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## **KYRGYZSTAN: RUSSIA PUSHING TO GET DAM MONEY BACK**

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No sooner had Kyrgyzstans parliament canceled deals with Russian companies to build two major hydropower plant in January, talk began of having to pay money back.

With more than six months having elapsed since that decision, Russia is now raising the issue anew, demanding the return of \$37 million its companies sunk into the projects, RFE/RL has reported.

The deal agreed between Kyrgyzstan and Russia on construction of the Upper Naryn cascade and Kambarata-1 hydropower projects, which were to be built by RusHydro and Inter RAO UES, respectively, officially expired on August 9.

Kyrgyzstan has, on paper at least, been candid about its obligations since day one. In January, deputy Economy Minister Nurlan Sadykov said that \$37 million spent on a worker dormitory, cement production facility and other items would be reimbursed.

There was one catch though.

Sadykov added that money would be returned only once Kyrgyzstan had found new investors for the projects in question.

Kyrgyzstan has fully abided by the obligations placed upon it by the project [agreement], he said.

Sadykov said that while Kyrgyzstan allocated the necessary land for work, Russia had failed to provide funds required develop it in the required timeframe.

The lack of financing was what became the cause of the cancellation of the deal, he said.

No alternative has materialized and it does not appear that Bishkek has made especially concerted efforts to seek out such a party. Generating interest from individuals, companies or states will be tough given the likely costs. RFE/RL explains how the initial estimate for the Upper Naryn cascade was calculated at \$400 million, but that this figure later rose to \$700 million. And Inter RAO UES was contemplating \$2 billion investments into Kambarata-1.

Soon after the dam deals were nixed, loyal members of parliament began sniffing around for opportunities to row back on the debts by detecting supposed irregularities during preparations for the projects. Kyrgyzstan's parliament is a past master at finding ways to put pressure on foreign investors.

But Russia is no lily-livered Western company and Kyrgyz attempts to play hardball will likely be met with a hostile reaction. Since Bishkek is not in any obvious position to spare even the relatively modest sum of \$37 million, however, the question arises as to what Moscow will ask for.

One possibility is that the debt could be magnanimously waived in return for renewed loyalty. Kyrgyzstan has arguably shown little of this in recent months with its serial snubbing of patently Kremlin-inspired legislation.

Another scenario would be for Kyrgyzstan to beg forgiveness and agree to restore the original dam deals in some shape or form. There is no immediate benefit in this for either party though, since it would represent a major loss of face for Bishkek, and Russian companies appear unable and unwilling to fulfill those contracts under the current economic conditions.

In the short-term, an uneasy status quo is the likely scenario. This plays primarily in Moscow's interests since the Kremlin prefers its subordinate partners to exist in a state of semipermanent anxiety, always aware of obligations that can be called at any moment.

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Kaynak/Source: