



Kyrgyz Republic: Strengthening the Enabling Environment for Public-Private Partnerships

Project Name	Strengthening the Enabling Environment for Public-Private Partnerships	
Project Number	41544-087	
Country	Kyrgyz Republic	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 8688-KGZ: Strengthening the Enabling Environment for Public-Private Partnerships	
	Japan Fund for Poverty Reduction	US\$ 1.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Finance - Infrastructure finance and investment funds Health - Health care finance Public sector management - Public expenditure and fiscal management Transport - Transport policies and institutional development Water and other urban infrastructure and services - Urban policy, institutional and capacity development	
Gender Equity and Mainstreaming	Some gender elements	
Description	The government requested technical assistance (TA) during Asian Development Bank (ADB) Management visit to the Kyrgyz Republic in 2013. It stressed the need for continuing assistance for developing key elements of the enabling environment for public-private partnerships (PPPs) in infrastructure. ADB Management proposed additional TA with funding from its own resources and other donors. Reconnaissance and consultations were undertaken in May 2013 during the fact-finding mission for the Investment Climate Improvement Program (ICIP) Subprogram (SP) 3. Discussions were held with government agencies including the Ministry of Economy (MOE), the agency responsible for PPPs, the Ministry of Finance (MOF), key line ministries, City Development Administration (CDA) City of Bishkek, other key stakeholders and development partners. On 1 July 2013, the government expressed its concurrence with the ADB TA concept in the May 2013 mission Memorandum of Understanding, including the expected impact and outcome, implementation, cost, and financing arrangements.	

Project Rationale and Linkage to Country/Regional Strategy

The Kyrgyz Republic (KGZ) inherited substantial infrastructure assets and almost full coverage of the population with basic infrastructure services from the former Soviet Union. The government, directly or through state-owned enterprises, is responsible for financing and managing infrastructure, in addition to its policy and regulatory roles. Economic hardships and resulting budgetary deficits since independence have constrained the government's ability to maintain and rehabilitate existing assets and construct new ones. Inadequate and deteriorating infrastructure has become a binding constraint for private sector development and hence, economic growth. Significant investment and technical capacity to develop economic and social infrastructure, with an increased role for the private sector including through PPPs, is envisaged.

A PPP Law was approved by Parliament in February 2012. A dedicated PPP Unit (in MOE) and a PPP Risk Management Unit (in MOF) has been operationalized, and PPP focal points in key line ministries and the CDA have been appointed. Amendments to priority 10 laws and 3 codes have been enacted to ensure consistency with the PPP Law and further amendments have been suggested based on a review conducted with ADB support in October 2013. In January 2013, the government approved PPP tender procedures and established a tender commission. The government resolution establishing the Project Development Support Facility (PDSF) and ensuring budget support of \$2 million in 2014, \$1 million in 2015, and \$1 million, was signed in March 2014. Draft PPP and Risk Management Policies have been developed but more comprehensive policies are being prepared. A PPP project screening methodology was developed under TA 7819-KGZ. As part of capacity building through learning-by-doing, MOE has been supported in the preparation of 6 position papers on 10 PPP project proposals. The pre-feasibility study (PFS) for 1 project has been completed and PFS' for 3 projects are being tendered.

Progress has been made but KGZ is in the very early stage of developing its PPP market. The PPP Law has been adopted but it has yet to be implemented and its robustness tested. There is no domestic experience with PPP projects and the learning gap remains substantive. Government capacity to prepare and implement PPPs is limited and understanding of PPPs among the domestic private sector is still very low. The necessary next step is support for assimilating the initiatives so far into an overall cohesive framework for the country's PPP program and pilot demonstration projects. International experience has shown that key characteristics of successful PPP programs include: (i) a strong government agency with over-arching responsibility for the development and implementation of the program; (ii) high-level institutionalized support and a champion; (iii) clear and consistent regulatory frameworks; (iv) government guarantees and other forms of government support; (v) appropriate mechanisms to ensure the good management and corporate governance of the government's fiscal obligations; (vi) adequate and rigorous project preparation, evaluation and selection process; (vii) extensive consultation with the private sector in developing the PPP program; (viii) clear, transparent, efficient and predictable procurement processes; (ix) sufficient internal capacity; and (x) use of experienced international transaction advisers to adequately prepare and structure projects.

Public sector management to improve the investment climate, including for PPPs, is an operational priority under ADB's country partnership strategy. The country's rational Sustainable Development Strategy (NSDS) also envisages an increased role for the private sector in financing and developing the country's economic and social infrastructure. ADB has been the primary supporter of the Kyrgyz Republic's initiatives to create an enabling environment for PPPs. Technical assistance for PPPs has been provided under TA 7819-KGZ whose key components were to enable (i) the emerging PPP Framework, (ii) PPP project development, and (iii) PPP capacity building and under TA 8222-KGZ. Dedicated support for PPPs has also been provided under TA 8333-KGZ, for a high level PPP Forum in Bishkek City on 23_24 May 2013. The PPP Forum: (i) demonstrated the government's commitment to PPPs; (ii) highlighted the current framework in relation to PPPs; (iii) built consensus for additional reforms needed to further improve the enabling framework for PPPs (including establishment or improvement of financial, institutional and regulatory support mechanisms); and (iv) presented the government's priority sectors and preliminary PPP opportunities for private sector participation. ADB support has been for institutional, legal and regulatory reforms, as well as development of pilot projects. KfW is financing feasibility studies for 2 health projects and IFC has offered support for transaction advisory services. JICA is supporting training for PPPs and EBRD is helping develop pilot projects in e-ticketing in Bishkek and in water supply. ADB's interventions are being closely coordinated with the activities of these development partners.

Important lessons have been learned from past interventions that are relevant for further development of the KGZ PPP market. The TA incorporates these lessons to ensure systematic progress in strengthening the PPP enabling environment in the country.

Learning by doing (on-the-job training), through guidelines, toolkits, model documents for formulation, appraisal and approval of pilot projects, including use of the Project Development Support Facility (PDSF), will be the preferred approach to build capacity.

Impact

Increased private sector participation and investment in economic and social infrastructure

Project Outcome

Description of Outcome

Improved government capacity to develop, promote, and implement credible PPP projects

Progress Toward Outcome	<p>Progress as of March 2017</p> <ol style="list-style-type: none"> 1. Transaction advisory for the project on 'Organization of dialysis services in Bishkek, Osh and Jalal-abad' completed; tender announced (ADB advising Ministry of Health) 2. Transaction advisory for the 'Installation of Computer Tomography (CT) Scanners in Health Centers/Hospitals' project underway 3. Funding for prefeasibility/feasibility studies of 6 projects approved by the Project Development Support Facility (PDSF) Steering Committee. The projects and the stage of preparation is as below: <ol style="list-style-type: none"> (i) Uzgen Bypass Road - Formation of Tender Commission (ii) Construction and Operations of Preschool Educational Institutions (Kindergartens) -Formation of Tender Commission (iii) Construction of Customs and Logistics Complex, Naryn -Formation of Tender Commission (iv) Installation of Angiography Centers (Bishkek and Karakol) --Preparation of re-tender; Revisions of the terms of reference for the Feasibility StudyToR. (v) Urban Transport (operation of 66 minibus routes in Bishkek city) - Formation of Tender Commission (vi) On-street Parking (Operation and maintenance of 47 municipal on-street car parkings) - Formation of Tender Commission <p>Progress as of September 2016</p> <ul style="list-style-type: none"> - Project Development Support Facility (PDSF) operationalized; contract for feasibility study and transaction advisory for CT scan project signed - RFQs for 5 additional projects (approved for prefeasibility/feasibility study support under the PDSF) published - PPP Council headed by VPM established, to strengthen oversight of PPP implementation - Road and health sector strategies and multi-year investment plans approved - Guidelines and mechanism for long-term debt financing for PPP projects, drafted - Draft budget code amended to include provision for government financial support for PPPs - Parliament amended the PPP Law 9based on recommendations) <p>Progress as of March 2016</p> <ul style="list-style-type: none"> -Government capacity being developed through on-the-job training on a pipeline of 16 pilot projects (health, tourism, roads, urban transport) combined with training workshops; training also aligned with JICA's training program; - Tender for the feasibility study for a Computer Tomography Project is in the process of being awarded -Advisory and project structuring support also being sought from ADB's Asia Pacific Public-Private Partnership Facility (AP3F) - Amendments to the PPP Law in the process of being approved by Parliament - Close coordination with IFC on 2 health projects <p>Progress as of Sept. 2015</p> <ul style="list-style-type: none"> -Operationalization of Project Development Support Facility (PDSF) underway (PDSF funds will finance the preparation of pre-feasibility or feasibility studies of potential PPP projects). As of Sept. 2015, these include: (i) CT Scan - where tender for feasibility study is ongoing; (ii) Angiography Units/Center Project; (iii) Bishkek On- Street Parking project; (iv) Ala Too Ski Cluster; (v) Logistics Center (Naryn-Chui border crossing); (PDSF applications have been submitted for review and approval for the latter four) (vi) Kemin bypass; (vii) Uzgen bypass; (viii) Almaty-Issykul Lake Road; (ix) Kubaky Pass; and (x) Bishkek Sports Hub (PDSF applications are under preparation for these 5 projects). -Legal environment is being further improved through suggested amendments to the PPP Law. - A PPP manual has been drafted, including a Model PPP Agreement (and are being reviewed by the Govt.) - A PPP Program 2020, including a capacity building program and communication program, has been drafted (capacity building program is being implemented through a range of workshops; an extensive 2-week PPP training was undertaken from 24 Aug-2 Sept 2015). - A comprehensive PPP website is operational <p>Progress as of March 2015</p> <ul style="list-style-type: none"> - Review mission in February 2015 - Activities to support Output 2 under the Second Investment Climate Improvement Program (Second ICIP) progressing; activities relating to subprogram 1 of the Second ICIP nearing completion; activities related ro subprograms 2 and 3 underway. <p>Progress of December 2014</p> <ul style="list-style-type: none"> - Review Mission fielded in November 2014 (aligned with PPTA implementation mission of the Policy-Based Loan 41544-088 whose Output 2 is 'Comprehensive PPP Program Fostered') <p>Progress as of September 2014</p> <ul style="list-style-type: none"> - Consultant Inception Mission completed (Aug 28-Sept 12); draft Inception Report submitted by consultant TL; additional TOR suggested based on Inception Mission; recruitment of next set of key consultants underway (International Legal Expert - to address the legal issues in the PPP manual and the further improvement of the legal environment), National PPP Specialist - to assist the PPP Unit along with the International Expert, National Communication Specialist -to address the need for the High-Level PPP sensitization and awareness , and National MIS and web design specialist- to address the need for a web design to facilitate communication and knowledge dissemination); Recommendations on adding ceratin activities under output 2, 3 and 4 to be discussed with the EA in September-October
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Implementation Progress

Description of Project Outputs	PPP policy and legal framework implementation arrangements strengthened Capacity of the PPP Unit, MOF and line agencies to formulate, appraise and approve quality PPP projects strengthened Business cases for financial support and risk guarantee mechanisms prepared Pipeline of bankable PPP projects developed
Status of Implementation Progress (Outputs, Activities, and Issues)	Progress as of September 2016 -Outputs are on track - in line with the Design and Monitoring Framework and the Policy Actions of Output 2 of the Policy-Based Second Investment Climate Improvement Program Progress as of March 2016 - Outputs are on track - in line with the Design and Monitoring Framework and the Policy Actions of Output 2 of the Policy-Based Second Investment Climate Improvement Program Progress as of December 2014 - Outputs on track and in line with the Policy Actions of Output 2 of the Policy-Based Second Investment Climate Improvement Program Progress as of September 2014 Specific deliverables detailed under each output area and timeframe for completion of each deliverable established
Geographical Location	

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design Key stakeholders in government, the public and private sector, and development partners have been extensively consulted to ensure quality TA design relevant for the needs of KGZ.

During Project Implementation - Regular consultation with all key stakeholders in the government, public and private sectors
- Continuous consultation with all key stakeholders in the government, public and private sectors
- Consultation with key stakeholders in government, the public and private sector, and development partners is an integral element of the TA implementation

Business Opportunities

Consulting Services The TA will engage 16 person months of international and 85 person-months of national consultant services. A multi-disciplinary team of consultants comprising technical, financial, and legal experts with experience in PPP will be constituted. The team will consist of (i) an international PPP expert, well versed in international project finance and policy advisory; (ii) an international legal expert; (iii) a national PPP specialist; (iv) two national finance specialists; (v) a national legal expert; and (vi) a national communication and management information system (MIS) specialist (Table 1). Outline terms of reference are provided in Appendix 3. The skills mix and qualifications required under the TA are diverse and difficult to source from any one consulting firm. The consultants will be engaged on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (March 2013, as amended from time to time) and arrangements satisfactory to ADB for the engagement of national consultants. Advance contracting will be used to recruit the TA consultants.

Procurement ADB will finance the purchase of limited equipment required for successful completion of outputs, including hardware for the PPP website. Procurement will be conducted in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

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Timetable

Concept Clearance 22 Apr 2014

Fact Finding -

MRM -

Approval	21 Jul 2014
Last Review Mission	-
Last PDS Update	20 Mar 2017

TA 8688-KGZ

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
21 Jul 2014	27 Aug 2014	27 Aug 2014	31 Dec 2016	31 Dec 2017	-

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	1,000,000.00	0.00	0.00	0.00	0.00	1,000,000.00	21 Jul 2014	564,283.77

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