



# Technical Assistance Report

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Project Number: 41544-087  
Capacity Development Technical Assistance (CDTA)  
July 2014

## Kyrgyz Republic: Strengthening the Enabling Environment for Public–Private Partnerships (Financed by the Japan Fund for Poverty Reduction)

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 15 July 2014)

Currency unit	–	som (Som)
Som1.00	=	\$0.019
\$1.00	=	Som51.78

## ABBREVIATIONS

ADB	–	Asian Development Bank
CDA	–	City Development Agency
MOE	–	Ministry of Economy
MOF	–	Ministry of Finance
PDSF	–	Project Development Support Facility
PPP	–	public–private partnership
RFP	–	request for proposal
RFQ	–	request for qualification
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

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## CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 41544-087</b>	
<b>Project Name</b>	Strengthening the Enabling Environment for PPPs	<b>Department /Division</b>	CWRD/CWPF
<b>Country Borrower</b>	Kyrgyz Republic N/A	<b>Executing Agency</b>	Ministry of Economy
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>Financing (\$ million)</b>	
✓ Public sector management	Public expenditure and fiscal management	0.50	
Finance	Infrastructure finance and investment funds	0.10	
Health	Health care finance	0.10	
Transport	Transport policies and institutional development	0.15	
Water and other urban infrastructure and services	Urban policy, institutional and capacity development	0.15	
		<b>Total</b>	<b>1.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Organizational development		
Partnerships (PAR)	Public financial governance		
	Pilot-testing innovation and learning		
Private sector development (PSD)	Bilateral institutions (not client government) Official cofinancing Conducive policy and institutional environment		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Not Applicable	
<b>6. TA Category:</b>	B		
<b>7. Safeguard Categorization</b>	Not Applicable		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.00</b>	
None		0.00	
<b>Cofinancing</b>		<b>1.00</b>	
Japan Fund for Poverty Reduction		1.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>1.00</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		No	
Use of country public financial management systems		No	

## I. INTRODUCTION

1. The government requested additional technical assistance (TA) to continue support for public–private partnerships (PPPs) in infrastructure during an Asian Development Bank (ADB) Management visit to the Kyrgyz Republic in 2013.<sup>1</sup> Discussions were held with government agencies including the Ministry of Economy (MOE) as the agency responsible for PPPs, the Ministry of Finance (MOF), key line ministries, the City Development Agency (CDA) Bishkek, other key stakeholders, and development partners.<sup>2</sup> On 1 July 2013, the government expressed its concurrence with the TA concept as described in the May 2013 mission’s memorandum of understanding. The design and monitoring framework is in Appendix 1.<sup>3</sup>

## II. ISSUES

2. The Kyrgyz Republic inherited substantial assets and almost full coverage of basic health, education, and municipal services infrastructure from the former Soviet Union. The government, directly or through state-owned enterprises and state-controlled joint-stock companies, is responsible for financing and managing infrastructure. Economic hardships and resulting budgetary deficits since independence have constrained the government’s ability to maintain and rehabilitate existing assets and construct new ones. Technical capacity has also significantly deteriorated. Eroding infrastructure has become a constraint for private sector development and is limiting economic growth. The government envisages significant new investments and improved technical capacity to develop economic and social infrastructure, with an increased role for the private sector—including through PPPs.

3. MOE has been designated as the primary agency for PPP development and implementation in the Kyrgyz Republic. A PPP Unit has been set up in MOE, and a PPP Fiscal Risk Management Unit has been set up in the MOF. PPP focal points have been designated in key line ministries and in the CDA Bishkek. The Law on PPP was approved in February 2012 and became effective in May 2012. Ten priority laws and codes have been amended to ensure consistency with the Law on PPP. Additional amendments are being drafted based on a review conducted with ADB support in October 2013.<sup>4</sup> PPP tender procedures have been approved, and a tender commission has been established. The government has set up the Project Development Support Facility (PDSF) with a budget allocation of \$2 million in 2014, and budget commitments of \$1 million in 2015 and \$1 million in 2016.<sup>5</sup> A comprehensive PPP policy is being drafted, and improvements to the Risk Management Policy are being made. Discussions have commenced on financial support during key PPP phases, including Viability Gap Funding and the need for sound management of the resulting fiscal obligations. A PPP project screening

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<sup>1</sup> Dedicated support was provided for a high-level PPP forum in Bishkek on 23–24 May 2013. ADB. 2013. *Technical Assistance to the Kyrgyz Republic for Support to a High-Level Forum on Public–Private Partnerships*. Manila.

<sup>2</sup> Consultations took place during the fact-finding mission for a related program. ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Grant for Subprogram 3 to the Kyrgyz Republic for the Investment Climate Improvement Program*. Manila.

<sup>3</sup> The TA first appeared in the business opportunities section of ADB’s website on 25 March 2014.

<sup>4</sup> Suggested amendments to the PPP Law are: Article 8 (Authority of the Government), Article 9 (Authority of the Authorized Public Body), Article 12 (Government Financial Support), Article 14 (Government Guarantees), Article 15 (PPP Project Stages), Article 20 (PPP Project Proposed by Private Partner), Article 23 (Other provisions of a PPP Agreement), Article 25 (Assignment of Rights and Obligations of a Private Partner and Project Company Under a PPP Agreement), Article 27 (Termination of a PPP Agreement), Article 28 (Implications of Termination of PPP Agreement), Article 29 (The Project Company), and Article 30 (PPP Project Financing).

<sup>5</sup> Regulation of the Government of the Kyrgyz Republic No. 147 “On mechanisms of financing preparation of the Public–Private Partnership projects” dated 17 March 2014. Increases in the PDSF budget are under discussion, along with other donor contributions.

methodology has been developed.<sup>6</sup> Fiscal risk guidelines have been prepared. Support through learning-by-doing has been provided to MOE in the preparation of position papers for six project proposals.<sup>7</sup> Of these, feasibility studies for two health projects are being tendered, and the prefeasibility study for the street lighting project has started.

4. The basic policies and processes that govern PPPs are being developed, but substantial work is needed to strengthen institutions, refine and enhance processes, and develop greater operational knowledge and capacity. The PPP Unit in MOE and PPP cells in key line ministries have been established, but remain understaffed and have weak technical capacity to prepare and implement projects.<sup>8</sup> Political support exists but is fragmented and lacks a champion. The robustness of the legal and regulatory framework as well as the transparency and efficacy of the PPP tender procedures still need to be tested. Rigorous and well-documented project preparation, appraisal and approval processes, and toolkits to support them need to be developed. Mechanisms and processes need to be improved to ensure robust public investment programming and risk management. Options for government guarantees and other forms of government support are being discussed, but appropriate mechanisms have yet to be established. Awareness and understanding of PPPs among key stakeholders—the public sector, domestic private sector, and general population—are low. The Kyrgyz Republic needs to make significant investments in these areas to develop a cohesive PPP-enabling environment. Pilot projects are required to build operational capacity and work as feedback mechanisms to improve the PPP framework and foster an effective PPP program.

5. Public sector management to improve the investment climate, including for PPPs, is an operational priority under ADB's country partnership strategy.<sup>9</sup> The National Sustainable Development Strategy of the Kyrgyz Republic envisages an increased role for the private sector in developing, financing, and operating and managing the country's economic and social infrastructure.<sup>10</sup> ADB has been the primary supporter of the Kyrgyz Republic's initiatives to create an enabling environment for PPPs since 2008.<sup>11</sup> Technical assistance for PPPs has been provided under successive TA projects (footnotes 1, 6, and 11). However, PPP market development experience in various countries has shown that sustained support over several years is required for a PPP market to develop, including pilot projects with good demonstration effects. German development cooperation through KfW is financing feasibility studies for two health projects and through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is supporting training for PPPs. The International Finance Corporation has signed transaction advisory agreements for them. The Japan International Cooperation Agency is also supporting PPP trainings. The European Bank for Reconstruction and Development is helping develop a

<sup>6</sup> ADB. 2011. *Technical Assistance to the Kyrgyz Republic for Enabling Identification of Public–Private Partnership Projects and Capacity Building in the Kyrgyz Republic*. Manila.

<sup>7</sup> Street lighting, car parking, computer tomography diagnostics centers, computerized tomography scan centers, urban transport e-ticketing, and hemodialysis units.

<sup>8</sup> The PPP Unit will be a dedicated unit under the Agency for Investment Promotion, established under MOE in 2014.

<sup>9</sup> ADB. 2013. *Country Partnership Strategy: Kyrgyz Republic, 2013–2017*. Manila. The TA is in the Country Operations Business Plan: Kyrgyz Republic 2015–2017, which includes 2014 as the current year. The TA was originally attached to Investment Climate Improvement Program Subprogram 3. On advice from counsel, CWRD delinked the TA from the subprogram, as the TA will provide ongoing support for PPPs as well as monitor the PPP-related reforms under Subprogram 3, and the TA will close in 2016.

<sup>10</sup> Government of the Kyrgyz Republic. 2013. *National Sustainable Development Strategy, 2013–2017*. Bishkek.

<sup>11</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, Grant for Subprogram 1, and Grant Assistance to the Kyrgyz Republic for the Investment Climate Improvement Program*. Manila; ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Grant for Subprogram 2 and Technical Assistance Grant to the Kyrgyz Republic for the Investment Climate Improvement Program*. Manila.

pilot project in public transport e-ticketing in Bishkek. ADB's interventions are being closely coordinated with development partners through regular meetings and information exchange.

### III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

#### A. Impact and Outcome

6. The impact will be increased private sector participation in economic and social infrastructure in the Kyrgyz Republic. There will be two PPP projects operating successfully by 2022—up from the current baseline of zero.<sup>12</sup> The outcome will be improved government capacity to develop, promote, and implement viable PPP projects. A contract for at least one financially sound and competitively tendered PPP project will be signed by 2017.

#### B. Methodology and Key Activities

7. The TA will help build the capacity of the government to use PPPs as an effective and efficient means of developing social and economic infrastructure. The TA design has drawn from global good practice and lessons learned by ADB in its PPP initiatives in India, Indonesia, and the Philippines. An assessment of the government's training needs and appropriate training methods has been carried out. Capacity gap assessments and appropriate on-the-job and classroom training will be carried out under the TA to ensure appropriate skills development and sustainability. Performance indicators for gender equity have been incorporated, with particular attention to balanced training opportunities and gender aspects of proposed PPP projects.

8. **Output 1: Public–private partnership policy and legal framework implementation arrangements strengthened.** The TA will help develop the implementation arrangements for a comprehensive PPP policy and risk management policy, and revise the PPP legal framework as recommended under the October 2013 review (footnote 4). The TA will also help strengthen the public financial management aspects of PPPs, developing guidelines and processes to support public investment programming, multiyear capital expenditure budgeting, and PPP strategies for priority sectors, including transport and urban areas.

9. **Output 2: The capacity of line agencies, the Public–Private Partnership Unit, and the Ministry of Finance to formulate, appraise, and approve quality public–private partnership projects strengthened.** The TA will help develop toolkits and guidelines to enhance government capacity to formulate, appraise, and approve quality PPP projects. The TA will help prepare guidelines for the MOF on risk appraisal, assessment and risk sharing, and an interactive process flow guidance tool.<sup>13</sup> Model documents will be developed to guide sponsor agencies in the content and format of typical documents used to set up PPP projects. These will include request for qualification (RFQ) and request for proposal (RFP) documents for the selection of technical and financial consultants, legal advisors, and transaction advisors. To facilitate learning and knowledge exchange, a twinning partnership will be established with a PPP agency from another country. A comprehensive PPP website will be further developed as a

<sup>12</sup> Following the PPP Forum in 2013, the government has a deeper appreciation of how the private sector may contribute to growth through PPPs. A number of projects are being developed currently (including those by development partners) and, typical of the early stages of any PPP program, only a few of those will progress to completion. Therefore, only two projects are expected to be operating by 2022.

<sup>13</sup> The process flow tool will cover the key phases in the PPP process: project identification (strategic planning, prefeasibility, PPP suitability, and internal clearances); project development (feasibility, preparation of the procurement process, in-principle clearance by appraisal authority, procurement, final clearance, and contract award); and project implementation (contract management and implementation monitoring).

one-stop information platform covering (i) legislation; (ii) guidelines, model documents, sample financial models, and reference materials; (iii) dedicated project pages containing prefeasibility studies, feasibility studies, and tender documents; (iv) active and closed tenders; and (v) local and international press coverage.

**10. Output 3: Business cases for financial support and risk guarantee mechanisms prepared.** Government support for PPP projects through financial or guarantee mechanisms is an essential element of a comprehensive PPP framework. In the initial stages of the development of a PPP market, such support can signal the government's commitment to its PPP program and steer private sector funds to PPPs. The TA will assess the need for and, if warranted, develop the business cases including regulations for (i) financial support mechanisms for economically justified PPP projects that fall short of financial viability, and (ii) appropriate guarantee mechanisms.

**11. Output 4: Pipeline of bankable projects developed.** Operational knowledge and experience are essential for skills and capacity to be sustainable, and quality PPP projects can save millions in costs in the long run. The TA will bring together these two essential elements of PPP development. It will help develop a pipeline of projects through learning-by-doing in operationalizing the PDSF (footnote 7).<sup>14</sup> It will also help the government manage PDSF-funded consultants for various project development steps.

### C. Cost and Financing

12. The TA is estimated to cost \$1.1 million, of which \$1.0 million will be financed on a grant basis by the Japan Fund for Poverty Reduction and administered by ADB. The government will provide support in the form of counterpart staff, office accommodation, translation, office supplies, secretarial assistance, logistics, and other in-kind contributions. The cost estimates and financing plan are in Appendix 2.

### D. Implementation Arrangements

13. The TA will be implemented from July 2014 to December 2016. MOE will be the executing agency given its experience with the Investment Climate Improvement Program and related TA projects (footnotes 1, 2, 6, and 11). MOE, the MOF, and the CDA Bishkek will be the implementing agencies.

14. The TA will engage 29 person-months of international and 55 person-months of national consulting services. A multidisciplinary team comprising technical, financial, legal, safeguard and other experts with experience in PPP will be constituted as shown in Table 1. The outline terms of reference are in Appendix 3. The consultants will be engaged on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), as the skills mix and qualifications required under the TA are diverse and difficult to source from one consulting firm. Resource persons will be recruited from ADB member countries using the single-source selection method. Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). ADB will finance the purchase of limited equipment, including hardware for

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<sup>14</sup> The PDSF can be utilized for (i) prefeasibility studies; (ii) technical and financial feasibility studies and project structuring; (iii) environmental and social safeguards, gender, and market studies; (iv) bidding and contracting documents; and (v) transaction advisory services.



the PPP website, which will remain with MOE at the end of the TA. Procurement will be in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

**Table 1: Indicative Consulting Services Inputs**

Position	Person-months
<b>A. International Consultants</b>	
1. Public–Private Partnership Specialist	11.0
2. Legal Expert	7.0
3. Environmental Safeguards Specialist	5.5
4. Social Safeguards and Gender Specialist	5.5
<b>Subtotal (A)</b>	<b>29.0</b>
<b>B. Domestic Consultants</b>	
1. Public–Private Partnership Specialists (2, 12 person-months each)	24.0
2. Finance Specialist	6.0
3. Legal Expert	12.0
4. Management Information System and Web Design Specialist	6.0
5. Communication Specialist	7.0
<b>Subtotal (B)</b>	<b>55.0</b>
<b>Total Inputs (A+B)</b>	<b>84.0</b>

Source: Asian Development Bank.

15. The Central and West Asia Department, under joint venture arrangements through the Public Management, Financial Sector and Trade Division and the Kyrgyz Resident Mission, will monitor the TA implementation with at least monthly communication with the executing agency and implementing agencies, review missions twice a year, and evaluation within a year after TA completion. A knowledge product will be prepared, detailing the nature of reforms undertaken and reforms relevant to the Central and West Asia region. Maintenance of the PPP website after TA completion will be through budget funds and qualified information technology staff.

16. TA implementation assumes the following: (i) the private sector will engage in infrastructure development opportunities in the Kyrgyz Republic, (ii) the implementation of PPP-enabling environment reforms and capacity-building initiatives will be sustained, (iii) trained staff in concerned ministries and municipalities will be retained, and (iv) the development of the PPP market will continue to be a government priority. Risks include a change in government priorities with respect to PPP in infrastructure development, delays in key decisions because of parliamentary processes, and delays in project identification, screening, and the appraisal of projects because of inadequate staff in line ministries, MOE, the CDA Bishkek, and the MOF. Risks will be managed through regular consultations with the government, including attention to the cost of delays in terms of credibility of the government's PPP program and lost private sector participation and investment opportunities.

#### IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$1,000,000 to the Government of the Kyrgyz Republic to be financed on a grant basis by the Japan Fund for Poverty Reduction for Strengthening the Enabling Environment for Public-Private Partnerships, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Increased private sector participation in economic and social infrastructure</p>	<p>Two successfully operating PPP projects by 2022 (Baseline 2013: 0)</p>	<p>MOE (PPP Unit ) website  Annual reports of operators</p>	<p><b>Assumption</b> Private sector engages in infrastructure development opportunities</p> <p><b>Risk</b> Investors may forego opportunities in the Kyrgyz Republic in favor of less risky destinations and/or better-tested PPP markets</p>
<p><b>Outcome</b> Improved government capacity to develop, promote, and implement credible PPP projects</p>	<p>Contract for at least one financially sound and competitively tendered PPP project signed by 2016 (Baseline 2013: 0)</p>	<p>Government gazette and press releases on PPP, including from MOE, the MOF, and the sponsoring agency</p>	<p><b>Assumption</b> Sustained implementation of PPP-enabling environment reforms and capacity-building initiatives</p> <p><b>Risk</b> Parliamentary processes may delay key decisions on the PPP-enabling environment</p>
<p><b>Outputs</b> 1. PPP policy and legal framework implementation arrangements strengthened</p>	<p>Key regulatory amendments based on the PPP Law review approved by June 2015</p> <p>PPP policy approved by January 2015</p> <p>At least one sector or city multiyear investment financing plan is approved by February 2015 and at least two are approved by August 2015</p>	<p>Government legal database</p> <p>Government Decree</p> <p>MOE notifications</p>	<p><b>Assumption</b> Government willingness and ability to establish and fund the proposed financial instruments</p> <p><b>Risks</b> High staff turnover in the PPP Unit</p> <p>Delays in the identification, screening, and approval of projects in line ministries, MOE, and the MOF</p>
<p>2. Capacity of the PPP Unit, the MOF, and line agencies to formulate, appraise, and approve quality PPP projects strengthened</p>	<p>At least three PPP guidelines, toolkits, or model documents put to use by March 2015 and at least six, including gender elements, by July 2016</p>	<p>Project development pipeline on the MOE (PPP Unit) website</p>	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>At least 20 PPP staff (at least four female) in MOE, the MOF, the CDA Bishkek, and line ministries trained in various aspects of PPP by April 2015</p> <p>Twinning partnership for knowledge exchange, with at least one PPP Unit in another country established by April 2015</p>	<p>Workshop attendance sheets and learning evaluations</p> <p>MOE notification</p>	
<p>3. Business cases for financial support and risk guarantee mechanisms prepared</p>	<p>Interministerial comments on business cases finalized by June 2015</p> <p>Structure, guidelines, and regulations for at least one support mechanism (VGF, guarantee mechanism) adopted by November 2015</p>	<p>MOE executive memo</p> <p>Government regulation (PMO)</p>	
<p>4. Pipeline of bankable projects developed</p>	<p>Position papers, including gender elements of proposals, for at least two new projects prepared (excluding those completed as of March 2014) by March 2015</p> <p>At least two well-structured projects developed using the PDSF by February 2016</p>	<p>MOE notifications and the MOE (PPP Unit) website</p>	
<p><b>Activities with Milestones</b></p> <p><b>1. PPP policy and legal framework implementation arrangements strengthened</b></p> <p>1.1 Coordinate the preparation of the PPP policy (by October 2014)</p> <p>1.2 Draft amendments (based on the October 2013 PPP law review) to the legal and regulatory framework and institutional set-up (by December 2014)</p> <p>1.3 Develop guidelines and processes for multiyear investment planning and financing and toolkits for preparing sectoral PPP strategies (by December 2014)</p> <p>1.4 Develop communication strategy to raise PPP awareness of the general public, private sector, and other stakeholders (by December 2014)</p> <p>1.5 Implement communication strategy (February 2015–June 2016)</p> <p><b>2. Capacity of line agencies, PPP Unit, and MOF to formulate, appraise, and approve quality PPP projects strengthened</b></p> <p>2.1 Prepare toolkits, guidelines, and model documents (project identification; PPP suitability filters; risk assessment; risk-sharing arrangements; contractual mechanisms; RFPs; RFQs for hiring technical, financial, legal and transaction advisors) (by February 2015)</p>			<p><b>Inputs</b></p> <p>Japan Fund for Poverty Reduction: \$1,000,000</p> <p>The government will provide counterpart support in the form of counterpart staff, office accommodation, translation, office supplies, secretarial assistance, logistics, and other in-kind contributions.</p>

<p>2.2 Draft environment and gender assessment guidelines, and safeguards and gender policies for PPPs (by February 2015)</p> <p>2.3 Using 2.1 and 2.2, conduct trainings in the four main phases of the PPP process, including on environmental, gender, and resettlement issues (by May 2015)</p> <p>2.4 Update the PPP website structure and design (by November 2014)</p> <p>2.5 Upload appropriate information on the PPP website (February 2015–June 2016)</p> <p>2.6 Prepare executive memo for establishing twinning partnership with a counterpart PPP agency abroad (by January 2015)</p> <p><b>3. Business cases for financial support and risk guarantee mechanisms developed</b></p> <p>3.1 Assess the need and options for setting up a VGF and risk guarantee mechanism (by March 2015)</p> <p>3.2 If warranted by 3.1, prepare executive memo on the scheme, guidelines, and regulations for a VGF and/or guarantee mechanism (by April 2015)</p> <p>3.3 Conduct capacity needs assessment for the proposed mechanisms and develop institutional and human resources development strategies (by August 2015)</p> <p><b>4. Pipeline of bankable PPP projects developed</b></p> <p>4.1 Support the tendering of at least two prefeasibility or feasibility studies (detailing PPP options with social, gender, environmental considerations, financial analyses, project structuring, tender documents, and draft contracts for PDSF-approved projects (by May 2015)</p> <p>4.2 Support MOE in managing PDSF-funded consultants for prefeasibility or feasibility studies (June–November 2015)</p> <p>4.3 Support hiring of transaction advisors (by February 2016)</p>	
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CDA = City Development Agency, JFPR = Japan Fund for Poverty Reduction, MIS = management information system, MOE = Ministry of Economy, MOF = Ministry of Finance, PDSF = Project Development Support Facility, PMO = Prime Minister’s Office, PPP = public–private partnership, RFP = request for proposal, RFQ = request for qualification, VGF = Viability Gap Funding.

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Amount
<b>Japan Fund for Poverty Reduction<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	523.4
ii. National consultants	204.3
b. International and local travel	120.3
c. Reports and communications <sup>b</sup>	20.0
2. Equipment <sup>c</sup>	22.0
3. Training, seminars, and conferences	
a. Facilitators <sup>d</sup>	20.0
b. Training program <sup>e</sup>	35.0
4. Surveys	5.0
5. Miscellaneous administration and support costs <sup>b</sup>	20.0
6. Contingencies	30.0
<b>Total</b>	<b>1,000.0</b>

Note: The technical assistance (TA) is estimated to cost \$1,100,000, of which contributions from the Japan Fund for Poverty Reduction are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, translation, office supplies, secretarial assistance, logistics, and other in-kind contributions. The value of government contribution is estimated to account for 9% of the total TA cost.

<sup>a</sup> Administered by the Asian Development Bank (ADB).

<sup>b</sup> Includes report translation costs.

<sup>c</sup> Includes hardware, web design and other related goods. Procurement will be in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). The equipment will become the property of the Ministry of Economy at TA completion.

<sup>d</sup> Includes honorarium, travel cost, and per diem of resource persons engaged as speakers and facilitators. Resource persons are not expected to be engaged for more than 10 days and will be recruited from ADB member countries.

<sup>e</sup> Includes rent of venue and other facilities, food and beverages, promotion and training materials, and other related costs.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. **Public-private partnership specialist and team leader (11 person-months, international).** The team leader will lead the international and national specialists and be responsible for all technical assistance (TA) outputs. The team leader will provide an inception report within 1 month of the assignment start date. This will include a detailed and appropriately sequenced work plan linked to the design and monitoring framework activities, outputs, and timelines (including outputs and activities of the various team members). In addition to the specific outputs listed in para. 2, two interim reports will be prepared (early-2015 and end-2015) providing (i) an assessment of the progress made, including policies and strategies, toolkits, guidelines, manuals, and trainings; (ii) issues impeding the effective implementation of the TA; and (iii) recommendations for course correction. Brief status reports at appropriate intervals may be requested. A draft final report and a final report will be prepared detailing (i) the achievements of the TA in line with its objective; (ii) further TA requirements and a capacity building action plan; (iii) additional or alternative interventions needed for PPP development in the country, including improvements for the Public-Private Partnership (PPP) Unit and the Fiscal Risk Management Unit of the Ministry of Finance (MOF). The final report will incorporate comments from the Asian Development Bank (ADB) on the draft of the final report. Each consultant will work under the direction of the team leader to develop the reports, processes, and manuals required under the TA; and help deliver a joint, solid, overall output.

2. The team leader will have a professional degree in an appropriate field, which may include business administration, finance, economics, or a related area from an internationally recognized university. The team leader will have at least 15 years of international experience in project finance, advising developing country governments on policy, institutional, and regulatory frameworks for PPPs and in project development. A working knowledge of Russian and work in the former Soviet Union countries would be desirable.

3. With active participation from the PPP Unit, the Fiscal Risk Management Unit of the MOF, and line ministries and agencies, as appropriate, the team leader will oversee the development and delivery of the following: (i) a project development process manual covering the procedural and due diligence processes and steps involved in developing and implementing PPP projects; (ii) tools and guidelines for identifying, screening, and conducting PPP suitability checks on projects; (iii) tools and guidelines for financial viability analysis, risk assessment, and management; (iv) draft model documents for PPP tenders, contracts, request for qualifications (RFQs), and request for proposals (RFPs) to ensure appropriate risk allocation between public and private sector counterparts; (v) training on the use of the guidelines and toolkits, including for preparing project proposals for funding consideration by the Project Development Support Facility (PDSF); (vi) workshops to discuss improvements in the toolkits and guidelines; (vii) a comprehensive section in the PPP manual covering detailed instructions on dispute resolution mechanisms and processes and procedures to be followed (a) during the project identification, planning, preparation, procurement, implementation, and monitoring phases; and (b) for the project to comply with national and local environmental laws and requirements; (viii) position papers on projects being initiated by ministries and the City of Bishkek; and (ix) sample terms of reference (TOR) for prefeasibility and feasibility studies, and transaction advisory services, and where needed, oversee the preparation of prefeasibility and feasibility studies.

4. The team leader will also help (i) undertake rigorous analyses to enable project preparation funding consideration (prefeasibility, feasibility, and transaction advisory) by the PDSF; (ii) disseminate the concept and rationale for government financial support for PPP projects, including Viability Gap Funding (VGF) and guarantees, and the application thereof in

the Kyrgyz Republic context; (iii) the Fiscal Risk Management Unit in the MOF analyze prospective projects and recommend PPP risk allocation; (iv) prepare VGF and guarantee mechanism structure and guidelines, as needed; (v) coordinate with the legal and safeguards experts and coordinate their inputs into project assessments and the PPP process manual; (v) assess the PPP capacity needs of the government, prepare a medium- to long-term capacity-building strategy and training materials (in cooperation with the Japan International Cooperation Agency and other development partners); (vi) establish twinning arrangement(s) with a counterpart in a country known for the successful implementation of PPPs; (vii) the PPP Unit to strengthen its knowledge management function, including institutionalizing the train-the-trainer approach for PPP Unit staff to enable them to conduct PPP trainings for other government staff; (viii) ensure appropriate coordination with development partners; (ix) contribute to the development of the Management Information System (MIS) using the National Infrastructure Information Systems (para. 12); and (x) conduct stakeholder workshops with the public and private sector to ensure adequate consultations on strengthening the PPP policy, legal, and regulatory framework; project development processes; PPP management information systems improvement; and capacity building.

**5. Legal expert (7 person-months, international).** The legal expert will have a post graduate degree in law from an internationally recognized university and 7–10 years of experience in a private law firm acting on behalf of the private or public sector in project finance transactions, including in developing countries. The expert will have experience working with governments on investment projects including PPPs, particularly in post-Soviet Union countries. The ability to communicate in Russian will be an advantage. Specifically, the expert will: (i) draft legal amendments recommended per the review of the PPP law (October 2013); (ii) liaise with project sponsors (government agencies) on all legal and regulatory matters pertaining to their proposals and advise on issues requiring attention; (iii) provide legal advice to the PPP Unit on each project proposed for PDSF funding; (iv) ensure the PPP Unit is kept fully informed on PPP-related legal developments overall, and in specific sectors; (v) provide appropriate inputs to model documents to be developed under the TA; (vi) review sectoral legal matters, laws and policies, as needed, and draft amendments from an international PPP content perspective; (vii) review legal deliverables submitted by PDSF consultants (prefeasibility and feasibility studies) and certify their completeness and accuracy; (viii) help develop standardized contractual provisions and security documents; (ix) act as legal advisor on PPP transactions funded by the PDSF (scope of work could imply legal assistance with drafting notices for the expression of interest, RFP documentation, RFQ evaluation, advising on market sounding, pre-bid conferences, preparing information memoranda, issuance of RFP, and draft PPP (concession) agreements, and assist in bid evaluations, negotiations with preferred bidder and contracts; (x) provide guidance to the PPP Unit, line agencies, and legislative and judicial bodies on PPP-related legal and regulatory reforms based on international best practice; and (xi) train government lawyers and educate representatives of the judiciary in developing and negotiating PPP project agreements and adjudication of PPP disputes, including arbitration options.

**6. Social safeguards and gender specialist (5.5 person-months, international).** The expert will have a relevant degree and at least 10 years of experience in planning, designing, implementing, and/or monitoring the social impact (gender, resettlement, and rehabilitation aspects) of projects, including PPPs. The specialist will help screen and prioritize potential PPP projects by applying appropriate social and gender safeguards criteria, and help develop preliminary project profiles. The specialist will help integrate internationally recognized safeguards principles into the design, criteria, processes, and documentation associated with PPP project identification, development, and tendering, while observing national, ADB, and Equator Principles social and gender safeguards standards. The scope of work will be:

- (i) preparing a draft resettlement and rehabilitation framework and indigenous peoples development framework (IPDF), addressing (a) the purpose and objectives of the draft resettlement and rehabilitation framework and IPDF; (b) summary of the objectives and operational principles of all relevant policies, laws, and guidelines; (c) operational policy and principles of projects to be undertaken under the PPP framework in the Kyrgyz Republic; (d) broad entitlement matrix; (e) strategy and mechanisms for ensuring affected indigenous peoples participation to ensure the accrual of benefits; (f) procedures for formulating resettlement plans; (g) institutional arrangements for preparing and implementing indigenous peoples and resettlement and rehabilitation development plans for PPP projects; (h) procedures for consultation, participation, grievance redressal, and disclosure of resettlement information; (i) safeguard criteria to be used in selecting and designing PPP projects and their categorization criteria; (j) monitoring and reporting requirements and procedures; and (k) responsibilities of the relevant agencies in formulating, reviewing, and approving safeguard planning instruments; and
- (ii) preparing a gender action plan, covering (a) assessment of the existing laws that promote and ensure that women benefit from government's development projects and participating meaningfully in their planning, implementation, and management; (b) based on item (a), recommending changes for mainstreaming gender into key activities of the PPP project cycle; (c) preparing checklists for gender assessments for each PPP priority sector; (d) preparing guidelines and procedures for mainstreaming gender in the PPP project cycle of priority sectors and ensuring inclusion in the PPP manual; (e) ensuring the harmonization of the guidelines with those of international lending institutions such as ADB and the World Bank; (f) undertaking a gender-based PPP capacity assessment in key PPP agencies; (g) ensuring the inclusion of gender components in the PDSF for each of its prefeasibility and feasibility studies; (h) developing gender related briefing and training materials for each of the priority sectors; and (i) training relevant government staff on gender issues vis-à-vis sector and gender assessments.

7. **Environmental safeguards specialist (5.5 person-months, international).** The specialist will possess a relevant degree and at least 10 years of practical experience in planning, developing, designing, implementing, and/or monitoring environmental compliance aspects of complex infrastructure projects. The specialist will help integrate environmental safeguards principles into the design, criteria, processes, and documentation associated with PPP project identification, development, and tendering. The specialist will help screen and prioritize potential PPP projects, applying appropriate environmental safeguards criteria. The specialist will help develop preliminary project profiles and identify potential environmental impacts or compliance matters and their prospective mitigation, while observing national, ADB, and Equator Principles environmental standards. The scope of work will consist of leading the delivery of an ESSF, i.e., a policy and process document, consistent with the governing laws, policies, and regulations in the Kyrgyz Republic and conforming to the blended requirements of ADB, the World Bank, Equator Principles, and similar policies for environmental management safeguards (whichever is more stringent) to be integrated into the operating framework of the PPP Unit and serving as a basis for developing PPP projects in the country.

8. The ESSF will consist of a draft environmental safeguards management policy (ESMP) covering the following: (i) purpose and objectives of the ESMP; (ii) summary of the objectives and operational principles of all relevant policies, laws, and guidelines that are applicable; (iii)



operational policy and principles of projects to be undertaken under the PPP framework in the Kyrgyz Republic; (iv) thresholds, limits, and compliance requirements for environmental impacts; implementation arrangements; (v) procedures for data collection, assessment, consultation, designing mitigations, and the disclosure of environmental impact information; (vi) safeguard criteria to be used in selecting and designing PPP projects and their categorization criteria; (vii) monitoring and reporting requirements and procedures; and (viii) responsibilities of the relevant agencies in formulating, reviewing, and approving safeguard planning instruments. The specialist will also (i) support the development of training materials and capacity building programs; (ii) support stakeholder discussion and workshops; (iii) ensure ADB concurrence with proposed measures (coordinate with relevant ADB staff); and (iv) contribute to the TA interim and final reports (outcome of activities and recommendations for subsequent improvements for the PPP program). Work experience in both developed and developing countries will be required as well as in-depth knowledge of the Equator Principles. Working knowledge of Russian and experience in the former Soviet Union countries will be an advantage.

**9. Public-private partnership specialists (two, 12 person-months each, national).** The specialists will have a good understanding of the concepts and requirements of PPPs and at least 7 years of experience in PPP-relevant engagements with the government or the private sector. Knowledge of government processes relevant to PPPs in the Kyrgyz Republic will be an advantage. The specialists will have a professional degree in an appropriate field that may include Master of Business Administration, finance, economics, or civil engineering from a recognized university; be proficient in English; and have experience in coordinating with various government agencies on policy reforms. One of the specialists will have an engineering background. The specialists will work under the guidance of the team leader and support the (i) preparation of model PPP documents (project identification; PPP suitability filters; risk assessment; risk-sharing arrangements; contractual mechanisms; gender and environmental responsiveness; RFPs; RFQs for hiring technical, financial, legal, and transaction advisors); (ii) line agencies in screening public sector pipelines for projects with PPP potential and preparing project briefs; (iii) preparation of position papers and TOR for PDSF consultants, as needed; (iv) key ministries and agencies in familiarizing with and using the PPP website and MIS; (v) assessment of training needs, development of the capacity building strategy and conduct of training workshops; and (vi) achievement of all tasks per the TOR of the team leader.

**10. Legal expert (12 person-months, national).** The expert will possess a law degree from a recognized university, preferably with postgraduate qualifications in law. The expert will have at least 6 years of experience working with government agencies or law firms on legal and regulatory frameworks for PPP. Knowledge of good practices in national laws and policies pertaining to PPP, contracts, partnerships, commercial, and company laws will be essential. Experience in contracts preparation, and financial and legal due diligence of investment proposals would be desirable. The ability to communicate in English will be required. The expert will work in close coordination with the international legal expert, the international PPP specialist (team leader), and government counterparts and assist with: (i) drafting regulations recommended based on the October 2013 review of the PPP Law; (ii) maintaining contact with all regulatory agencies to ensure the PPP Unit is kept fully advised on PPP-related legal developments overall, and in specific sectors (as needed); (iii) liaising with project sponsors (competent government agencies) on all legal and regulatory matters pertaining to their proposals and advise on problems that may need to be addressed; (iv) identifying and assessing possible legal (and financial) risks for different PPP agreements and recommend appropriate risk mitigation in the Kyrgyz Republic context; (v) developing model contract templates and service agreements for different types of PPP contracts in line with the PPP Law and other applicable laws; (vi) developing model guidelines for different PPP models including

templates for expression of interest, terms of reference, bidding, and contracting documents; and (vii) providing support to the outputs and activities of the international expert.

11. **Finance specialist (6 person-months, national).** The specialist will have a Master of Business Administration or a degree in finance or economics from a recognized university. Some experience in project finance and familiarity with the evolving PPP environments of emerging markets or transition economies will be an advantage. Working knowledge of Russian will be required. The specialist will work under the guidance of the team leader to assist the PPP Unit, the MOF, and line ministries and agencies to (i) understand and undertake preliminary project screening from a risk assessment and quantification perspective; (ii) understand and develop innovative PPP modalities, including support needed in the form of VGF, viability enhancement mechanisms such as output-based aid and others; (iii) understand and assess the commercial, legal, and institutional implications of these modalities and their alternatives; (iv) identify appropriate funding sources, including government grants, commercial debt and equity funds, private sector, and ADB's nonsovereign lending; (v) disseminate government financial support experiences of other countries; and (vi) provide all necessary support as per his or her expertise.

12. **Management information system and web design specialist (6 person-months, national).** The specialist will have a qualification in information systems including website design, at least 5 years of experience in developing and managing MIS for organizations with complex mandates. Under the guidance of the team leader, the specialist will be responsible for (i) developing a central database on PPP projects in the PPP Unit, including developing a methodology and format for collecting, tracking, and monitoring information on PPP projects; (ii) identifying and documenting best practices in PPP MIS and tailoring it to the Kyrgyz Republic context; (iii) ensuring online connectivity to relevant databases in other ministries and agencies to regularly update the central database of the PPP Unit; and (iv) developing technical maintenance specifications for the MIS. This will be done in close coordination with the National Infrastructure Information Systems—an electronic database system developed with ADB support. The consultant will also (i) develop further the PPP Unit website using examples of comprehensive PPP websites from other countries; (ii) ensure linkage to the PPP pages websites of all key agencies; (iii) ensure appropriate public-access to the website; and (iv) train relevant staff on database searching and the use and maintenance of the information system.

13. **Communication specialist (7 person-months, national).** The specialist will have at least 8 years of experience in the preparation of public communications plans, particularly for development projects, with at least three plans successfully implemented at the national level in developing countries on PPPs or a similar area. Extensive stakeholder consultation and facilitation experience will be required. Experience in PPP advocacy, awareness building, and projects will be an advantage. The specialist will work closely with the team leader and other team members (including the two safeguards specialists) to (i) conduct a public communications needs analysis in line with the developing PPP program in the Kyrgyz Republic, directed at key stakeholders in the public and private sector; (ii) design mechanisms such as, but not limited to, workshops to create awareness about PPPs and facilitate stakeholder feedback on economic, financial, environment, gender, and social aspects, as well as other critical aspects of PPPs; (iii) propose communication strategies across multiple stakeholders to address the identified communications needs; (iv) assist the PPP Unit in developing a communications plan detailing the various implementation steps and phases; using tools, including online, to improve the engagement process of stakeholders; periodic monitoring and evaluation of the plan; (v) prepare relevant sections of the TA report; and (vi) support developing appropriate content and communication operations for the PPP website.