

Cover Page for Project/Program Approval Request

1. Country/Region:	Tajikistan	2. CIF Project ID#:	PPCRTJ038A
3. Source of Funding:	<input type="checkbox"/> FIP	<input checked="" type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:	<i>Tajikistan: Enhancing the Climate Resilience of the Energy Sector</i>		
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input checked="" type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant: USD 10 million</i>		<i>Non-Grant:</i>
7. Implementing MDB(s):	<i>EBRD</i>		
8. National Implementing Agency:	<i>Barki Tojik (Tajik electricity company)</i>		
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point: Craig Davies, Senior Manager – Climate Change Adaptation, EBRD</i>		<i>TTL: Ramses Ruziev, Associate Banker – Power & Energy Utilities, EBRD</i>
10. Project/Program Description (including objectives and expected outcomes):			

The request is for a project to enhance the climate resilience of Tajikistan's hydropower-dominated energy sector in Tajikistan through an integrated programme of activities designed to i) improve the enabling environment for climate-resilient energy security, ii) strengthen institutional capacities for climate-resilient hydropower operations, and iii) implement the first phase of a climate-resilient upgrade of a major hydropower plant as a ground-breaking demonstration project. This project adopts a highly innovative approach in which PPCR resources are used to have a catalytic and transformative effect on a larger volume of investment. It also provides a replicable investment model for climate-resilient upgrades of other hydropower systems in Tajikistan hydropower plant, and which could also be transferred to other countries.

This Project aims to enhance the climate resilience of Tajikistan's energy sector through a multi-layered approach, with a specific focus on Sugd province. This will facilitate targeted interventions that will generate lessons and experience that could subsequently be transferred elsewhere in Tajikistan and beyond. The project scope will go far beyond current practice in the Tajik energy sector by enabling climate change impacts on energy infrastructure and energy security to be better understood and managed. The intention is to help Tajikistan move towards current best available practices in such as those used in OECD countries where climate resilience is beginning to be mainstreamed into energy sector planning and investment, including hydropower operations. This approach is fully in line with the objectives of the SPCR and supports the Government of Tajikistan's strategic objectives of upgrading the country's energy infrastructure, especially hydropower facilities. It addresses some of the most significant barriers to improving the climate resilience of the energy sector by supporting improved policy making and investment planning, building capacity and expertise in key institutions, and introducing best-practice approaches. There is a need for demonstration and initial market transformation in order to ensure the uptake of best practice technology and practices and to raise the capacity of responsible institutions and the energy industry more broadly to be able to implement modern regulations, including emerging best practice on climate resilience. This Project will pursue this by combination of investment, technical assistance and policy dialogue, building on EBRD existing engagement in energy sector upgrades and reforms and in close collaboration with other PPCR activities and IFI initiatives. The key partner in this project will be Barki Tojik, a Tajik electricity company that owns and manages most the country's hydropower facilities.

PPCR grant finance of USD 10 million is being requested for this project, in line with the indicative allocations that were made under the SPCR. However, as the investment needs for this project have turned out to be greater than originally anticipated, the following additional resources are also being requested for this project (under separate covering documents):

- Additional USD 1 million (grant) from the additional PPCR resources that were allocated to Tajikistan; and
- Additional USD 10 million (concessional finance) from the PPCR competitive set-aside.

11. Consistency with Investment Criteria:

Tajikistan's Strategic Programme for Climate Resilience (SPCR) acknowledges the high vulnerability of Tajikistan's energy sector to climate change, and identifies this as a crucial dimension of the country's overall vulnerability to climate change, and as a critical threat to the economic well-being, livelihoods and energy security of the Tajik population. Tajikistan's hydropower plants and indeed its entire energy system are already vulnerable to extreme weather events, as made clear by the World Bank's recent Tajikistan Winter Energy Crisis study (2012). These vulnerabilities are being exacerbated by climate change. As detailed in Tajikistan's Second National Communication to the UNFCCC, Tajikistan's hydropower plants are highly vulnerable to the projected impacts of climate change as they depend upon river basins fed by glacial melt water and snowmelt. Most climate models predict significant changes in the dynamics of Tajik glaciers, snowmelt and precipitation as the climate warms. The International Commission on Large Dams (ICOLD) has already emphasized the urgent need to adapt older dams to cope with the impacts of climate change. At the same time, Tajikistan's Poverty Reduction Strategy emphasizes the importance of increasing the availability of affordable energy and using Tajikistan's abundant hydropower resources to promote economic growth and development. Hydropower provides around 98% of Tajikistan's electricity, while to date only about 10% of the total hydropower potential of 40 GW is being utilized. There is a significant energy deficit, especially in winter, due to the unreliable electricity supply. In line with these challenges, Tajikistan's SPCR argues that in order to safeguard Tajikistan's development, there is an overwhelming case to improve the climate resilience of the hydropower sector by building the technical and institutional capacities of hydropower operators and investing in climate-resilient upgrades of hydropower facilities.

12. Stakeholder engagement:

This Project approach has been developed through an extensive programme of research, analysis and consultation over the period 2010-13. Extensive analytical work and consultation was carried out during PPCR Phase I as part of the *Project A4: Improving the Climate Resilience of Tajikistan's Hydropower Sector*. This resulted in in-depth analysis of the implications for climate change for Tajikistan's hydropower sector that provided a fundamentally important basis for the subsequent development of project activities. A major stakeholder workshop involving government, businesses, civil society and international partners was then held in March 2012 in Dushanbe, organised by the PPCR Secretariat and hosted by Barki Tojik,. The findings of the PPCR Phase I energy sector work were analysed and discussed by a wide range of Tajik stakeholders, and specific recommendations on PPCR Phase II activities in the energy sector were made. Following this workshop, the analysis and recommendations from the PPCR Phase I study and the March 2012 workshop were fed into a major EBRD-managed Feasibility Study of the rehabilitation of Kairakkum hydropower plant, which enabled the Phase I research and analysis to have a significant transformative impact on the design of a major investment programme. In addition, the project includes a full environmental and social analysis, in line with EBRD's Environmental and Social Policy, which will be carried out before loan signing and before the detailed project design is finalised. This entails the development of a Stakeholder Engagement Plan, which will set out how communities and other stakeholders within the project's zone of influence will be consulted and involved in project implementation. This will include a gender component to ensure that women are enabled to equally benefit from the project and that their specific needs and constraints are taken into consideration, along with those of other community views, and then fed in to project implementation.

13. Gender considerations:

This Project will fully integrate gender issues in its design and implementation. It has been developed with the active input of EBRD's Gender Team. Firstly, Activity I will include a strong gender perspective that will make a fundamental contribution to the design of the household-level surveys of energy security and climate vulnerability, which will in turn be used to inform the development of an improved framework for energy sector policymaking and investment planning. Furthermore, Activity III will involve the development of a Stakeholder Engagement Plan, which will set out how both men and women of the communities within the Project's zone of influence will be equally consulted and involved in project development. This will include a gender analysis to ensure that all community views are fed in to the analysis. The additional costs incurred by the inclusion of gender-focused activities will be met by the additional technical cooperation grants being leveraged by EBRD from its Early Transition Countries Fund.

14. Indicators and Targets (consistent with results framework):

Core Indicator	Target
A2.1 (core): Degree of integration of climate change in national, including sector planning - e.g., national communications to UNFCCC, national strategies, PRSPs, core sector strategies, annual development plans and budgets, and NAPs	Climate resilience issues integrated into energy sector policymaking and investment planning, and also fed into relevant government-wide policies and strategies
B2 (core): Evidence of strengthened	Institutional capacity at Kairakkum hydropower

government capacity and coordination mechanism to mainstream climate resilience	plant to manage climate risks	
	Capacity developed within Barki Tojik and Tajikhydromet to build climate resilience into hydropower investment planning and management	
B3 (optional): Evidence showing that climate information products/services are used in decision making in climate sensitive sectors	Improved hydro-meteorological data and forecasts that take into account climate change projections to be used to inform hydropower facility operations (e.g. dam operator rules, flood response procedures)	
B5 (core): Quality of and extent to which climate responsive instruments/ investment models are developed and tested	Integration of climate change resilience features into Kairakkum hydropower plant rehabilitation	
	Replicable model for planning, developing and implementing climate-resilient upgrades of hydropower facilities developed and tested	
	Adoption of best practices as used by hydropower operators in OECD countries by Barki Tojik and other relevant Tajik institutions	
15. Co-Financing:		
	<i>Amount (in USD million):</i>	<i>Type of contribution:</i>
• MDB (EBRD)	46.6	Loan
	1	Grant
Co-Financing Total:	47.6	
16. Expected Board/MDB Management approval date:		
29 November 2013 (subject to PPCR Subcommittee approval of PPCR contributions)		