

**PROJECT INFORMATION DOCUMENT (PID)**  
**APPRAISAL STAGE**

Report No.: 83326

<b>Project Name</b>	Advisory Support for the Regional Trade Initiatives
<b>Region</b>	Europe and Central Asia
<b>Country</b>	Kyrgyz Republic and Tajikistan
<b>Sector</b>	Energy and Mining
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P145054
<b>Parent Project ID</b>	P145054
<b>Recipient</b>	Ministry of Finance of the Kyrgyz Republic and Ministry of Finance of Tajikistan
<b>Implementing Agency</b>	Ministry of Energy and Industry of Kyrgyz Republic and Open Stock Holding Power Company “Barqi Tojik”
<b>Environmental Screening Category</b>	{ }A { }B { X }C { }FI
<b>Date PID Prepared</b>	November 11, 2013
<b>Estimated Date of Appraisal Completion</b>	December 10, 2013
<b>Estimated Date of Board Approval</b>	N/A
<b>Decision</b>	

**I. Country Context**

The Kyrgyz Republic and Tajikistan are the two lowest-income countries in the Europe and Central Asia region with below US\$1,000 gross national income (GNI) per capita. The two countries inherited the well-developed infrastructure of the former Soviet Union, but are still recovering from the far-reaching impacts of the breakup of established trade and broader relations with other parts of the former Soviet Union, including a rapid decline in living standards, social conflicts (such as the protracted civil war in Tajikistan in the early 1990s, and violence in the Kyrgyz Republic in 1990, 2005 and in 2010). Both are also small, landlocked countries vulnerable to natural disasters and the influence of external economic conditions.

However, given their location in the Tien Shan mountain range, the Kyrgyz Republic and Tajikistan are endowed with abundant water resources and considerable hydropower potential. Since their independence, both countries have launched structural reforms aimed at transitioning toward market-based economies, and both countries have endeavored to improve their energy sectors. The Kyrgyz Republic continues to struggle to stabilize its democratic institutions after the 2010 violence and wide-spread poverty and high energy subsidies are currently stifling the government’s fiscal position. With severely reduced connectivity with its former Soviet neighbors Tajikistan’s energy system is inadequate, causing citizens to suffer each winter from frequent load shedding. Both countries have a limited ability to realize their economic potential if they remain economically isolated and do not expand their options to address energy security challenges.

## **II. Sectoral and Institutional Context**

The energy sectors of both countries rely on abundant water resources that follow seasonal pattern. As a result Tajikistan and Kyrgyz Republic face the problem of surplus power in the summer months and perennial power shortages in the winter months.

Over 90 percent of electricity in the Kyrgyz Republic is produced by the Naryn hydroelectric cascade, which is regulated by the Toktogul reservoir with a storage capacity of 19 billion cubic meters (bcm), enabling multiyear regulation of the cascade operation. The inflows into the cascade are highest during the summer period as a result of snow melts, leading to an electricity surplus and the spillage of water to maintain the downstream flows and, at times, as a result of the reservoir's limited storage capacity. Electricity exports during the summer are made to Kazakhstan based on yearly negotiations, but the price levels are low and the amount is uncertain. During the winter, when demand is high and water inflows are not enough to meet the peak needs for electricity and heating, there are often four to six hours of load shedding. As a short-term measure to deal with this winter energy deficits, the Kyrgyz Republic has been using the proceeds from the summer exports to build up coal and gas supplies. The sector suffers from large losses (in excess of 30 percent of net generation), very low electricity tariffs (less than US\$0.02/kWh), and suboptimal contractual arrangements and payment mechanisms between energy companies.

Similar to the Kyrgyz Republic, Tajikistan relies almost exclusively on hydropower (96 percent of its 4,750 MW of installed capacity) to meet its electricity needs. The Vakhsh cascade follows the same hydrological patterns as the Naryn River, with summer surplus and winter shortages. However, the Nurek reservoir storage capacity is much smaller than Toktogul's and the water spillages in summer are even larger.

The CASA-1000 project aims to set the stage for energy trade between Central Asia and South Asia by allowing export of the existing summer power surplus of the Kyrgyz Republic and Tajikistan to Pakistan and Afghanistan during the peak summer season, when both countries are affected by power shortages and are heavily dependent on costly oil-based generation. The opening up of new export markets, as supported by the CASA-1000 project, would provide an additional steady stream of public revenues available to the Kyrgyz Republic and Tajikistan, which may be invested in energy solutions, including measures to alleviate the winter energy deficit in those countries.

The proposed project will support the Kyrgyz Republic and Tajikistan with the preparation of CASA-1000 project as well as with other regional energy trade initiatives.

## **III. Project Development Objectives**

The development objective of the proposed project is to facilitate the preparation of the CASA-1000 project and other possible regional energy trade initiatives for the Kyrgyz Republic and Tajikistan.

#### IV. Project Description

**Component 1: Technical Assistance.** This component will consist of two key activities:

- (i) Support to the Governments and the working groups to advance the CASA-1000 groundwork by financing country advisors with technical, commercial, legal, environmental and social and other necessary expertise. The country advisors will support the development of commercial agreements, ancillary framework documents (e.g. Technical Code to define operating parameters of the transmission system), agreements on the Account Bank Agreement to manage funds flow, and Operations and Maintenance Agreements;
- (ii) Support to other inter- and intraregional energy trade initiatives by financing relevant assessments, studies, consultation with stakeholders and public outreach.

**Component 2: Operating Costs.** This component will cover operating costs (travel and other logistical expenses) for Kyrgyz and Tajik delegates to facilitate the dialogue and development of regional energy trade initiatives (ongoing or future) and incremental operating expenses for PIUs.

#### V. Financing

Source:	(\$m.)
Borrower/Recipient	-
IBRD	-
IDA	-
Others (CAEWDP Multi-donor Trust Fund)	0.6
Total:	0.6

#### VI. Implementation

The grant will be implemented and monitored by the Joint Energy Project Implementation Group (JEPIG) established under the Ministry of Energy and Industry in Kyrgyz Republic and by the Project Implementation Unit (PIU) under the state-owned vertically integrated power company “Barqi Tojik” in Tajikistan.

#### VII. Safeguard Policies (including public consultation)

As the grant will provide continued financing for the country advisors of the Kyrgyz Republic and Tajikistan for the CASA project it will not cause any direct or indirect environmental and social impacts and thus is qualified as Category C for which no further EA activities are required.

Safeguard Policies Triggered by the Project	Yes	No
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in Bank-Supported Projects ( <a href="#">OP/BP 4.00</a> )		X
<a href="#">Environmental Assessment</a> ( <a href="#">OP/BP 4.01</a> )		X

Natural Habitats ( <a href="#">OP/BP 4.04</a> )		X
Pest Management ( <a href="#">OP 4.09</a> )		X
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )		X
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )		X
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )		X
Forests ( <a href="#">OP/BP 4.36</a> )		X
Safety of Dams ( <a href="#">OP/BP 4.37</a> )		X
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*		X
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )		X

## VIII. Contact point at World Bank and Borrower

### World Bank

Contact: Mr. Sunil Kumar Khosla

Title: Senior Energy Specialist, Europe and Central Asia Region

Tel: +1 202 473 4011

Email: [abalabanyan@worldbank.org](mailto:abalabanyan@worldbank.org)

### Implementing Agencies

Ministry of Energy and Industry of Kyrgyz Republic

Contact: Mr. Ernek Kerimbaev

Title: Director of Joint Energy Project Implementation Group (JEPIG)

Tel: +996 312 560332

Email: [unipiu\\_kg\\_2010@mail.ru](mailto:unipiu_kg_2010@mail.ru)

Open Stock Holding Power Company “Barqi Tojik”

Contact: Mr. Makhmadamin Aminov

Title: Executive Director of PRG ELRP

Tel: +992 37 2956322

Email: [elrbt@gmail.com](mailto:elrbt@gmail.com)

## IX. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>

---

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas.