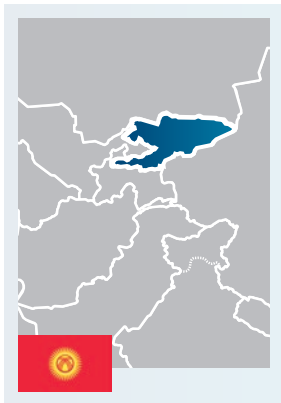


Kyrgyzstan

CONNEX supports the government to prepare for public tenders



Challenge

The Central Asian state of Kyrgyzstan has substantial natural resource reserves, which play a key role in the country's economic development. In 2018, tax revenues from the mining sector accounted for around 7 per cent of state income¹. To make the most of this potential, Kyrgyzstan relies on foreign investments. The Kyrgyz Government plans to use public tenders to attract international

investors with a view to developing Kyrgyzstan's mining sector. However, it lacks the experience and capacity needed to prepare and implement tender procedures of this kind and the subsequent licensing processes in line with international standards.

A structured approach to preparing tender documentation with a focus on international standards is essential for awarding mining licences in an effective and sustainable way. This includes providing as comprehensive and accurate an assessment as possible of the natural resource reserves, so that both the government and any interested investors can assess the financial feasibility of a project. This lays solid foundations for future negotiations.

The Role of the CONNEX Support Unit

In early 2018, the Kyrgyz State Committee for Industry, Energy and Mining (SCIEM) asked for help with the tender procedure for two mineral deposits. The government was uncertain as to whether the deposits would hold up to international competition and requested support for assessing the reserves in accordance with international standards and developing the necessary tender documents.

A team of geologists was seconded by CONNEX to assist SCIEM in examining the deposits based on information and geological data available. A market analysis was carried out to set these deposits against the requirements of the international raw materials market and assess their potential and marketability. The experts also scrutinised the tender procedure that SCIEM was intending to use and offered recommendations on how it could be improved.

Impact

The assessment revealed that the existing database for the two deposits was not sufficient for determining the value of the



reserves. A tender procedure based on inaccurate project evaluations and flawed cost estimates risks attracting unsuitable or speculative investors who do not have the technical expertise nor financial resources needed to use the deposits to their full potential and thus generate the expected government revenues. Moreover, contracts with unsuitable investors harbour a greater risk of becoming embroiled in costly legal disputes, which would be an additional drain on government funds. With this in mind, the experts advised against putting the deposits out to tender too soon. SCIEM decided to follow this advice and delay calling for tender for one of the projects. The second project was delisted from the tender projects by SCIEM after reassessment. This gives the government the opportunity to benefit from the full potential of these deposits in the medium to long term.

SCIEM can draw on this critical reflection on its own processes when it comes to planning future mining projects, too: the government is now better placed to define the framework conditions required for a successful tender procedure and take action accordingly. In the medium and long term, better-prepared tenders will enable Kyrgyzstan to position itself as a reliable partner for potential investors.

¹ Kyrgyz Republic EITI Report for 2015-2017:

https://eiti.org/files/documents/en_2015-2017_eiti_report_kyrgyz_republic.pdf

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