it may steadily progress in the next five-year timeframe”. This general statement was made by an IFI representative who outlined conditions that need to be in-place to maintain this optimistic outlook. Those conditions include: actions taken to assure a more stable government; better laws and regulations; obtain foreign guarantees on loans; promote export potential for SMEs, such as investments in bricks, talon beans and other commodities; attract a Ram Store type supermarket chain; update insurance laws; and make investor-friendly changes to the tax system. He speculated that with the right brand of leadership and political will *“five years from now, it may be too late for early investment opportunities”*.
- › “The governments of Kyrgyzstan and Tajikistan are not stable – most ministers and state committee chairmen serve relatively short-term appointments – many are not sector-recognized leaders and do not have high value decision-making authority”. The PSD team heard this statement and similar statements from government officials, IFIs and private investors alike. As an example in Tajikistan, some of the high-level Barki Tojik (BT) management were recently relieved of their positions, as well as the first deputy minister of the Ministry of Energy and Water Resources. In fact, it wasn't that long ago when Kyrgyzstan replaced its entire government.

- Electric power tariffs were recently raised in the Kyrgyz Republic and Tajikistan, but they do not recover costs (long-term schedules to steadily increase tariffs have been approved), the tariff system is too political and the Governments admit that “we do it to ourselves”.
 - There are real problems with farm-to-market logistics – both domestically and cross border.
 - Practical level problems need practical level solutions and practical level implementation to be successful.
 - It is very difficult to find reliable and verifiable data – even through officially published government documents. This was another general statement made by IFI and private sector representatives that work and monitor the mining and energy sectors, based on findings that published government data were sometimes in conflict with unreliable data and information. Based on illegal and unregistered mining and high losses of electric power, actual and real data is hard to capture with any confidence in these sectors.
 - The best chances to attract PSD are in the following sectors: energy, mining, agriculture, agro-processing, textiles, ICT, meat processing, dairy processing, vegetables, fruits, construction, tourism, micro-finance, macro-finance, insurance, health care, trade, certified laboratories and testing facilities, energy conservation and energy renewable technologies.
 - Free economic zones have been established, but few are working as designed (one in Bishkek and four in Tajikistan).
 - To attract investors in mining, the Kyrgyz Republic and Tajikistan governments need to design, adopt, and implement meaningful policy, mission, and vision statements.
 - There are many artificial barriers that inhibit market development and weaken PSD. Artificial barriers can be classified in many ways, including: slow bureaucracy in processing forms and licenses; lack of one-stop-shop service providers; delays and problems in obtaining work permits for expats; waiting on permissions from government decision-makers; difficulties in satisfying local government authorities; different corruption mechanisms; and other means of abusing power and authority. This concern was highlighted when discussing PSD investment risk in the mining sector.
 - Many well-designed and logical “next step” projects have been created and conducted – there is a concentration on value chain projects that assist in filling voids and circumventing obstacles. Meetings with IFI representatives favour this approach of utilizing value chain building blocks to obtain relatively short-term strategic objectives and results in their projects.
- 41.** It should be pointed out that an earlier PSD team draft¹ of the “Overview of Mining, Energy and Water Resources Management”, cites some key initial findings based on the various meetings during the PSD mission, which provide more specifics to the first impressions cited above.
- 42.** These key initial findings came from expressed impressions and observations during meetings throughout eight full days of the PSD scoping mission. Although it is difficult to take into account and properly weigh the value of a variety of different sources of data and information in two different countries for a short period of time, a legitimate pulse for PSD investment was uncovered and detected. In Kyrgyzstan and Tajikistan there appears to be a growing desire for better governance and to move away from former Soviet mentality and rationale, which has dominated these countries for many generations.

Strength in Leadership & Political Will

- 43.** In just a few PSD mission meetings a new generation of younger more visionary leaders were willing to discuss their concerns and requested DFID assistance. Nobody believes that it is easy to readily reverse long-term downward trends for PSD investment, but close strategic planning and proper implementation with donor and IFI partners can slowly achieve reforms and steadily create a more positive investor climate. Much of this change does depend, however, on strong political will and a realistic vision for making necessary step-wise improvements by the leaders of Kyrgyzstan and Tajikistan. This newly conceived political will and vision must be communicated to the citizens of Kyrgyzstan and Tajikistan, so they can take ownership and play a role in building momentum for change. It is for these reasons that both Kyrgyzstan and Tajikistan have expressed their readiness to partner with DFID.

¹ This earlier draft can be made available on request.

44. The major PSD investment challenges to these countries can eventually be whittled down and will be overcome at some point in time, however it depends on leadership, political will, and initiative at all levels of government and society to positively change the investment climate.

B. Draft Report



Private Sector Development

Initial Findings

45. Members of the PSD team conducted meetings over three days in Bishkek and 20 meetings over five days in Dushanbe with a variety of Kyrgyz and Tajik government leaders, other donors, international financial institutions (IFIs), private sector investors, and other interested stakeholders. In all of the meetings the PSD team made a brief presentation on its purpose and duration of this trip. The PSD mission team leader outlined that the funding for the total DFID portfolio of interventions in Kyrgyzstan and Tajikistan is approximately 16 million GBP for three years, with a possible extension of two more years. As part of the portfolio, up to 60-65% is dedicated to interventions in economic development, which would include PSD interventions. DFID expects to make initial decisions on entry points for PSD interventions by December 2014 and would be prepared to deliver a business case for each intervention by April 2015. For the most part, meetings were based upon prior programmes, lessons learned, current conditions, planned next steps and activities, as well as goals and strategic objectives for the longer term from the perspective of each group.
46. The initial findings from a variety of formal meetings as well as informal discussions showed that the Kyrgyz and Tajik Governments had significant capacity and resource constraints, which poses potential issues and limitations with cooperation. Besides the lack of capacity and resources, there was a great deal of discontent expressed with the structures and strong control exhibited by these governments at all levels – including interference with opportunities to access open markets by the private sector. With regard to structure, it was explained that there were problems with burdensome bureaucracy and multiple approvals would have to be satisfied throughout the central government (and sometimes through local governments) before an investor could begin a proposed investment activity (such as receiving a mining license). Furthermore, control is believed to be far-reaching and extends from the upper limits of the central governments down to the local communities and individual businesses. Major examples that were cited include Kyrgyzstan's insistence on renegotiating the Kumtor gold mine joint venture contract with Centerra on shares of ownership and mismanagement and non-payments from BT on the purchase of electric power from the independent power producer (IPP) Sangtuda 1 hydropower plant.
47. Additionally, on a quick review of published documents from the World Bank and U.S. Department of State, a common list of indicators for doing business and attracting private sector investment are not very impressive for Kyrgyzstan (68) and Tajikistan 148. According to the World Bank "*Ease of Doing Business 2014*" data, at first glance Kyrgyzstan appears to be doing much better than Tajikistan in certain topics that are ranked in 189 economies. The topics that favoured Kyrgyzstan include relatively high rankings in: (i) starting a business, (ii) dealing with construction permits, (iii) registering property, and (iv) getting credit. Both countries ranked high in protecting investors, but were extremely low in getting electricity and trading across borders. Additionally, Tajikistan was ranked exceptionally low in: (i) dealing with construction permits, (ii) getting credit, and (iii) paying taxes. According to the U.S. Department of State, "*The Kyrgyz government identified foreign direct investment as a key component to growing the economy in the coming years and has created a strategic roadmap for economic development to facilitate this growth. The government is taking steps to streamline the process of starting a business as well as streamlining its tax regime. The country, however, still struggles with major issues. Corruption is rampant and rule of law is weak. The judicial system is not independent and every sector of government struggles with capacity and resource shortages. For most areas of interest, a legal framework exists but enforcement is poor. Nowhere is this truer than in the area of intellectual property rights. Investors should also be aware that over 60% of the economic activity in the country occurs in the unregulated grey economy*".² It further points out that "*The investment climate in the Kyrgyz Republic is best for those who are intrepid and have a high risk tolerance. Investors in politically sensitive areas, such as resource extraction, spend much of their time renegotiating contracts, as is evident in the experience of the Canadian-owned Kumtor mine*".³ With regard to Tajikistan, the U.S. Department of State points out that it became the 159th member of the WTO on March 2, 2013, but the new tax law "*remains more confusing and administratively burdensome than experts had hoped. Until Tajikistan successfully tackles such basic problems as corruption, weak rule of law, and unreliable electricity supplies, it will not attract significant growth in foreign direct investment (FDI)*".⁴

² <http://www.state.gov/documents/organization/229102.pdf>

³ <http://www.state.gov/documents/organization/229102.pdf>

⁴ <http://www.state.gov/documents/organization/229102.pdf>

48. Overall, and from several published reports, analyses and studies, the PSD team can further confirm through its meetings that there have been and still are numerous challenges and substantial risks for PSD investment in Kyrgyzstan and Tajikistan. More-so than in Tajikistan, there are some positive measureable steps being taken and gradual change taking place in Kyrgyzstan. Whether PSD investments can progressively build a strong foothold and steadily improve the necessary investment climate underpinnings to attract serious local and international investors in both countries remains to be seen.

Potential Entry-Points for Intervention

49. Given the numerous challenges and substantial risks in the current investment climate in Kyrgyzstan and Tajikistan, DFID should tread carefully in order to navigate around the various impediments and through the barriers (mostly categorised as political and artificial) that may prevent DFID against achieving anticipated measureable PSD intervention results. It should be recognised that there are many knowns and unknowns when dealing with these governments, which may be newly discovered or may change abruptly or with time. In effect, while peeling the onion, these anticipated and unanticipated knowns and unknowns will need to be fully discovered, analysed and properly addressed to design a flexible PSD programme of relatively low risk, result-oriented interventions and activities. Maintaining and sticking with such a strategy is certainly challenging, especially when a history of reversing decisions, weakening authorities budget and resources, neglect of the rule of law, disregard of market and natural monopoly principles, and solid control over PSD opportunities is prevalent and stated by many citizens to be “a fact of life” in these two countries.
50. Nevertheless, in order to best plan for a strong PSD programme, it is recommended that DFID should carefully consider all viable opportunities for intervention entry points, where there can be a reasonable opportunity to build a foundation for a pipeline of progressive follow-on interventions. This plan needs to be responsive and fit into DFID’s programme of experiences and expectations, whereby a “comfort zone” can be established and considered.
51. When focusing on the mining, energy and water resources sectors in Kyrgyzstan and Tajikistan, it can be argued and substantially justified that DFID could provide a great deal of reforms and influence in the introduction of solid PSD interventions. At a first look and in all logical analyses, introducing international standards and best practices in revisions of policies, laws, rules and regulations, instructions, procedures, and processes make the most sense. Introducing PSD incentives to build a strong investment climate could bring confidence to investors, but implementation and long-term commitment by these governments are vital. Certainly, the needs are there and the opportunities exist for PSD in these three essential sectors. The main criteria’s for success are twofold: (i) ensuring that government leaders will be champions, and (ii) these champions, on their own, take ownership and drive new irreversible reforms that allow for PSD.
52. Therefore, DFID’s close cooperation and relationship building with central government and local government leaders and decision-makers are key and foremost, as this approach over time will serve to further build trust and credibility with government champions. This straightforward strategy should pay dividends, drive necessary reforms and change attitudes toward the achievement of positive PSD results.

Project Leadership & Partner Options

53. When venturing into a new project area, such as PSD, DFID has many criteria that are reviewed and evaluated in an internal step-wise process, where each step should be satisfied. These initially include internal assessment and the research phase, which usually last around three months. With larger programmes, DFID can procure additional research/scoping studies through small size assignments. The final stages in this process include preparation of the business case to evaluate different scenarios for intervention and highlighting the best one as well as the Terms of Reference. DFID CA is responsible for scoping new programmes, as it is considered to be a “devolved” office from DFID UK. Every step is critically evaluated by the parties involved and various stakeholders are consulted during the process. With more complex programmes, DFID also holds early engagement events to consult the potential stakeholders on the approach and to gather additional feedback.
54. An argument can be made, however, as to the extent of necessary preparation goes too far before project determination and implementation progresses, especially when the challenges are apparent. Many times justification is certainly needed, but it can be argued that, in the case of Kyrgyzstan and Tajikistan, if the political will, influential commitment, and incentives for cooperation are provided with the proper assurances outlined in the ‘Checklist for Project Development Preparation’, just about any donor or IFI conceived project will make a meaningful contribution to needed and selected reforms. The problem has been, in many cases over the past two decades, that for various reasons these levels of expected and justified reforms have been quite slow in taking shape in the mining, energy and water resources management sectors, as evidenced by the lack of growth in PSD investments, which cannot be logically explained.
55. Some donors, IFIs, and private firms have put a lot of effort into preparing and conducting internal versions and extensive details on background technical and analytical criteria, such as: macro and micro economic

analyses, internal and external financial evaluations, accounting processes and procedures, published data appraisals, statistical research, market studies, sector reviews, investor trends, specific detailed interviews, and other forms of data and information (comparisons to projects elsewhere, scenario projections, SWAT evaluations, value for money assessments, etc.) to one extent or another in an effort to better evaluate risk of failure and success of proposed programmes, projects and investment commitments. These are all very well and good, however it should be recognised that at the most common denominators can be broadly categorised as loosely-defined ‘politics’ and control. All of these technical and analytical criteria can be modelled and forecasted, based on historical trends and reported figures, but change in reforms has not been steady and require stability. Additionally, all of these analyses, evaluations, processes, procedures, appraisals, research, studies, reviews, trends and interviews can sometimes be extensive and may require a great deal of time and resources in order to conduct them properly. On the other hand, one should not depend only on the economic analysis to clearly identify key drivers and constraints to growth, when all of these above criteria may need to be further identified and evaluated for each individual sector. Kyrgyzstan and Tajikistan are largely driven by politics and control, and sometimes, all of the modelling and forecasting will not provide much value for implementing obvious reforms.

- 56.** Based on the short time constraints and limited resources expended, this PSD mission, by anyone's definition, is an initial look at opportunities for PSD investment in mining, energy and water resources management by DFID. It provides critical insight from PSD meetings that were held with representatives of other donors, IFIs, private sector investors, and interested stakeholders. It is a piece of information that DFID can use to make an early assessment on investment of its PSD programme in these three sectors.
- 57.** If DFID chooses to take the next step and venture into PSD programme investment into mining, energy, and water resources management, decisions need to be made as to the leadership role and extent of risk DFID should consider in relation to the impact of its budget and resources, as well as achieving desired results in project interventions. There are no easy answers, since many questions exist in conducting interventions in these countries. Examples include:
- Should DFID take a PSD leadership role in certain interventions, providing funding, resources and project management on specific projects on its own? Where are the “win-win” situations? Where can DFID demonstrate its ability to provide meaningful results?
 - What donors and IFIs are already conducting existing PSD interventions or are in the planning stages for next step interventions? Can DFID provide funding, resources, and project management responsibilities as a strategic partner in these projects? What can DFID bring to the table?
 - Should DFID develop a portfolio of PSD interventions, whereby it provides leadership in certain projects, shares responsibilities with donors and IFIs on other projects, and/or provides funds and resources as a silent partner in project trust funds and pooled funds shared by other donors and IFIs?
 - What is the stability of appointed central and local government leaders and decision-makers? Do they have any champions with influence, knowledge, and sustainability and are they reliable counterparts? Where can DFID best support these champions of reform?
 - What are the very next steps that need to be taken in mining, energy and water resources management in Kyrgyzstan and Tajikistan? What role and level of expertise can DFID take to differentiate its programme from the rest of the crowd? How can DFID make a meaningful difference with moderate resources?
 - What are the roles of public-private partnerships (PPPs) and joint ventures (JVs) that are created by donors and IFIs with government and investors? How can DFID create sustainable PSD partnership opportunities? How can these roles be formulated to satisfy all parties and achieve results?
 - How can DFID best influence PSD policy and legislative and regulatory reforms, using a variety of tools in its development toolbox? How can PSD-oriented project activities measure direct and indirect influence in building a stronger investment climate?
- 58.** These initial questions will provide meaningful answers, but they will also serve to generate more in-depth questions that DFID should consider and evaluate when taking steps for considering PSD interventions in Kyrgyzstan and Tajikistan. The PSD team learned that apparent plans for interventions have been closely studied and tried by many donors and IFIs, but they soon learned of complexities that have long established legal, regulatory, social, economic, logistical, financial, political, and judicial and market implications that weren't anticipated or expected.

Checklist for Development Project Preparation

59. Below is a general checklist for the preparation of development projects that DFID may consider when undertaking PSD interventions. It is very important to enter into these agreements and plans upfront to ensure that all misunderstandings can be favourably resolved before or during project implementation.

Cooperation Agreement between DFID & the Government

60. From the very conceptual start of DFID's intent to enter into PSD interventions, it is important for DFID to establish transparency and open communications with leaders of the government to establish a partnership and gather and share information, data, feedback, and desired expectations. Eventually, this shall evolve more formally into the negotiation and signing of a cooperation agreement between DFID and the government. This agreement should generally describe, on a very broad basis, the willingness and intent to enter into a partnership, a description of the PSD programme, shared goals and strategic objectives, responsibilities of each party, timing and schedule for implementation, project structure, force majeure constraints and conditions for project shortfalls and work stoppage, anticipated resources to be used, and a list of results to be achieved.

Cooperation Agreement between DFID & Partner Donor(s) & IFI(s)

61. If DFID agrees to enter into a partnership with other donors and IFIs, a formal cooperation agreement shall be entered into amongst the various partners, which depending on the nature of the agreement could include the government, as well. The agreement should be similar to that discussed above, but the level of detail should be much more specific, especially when addressing project descriptions and coordination of individual donor and IFI roles, responsibilities, resources, scheduling, and funding.

Prime Contractor & Government Counterpart Memorandum of Understanding

62. DFID should ensure that its prime contractor enter into an open transparent memorandum of understanding (MoU) with its assigned government counterpart to address and contemplate any and all outstanding issues in conducting the specific PSD intervention activities that are described within the contractor's contract. This MoU will provide guidance to the contractor and the government counterpart on assigned responsibilities; access to and treatment of sensitive data, information and documents; breadth and depth of the scope of work, including the prevention of project scope creep; assignment and locations of project offices within government counterpart facilities; and procurement, use, and assignment of project equipment. The MoU, in effect, provides guidance on the roles and responsibilities of the prime contractor and subcontractors and its government counterparts.

Project Inception Plan

63. If required by DFID for a specific PSD intervention activity, the prime contractor and the government counterpart will jointly draft and propose an agreed-upon project inception plan of activities and resources to satisfy the contract scope of work and terms of reference. The project inception plan will require DFID approval before initial project implementation begins. The project inception plan specifies the need and desire for PSD intervention, shared vision and anticipated outcomes, specific activities to be taken by the contractor and the government counterpart, a schedule for the completion of specific project intervention activities, reporting requirements, resource planning, anticipated results, and project activity milestones with scheduled deliverables. An inception plan budget is required that outlines major procurements and expenditures of the overall project, which must be approved by DFID and agreed upon with the prime contractor. The inception plan budget should be developed by the prime contractor and delivered to DFID separately from the inception plan. It should not be shared or provided to the government counterpart for any reason.

Project Work Plan

64. The project work plan is a more detailed project inception plan that must be agreed to and signed off between the prime contractor, government counterpart, and DFID. Generally, project work plans are required on an annual basis and the framework is designed to be flexible to changes in priorities while undertaking the project. The project work plan serves as a roadmap which provides details for the progressive implementation of each of the project intervention activities. The project work plan names responsible individuals, travel schedules, performance measurement criteria with key performance indicators, log frame dimension and extent, strategic objectives and goals, description of the development toolbox, and a schedule and clarification of milestones and deliverables that are expected. The project work plan budget must be developed in more

detail than the overall budget for the project inception plan. As a subset of the project inception plan budget, the project work plan budget schedules planned project work plan expenditures and procurements during the annual project work plan period. The project work plan budget should be developed by the prime contractor and delivered to DFID separately from the project work plan. Again, it should not be shared or provided to the government counterpart for any reason.

Development Project Toolbox

65. The development 'project toolbox' makes available certain tools that can be used in interventions to achieve expected results, either on an individual basis, or more commonly, using a combination of tools that are specifically designed and timely scheduled to provide leverage, motivation, momentum, experience and knowledge with government counterparts. Some of the more common development tools include: technical assistance, training, capacity building, public outreach, demonstration models and pilot projects, executive exchanges, shadow job assignments, extensive work / study tours, public-private partnerships (PPPs), joint venture programmes, donor and IFI local bank loan guarantees, and flexible funding and various forms of grant mechanisms.
66. Interventions need to be designed and managed with select tools from the project toolbox so that timely anticipated results can be achieved. To briefly summarize the various tools and their specific value for projects, the following can be useful as a very general preliminary guide:
- Technical assistance, training, and capacity building should be focused on train-the-trainer techniques that serve to pass on knowledge, experience and lessons-learned so that mistakes will not be continually repeated – emphasis is placed on “change” to embrace time-tested reforms (international standards and best practices) and avoid the pain of resistance.
 - Public outreach can be encouraged to promote an open transparent environment, expose or dispel suspicions of corruption and limit undue influence of those in power for personal gain.
 - Demonstration models and pilot projects allow beneficiaries to physically “kick-the-tires” and better understand the reasoning to adopt complementary policy objectives – demonstration models and pilot projects are used to show clear benefits and are promoted for large-scale replications.
 - Executive exchanges, shadow job assignments, and extensive work / study tours are exercised to prepare employees on how to better perform their everyday job functions and better understand how to carry-out their responsibilities in a complex environment.
 - PPPs and JV programmes are meant to lessen risk and provide incentives to potential investors that are willing to venture out for opportunities in new markets and untested territories.
 - Donor and IFI local bank loan guarantees are created as incentives to lessen risks for local banks to make loans in certain sectors – thus, breaking down barriers for investors to access funds in these sectors.
 - Flexible funding and various forms of grant mechanisms usually entail conditionalities and assurances on timing, reporting, achievements, auditing, and results to ensure that dedicated funds are properly spent for well-defined strategic objectives and goals.

Potential Development Project Partnerships

67. During the course of this PSD mission, presentations were made and discussions ensued on DFIDs strategy to enter into a PSD project portfolio in CA. Meetings were held with selected donors (GIZ, Aga Khan Foundation, European Union, Eurasia Foundation of Central Asia and the Swiss Cooperation Office), IFIs (ADB, World Bank, EBRD, IFC and KfW), and embassies (British, Swiss and the United States) to learn more about their project experiences, collect data and information, and consider opportunities to partner in current or planned projects.
68. All meetings were filled with excellent advice and well described projects that are currently being undertaken and/or planned and funded. Much research, analysis, forecasting, modelling, monitoring, evaluations, and strategic planning was conducted to arrive at these advance stages of project implementation and/or new project start-ups. With a direct focus on PSD projects in mining, energy, and water resources management sectors, the PSD team was pleased to learn about the consideration of entry point interventions for DFID as a possible partner with various donors and IFIs.
69. At an initial look, a representative sample of some of the following current or planned programmes in these three specific sectors may be considered to be possible candidates for DFID partnership activities. Additional programmes are listed in Annexe 3 at the end of this PSD mission trip report:

- › EBRD Energy Efficiency Lending Programme (Kyrgyzstan)
- › ADB Toktogul Rehabilitation Phase II Project (Kyrgyzstan)
- › IFC Central Asia Investment Climate Programme (Kyrgyzstan)
- › GIZ Framework and Finance for Private Sector Development (Tajikistan)
- › ADB Access to Green Finance Programme (Tajikistan)
- › World Bank Tajikistan Competitiveness Project (Tajikistan)
- › GIZ Mineral Resources for Development (MRD) Programme Approach (Kazakhstan, Kyrgyzstan and Tajikistan)
- › World Bank Group (IFC and World Bank) Central Asia Private Sector Growth Initiative (Kyrgyzstan, Tajikistan, and 'potentially' Uzbekistan)
- › World Bank CASA 1000 (Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan)
- › USAID Energy Links Project (Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan)

70. However, detailed meetings and discussions, as well as research, needs to take place for DFID to begin to viably assess these and other project partnership opportunities in order to understand and manage its particular role. As a credible and committed partner, obtaining desirable results and expressed recognition for DFID funding and resource contribution are vitally important in these programmes, not only for internal verification, but also for relationship building with these two countries and within the CA region.

71. As an example of project partnership opportunities, GIZ recently sent DFID a concept paper on its proposed MRD Programme, which would concentrate on improving the business climate for the mining and mineral sector for Kazakhstan, Kyrgyzstan and Tajikistan. The MRD Programme cited several studies that confirm the main constraints to increased FDI in the mining and mineral sector. In summary, these constraints are the following:

- › Repeated refusals of local people near potential mine sites to allow companies to operate
- › Lack of continuity in the licensing procedure from initial exploration through to production
- › Poor national infrastructure, lack of skilled local professionals, and uncompetitive local sourcing

72. The MRD Programme envisaged four components that would serve to address these constraints, In general, the four components are identified as:

- › A series of regional public private dialogues (PPDS) bringing together foreign business representatives and CA officials to identify investment constraints
- › Assuring that mineral sector investment creates opportunities for local economic development
- › Improving supply of local qualified labour
- › Strengthening the capacity of the National Geological Agency (particularly in Tajikistan)

73. These MRD Programme components promote the following three strategies:

- › Balanced negotiations for all involved parties to feel confident and protected: This strategy would: (i) incorporate a plan of actions to develop a common strategy for all the government institutions that are involved with this sector, (ii) provide international expertise for fostering institutional and regulatory development, (iii) introduce internationally recognized JORC/CRIRSCO asset evaluation standards within the state geology agencies, and (iv) support local governments by strengthening their ability to negotiate with the mining company and the central government.
- › Introduce the Key Account Management system: The development of the KAM system would support the state geology agencies to attract major potential investors by: (i) promoting EITI standards, (ii) marketing mining sites at international forums, (iii) conduct public outreach at local communities, and (iv) promote value chains creation and local employment to enhance local content in the mining villages.
- › Introduce the Model Mine Development Agreement: The MMDA is an openly accessible model contract that serves as a negotiation template for investor-state agreements in the mining sector in developing countries. It will enable and assist in improving and reforming the mining legal framework and in developing a standard contract between the government and investors.

74. The PSD team received a PowerPoint proposal on the World Bank Group Central Asia Private Sector Growth Initiative as another example of project partnership opportunities. The overall objective of this Initiative is “to create jobs and growth by addressing holistically the obstacles limiting investment into competitive sectors”. The approach is proposed to be an investment-oriented sector-specific programme design that will primarily leverage IFC investments and World Bank lending. The Initiative will partner with donors and IFIs to provide technical assistance for the Kyrgyz and Tajik governments to work with public clients on facilitating an enabling environment. It will also seek “cash fees” from private firms that aggregate inputs in each sector. The three leading sector candidates for the Initiative are: (i) agri-business and agri-finance, (ii) extractives, and (iii) telecommunications.
75. Strictly with regard to the extractives component the Initiative targets: (i) strengthening the investment climate to attract a greater base of firms investing in exploration in the short-term, and (ii) ensuring that mining is an engine of diversification and investment into services and manufacturing in the mid-term. It is envisioned that the IFC will provide direct investment into extractive projects in the region or into firms servicing the extractives sector and the World Bank will provide loans to the governments for public infrastructure and investment into institutional capacity. The Initiative may be conditioned upon the governments to: (i) reform extractives laws and regulations, (ii) provide for opaque licensing procedures, (iii) allow access to primary geographic data, (iv) reduce significant risks to investors (taxation, investment policy and property rights), and (v) share project benefits with local communities.
76. As proposed, the extractives component will focus on two parallel tracks – one to improve the regulatory environment for mining and one to prepare projects for tendering. Initiative partnership activities are identified as: (i) improved regulatory environment, particularly for licensing, taxation, incentives, and investor protection; (ii) capacity building with institutions responsible for tendering mineral deposits and then investment into initial projects; (iii) greater transparency around licensing, revenue collection, environmental and social standards; (iv) quality infrastructure and alignment with global standards; (v) PPP transaction on tendering of deposits; (vi) investment into specific extractives projects; and (vii) upstream investment in extractive services. Depending upon the specific design of each of these Initiative partnership opportunities donors, IFIs, and/or private firms may be attracted as a member of the project partnership.
77. At this time, with these two examples and for all extractive industries project partnership opportunities, more information is needed and detailed discussions would have to take place between DFID, the partners, each counterpart government (central and local), and other stakeholders before evaluations and commitments for DFID resources could be finalized. At first glance, there appears to be viable options and clear-cut opportunities for DFID to enter into close partner relationships with both GIZ and the World Bank Group, as well as other established IFIs and donors that have considerable extractive industries experience and ongoing projects with these two countries. A formal partnership agreement would have to be negotiated between DFID, the partners, and the counterpart governments on all of the particulars (including commitments for timing, technical resources, management, reporting, funding, administrative, and other responsibilities) before undertaking project components and activities. DFID would need to decide early on if it would prefer to work in tandem with other partners on certain component activities or possibly take the lead in one or more of the activities.

Appointments of Residential Senior Advisors

78. The tactical appointment of an embedded residential senior advisor to a strategic government counterpart organization is generally a low-cost, low-risk entry point to initiate an intervention and “test the water” for further and more extensive project intervention opportunities. Depending upon the level of cooperation and access to government leadership, a close relationship can be developed over time, creating credibility and trust with champions within the organisation and possibly further up the levels of the government decision-making hierarchy. As the relationship grows with government counterpart satisfaction in the performance of assignments, many times the senior advisor is entrusted with sensitive data and information (that cannot be shared with DFID or anyone), which can sometimes lead to substantial reforms and changes within the decision-making apparatus. Over the years, the careful appointments and acceptance of “expat” senior advisors to certain CA government counterparts have made a difference in changes in policy, legislation, regulations, procedures, processes, and agreements. When this happens, these senior advisors have demonstrated influence and built strong relationships with government, donors, IFIs, investors and other stakeholders along the way. It should be noted that a solid resident senior advisor will have the ability and know-how to use all of the various tools in the project development toolbox, as needed and requested by champions within the government. Senior advisors should have both government and industry experience with leadership qualities, so as to demonstrate that they know the road less travelled by decision-makers.

They should also have a mixture of strong technical skills and sound business knowledge for the sector that they serve in as a senior advisor.

- 79.** Depending on DFID and government counterpart requirements, the residential senior advisor can assist in the formulation of DFID partnership opportunities with other donors and IFIs that have similar goals. At the same time, the advisor can also work closely with the champion and create a pipeline of next step project opportunities that DFID may want to consider funding. The advisor would manage any local project staff and short-term project expats that are brought in to assist the project with certain technical assistance and training activities, as needed or agreed with DFID and the government counterpart. The advisor works as a contractor to DFID and reports to DFID as the client. The advisor does not report to the champion or the government counterpart, but is embedded in that office to provide technical assistance and training.

Mining

80. It is well documented that there is great potential in Kyrgyzstan and Tajikistan for minerals and metals exploration and development. This mountainous part of the world has known and unknown untapped resources that many local and international private companies would be willing to initiate and conduct mining operations with reasonable risk. However, besides the risk of expected and unexpected mine operations, both countries have many other business concerns that substantially increase investment risk and further detract investors from making long-term commitments. These type of PSD risks include: weak and inconsistent legislation, poor governance and regulatory structures, inconsistencies in licensing and permitting, unfair and discriminatory contract disputes, poor logistics for mine shipments, local community dissatisfaction, lack of infrastructure support, scarcity of local and regional markets, inability to receive work permits for management and technical specialists, minimal local staff capacity, extraordinarily high tax rates, corruption and selective enforcement of the rule of law, and a number of other issues that increase risk of investment for long term periods. For the most part, these countries do not have the expertise, training and local capacity, resource capabilities, and the infrastructure to efficiently and effectively conduct exploration and development of their minerals and metals resources. Additionally, at this stage, these countries do not recognize the value and extent of their mining resources or the amount of revenues that can be earned as a result of practicing good governance and strong regulatory international standards and best practices.
81. The following is a short list of entry point interventions in the mining sector that DFID may consider for its PSD portfolio.

Appoint a Residential Senior Mining Advisor

82. After closely studying and documenting the mining situation in Kyrgyzstan and Tajikistan, DFID may choose to make a positive statement in each of the two countries with regard to well-planned strategic interventions. In high level meetings with government leaders of each country and following the negotiations and agreements of terms, conditions and expectations, it may become more apparent that an entry point for DFID would be to provide a residential senior mining advisor for a one-year contract to focus on PSD advisory services. The senior advisor would work directly with an appointed government champion that has influence in high-level decision-making circles. In a joint effort, the advisor and champion would navigate through impediments and artificial barriers created by the central and local governments with a solid reform strategy that will serve to attract PSD for the long-term. Candidate government organizations to consider for this intervention include the Kyrgyz State Agency of Geology and Mineral Resources, the Tajik Main Geology Directorate, and the Tajik Ministry of Industry and New Technologies.
83. This recommendation came about as a result of meetings with the Kyrgyz State Agency of Geology and Mineral Resources and meetings with the Tajik Main Department of Geology and the Tajik Ministry of Industry and New Technologies. Meetings were conducted with several representatives of GIZ on their ongoing mining programmes, which promoted the need for further donor and IFI involvement in the two country mining sectors. At these meetings both governments were enthusiastic about cooperation and support from DFID. As it was explained, the Kyrgyz State Agency has clear regulatory authority over the mining sector, but needs technical assistance, training, and capacity building throughout the agency to properly conduct its responsibilities. The Agency needs a great deal of institutional strengthening, especially with monitoring company operations and ensuring regulatory compliance. Tajikistan admitted that over 90% of the country has not even been explored for its mining potential, but speculation on mining potential and revenue income from mining operations remain high. There are up to eight government organizations that exercise authority over the mining sector *“to implement the State programme”*. New legislation was drafted by the geology committee to provide better guidance to the government and incentives for investors, but it has not been adopted. As a knowledgeable high government official stated *“Tajikistan has many challenges and opportunities in the development of its mining sector”*.
84. As a first step, the mining advisor and champion would conduct an assessment of the current situation as it directly applies to PSD. This assessment would prioritise potential entry point interventions and activities and take into account certain tools from the project development toolbox that would apply. The potential roles and responsibilities of other donors and IFI partners should also be considered, especially those that may have entered or plan to enter the Kyrgyz mining sector. Opportunities to fund a public-private partnership (PPP) or joint venture (JV) arrangement with a potential investor should be promoted and not overlooked.

85. Based on this initial assessment, there are many entry point interventions that could follow and evolve into successful PSD projects. Some examples include:

- Design and implement legal, regulatory, and policy reforms that will serve to attract investors. This project will evaluate and redraft government policy, mission, and vision statements that meet investor requirements. In a similar process, legislation will be retooled to provide better investment incentives, embarking on concepts that embrace openness and transparency, contract and licensing predictability, and revenue sharing compliance, among other standard rule of law expectations and functions. Rules, regulations, instructions, processes, procedures, mechanisms, and reporting standards should be strengthened to ensure a solid mining sector governance and regulatory foundation that are enforceable.
- Provide hands-on assistance to the GIZ Mineral Resources for Development (MRD) Programme and the World Bank Group Central Asia Private Sector Growth Initiative as they develop and move forward in Kyrgyzstan and Tajikistan. Conduct strategic advisory services from the perspective of the government on the best implementation of these programmes, with goals to reach better than expected and timely results.
- Strengthen the value chain for minerals, metals, and industrial and construction materials, starting with the mining extraction process through the logistical transportation and distribution networks to wholesale and retail markets within Kyrgyzstan and Tajikistan and the surrounding region. Closely evaluate cost and pricing throughout the value chain process to ensure real value for mine products is fully realised throughout each link in the value chain.
- Create and sponsor a government-to-government (G2G) partnership with a former Soviet country that has overcome many difficult challenges to attract PSD in its mining sector. Some candidate countries for G2G partnerships may include Romania, Czech Republic, Slovakia, and Hungary. Through a well-designed and properly implemented G2G partnership, executive exchanges could take place to strengthen and reinforce Kyrgyzstan and Tajikistan governance and regulatory activities in: field regulation and enforcement, including environmental, health and safety compliance; and data and information reporting through a docketing department or cadastre.
- Develop a one-stop-shop that solely functions as a dedicated government service-provider for current and potential PSD mining investors. This department will closely assist investors throughout the process in: (i) obtaining data and information from the cadastre, (ii) filing for licenses and permits from the myriad of central and local government agencies, and (iii) bridging any gaps that may lead to misunderstandings with the central and local government entities.
- Provide international mining association student chapter memberships for students that have chosen mining technology as their major at a local university or institute. A candidate international mining association to consider is the Institute of Materials, Minerals, and Mining (IOM3), which is based in London and allows student chapter memberships. Rehabilitate a classroom at the university into a dedicated mining student chapter library and meeting facility for the exclusive use of the next generation of mining leaders.
- Provide a public outreach and communications campaign to local governments (local public meetings, education and media events, host radio talk shows) and local communities to raise awareness about mining operations, central and local governance and regulatory functions, royalties and tax revenues, and EITI Standard reporting issues.

Conduct a Bid Tender Process for the Award of a Mining License

86. With this proposed project, it is suggested that DFID consider a close partnership with the Government and provide advisory services to develop and undertake a comprehensive stepwise bid tender offer process that results in the award of a mining contract, license and permits to a qualified mining company. The main goal of this project is to transfer world-class skills to the government and increase confidence of potential PSD investors in the mining opportunities that abound and are yet-to-be-tapped in Kyrgyzstan and Tajikistan. Recognizing the difficulties that arose on the Bolshoi Konemansur, Tajikistan large silver mine bid tender process that was conducted earlier by IFC, it is strongly encouraged that this bid tender process be conducted on a relatively small mine with preparation for advanced certainty over desired outcomes and revenue projections. The purpose of this demonstration model is to learn the skills and understand what it takes to successfully award a mining contract under international standards and best practices. This training and capacity building process will provide the necessary experience to successfully award a mining contract to a qualified bidder without being too concerned about the flow of revenues from royalties, taxes and other fees. After all, at this early stage it is most important to learn and understand all of the intricacies of the bid tender

process in order to be best prepared for the complexities that are inherent with large mine tender bids. Additionally, the governments should make every effort to keep politics out of the mining industry and concentrate on governance, balanced investment policy, and strength in regulatory enforcement. Otherwise, and as proven in many other developing countries (Kenya, Uganda, and several other African nations), mining and political interference do not mix and oftentimes creates more ongoing problems.

87. The DFID-funded project will provide technical assistance (TA), training, and capacity building to demonstrate international standards and best practices and create the opportunity to attract world class investors in the country's mining sector. The bid tender offer process will take into account many factors to facilitate private sector development (PSD), including: (i) mining vision and policy; (ii) legal, legislative, and regulatory parameters; (iii) governance and regulatory oversight authority; (iv) transparency and accountability; (v) public outreach and communications with all stakeholders; (vi) financial transparency and accountability, (vii) critical geological and geophysical data and information, and (viii) a contract, licensing and permitting process that can be replicated by the Government for other PSD mining opportunities. It will encompass the drafting of the regulations, processes and procedures, including eligibility of bidder qualifications, the tender bid itself, scoring bids, and award to the winning bidder according to schedule. This project will be based upon lessons learned from similar bid tender processes conducted in the past in Kyrgyzstan, Tajikistan and surrounding countries. It should be initiated with assigned roles of partner donors and IFI's to ensure transparency, openness, competitiveness, and fairness in the award of a contract, license, and permits to the best value bidder. Candidate government organizations to consider for this intervention include the Kyrgyz State Agency of Geology and Mineral Resources, the Tajik Main Geology Directorate, and the Tajik Ministry of Industry and New Technologies.

88. Things to consider with this intervention include:

- An independent field assessment to ensure that all issues are covered in preparation for the bid tender process, such as: (i) availability of geological and geophysical data and information; (ii) logistical routes and services; (iii) listing of local content and local community labor capabilities, goods, services, supplies, and materials; (iv) a published range of expectations from the government on a variety of factors, including revenues, scheduling of operations, types and volumes of extractions; (v) a list of applicable laws, regulations, policies, procedures, applications, licenses, and approval procedures. Open transparency and preparation are key to attracting PSD investors for sustainable mining operations.
- Assemble a small project team (attorney, engineer, geologist, finance, and accountant) with multi-national experience in the bid tender process for the award of a mining licence. Due to the fact that the legal and regulatory system is quite weak, most international standards and best practices may have to be drafted directly into the mining contract, license and permits
- The bid tender process will be a classroom and field study train-the-trainer joint effort with dedicated Government staff that will lead in conducting the bid tender process.
- It should be recognized that major international mining companies rarely get into the exploratory side of mining anymore. Smaller independent mining companies are more capable of taking on the risk of exploration activities, which they oftentimes "turn" their finds to larger mining companies when discoveries are made. Larger mining companies generally have the resources to conduct the exploitation programmes that are needed to efficiently and effectively extract minerals and metals from the mines to the market.

Appoint a Senior Mining Transition Advisor to the Kumtor Mine

89. Based upon a number of problems and disagreements between the Kyrgyzstan government (both central and local) and Centerra, DFID could consider offering assistance to all parties from an impartial, non-biased, non-discriminatory, objective and independent perspective to resolve, or at least make more clear, all outstanding issues. This activity would be conducted by an experienced senior mining transition advisor, which would have to be agreeable by all parties. To ensure that expectations will be met, the scope of work and terms of reference for this activity should be carefully negotiated before a mining transition advisor is appointed. From what has been discussed in meetings with the PSD team, there appears to be contract and license issues; fees, taxes, and payment disputes; ownership of shares disagreements; reporting standards; local community dissatisfaction; and local content misunderstandings. The mining transaction advisor would review all of these outstanding concerns, attempt to find common ground amongst the parties, stay within the legal and regulatory framework, and make every effort to resolve and/or considerably reduce the problems and disagreements. The candidate central government organization to consider for this intervention would be the Kyrgyz State Agency of Geology and Mineral Resources.

90. It should be noted that, this project may possibly evolve as costly and considerably high risk. Results are possible, however, which would certainly influence PSD. The need to take caution and detailed preparation should be well understood, before DFID even considers this project.

Energy

- 91.** The energy sector in Kyrgyzstan continues to be characterized by severe policy, legal and regulatory, and institutional distortions that hamper operational and financial performance and create difficult strains on the sector's capacity to provide reliable and cost-efficient energy flows on a year-round basis. Energy supply reliability and service quality are grossly inadequate; with frequent interruptions and disruptive voltage and frequency fluctuations. Customer tariffs are well below cost-recovery requirements, and technical and commercial losses continue to be unacceptably high and significantly underreported. Energy sector assets are fully depreciated with 64% of generation capacity more than 30 years old. Operating and maintenance expenditures are depressed due to low revenue collections. As a result, there is a burgeoning gap between winter demand and supply of energy that continues to grow, since critical reforms have not been fully adopted and effectively implemented.
- 92.** Poor energy sector performance is in turn driven by significant regulatory and institutional deficiencies at the operations and management levels. Regulatory oversight is inadequately defined, with an opaque division of responsibilities in key areas divided between the Ministry of Energy (MoE), the subordinated energy regulatory agency, the Antimonopoly Agency and state-owned and operated energy companies. Contractual relationships are exceedingly complex with governance controls at the company level, making internal company controls and MIS systems inadequate. The capacity of the State Property Fund to effectively monitor and drive improved company performance and promote strong contract enforcement is feeble. This situation is exacerbated by poorly structured fiscal subsidies, which do nothing to encourage more efficient company performance.
- 93.** Tariff-setting formulae do not follow sound cost-recovery principles; and customer willingness to pay higher tariffs appears to be severely constrained by both grossly deficient service quality and rampant mistrust of state company service providers. As a result, public sensitivity to changes in service charges and poor supply conditions is extreme, as reflected in past political outbursts and discontent. In addition, vested interests benefit from the grossly distortive pricing and governance regime in play. This combination of fear of public backlash and institutional vested interests continue to stifle key energy sector reforms that are urgently needed to spur increased sector investment, improve operational and financial performance and expand service provision capacity.
- 94.** Change is needed across key regulatory and operational reform processes and procedures, such as: the installation of smart grid and smart metering technologies, innovative enforcement and compliance, the passage of a step-wise tariff methodology, uniform system of accounts, regulatory audits, reporting and docketing of data and information, and transparent public hearings, which all would serve to attract investment. It should be underscored that strengthening the electric power regulator is a fundamental prerequisite for building a competitive market. This requires licensing standards, monitoring procedures for licensing compliance, tariff-setting principles and methodological approaches, transparent dispute resolution procedures, public hearing principles and practices, and several other regulatory functions for natural monopolies.
- 95.** The energy sector in Tajikistan has reached a crucial phase of its development, as well. Energy is a critical input for the country's leading export commodities – aluminium and agriculture (which generate about 20% of GDP and more than 50% of exports). The energy sector is dominated by hydropower (99% of total generated energy), with most plants still dating from the Soviet era (75% of generation capacity is more than 30 years old). The country faces severe winter energy shortfalls as the combined result of limited seasonal run-of-the-river hydropower generation and lack of energy imports from Uzbekistan. The supply shortfall during the winter months exceeds 20%; and total commercial and technical losses are well over 40%. Average tariff charges are at least 30% below cost-recovery levels; with massive implicit subsidies for residential customers and the state-run Aluminium Company (TALCO). The vertically integrated state energy company, BT, runs a financial deficit of approximately 20% and has been systematically unable to meet its obligations under power purchase agreements with private energy suppliers (such as with Sangtuda 1 hydropower station). BT has also accumulated significant debt servicing arrears, and imposes a considerable fiscal burden to the government. Major additional capital and maintenance investments will be required to eliminate the winter energy deficits.
- 96.** Tajikistan has, with support from USAID, World Bank and ADB, taken significant initial planning steps that when fully implemented should promote more efficient and cost-effective provision of energy services. In

2011, Tajikistan approved a decree mandating systematic management and financial restructuring of BT and the full organizational restructuring and separation of generation, transmission, and distribution functions. With the support of ADB, World Bank, USAID, and other major donors, the Tajikistan has established a set of action plans designed to address the major organizational, governance, and financial management weaknesses plaguing BT and crippling energy service provision and expansion capacity. These lay out systematic game-plans for: (i) organisational restructuring; (ii) establishment of a transparent corporate governance system; (iii) introduction of a modern human resource management system; (iv) implementation of a compliant financial reporting and management system; (v) introduction of best practices with a consistent billing and revenue collection system; (vi) the legal, accounting, and technical separation and unbundling of generation, transmission and distribution functions; and (vii) tariff unbundling and rationalization to recover costs. What is missing, however, are plans for creating an independent decision-making regulator and incentives to attract PSD investment.

97. To summarize, the Kyrgyz and Tajik energy sectors have been in a “death spiral” for quite some time, despite the continued efforts of USAID, World Bank, ADB, and other donors and IFIs. Customers and businesses are quite upset about the reliability and service problems created by state-run energy systems. Therefore, at first glance, there may not be much of an opportunity for investment and PSD in the energy sector of Kyrgyzstan and Tajikistan. However, depending upon an investor perspective, it may be a good time to initiate PSD, since the state-owned energy systems continue to face difficult challenges, such as the prioritization of structured regulatory and policy reforms that serve to attract PSD investment.

Appoint a Residential Senior Energy Advisor

98. After closely studying and documenting the energy needs and millions of dollars spent in multiple donor grants and IFI loans in Kyrgyzstan and Tajikistan, DFID may decide to be very apprehensive with assistance in this important sector. High level government leaders in both countries seriously recognize their needs of a senior energy advisor, operationally, technically, fiscally, and politically in the central government apparatus. PSD in this sector would bring new technologies and training of resources so that energy can be generated more efficiently and effectively distributed to customers. The senior energy advisor would work directly with an appointed government champion that has influence in high-level decision-making circles. In a joint effort, the advisor and champion would navigate through impediments and artificial barriers created by the central government with a solid reform strategy that will serve to attract PSD for the long-term.
99. Initially, as with all appointments of senior advisors the energy advisor and champion would conduct an assessment of the current situation as it directly applies to PSD. This assessment would prioritize potential entry point interventions and activities and take into account certain tools from the project development toolbox that would apply. The potential roles and responsibilities of other donors and IFI partners should also be considered, especially those that may have entered or plan to invest in the energy sectors of Kyrgyzstan and Tajikistan. Opportunities to fund a public-private partnership (PPP) or joint venture (JV) arrangement with a potential investor should be promoted and not overlooked. Candidate government organizations to consider for this intervention include the Kyrgyz State Energy Regulatory Commission, the Kyrgyz Ministry of Energy and Industry, the Tajik Ministry of Energy and Water Resources, and the Tajik Ministry of Industry and New Technologies.
100. Based on this initial assessment, there are many entry point interventions that could follow and evolve into successful PSD projects. Some examples include:
- Provide legal, regulatory, and policy advice that strengthen PSD and attract investors, which may include the drafting of model contracts, processes, procedures, reporting requirements, and instructions so that governance and regulatory mandates can be implemented and applied.
 - Provide hands-on assistance to the USAID Energy Links Programme and the WB CASA 1000 Programme as they develop and move forward in Kyrgyzstan and Tajikistan, Conduct strategic advisory services from the perspective of the government on the best implementation of these programmes, with goals to reach better than expected and timely results.
 - Train and build capacity of dedicated government staff on power purchase agreements, wheeling agreements, economic dispatch, peak and load evaluation, generation schedules, and other means of generating, transporting, and selling wholesale electric power to cross-border markets.
 - Provide international energy association student chapter memberships for students that have chosen energy technology as their Major at a local university or institute. A candidate international energy association to consider is the International Association of Energy Economics (IAEE), which is based in Cleveland, Ohio; and allows student chapter memberships. Rehabilitation of a classroom at the university

into a dedicated energy student chapter library and meeting facility for the exclusive use of the next generation of energy leaders.

- Launch a public outreach and communications campaign to raise awareness on energy costs and pricing through local public meetings, workshops and seminars, radio and television talk shows, newspaper and magazine articles, and other publicized events.
- Formulate a model National Rural Electricity Cooperative Association (NRECA) to attract PSD in customer-owned and operated mini-grids and micro-grids in isolated villages and local communities.
- Serve as an objective transaction advisor to the government on disputes, such as the BT, Ministry of Energy and Water, and Sangtuda 1 power purchase and payments arrangement.

Create an Energy Service Company

101. DFID should consider building a PPP team with an IFI and private investment partners to provide technical assistance, training, capacity building, and financing for the creation and start-up of Energy Service Companies (ESCOs) that will provide services and supplies to new construction and existing residential, commercial, and industrial buildings, facilities, and structures. Local private ESCOs can be provided initial support to grow a sustainable business for: (i) energy consulting services (energy audits), (ii) energy conservation and renewable energy materials and supplies, and (iii) installation and maintenance of energy conservation technologies (heating conversions, weatherization, insulation, lighting fixtures, etc.) and renewable technologies (passive solar rooftop photo-voltaic systems, mini-grid systems, wind farms, etc.). The provision of ESCO services and supplies can directly address climate change, cost savings, more efficient energy technologies and other global initiatives, while growing PSD investments with a green initiative. Candidate government organizations to consider for this intervention include the Kyrgyz State Energy Regulatory Commission, the Kyrgyz Ministry of Energy and Industry, the Tajik Ministry of Energy and Water Resources, and the Tajik Ministry of Industry and New Technologies.

- Construction of residential apartments and commercial buildings is growing quite rapidly in Bishkek and Dushanbe. However, buildings are not being constructed with a variety of energy conservation technologies that are currently available. These specialised energy conservation technologies can be used to better insulate walls, ceilings, windows, and doorways. They can provide customer empowerment in energy usage, such as smart meter technologies, energy star appliances, LED lighting systems, and other practices and equipment that allow customers to save and conserve heating and air conditioning – cutting costs for customers and for Government electric power and district heating systems.
- ESCOs are well known for conducting energy and cooling inspections and audits. Often, they develop a list for energy conservation improvements and cost-out individual technologies that have proven capability. They are able to calculate the real-time pay-out for these technologies and install them for the customer.
- As an example, in the USA ESCOs conduct contract advisory services for electric power utilities and provide free inspection and audit services to owners of residences, commercial buildings, and manufacturers. They make their money by selling and installing energy conservation and renewable products and technologies

Water Resources Management

- 102.** It is well known throughout the region that there are major disputes in CA over the control and use of trans-border water resources – primarily for upstream hydropower generation and downstream irrigated agriculture. The management priorities of the headwaters of the Syr Darya River basin in Kyrgyzstan and the headwaters of the Amu Darya River basin in Tajikistan continue to be the source of irritation for downstream water-use countries (primarily Uzbekistan). These CA countries have negotiated several interstate agreements to ward off potential water conflicts in the region, including the formation of the Interstate Commission for Water Coordination (ICWC). This five-country decision-making body was formulated for all matters pertaining to the regulation, efficient use, and protection of interstate watercourses and bodies of water in CA. Unfortunately, even though several agreements exist, the continued use of water resources infringe upon the economic interests and rights of each country, since the disparity in fossil fuel resources between the upstream and downstream countries create problems in water usage.
- 103.** The regional linkage between water resources and energy is not well managed, as each country takes into account its own supply and demand separately, as needed and desired, thus creating shortages quite frequently. Even at the local community level, small hydropower generation facilities are a source of dispute between water and energy, as there are disputes between supply and demand, as well as costs for usage.

Appoint a Residential Senior Water Resources Management Advisor

- 104.** After closely studying and documenting the water resources management needs in Kyrgyzstan and Tajikistan, DFID may see the need to assist in this important sector, due to many reasons. High level government leaders in both countries seriously recognize their needs of a senior advisor in water resources management, both in the field with local government authorities and in the central government apparatus. PSD in this sector would bring new technologies and training of resources so that water resources can be more efficiently and effectively used when needed. The senior advisor would work directly with an appointed government champion that has influence in high-level decision-making circles. In a joint effort, the advisor and champion would navigate through impediments and artificial barriers created by the central and local governments with a solid reform strategy that will serve to attract PSD for the long-term.
- 105.** Initially, as with all appointments of senior advisors the water resources management advisor and champion would conduct an assessment of the current situation as it directly applies to PSD. This assessment would prioritise potential entry point interventions and activities and take into account certain tools from the project development toolbox that would apply. The potential roles and responsibilities of other donors and IFI partners should also be considered, especially those that may have entered or plan to invest in the Kyrgyz water sector. Opportunities to fund a public-private partnership (PPP) or joint venture (JV) arrangement with a potential investor should be promoted and not overlooked. Candidate government organizations to consider for this intervention include the Kyrgyz Ministry of Agriculture, Water Management and Processing Industries and the Tajik Ministry of Energy and Water Resources.
- 106.** Based on this initial assessment, there are many entry point interventions that could follow and evolve into successful PSD projects. Some examples include:
- Introduce basin management water & wastewater utilities, rather than community-based utilities, to take advantage of economies of scale, more efficiency and effectiveness, and lower costs
 - Create a PPP with a water technology company that is looking to enter into PSD and is willing to make small-scale water technology demonstration model investments in selective rural areas, such as:
 - Replace old Soviet inefficient irrigation canal water pumps with variable speed pumps, including automated on / off switches and solar PV panels as a primary fuel source
 - Replace old Soviet inefficient freshwater and wastewater pumping systems in villages and local communities with new variable speed pumps, including automated on / off switches and solar PV panels as a primary fuel source
 - Replace old Soviet inefficient freshwater well systems in villages and local communities with new variable speed pumps, including automated on / off switches and solar PV panels as a primary fuel source
 - The PPP would conduct a highly visible public outreach campaign throughout the rural areas of Kyrgyzstan and Tajikistan on these technologies, promoting large-scale replications that ensure reliable freshwater supplies

Conclusion & Next Steps

- 111.** Based on the evaluation of mining, energy and water resources management data and information that was collected from a number of sources during the PSD scoping mission, it is proposed that DFID consider a balanced investment portfolio to kick-start a PSD programme in one or more of these three sectors. This portfolio should include leadership in one or more entry point interventions that would be jointly conducted with counterpart governments, either on an individual basis or on a partnership basis with other donors, IFIs, and private firms with established PSD programmes in energy, mining and water resources management. Additionally and more specifically focused on mining interventions, DFID should join the GTZ and the World Bank Group PSD programmes in the role as a partner(s). It should be noted that there are other partner programmes in these countries that DFID should consider, which focus on the energy and water resources management sectors.
- 112.** With the acknowledgement of limited PSD resources for these three sectors of Kyrgyzstan and Tajikistan, the PSD team endorses the strategic appointment of a residential PSD senior advisor to work alongside and advise a government ‘champion’ that has decision-making authority in one or more of these sectors. In this case, a champion is loosely defined as “an influential and knowledgeable government official that currently serves in a well-respected capacity as a minister, agency chairman, deputy prime minister, presidential staff or advisor, Member of Parliament, or other trusted official that has a reputation for embracing change and is not primarily driven by a political agenda”. In its initial planning stage, the embedded PSD advisor will assist the champion in conducting a current assessment of the sector and they jointly will identify next step entry point interventions that DFID and the government are willing to provide resources for and to support. Each intervention would be designed to utilize the necessary and required tools in the development toolbox to ensure success and achieve expected timely results. Both DFID and the government counterpart will share responsibilities and provide resources to jointly conduct interventions that build on the following goals and strategic objectives:
- Relatively low cost and low risk projects that demonstrate quick-return and value for money benefits;
 - Measurable short-term milestones that lead to highly visible results;
 - PSD benefits and influence are established with government leaders and investors;
 - Government ownership with assurances of project support allow for sustainable reforms;
 - Necessary market-based reforms are adopted through legislation, regulations and policy;
 - The creation of sustainable employment opportunities for local citizens with an emphasis on gender equality and women’s rights;
 - Logical and necessary next steps are planned and taken for further PSD programme interventions;
 - Working relationships with government and investors are established that favours successful PSD programmes;
 - Credibility and expertise is demonstrated and earned by DFID in these project sectors.
- 113.** Supported by two separate meetings with representatives of the Kyrgyz State Agency of Geology and Mineral Resources and GIZ advisors on the pronounced need to strengthen its regulatory authority, it is recommended that DFID appoint a residential senior PSD mining advisor in a high priority leadership role. As discussed in the Mining section of this report, many follow-on entry point interventions could be jointly considered after an initial assessment. This would be interpreted as DFID providing a leadership role in the mining sector of Kyrgyzstan, which when properly construed, would position DFID to bridge the gap between government and investors. The Agency sent a clear message that it was ready to undertake necessary reforms and a senior mining advisor that has both worked in the private sector and in government decision-making positions would be well received.
- 114.** Furthermore, with the development of a close alignment with the two partnership projects proposed by GIZ and the World Bank Group, the embedded PSD mining advisor would have an opportunity to support and complement a foundation provided by those two projects in Kyrgyzstan. Of particular importance is “Conduct a Bid Tender Process for the Award of a Mining License” and “Appoint a Senior Mining Transition Advisor to the Kumtor Mine”, which was directly requested by the Agency. It is recognized that these requests have been shopped around to different IFIs and donors, which the GIZ PSD programme components appear to address.

In this instance, it is recommended that DFID enter into discussions with GIZ as a partner and agree to its role and responsibilities.

- 115.** As a high priority for DFID leadership on the energy side, it is recommended that DFID investigate an opportunity to appoint a residential senior PSD energy advisor with the Tajik Ministry of Energy and Water Resources. As discussed in the Energy section of this report, many follow-on entry point interventions could be considered after an initial assessment, including “Create An Energy Service Company”. Opportunities would be created for the embedded PSD energy advisor to provide advisory services and assist the Ministry in vital decisions that involve ADB, USAID, EBRD, and World Bank projects, which all include PSD elements. Additionally, the difficult energy issues involving BT, TALCO, and Sangtuda 1 power generation station all require an objective perspective with requirements for technical assistance. The Ministry sent a clear message that it was ready to undertake necessary reforms and a senior energy advisor that has both worked in the private sector and in government decision-making positions would be well received. More specifically, it was requested that the PSD energy advisor assist the Ministry on CASA 1000, taking a perspective from the Tajik side and building a bridge with all of the stakeholders that will lead to healthy and sustainable agreements, reforms, and infrastructure development.
- 116.** Even though it was not specifically addressed in PSD mission meetings, a third recommended high priority that will establish DFID leadership is the appointment of a residential senior PSD water resources management advisor to the Kyrgyz Ministry of Agriculture, Water Management and Processing Industries. As discussed in the Water Resources Management section of this report, many follow-on entry point interventions could be considered after an initial assessment. The extremely important (both for Kyrgyzstan and the surrounding countries) “Design & Install Energy & Water Coordination Technology” intervention would also include the Kyrgyz State Energy Regulatory Commission and the Kyrgyz Ministry of Energy and Industry as candidate government organizations and be responsive to the CA Energy and Water Nexus.
- 117.** In summary, these recommendations for entry point interventions in mining, energy and water resources management provide for an embedded senior PSD advisor as a high priority in each of these three sectors. When working closely with an influential champion in each country, agreements for next step interventions can be more readily designed and timely conducted in accordance with specific needs. DFID should also negotiate its role and contribute to the GIZ and World Bank Group as a partner in the mining sector components. It should also take into account and consider partnership opportunities with other donor and IFI programmes in the energy and water resources management sectors.

C. Annexe



Schedule

Date	Location	Time	Meetings	Attendee(s)	Notes
Thursday October 18, 2014	Bishkek	Morning	Ministry of Economy / Sanjar Turdukojoevich Mukanbetov /Deputy Minister 620576	Shahnila/Shahlo	
		12:30	ADBG/ Rie Hiraoka , Country Director/The World Bank/ Nurlanbek Tynaev /Consulatant 625242/Private Sector Delevlpment - KG/ntynaev@worldbank.org/	Joint meetings	Lunch/Bellagio restaurant
		13:30	Ministry of Agriculture and Melioration / Erkinbek Uraimovich Chodurov /Deputy Minister 662511,623740 Tolkun 5 floor, r524	Shahnila/Shahlo	
		14:00	Delegation of the European Union (EU)/ Johannes Madsen TBC 261004 ext 112/johannes.setenbaek-madsen@eeas.europa.eu	Michael	
		15:30 - 17:30	KYZ State Agency of Geology & Mineral Resource/ Ulanbek Ryskulov /Deputy Director 300371/ulanrys@gmail.com, Nazgul Kulova , Head, 909869/n.kulova@geology.kg/Dept. of External Economic and Public Relations	Michael	
		15:30	EBRD/ Ms. Jyldyz Galieva , senior banker /624016 TBC	Shahnila/Shahlo	
		16:45	SECO/ Damir Bisembin TBC	Shahnila/Shahlo	
		19:00 - 22:00	Dinner/business		Dinner meeting at Cyclone restaurant
			Association of microfinancial organizations/ Nurgul Israilova /Executive Director		
			Robust resources/extractive industries / Eduard Kubatov /Director		
			Economic Chamber/ Daniyar Kazakov /Chairman		
			Union of businessmen/ Melis Beknazaruulu /President TBC		
			International Business Council / Aktilik Tungatarov /Executive Director 623801/623394 aktilek@ibc.kg TBC		
	Bishkek Business Club/ Uluk Kydyrbaev /935581, 626126 TBC				
Friday September 19, 2014	Bishkek	10:00	British Embassy Bishkek/ Ahmet Shamiev , Prosperity Officer 303645/ahmet,shamiev@fco.gov.uk	Michael	
		11:30	GIZ / Stepan Uncovsky , Country Director, Johanthon Hornbrook , Almaz Ashirov , Holger Neuweger , Regional Director and Head of the NaWi Program, Ellen Michel , Component Cordinator Promotion of Sustainable Economic Development Programe 906545/ellen,michel@giz.de	Joint meetings	12:45 Lunch meeting at Japanese restaurant
		12:45	KFW/ Thomas Edgar Lehmann , Director 909088/lehmann@kfw.de/ Altynai Valikhanova ,LLM, Senior Regional Sector Coordinator - France 906575/altynai.valikhanova@kfw.de	Joint meetings	
		14:00	National Bank of the Kyrgyz Republic/ Zair	Shahnila/Shahlo	

Date	Location	Time	Meetings	Attendee(s)	Notes
			Lenarovich Chokoev /Deputy Chairman 66-92-11		
		15:30	International Finance Corporation (IFC)/ Ms. Yuliya Holodkova YHolodkova@ifc.org TBC	Shahnila/Shahlo	
		15:30	Ministry of Energy and Industry/ Aibek Kaliev /Deputy Minister- Janna 561124/International interpreter	Michael	
		17:00-19:30	EFCA/ Brian Donaldson , Programme Development & Evaluation Director 561163 ext 119/brian@ef-ca.org/ David Gullette , British/American researcher in mining davegullette@hotmail.com	Michael	
Saturday September 20, 2014	Bishkek	12:00-14:30	UKAID/ Shahnila Azher, Team Leader/Growth & Privat Sector Development Team/ Shahlo Rahmova	Joint meetings	12:00 - 14:30 Lunch meeting at Vanilla Sky Café
		14:30-17:30	Nazgul Kulova , Head, 909869/n.kulova@geology.kg/Dept. of External Economic and Public Relations	Michael	
		15:00 - 17:30	GIZ/ Jonathon Hornbrook , Regional Programme Manager 901332/Mineral Resources for Development Programme/jonathon.hornbrook@giz.de	Michael	Coffee meeting at the Tulip Hotel restaurant
		18:00 - 20:00	Oleg Ryaskov	Michael	Dinner meeting at Yusa restaurant
Monday September 22, 2014	Dushanbe	9:00-11:00	GIZ Reinhard Woytek, Program Director, reinhard.woytek@giz.de, Johanthan Hornbrook	Joint meetings	
		12:00- 12:30	Robin Ord-Smith , British Ambassador	Joint meetings	Lunch meeting at the Chinese restaurant in the Tajikistan Hotel
		14:30 - 16:30	Aga Khan Foundation/ Yodgor Fayzov , Chief Executive Officer 218406/yodgor.fayzov@akdn.org	Joint meetings	
		9:30 - 11:00	EBRD / Richard Jones , Head of Office; Sohir Aliev ; Sitora Bobojanova ; Neil Taylor ; jonesr@ebrd.com	Joint meetings	
		11:30 - 12:30	National Bank of Tajikstan/Three persons plus interpreter	Joint meetings	
		12:30 - 14:00	Almaz Saifutdinov , Economic Advisor, US Embassy, Saifutdinov@state.gov, +992 (37) 229 23 55	Joint meetings	Lunch meeting at a local restaurant
		14:30 - 15:30	Eric Bonnin , General Director, Total E&P TAJ eric.bonnin@total.com	Joint meetings	
		16:00 - 17:30	Umed Davlatzod , DM Ministry of Economic Development and Trade, umed75@gmail.ru	Joint meetings	
Wednesday September 24, 2014	Dushanbe	8:30 - 9:30	GIZ/ Jonathon Hornbrook , Regional Programme Manager 901332/Mineral Resources for Development Programme/jonathon.hornbrook@giz.de	Joint meetings	Serena Hotel breakfast meeting
		10:00 -11:00	Ministry of Agriculture / Sijovuddin Isroilov , DM	Joint meetings	
		11:30 - 12:30	SECO / Malika Ibrohimova , Damir Bisembin , Jipar Shabdankulova , Nathalie Barbancho , Country Director, nathalie.babancho@eda.admin.ch	Joint meetings	Lunch meeting at Chaihana

Date	Location	Time	Meetings	Attendee(s)	Notes
		14:30 - 15:30	GIZ/ Reinhard Woytek , Programme Director 6006815/16/Framework and Finance for Private Sector Development in Tajikistan FFPSD/reinhard.woytek@giz.de	Joint meetings	
		16:00- 18:00	Sultanov , DM, Ministry of Energy & Water Resources, DM	Michael	
Thursday September 25, 2014	Dushanbe	9:20 - 10:30	State Committee on Investment and State Property Management/ Lochin Nusratullo Faizullozoda , First Vice-Chairman 2214743/Lfaizulloev@yahoo.com	Joint meetings	
		11:00 - 12:30	IFC / Chris Miller		
		14:00-15:45	American Chamber of Commerce/ Likhom Makhkambaev , Executive Director 5772323/director@amcham.tj	Michael	13:00 - 14:00 Lunch meeting at Marco Polo with Bob , DFID Director
		16:00 - 17:30	Ministry of Industry and New Technologies/ Shavkat Bobozoda , Minister 2218889	Michael	
Friday September 26, 2014	Dushanbe	10:00 - 12:00	Main Department of Geology/ Jumazoda Murom Hol , Head 2272729/gu_ggtn_rt@mail.ru	Michael	

Donor Project Mapping

Some of the following current or planned projects in the three specific sectors may be considered to be possible candidates for partnership activities, additional programmes are listed here:

Private Sector Development

- › DFID Central Asia Investment Climate Programme (Tajikistan and Kyrgyz Republic)
- › ADB Second Investment Climate Improvement Programme (Subprogramme 1) (Kyrgyz Republic)
- › GIZ Promotion of sustainable economic development (Kyrgyz Republic)
- › USAID Business Growth Initiative (Kyrgyz Republic)
- › ADB Investment Climate Reforms (Tajikistan)
- › WB Private Sector Competitiveness Project (Tajikistan)

Mining

- › GIZ Mineral Resources for Development (MRD) Programme Approach (Kazakhstan, Kyrgyzstan and Tajikistan)

Energy

- › EBRD Energy Efficiency Lending Programme (Kyrgyz Republic)
- › ADB Toktogul Rehabilitation Phase II Project (Kyrgyz Republic)
- › ADB Power Sector Rehabilitation Project (Kyrgyz Republic)
- › ADB Transmission and Distribution Metering Project (Kyrgyz Republic)
- › WB Electricity Supply Accountability and Reliability Improvement Project (Kyrgyz Republic)
- › ADB Access to Green Finance Programme (Tajikistan)
- › ADB Wholesale Metering and Transmission Reinforcement Project (Tajikistan)
- › ADB Golovnaya 240-Megawatt Hydropower Plant Rehabilitation Project (Tajikistan)
- › ADB Access to Green Finance Project (Tajikistan)
- › ADB Regional Power Transmission Project (Tajikistan)
- › ADB Regional Power Rehabilitation (Tajikistan)
- › ADB Nurek 500 kV Switchyard Reconstruction Project (Tajikistan)
- › WB Energy Loss Reduction Project (Tajikistan)
- › EBRD Kairakkum Hydro Power Rehabilitation Project (Tajikistan)
- › USAID Energy Links Project (Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan)
- › World Bank CASA 1000 (Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan)

Water

- › ADB Water Supply and Sanitation Strategy (Kyrgyz Republic)

- › ADB Issyk-Kul Sustainable Development Project (Kyrgyz Republic)
- › WB National Water Resources Management Project – Phase 1 (Kyrgyz Republic)
- › WB Second Rural Water Supply & Sanitation Project (Kyrgyz Republic)
- › ADB Climate Resiliency for Natural Resources Investments (Tajikistan)
- › WB Second Dushanbe Water Supply Project (Tajikistan)