



Concept Paper

Project Number: 53315-001
April 2020

Proposed Grant Republic of Tajikistan: Power Sector Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 April 2020)

Currency unit – somoni (TJS)

TJS1.00 = \$0.0980

\$1.00 = TJS10.2000

ABBREVIATIONS

ADB	–	Asian Development Bank
EBRD	–	European Bank for Reconstruction and Development
MW	–	megawatt
SOPI	–	Sector Operational Performance Improvement
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 53315-001	
Project Name	Power Sector Development Program	Department/Division	CWRD/CWEN
Country	Tajikistan	Executing Agency	Ministry of Energy and Water Resources, Ministry of Finance
Borrower	Republic of Tajikistan		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=53315-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=53315-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Energy	Electricity transmission and distribution		85.00
	Energy sector development and institutional reform		20.00
		Total	105.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		Climate Change impact on the Project	Low
✓ Accelerating progress in gender equality			
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ Strengthening governance and institutional capacity			
✓ Fostering regional cooperation and integration			
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.4		Effective gender mainstreaming (EGM)	✓
SDG 5.1, 5.5, 5.b			
SDG 7.1, 7.3			
SDG 9.1			
SDG 10.2			
SDG 12.2, 12.6, 12.7			
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization:	Complex		
5. Safeguard Categorization	Environment: B	Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		105.00	
Sovereign SDP - Program grant: Asian Development Fund		20.00	
Sovereign SDP - Project grant: Asian Development Fund		85.00	
Cofinancing		25.00	
European Bank for Reconstruction and Development - Project loan (Partial ADB Administration)		25.00	
Counterpart		10.00	
Government		10.00	
Total		140.00	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. The proposed Power Sector Development Program will accelerate the implementation of ongoing reforms and restore the financial sustainability of the power subsector in Tajikistan. The Asian Development Bank (ADB) has supported Tajikistan power subsector reforms through the ongoing Sector Operation Performance Improvements (SOPI) program since 2011,¹ which has built the basis for the proposed fundamental reform program that includes unbundling the vertically integrated power utility company, restructuring the utility's excessive liabilities, establishing a regulator, adopting a tariff methodology, and establishing a new centralized cash control system among unbundled entities. As a part of reforms and institutional capacity building, a newly established power distribution company will be operated under a 5-year management contract. Investments in the retail advanced metering system in Dushanbe and six other cities will also fill the key deficiencies in the subsector's power loss accounting and bill collection systems. The program is included in the country operations business plan, 2020–2022.² A separately approved transaction technical assistance (TA) facility will be used to finalize due diligence.³

2. The financial crisis in the Tajik power subsector is profound and recovery entails actions simultaneously addressing sector governance, debts, tariffs and management. All of these will lead to improvements in financial management, but the impact will be limited without resolving accountability problem in the sector. Accuracy in sales, timely collections, management of receivables, reduction of losses can only be achieved through investments in adequate metering and billing systems. Therefore, a sector development program is chosen to tackle both the structural reforms and investment challenges in a synchronized manner. The subsector's sustainability and competitiveness are also vital in reviving regional integration, and the management contract will promote public–private partnerships and future private sector participation. The program will be designed to align with ADB's operational priorities 1 (address poverty and inequality), 2 (accelerate gender equality), 3 (tackle climate, disasters, environment), 6 (strengthen governance, institutions), and 7 (foster regional cooperation, integration).⁴

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Power subsector's debt crisis.** Joint Stock Holding Company Barqi Tojik has run Tajikistan's power subsector since 1999. In 2019, it had 5,713 megawatts (MW) of installed generation capacity,⁵ 4,998 MW of which was hydro and 715 MW thermal. Tajikistan's electricity system was part of the Central Asian Power System (CAPS), a regional network connecting Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. In 2009, after a regional blackout, the Tajik system was disconnected from CAPS. Forced to run independently despite its dependence on the regional connections, Barqi Tojik urgently needed to invest in its infrastructure, especially in generation and transmission. Grants and loans from development partners such as ADB, the European Bank for Reconstruction and Development (EBRD), the World Bank, and bilateral official agencies were mobilized to support this effort. By 2018, Barqi

¹ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Republic of Tajikistan for the Regional Power Transmission Project*. Manila.

² The program is included as the Power Sector Development Project in ADB. 2019. *Country Operations Business Plan: Republic of Tajikistan, 2020–2022*. Manila. An initial draft of the design and monitoring framework is in Appendix 1.

³ ADB. 2019. *Preparing Sustainable Energy Projects in Central Asia*. Manila.

⁴ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁵ This figure excludes the 800 MW capacity installed at Rogun, which do not yet operate at full capacity.

Tojik had built a unified national grid with an international standard supervisory control and data acquisition system and overcame its winter power shortage with increased generation capacity.

4. The rapid investments, however, led to a sharp increase in Barqi Tojik's liabilities as the government on-lent all grants and loans from development partners with a premium. Faced with a serious cash shortage, Barqi Tojik also kept incurring liabilities as payables to independent power producers and from commercial borrowing. Most of these liabilities are denominated in dollars. The depreciation of the somoni by about 46% between 2014 and 2018 increased the impact of these liabilities and associated interest payments on Barqi Tojik.

5. Furthermore, Tajikistan's economy has suffered from increasing public debt. It has been categorized as being at high risk of debt distress by the International Monetary Fund since 2017,⁶ and ADB has only been able to provide limited grant support. Tajikistan is dependent on volatile remittance income, mainly from migrant workers in Russia. Economic vulnerabilities are exacerbated by close correlation with the Russian business cycle, a poor business climate, weak fiscal management, low savings, poor domestic employment prospects.⁷ To ensure the population's access to electricity in the challenging economic environment, the government has kept power prices low with limited increases (para. 6). Yet the government lacks resources to fill the gap between cost and end-user prices, borne by Barqi Tojik. The combination of constrained revenues and mounting liabilities has led to Barqi Tojik's negative equity status since 2016.

6. **Weak regulations and inadequate tariffs.** In response to the financial issues of Barqi Tojik, the government increased end-user electricity tariffs by 15% on average each year during 2014–2019. However, Tajikistan's electricity tariffs are still some of the lowest in the world and do not cover the cost. Further, without a sector regulator or a tariff methodology, Barqi Tojik has not been required or incentivized to reveal the true cost of electricity supply. For example, its system losses are only indicative and not based on measured data. These factors have resulted in large losses with unidentified sources for the government and Barqi Tojik.

7. **Structural corporate governance issues.** As a 100% government-owned company, the chairpersons of Barqi Tojik have been appointed from government-affiliated personnel. Previous government action of changing Barqi Tojik's chairpersons have not improved its corporate governance or performance. In implementing a government decree on Barqi Tojik reforms in 2011, the government established two supervisory boards for Barqi Tojik: the budget management supervisory board, led by the prime minister, which approves Barqi Tojik's monthly budgets; and the reform supervisory board, led by the first deputy prime minister, which oversees the unbundling process. While some progress has been made, Barqi Tojik needs to have an adequate management structure of its own to achieve financial sustainability. Despite extensive consulting support from development partners, no significant improvements have been achieved to date.

8. **Inadequate metering system.** Precisely tracking the flow of electricity is key to performance monitoring, and it requires proper metering both at the wholesale and retail levels. Barqi Tojik and feasibility study consultants estimated system loss to be 22% and the collection rate to be 86% in 2017. However, in most parts of Tajikistan, the customer database is incomplete, the number of meters is insufficient, and meters are manually read, all of which make such estimates unreliable. At the wholesale level, ADB is providing support to install a metering system

⁶ International Monetary Fund. 2019. [List of LIC DSAs for PRGT-Eligible Countries](#). Washington, DC.

⁷ In 2018 the government of Tajikistan initiated discussions with the IMF on potential financing program. As a result of several Article IV consultation missions, the government started to readjust its monetary and fiscal policies alongside with IMF recommendations. The proposed SDP is being prepared with support from the IMF.

by 2021.⁸ At the retail level, Barqi Tojik installed an advanced metering system in Khujang, the second largest city by population, with EBRD financing, and improved collection to 100% in 2018 from 80% in 2015. The government plans to roll out advanced retail metering to the whole country, but progress has been constrained by the challenging financial position of Barqi Tojik.

B. Policy Reform and ADB's Value Addition

9. The government's efforts to restore financial sustainability of the power subsector included 15% annual tariff increases during 2014–2019, revival of exports to Uzbekistan in 2018,⁹ and investments in metering and billing systems in the city of Khujang. While these have had positive impacts, Barqi Tojik's financial condition continued to deteriorate, calling for more fundamental and comprehensive reforms. The government requested ADB, the EBRD, and the World Bank to support such reform actions, and developed a joint reform program based on the accumulated analyses and policy engagements since 2011, mainly through SOPI. Combined with essential metering investments, the ADB reform program focuses on five output areas (paras. 10–15), of which outputs 1 and 2 are the policy component and outputs 3–5 are the investment project.

10. **Output 1: Financial stability of power utilities improved.** As of 2018, Barqi Tojik had total loans of about TJS17 billion (\$1.7 billion), of which TJS12 billion (\$1.3 billion) originates in development partner loans and grants. In the past, the government lent all ADB grants to Barqi Tojik with a 5% premium. They account for about 16% of total loans but will be gradually converted into Barqi Tojik's equity (the total amount for the program will be determined through due diligence). The lending arrangement was acceptable for past projects because Barqi Tojik is a revenue-generating entity, but the current financial challenges call for government support. Barqi Tojik has also negotiated with the largest commercial creditor to restructure its debt with a lower interest rate. Reducing dollar-denominated liabilities will consequently decrease Barqi Tojik's foreign exchange exposure. As Barqi Tojik finalizes the distribution of assets and liabilities into three new companies, this reduction will benefit the new companies. Further, the existing liabilities will be concentrated in the generation company and the new transmission and distribution companies will have opening balance sheets without excessive debts.

11. **Output 2: Power subsector governance structure strengthened.** In April and June 2019, the government issued two decrees to separate the generation, transmission, and distribution segments of Barqi Tojik into three legal entities and to approve their new charters respectively. The legal separation is targeted for completion by April 2020, but the individual companies have started their separate functions. Unbundled operations will eventually lead to clearer responsibilities for sector losses and inefficiencies among the three companies.

12. The government is further increasing this transparency by implementing a new decree of October 2019 to adopt a new cost-based tariff methodology and establish a sector regulator. The new tariff methodology requires each company to disclose its cost data for notional tariff determination by the regulator. The increased transparency will act as an incentive for the new companies to improve operational efficiency. However, end-user tariffs will continue to be set by the government. As the government will not be able to increase end-user tariffs drastically, the gap between end-user tariffs and real cost (notional tariff) will remain for at least several years. Until cost recovery in end-user tariffs is achieved, the new companies will continue recording

⁸ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Republic of Tajikistan for the Wholesale Metering Project*. Manila.

⁹ ADB provided a \$35 million grant in 2018 to resolve the technical constraints. ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Republic of Tajikistan for the Reconnection to the Central Asian Power System Project*. Manila.

losses and have cash constraints.¹⁰ The government will, therefore, establish an escrow account to collect all sector revenues and distribute them to the three new companies according to a predetermined formula to ensure they have enough cash for operations and avoid having the distribution company (the gateway of sector revenues) use up all financial resources.

13. **Output 3: Sustainable corporate management introduced in the new distribution company.** The new distribution company will recruit a management contractor: an internationally reputable company with power utility operation experience that will place five professional managers in the company to operate the company (unlike the advisory roles of consultants in the past). They will be provided with incentives through bonuses linked to improved operational indicators. This will be one of the first public–private partnership cases in the sector and will be key to ensuring sustainability of the reforms and new metering investment.

14. **Output 4: Retail billing and collection system modernized.** The program will finance advanced retail electricity metering investment in seven cities (Buston, Dangara, Dushanbe, Isfara, Istravshan, Konibodom and Panjekent), which were selected based on the urgency of collection improvements and cover about 21% of the customer base. Dushanbe accounts for more than 30% of the country’s demand, making improved collection there a top priority.

15. **Output 5: Female participation in power subsector activities increased.** The comprehensive reforms present an unprecedented opportunity for improving gender development in the subsector. Actions such as gender targets for management positions, educational opportunities are among the actions to be further developed for the program through due diligence and will be supported by an additional technical assistance grant.

16. **ADB’s value addition.** ADB has worked extensively with the government on energy sector development for more than a decade. Consultants from the SOPI program have supported its reform activities since 2011 and prepared most of the regulation drafts for policy actions and metering investment feasibility studies. The government used the SOPI platform for development partner coordination, which led to the development of the joint power sector reform program. The proposed program will support the upfront policy actions, while the World Bank’s program-for-result grant will support and provide incentives for continued implementation of the policy actions (footnote 9). Cofinancing will be used for metering investment and enable the government to complete the work in all seven cities covered by the ADB-funded feasibility study. The improved competitiveness of Barqi Tojik is also key to it becoming a regional power export hub.

C. Impacts of the Reform

17. The outcome of the reform is improved financial sustainability of the power subsector. The program impact will be aligned with the country’s overarching development objective of sustainable access to energy resources.

18. With successful implementation, the program targets a nationwide collection rate of 90% by 2023 against 85% in 2017. The distribution company’s net profit is also expected to improve and the commercial liabilities of the power subsector significantly reduced from the 2018 baseline of \$180 million. Final baseline and target figures will be determined during due diligence.

¹⁰ The weighted average end-user tariff in 2018 was about TJS0.16 per kilowatt-hour against the estimated cost-recovery level of TJS0.39/kilowatt-hour. Source: World Bank. 2020. *Program Appraisal Document on a Proposed Grant to the Republic of Tajikistan for a Power Utility Financial Recovery Program for Results*. Washington, DC.

D. Development Financing Needs and Budget Support

19. The fiscal deficit of Tajikistan reached 4.8% of GDP in 2018, higher than approved in the fiscal strategy for 2017–2020, and is expected to reach 3.8% (\$346 million) in 2020.¹¹ The proposed program will provide \$105 million from ADB's Special Funds resources (Table 1), \$20 million of which will be allocated to the policy-based component. The remaining funds will be used to recruit a management contractor (\$15 million) and to install an advanced metering system (\$70 million). The EBRD plans to cofinance \$25 million for metering. The policy-based component is based on Tajikistan's development financing needs to support the government's growing financing requirements and fiscal shortfalls, and considered in close coordination with the International Monetary Fund. Climate financing will be calculated during due diligence.

Table 1: Indicative Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (Asian Development Fund grant)		
Policy-based grant	20.0	14.3
Project grant	85.0	60.7
European Bank for Reconstruction and Development (loan)	25.0	17.9
Government (project component)	10.0	7.1 ^a
Total	140.0	100.0

Source: Asian Development Bank.

^a The share of the government contribution under the project component is 8.3%.

E. Implementation Arrangements

20. The Ministry of Finance and the Ministry of Energy and Water Resources will be the executing agencies, with the latter being the lead. Barqi Tojik or the new distribution company after unbundling will be the implementing agency (Table 2). For the project component, the project management unit will be the implementation unit, and the distribution company will own the assets.

Table 2: Indicative Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	January 2019–May 2020 (policy component) September 2020–June 2023 (project components)
Indicative completion date	June 2023
Management	
(i) Executing agency	Ministry of Finance (policy component) Ministry of Energy and Water Resources (all components)
(ii) Key implementing agencies	Barqi Tojik or new distribution company, project management unit

Source: Asian Development Bank.

21. The project will follow ADB's Procurement Policy and Procurement Regulations (2017, as amended from time to time), with advance contracting and invitation for bids before Board consideration.¹² Given that Barqi Tojik's system is relatively small (1.6 million customers), having multiple billing systems will increase the operational inefficiencies. Since Barqi Tojik has been successfully operating the billing system of the EBRD-financed Khujang project, the expansion of the existing system is the most practical and economical option, and it correspondingly requires the direct contracting of the same contractor, which was competitively selected. For this billing system package, ADB's Procurement Regulations Section 2.17 (a), (b), (c), and (e) are applicable.

¹¹ World Bank. 2019. *Tajikistan: Country Economic Update Fall 2019*. Washington, DC.

¹² A separate strategic procurement plan and procurement capacity assessment will be prepared during due diligence. ADB. 2017. *Procurement Regulations for ADB Borrowers*. Manila.

III. DUE DILIGENCE REQUIRED

22. The SOPI program will support the completion of the government's reform actions prior to ADB board consideration of the proposed program. Remaining due diligence activities such as fiduciary risk assessment, gender action plan, and advance procurement actions for the management contract and metering investment will be conducted using the transaction TA facility.

23. Initial screening of safeguard risks has been completed and the proposed categories are *B* for environment and *C* for resettlement and indigenous peoples. The implementing agency (the new distribution company) will require financial management strengthening and support, for which the use of a management contract will be a key mitigation measure.

IV. PROCESSING PLAN

A. Risk Categorization

24. The program is *complex* as it is a sector development program of over \$50 million in grant.

B. Program Procurement Classification

25. The program's procurement classification is *A* (Appendix 3). It involves recruitment of a management contractor and the metering project will spread across multiple regions.

C. Scope of Due Diligence and Resource Requirements

26. The estimated staff requirement is 12 person-months. SOPI and transaction TA facility consultants will support the due diligence activities (Table 3).

Table 3: Scope of Due Diligence

Due Diligence Outputs	To Be Undertaken By
Economic analysis, financial due diligence, gender action plan, safeguard screening and categorization, initial poverty and social analysis, integrity due diligence	Staff, and transaction technical assistance facility and Sector Operation Performance Improvement program consultants
Project documentation (report and recommendation of the President and its linked and supplementary documents)	Staff

Source: Asian Development Bank.

D. Processing Schedule

Milestones	Expected Completion Date
Management review meeting, informal board seminar	May 2020
Grant negotiation	June 2020
Board consideration	July-August 2020 ^a
Grant signing	September 2020

Source: Asian Development Bank.

^a Adjustments may be required based on the impact of the corona virus pandemic.

V. KEY ISSUES

27. The implementation of the reform program will be closely monitored in coordination with EBRD, the IMF and the World Bank. The power distribution company, a spinoff from Barqi Tojik, is a newly created entity and will require a new financial management assessment. The project team will request support from ADB's office of Public Private Partnership Department during procurement and implementation of the management contract for the power distribution company.

DESIGN AND MONITORING FRAMEWORK
(Initial Draft)

Impact the Program is Aligned with			
Sustainable access to energy resources (National Development Strategy of the Republic of Tajikistan for the period up to 2030) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Power subsector financial sustainability improved	<p>a. Nationwide collection rate improved to [90]% by 2024 (2017 Baseline: 86%)</p> <p>b. Distribution company's net profit improved as assessed and determined by the management contractor (2020 baseline to be determined by the management contractor)^b</p> <p>c. Commercial liabilities of the power subsector reduced to [a manageable level] by 2021 (2018 baseline: \$180 million)</p>	<p>a–b. Management contractor's annual performance report</p> <p>c. Annual audited financial statements of the generation, transmission, and distribution companies</p>	Government changes sector policies to invest in efficiency improvements, and reforms are rolled back.
Key Reform Areas	Indicative Policy Actions		
1. Financial stability of power utilities improved	<p>1.1. [number TBD] MDB grants converted into equity of the generation company by 2020 (2019 baseline: 0)</p> <p>1.2. Opening balance sheets of the new transmission and distribution companies developed with no outstanding liabilities by 2021 (2019 baseline: N/A)</p>	<p>1.1. Audited annual financial statements of the Barqi Tojik generation company</p> <p>1.2. Audited annual financial statements of the transmission and distribution companies</p>	Management contractors are unable to perform because of policy changes and instability.
2. Power subsector governance structure strengthened	<p>2.1. Electricity sale and purchase transactions among Barqi Tojik's three unbundled companies (generation, transmission, and distribution) started by 2020 (2019 baseline: N/A)</p> <p>2.2. New power subsector regulator established and staffed by 2020 (2018 baseline: N/A)</p> <p>2.3. A tariff methodology with a cost recovery principle adopted by 2019 (2019 baseline: N/A)</p>	<p>2.1 Monthly billing and payment records among three companies</p> <p>2.2. Meeting record with the regulator by ADB mission.</p> <p>2.3. A government decree adopting the methodology</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	2.4. Corporate targets of female employees set by unbundled companies (to be explored further during due diligence)	2.4. Annual reports of the generation, transmission, and distribution companies	
3. Sustainable corporate management introduced in the new distribution company	3.1 Management contractor's operation of the new distribution company started by 2021 (2019 baseline: N/A) 3.2. Gender working group created in the distribution company by 2021 (2018 baseline: N/A)	3.1–2. Distribution company's annual report	
4. Retail billing and collection system modernized	4.1 Advanced metering system installed in 7 cities, including a substantial number of households, by 2023 (2019 baseline: one city) ^c 4.2. Awareness campaign on the use of new meters and efficient energy use, with focus on women's participation, conducted in the four cities by 2021 (2018 baseline: N/A)	4.1. Distribution company's annual report 4.2. Contractor's annual progress report	
5. Female participation in energy sector activities increased	5.1 Targets of female management position figures included in corporate strategies of the generation, transmission, and distribution companies by 2020 (2019 baseline: N/A) 5.2 At least 50 female graduates and/or graduating students in science- and engineering-related courses trained for technical work in the generation, transmission, and distribution companies	5.1. Corporate strategies to be published after each company starts operating 5.2. Implementation consultant's annual progress report	

Key Activities with Milestones for Project Components (Outputs 3–5)
1. Output 3. Sustainable corporate management introduced in the new distribution company

- 1.1 Advertise a request for expression of interest (Q1 2020)
- 1.2 Issue request for proposals (Q2 2020)
- 1.3 Complete proposal evaluation (Q3 2020)
- 1.4 Award the contract and mobilize the management contractor (Q4 2020)
- 1.5 Complete the management contract (Q4 2025)

2. Output 4. Retail billing and collection system modernized

- 2.1 Issue invitation for bids for turnkey contracts (Q2 2020)
- 2.2 Award turnkey contracts (Q4 2020)
- 2.3 Complete installation of equipment (Q3 2022)

3. Output 5. Female participation in energy sector activities increased

- 3.1 Recruit consultants (Q3 2020)
- 3.2 Complete analyses and gender strategies, including education program plans (Q4 2020)
- 3.3 Start training and incorporate gender strategies in corporate plans (Q2 2021)

Project Management Activities

- Issue request for proposal for project implementation consultants (Q1 2020)
 Complete the recruitment of project implementation consultants (Q3 2020)

Inputs

- ADB: \$105 million (grant, \$20 million policy-based grant and \$85 million project grant)
 European Bank for Reconstruction and Development: \$25 million (planned, loan)

Assumptions for partner financing

None

ADB = Asian Development Bank, MDB = multilateral development bank, N/A = not applicable, Q = quarter, TBD = to be determined during due diligence.

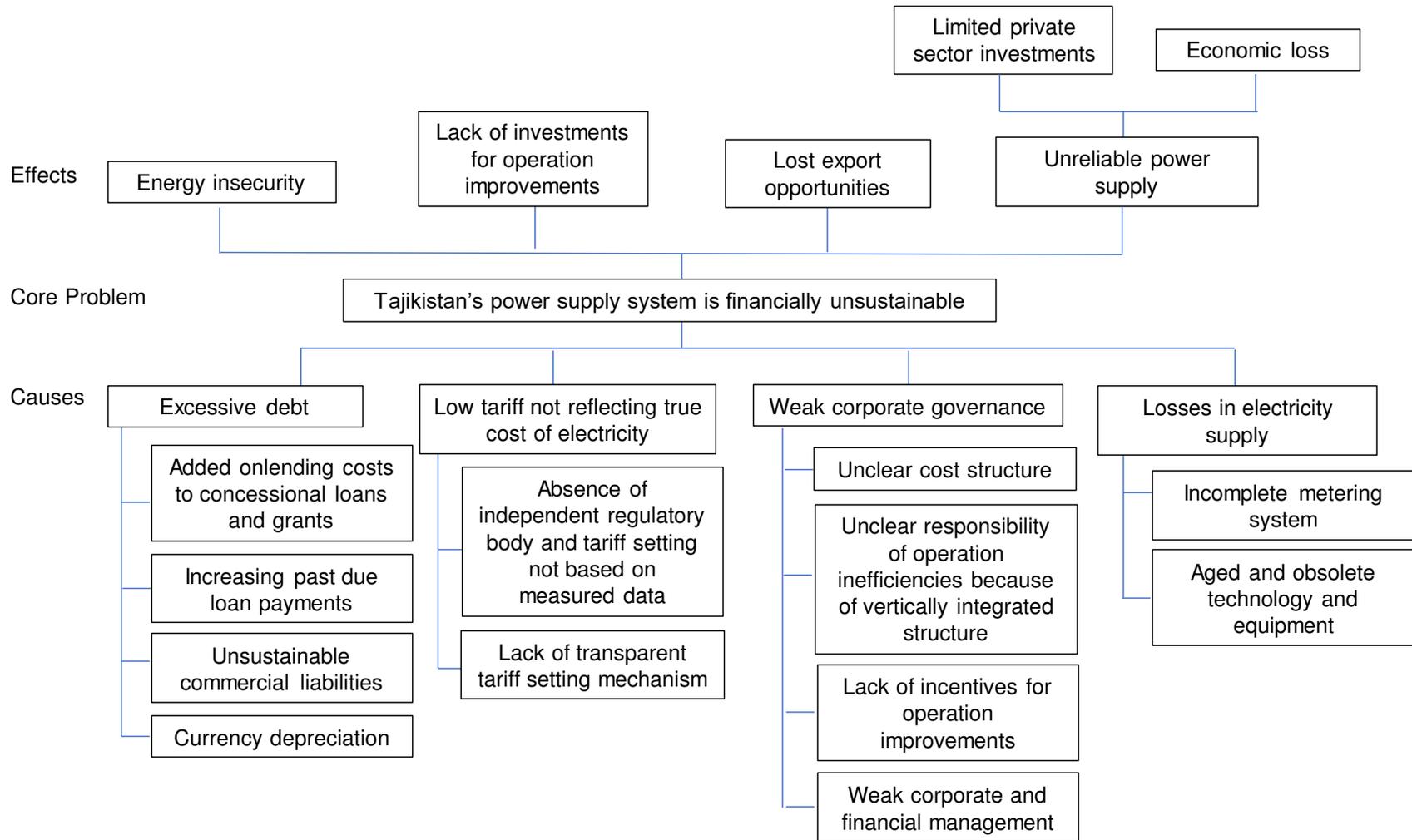
^a Government of Tajikistan. 2016. *National Development Strategy of the Republic of Tajikistan for the Period up to 2030*. Dushanbe.

^b Management contract will propose the levels of key performance indicators after 1 year of operation, which will be approved by the board of the distribution company. The key indicator will be the adjusted net profit of the company, and the baseline and target will be determined and monitored based on this approval (expected by the end of 2020).

^c The smart metering infrastructure project in Khujang, financed by the European Bank for Reconstruction and Development, was completed in 2019.

Source: Asian Development Bank.

PROBLEM TREE



TECHNICAL ASSISTANCE FACILITY UTILIZATION UPDATE

1. The regional transaction technical assistance (TA) facility for Preparing Sustainable Energy Projects in Central Asia was approved on 14 August 2019 for \$1,775,000. As of 5 March 2020, contract awards totaled \$393,500 and disbursements \$25,232.

2. For the proposed Power Sector Development Program, the TA facility will deliver the following outputs in Table A3.1.

Table A3.1: Summary of Major Outputs and Activities for the Power Sector Development Program

Outputs	Delivery Dates	Key Activities with Milestones
1. Procurement	March 2020	Complete bidding documents for distribution metering project Start advance contracting (bidding process) for the metering and billing component
	April 2020	
	February 2020	Start advance contracting (bidding process) for a management contract for Tajikistan's distribution company Assist during the bidding process, contract negotiations, and signing
	November 2020	
2. Project due diligence	February 2020	Complete fiduciary risk assessment and gender action plans Document technical, financial, economic, and safeguards due diligence
	March 2020	

Source: Asian Development Bank staff estimates.

3. The updated consultants' input allocation from the TA facility is presented in Table A3.2. It is confirmed that (i) the TA facility has adequate resources and (ii) the allocated inputs for consultants are sufficient to undertake the activities required to deliver the outputs for the proposed Power Sector Development Program. The updated budget allocations for the ensuing projects are in Table A3.3.

Table A3.2: Updated Consultants' Input Allocations for En ensuing Projects
(person-months)

Item	Total	Kazakhstan:	Kyrgyz Republic:	Tajikistan:
		Energy Sector Development Program or New Project	Power Distribution, Renewable Energy and Energy Efficiency Projects	Power Sector Development Program)
Updated project risk category		<i>low</i>	<i>low</i>	<i>complex</i>
International Experts				
Hydro power expert and team leader	5.0	0.0	5.0	0.0
Power sector billing and settlement expert	4.0	0.0	0.0	4.0
Fiduciary risk assessment expert	1.5	0.0	0.0	1.5
Management contract expert	2.3	0.0	0.0	2.3
Human resources and labor expert	4.0	0.0	0.0	4.0
Advanced metering expert	2.2	0.0	0.0	2.2
SCADA expert	3.0	0.0	3.0	0.0
Substation, energy, distribution expert	4.4	0.0	3.0	1.4
District heating expert	3.0	0.0	3.0	0.0
Hybrid trolley expert	3.0	0.0	3.0	0.0
Energy efficiency expert	3.0	0.0	3.0	0.0
Procurement expert	7.8	0.0	5.0	2.8

Item	Total	Kazakhstan: Energy Sector Development Program or New Project	Kyrgyz Republic: Power Distribution, Renewable Energy and Energy Efficiency Projects	Tajikistan: Power Sector Development Program)
Updated project risk category		<i>low</i>	<i>low</i>	<i>complex</i>
Environment and social safeguards expert	5.9	0.0	5.0	0.9
Finance and economics expert	4.0	0.0	2.0	2.0
Financial management expert	1.5	0.0	1.0	0.5
Social development (gender) expert	3.1	0.0	2.0	1.1
Climate (adaptation) expert	1.0	0.0	1.0	0.0
Climate (mitigation) expert	1.0	0.0	1.0	0.0
National Experts				
Energy sector expert	11.4	11.4	0.0	0.0
Procurement expert	4.0	0.0	0.0	4.0
Project coordinator	3.0	0.0	3.0	0.0
Economist	1.0	0.0	1.0	0.0

SCADA = supervisory control and data acquisition

Source: Asian Development Bank staff estimates.

Table A3.3: Updated Budget Allocations for Ensuing Projects
(\$'000)

Item	Total	Kazakhstan: Energy Sector Development Program or New Project	Kyrgyz Republic: Power Distribution, Renewable Energy and Energy Efficiency Projects	Tajikistan: Power Sector Developmen t Program
Updated project risk category		<i>low</i>	<i>low</i>	<i>complex</i>
Consultants	1,506.20	141.00	844.50	520.70
Training, seminars, and conferences	60.00	20.00	30.00	10.00
Vehicle rental	29.55	5.00	10.00	14.55
Miscellaneous administration and support ^a	17.50	4.00	8.50	5.00
Contingencies	161.75	5.00	107.00	49.75
Total	1,775.00	175.00	1,000.00	600.00

ADB = Asian Development Bank.

Note: The transaction technical assistance facility is estimated to cost \$1.775 million, of which \$0.175 million is from ADB's Technical Assistance Special Fund (TASF-6), and \$1.600 million is from the People's Republic of China Poverty Reduction and Regional Cooperation Fund administered by ADB.

^a Includes costs for translation and interpretation and other administration.

Source: Asian Development Bank staff estimates.

PROJECT PROCUREMENT CLASSIFICATION

Characteristic	Assessor's Rating:
Is the procurement environment risk for this project assessed to be <i>high</i> based on the country and sector and/or agency risk assessments?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are multiple (typically more than three) and/or diverse executing agencies and/or implementing agencies envisaged during project implementation? Do they lack prior experience in implementation under an ADB-financed project?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unknown
Are multiple contract packages and/or complex and high-value contracts (compared with recent externally financed projects in the DMC) expected?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unknown
Does the project plan to use innovative contracts (public-private partnership, performance-based, design and build, operation and maintenance, etc.)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unknown A management contractor will be recruited for the implementing agency.
Are contracts distributed in more than three geographical locations?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unknown The advanced metering and grid enhancement package will cover four cities.
Are there significant ongoing contractual and/or procurement issues under ADB (or other externally) financed projects? Has misprocurement been declared in the DMC?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unknown
Does the DMC have prolonged procurement lead times, experience implementation delays, or otherwise consistently fail to meet procurement time frames?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unknown
Do executing and/or implementing agencies lack capacity to manage new and ongoing procurement? Have executing and/or implementing agencies requested ADB for procurement support under previous projects?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unknown
Regional department's overall recommendation (Yuki Inoue, Finance Specialist (Energy), Energy Division, CWRD)	
Overall project categorization recommended	<input checked="" type="checkbox"/> Category A <input type="checkbox"/> Category B
The project management unit has sufficient experience in procurement and recruitment of consultants. However, management contractor recruitment will use a customized request for proposal and contract documents, which will require close consultation with PPF and OGC.	
Procurement, Portfolio, and Financial Management Department's recommendation (Olivier Leonard, Senior Procurement Specialist, Procurement Division 1)	
Due to the management contractor recruitment, the project has a procurement risk categorization of <i>A</i> and will require close consultation with PPF and OGC.	

ADB = Asian Development Bank, CWEN = Central and West Asia Department, DMC = developing member country, OGC = Office of the General Counsel, PPF = Procurement, Portfolio and Financial Management Department
Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53315-001-ConceptPaper>

1. Initial Poverty and Social Analysis