



# Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 27-Dec-2019 | Report No: PIDISDSA28479



**BASIC INFORMATION**

**A. Basic Project Data**

Country Kyrgyz Republic	Project ID P167428	Project Name Kyrgyz Republic Regional Economic Development Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 27-Dec-2019	Estimated Board Date 19-Mar-2020	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Community Development and Investment Agency (ARIS)	

Proposed Development Objective(s)

The Project Development Objective is to support the Government of the Kyrgyz Republic (GoKR) to enhance regional economic development through targeted interventions in the selected sectors in the Osh region.

Components

- Improving Regional Economic Planning and Regulatory Functions
- Strengthening Agri-Food Supply Chains and SMEs
- Catalyzing investments for tourism and urban development
- Supporting Tourism and Rural Development through Small Grants
- Implementation Support and Monitoring and Evaluation

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	60.00
<b>Total Financing</b>	60.00
<b>of which IBRD/IDA</b>	60.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**



International Development Association (IDA)	60.00
IDA Credit	30.00
IDA Grant	30.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

**B. Introduction and Context**

Country Context

- The Kyrgyz Republic is a land-locked, mountainous country of 6 million people with considerable economic potential given its rich natural endowments and strategic location.** Relative to its Central Asian neighbors, the Kyrgyz Republic enjoys a more liberal political regime and a lighter state footprint in the economy. Its strategic geographic location gives it full access to the Eurasian Economic Union (EEU) while sitting at the crossroads of the large Chinese, South Asian and Russian markets. Its rich, largely unexploited natural endowments hold great potential for significantly expanded agriculture and tourism activities.
- The country’s economy has grown at a quick pace between 2000 and 2018 and yielded significant overall welfare gains and poverty reduction; but the momentum has slowed, and many challenges remain.** Since the turn of the century, the main drivers of economic growth have been gold extraction<sup>1</sup> and worker remittance,<sup>2</sup> which fueled domestic consumption. This growth model has enabled the economy to grow at an average rate of 4.5 percent over the 2000-2016 period, continuing strong at 4.7 percent in 2017, 3.5 percent in 2018 and projected at 4 percent for 2019.<sup>3</sup> The poverty rate decreased dramatically in both urban and rural areas, from 52 percent in 2005 to 21 percent in 2009,<sup>4</sup> but has been uneven since then. In 2018, 22.4 percent of the population lived below the national absolute poverty line, while 0.6 percent lived in extreme poverty. A large proportion of the population is clustered just above the poverty line, with a high risk of falling into poverty due to exposure to shocks and insufficient safety nets. Poverty also differ significantly among the regions, with the southern Oblasts (regions) in the Fergana Valley (Batken, Jalalabad and Osh) having lower per capita income, higher unemployment, lower human development indices, and more limited access to services.

<sup>1</sup> The economy’s reliance on gold accounts for about 10% of GDP and is highly reliant on one large gold mine, Kumtor.

<sup>2</sup> Worker remittances is equivalent to about 30% of GDP in 2011-2016, and rising to about 35% of GDP in 2017.

<sup>3</sup> The Kyrgyz Republic Economic Update No. 9, summer 2019, World Bank.

<sup>4</sup> Measured at the international \$3.2-a-day line (2011 PPP). Kyrgyz Republic Country Partnership Framework FY19-22, October 20, 2018, World Bank.



3. **Across the country's seven regions, an increase in regional disparities has been observed in both population distribution and economic activity over the past decade.** The population in the Kyrgyz Republic is concentrated only in a few regions, with the two largest cities of Bishkek and Osh and their surrounding oblasts accounting for roughly 56 percent of the country's total population. Further, although the country has seen a steady increase in the average Gross Regional Product (GRP) per capita since 2006, the gap between the poorest and the richest regions has widened, particularly since 2010.<sup>5</sup> Similar trends have been observed in other economic<sup>6</sup> and social indicators. In part, this is due to 95 percent of the country's territory being covered by mountains and valleys, making it difficult to improve connectivity and deliver infrastructure and basic public services. While spatially uneven economic geography is a common phenomenon, a lack of integration between leading and lagging regions has hindered the Kyrgyz Republic in spreading the benefits of agglomerations more broadly. This has resulted in severe and growing disparities not only in productivity, but also in living standards. Improving connectivity and market accessibility linking to urban centers and towns are therefore, critical for improving economic growth and enhancing livability in the regions.
4. **The country is highly exposed to natural hazards and disaster risks, and ranks as the third most vulnerable country to the effects of climate change in the ECA region.**<sup>7</sup> A large proportion of Kyrgyz households are heavily dependent on livelihoods that are strongly exposed to environmental and climate vulnerabilities. The Kyrgyz Republic is classified as the most seismically-dangerous territory in Central Asia (96.7 percent of the population live under high seismic risk) and it is also exposed to frequent flooding (annually, about 80,000 people are affected with about US\$60 million lost in potential GDP), landslides and mudflows. The economy and households are highly vulnerable to climate change because of both the low adaptive capacity of the economy and the high climate-sensitivity of its growth drivers. Growth opportunities are firmly linked to environmental resources, particularly in agriculture<sup>8</sup> and tourism as well as hydropower, extractives and forestry. The government is keenly aware of the need to complement its growth and poverty reduction initiatives with efforts to address the key challenges in social and environmental sustainability and exposure to disaster risks, including managing the transition from a predominantly rural to an increasingly urban society and economy.
5. **Governance remains a defining challenge for the Kyrgyz Republic with uneven progress over the past decade.** Relative to other low- and middle-income countries (LMICs) and even to low-income countries, the Kyrgyz Republic falls well behind average performance in key dimensions in the Worldwide Governance Indicators, including rule of law, control of corruption, and political stability. Public policy has too often been unpredictable, distortive, or inefficient and there has been too little focus on providing an enabling environment for an inclusive private sector.

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<sup>5</sup> While in 2010 the richest region had a GRP per capita 4 times higher than the poorest region, by 2015, the richest region has a GRP per capita 6 times higher than the poorest region. As a reference in the EU leading (mainly metropolitan) regions have, on average, 2.3 times the GDP per capita of the poorest region in their country – (Farole et al. 2017).

<sup>6</sup> Economic activity as proxied by the brightness of nighttime lights, is highly concentrated in one major mining site (Kumtor gold mine), as well as a few population centers located around relatively flat regions of the territory, such as Bishkek and its surrounding cities in the Chui valley, and Osh city, Jalal-Abad city, and the surrounding areas on the Fergana valley. While these regions have consolidated as the growth engines of the country, others, most notably Osh, Batken and Naryn oblasts in the Southern part of the country, have continued to lag.

<sup>7</sup> The World Bank, *Adapting to Climate Change in Europe and Central Asia*, 2009.

<sup>8</sup> Currently, 26 percent of the population is dependent on agriculture.



- 6. Gender inequality remains a challenging issue especially related to economic and political empowerment.** According to the Country Partnership Framework (CPF) 2019-2022 (Report No. 130399-KG, discussed by the Board on November 13, 2018), women are less likely to be employed and, when employed, they earn on average 30 percent less than men. The gap in wage levels between men and women has widened between 2013 and 2017, indicating a severe lack of appropriate economic opportunities that could potentially lead to serious social as well as economic issues. This has been further confirmed by *Spatial analysis to support regional integrated development in the Kyrgyz Republic* conducted by the Bank for the project preparation. Despite abundant female working-age population especially in urban areas, female labor force participation is low. While the nationwide difference in employment rates between males and females had increased from 24 percent in 2014 to 29 percent in 2017, this gap had widened over time across all regions, including Osh. The region has suffered from an increase in the female employment gap, growing from 15 percent in 2014 to almost 35 percent in 2017. Osh city has been leading the list since 2014 with almost 45 percent difference in employment rate between men and women in 2017. In addition, Various studies, including the World Bank's (the Bank) 2011 report on gender, confirm that access to SME finance is limited for women-led businesses. Female entrepreneurs only have access to short-term loans (a minimum of US\$500 to a maximum US\$10,000) and lack of collateral limits women's access to bank finance.

#### Sectoral and Institutional Context

- 7. The 2018 Strategic Country Diagnostic identified agriculture, tourism, hydropower and mining as key sectors that build on the country's strong base of natural and cultural resources to generate economic growth.** In the Region of Osh, agriculture and tourism represent those with the potential to propel broad based private sector development. Moving on the dual fronts of improving Osh's urban livability and services as an anchor of tourism in the region and simultaneously taking concerted steps to boost agricultural development in the adjacent rural areas represents the core of a multi-pronged development strategy which aims to tackle the growth, jobs, and inequality challenges.
- 8. In both sectors, efforts to boost competitiveness and improve the delivery of services are central to the Government's approach.** In the agriculture sector, interventions tailored to the specific needs of small producers are crucial to poverty reduction and regional economic growth. Agricultural labor productivity remains low and a large share of farms in Osh are very small-scale. An approach aimed at promoting higher-value crop production, niche marketing, and quality improvement is needed to help small farms maximize their limited resources. This is especially important as adherence to an increasingly sophisticated regulatory environment driven by export requirements remains a hurdle for smaller producers. In the tourism sector,<sup>9</sup> strategic interventions and dedicated investments to become internationally competitive, and the Osh region represent a potential "anchor" of untapped tourism potential. In addition to efforts being taken at a national, systemic level (tourism is identified as one of the four priority sectors for economic development the Kyrgyz Republic's National Sustainable Development Strategy),<sup>10</sup> concrete interventions in basic infrastructure and tourist

<sup>9</sup> The Kyrgyz Republic is ranked 118th out of 145 countries in the World Economic Forum Travel & Tourism Competitiveness Index 2017, far behind regional competitors such as Kazakhstan (81th) and Tajikistan (107th)

<sup>10</sup> The Government's Tourism Sector Development Program for 2019-2023 outlines 19 priority sites across 7 regions, for restoration, preservation and promotion as tourist attractions, including the Suleiman-too museum and Uzgen historical and cultural complex in Osh region.



amenities are needed, especially in regions like Osh, which holds high potential for tourism development. Osh contains rich historical, cultural and natural assets, and is strategically located at the crossroads connecting the Kyrgyz Republic with China, Uzbekistan and Tajikistan and where cultural and nature-based tourism represents an underexploited opportunity in the country and has large potential for development (including to diversify tourism arrivals).

9. Thus a two-pronged approach building on the economic potential of the region and its comparative advantages forms the centerpiece of the Government's efforts to boost development in Osh. On the one hand, addressing the agriculture sector challenges specific to the smallholder-driven nature of the sector and the need to take concrete steps to improve private sector performance, and on the other hand, to implement a comprehensive tourism initiative beginning with critical investment in the core urban areas, reflecting Government's recognition that regions can only reach their potential is by leveraging regional cities (or growth poles) as growth engines, consistent with the recently approved Regional Development Strategy (2018-2022).<sup>11</sup> This strategy focuses on improving the efficiency of urban growth, creating more livable, attractive and greener cities to better manage disaster risks and enhance the delivery of municipal services in order to address spatial inequalities and increase the efficiency of public expenditures.

### **C. Proposed Development Objective(s)**

Development Objective(s) (From PAD)

1. The Project Development Objective is to support the Government of the Kyrgyz Republic to enhance regional economic development through targeted interventions in the selected sectors in the Osh region.

Key Results

2. PDO indicators reflect the theory of change and attempt to measure the intended results achieved from improved capacity of both national and subnational governments and private sector entities with a particular focus on the tourism and agriculture sectors. The proposed PDO indicators are:
  - (a) Increase in the sale of agricultural products by project beneficiaries (Percentage),
  - (b) Increase in the number of tourist arrivals at sites supported under the project (Number), and
  - (c) Increase in the number of people provided with improved urban living conditions (CRI, Number)
3. Special focus will be given to the distribution of benefits by gender, based on analysis conducted and data generated under the project through intermediate level indicators.

### **D. Project Description**

4. The RED will focus on enabling regional economic development with a focus on catalyzing private sector development, and on building the capacity of urban centers to serve as the hubs for regional development. Project interventions will include a tailored package of investments and activities aimed at: (i) boosting the region's economic potential; (ii) elevating living standards; and (iii) strengthening the institutional and private sector capacity in the target areas.

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<sup>11</sup> Approved by the Decree Jogorku Kenesh of the Kyrgyz Republic, April 20, 2018, No. 2377-VI



5. **Component 1: Strengthening Regional Economic Planning and Regulatory Functions (US\$ 5.5 million).** Interventions proposed under this component are aimed at building capacity for regional economic development planning at the central and regional levels and enabling relevant departments of the Ministry of Agriculture, Food Industry and Melioration (MAFIM) in the Osh region to fulfill their mandate of provision of key public services, including effective regulation. This component will comprise two sub-components:
6. **Sub-component 1.1: Enhancing Regional Economic Planning (US\$ 1.5 million).** This sub-component will support the development and implementation of a *Regional Economic Development Plan*. The Plan will seek to identify, *inter alia*, policies, priority actions and institutional requirements for effective integrated regional economic planning and development of the region and its main economic corridors. The plan will be developed by the subnational government and will focus on identifying opportunities to boost regional economic potential through inclusive, integrated and climate smart initiatives. Financing will also be allocated for specific capacity building opportunities for the staff of public institutions to enable them to better manage and promote the assets generated under the project and enable the private sector to offer improved services. While the focus largely will be on Osh city and region, the key staff of the relevant ministries (for example, the Ministry of Economy (MOE), the Ministry of Culture, Information and Tourism, the MAFIM) will also benefit from capacity building activities to enhance their knowledge for better regional development planning, coordination, and policy making. Support will be provided for the sustainable and long-term use of the selected assets developed and regenerated under the project by developing plans and required instruments. The sub-component will also promote sustained coordination between the center and the region through the use of appropriate technologies and practices (for example, digital platform for regional development investments prioritization and selection).
7. **Sub-Component 1.2: Improving basic agricultural services and regulatory functions (US\$ 4.0 million).** This sub-component will improve the infrastructure and services that underpin agri-food marketing and trade in Osh with a focus on strengthening capacity for sanitary and phytosanitary (SPS) control, food quality, and basic services. The sub-component will upgrade facilities located in Osh city and region relating to food safety functions, complementing on-going investments to upgrade SPS capacity to align with EEU and WTO standards. This will include financing for laboratory equipment and facilities upgrading at border control points and upgrading sampling capacity at the district/rayon level. Support will also be provided to upgrade seed certification and soil analysis functions in Osh to support investments in component 2. This will include upgrading the existing seed laboratory in Osh to achieve International Seed Testing Association (ISTA) certification and targeted investment for Osh Technological University and Osh Agricultural College to upgrade their training capacity and equipment on agricultural export markets requirements, food safety regulations, HACCP, and modern food processing technologies. A detailed feasibility assessment for upgrading existing facilities will be conducted in the first year to detail technical specifications and required infrastructure upgrades.
8. **Component 2: Strengthening Agri-Food Supply Chains and SMEs (US\$ 25.5 million).** This component will facilitate the development of partnerships between agri-businesses and small agricultural producers to finance targeted investments that improve quality and expand production/processing volumes. The component will utilize a value chain development approach (productive partnerships) that is based on facilitating and organizing producer groups to meet specific market requirements and link with buyers/aggregators or processing enterprises. The aim of investments will be to: (a) improve



access to markets and increase quality and consistency in the supply of relevant outputs; (b) stimulate cooperation within the value chain; and (c) reduce risk and transaction costs for value chain participants.

9. The project will facilitate the development of productive partnerships on a demand-driven basis during implementation. A productive partnership would cover multiple producer groups in and across one value chain – including farmers, collectors, processors, traders, and exporters. Each productive partnership will be expected to target a specific market opportunity; be managed by a lead farmer group, producer organization or cooperative; identify an investment program targeting critical constraints; and include *bona fide* market opportunities with identified buyers/partners. Each partnership will be governed by a framework agreement between ARIS, the lead producer group and the buyer/aggregator or processing enterprise.
10. Financing for activities within a partnership will take place through two windows. The first window is a public investments window that will finance public services and infrastructure critical to improving the functioning of the value chain targeted in the partnership:
  - (a) Window 1 will finance technical assistance and training for producers and other services around quality assurance, pest and disease control and food safety improvements and public infrastructure rehabilitation (i.e. access road repairs, electricity infrastructure, and other agriculture related infrastructure) critical to functioning of the value chain.
  - (b) Window 2 will finance matching grants for productive investments that introduce the adoption of innovative technologies (particularly climate resilient or resource efficient technologies) including appropriate equipment, new crop or livestock varieties and farm inputs; and post-harvest facilities (such as facilities for storage, washing, grading, packing, pre-cooling, cold storage) for specific producer groups.
11. A productive partnership may define an investment program including both windows or only one. The sequence of implementation of activities will be determined by the specific partnership proposal. Investments under the public investment window (window 1) will be 100 percent project financed. Matching grants (window 2) will be governed by additional grant agreements signed with beneficiaries and will require co-financing by farmers/producer groups at the level of 25 percent. In the case of larger agri-business participants in the partnership (for example, processors or trade and logistic centers), cooperation will be in line with best practice principles for public-private cooperation and participants will be required to develop formal supply chain linkages to producers within the partnership.
12. The detailed criteria for selection of the value chain and the productive partnership will be defined in the Productive Partnerships Manual. Key criteria for selection include existence of a market or buyer, potential for job creation or engagement of many small-scale farmers, sustainable comparative advantage or competitiveness, inclusion of women and youth. The selection and award process will also include a feasibility study that will inform the development of business plans and detailed proposals. Given that many farmers are women, productive partnerships are expected to generate positive impacts for women and the criteria for selection will prioritize those demonstrating inclusion of youth, women and vulnerable groups. The overall budget limit for each productive partnership (Window 1 and 2) would be US\$1 million. The ceiling for the matching grants window for individual producers may not exceed US\$10,000 per producer or, if awarded to the group and financing a group owned asset, may not exceed US\$200,000 per producer group.



13. Disbursement under this component will be subjected to the adoption of the Manual, acceptable to the Bank, by the PIE.
14. **Component 3: Catalyzing investments for tourism and urban development (US\$ 22.0 million).** This component will leverage the unique natural and cultural assets of the Osh region and its cities and finance foundational and enabling investments supporting: (i) integrated packages of improvements of priority touristic sites and clusters; (ii) regional infrastructure, services and amenities to address key bottlenecks for improved tourism quality and conditions; (iii) urban amenities that will enhance the livability of urban centers to attract tourists and retain residents, and (iv) pilot public-private cooperation to attract private investments in the tourism sector. The sub-components are:
  15. **Sub-component 3.1: Upgrading Osh and Uzgen Urban Cores and Tourism Circuits (US\$ 19.0 million).** The Osh region has untapped potential to attract domestic and international tourists to visit the many natural and cultural attractions it has to offer. Osh is the second largest city in the country and the gateway to the south and the Fergana Valley, while Uzgen has been identified as one of the growth poles in the region with recognized potential to grow its incipient tourism sector. For tourism development and urban regeneration, the project will finance infrastructure investments in the participating cities (e.g. Osh and Uzgen) and tourism circuits (e.g. Kara-Shoroo, Kyrgyz-Ata, Abshyr-Ata) to improve the tourism image of these areas and address the need for targeted, area-based urban upgrading and complementary infrastructure, services and connectivity, to improve livability.
  16. The component will also initiate and support a Public-Private Cooperation (PPC) mechanism, which will finance public infrastructure to attract private investment in tourism in towns and villages across the region, where private sector entities are willing to invest but require complementary public infrastructure to make their investment viable (e.g. public infrastructure within vicinity of the investments, road/sidewalk, water/sanitation, etc.). Investments under this initiative will be limited to the determined ratio (e.g. 1 to 4) of the investments provided by the private sector. The PPC initiative will follow a specified screening and selection process, which will be set out in the Project Operations Manual, developed by the PIE and acceptable to the Bank.
  17. **Sub-Component 3.2: Tourism Product Development, Marketing and Promotion (US\$ 3.0 million).** This sub-component will provide support to public entities at both the national and subnational levels for improved monitoring and evaluation, marketing and promotion of the Kyrgyz Republic and the Osh region as an emerging destination at the targeted international markets. It will provide support with investment attraction, organization of cultural events and e-governance initiatives. The sub-component will finance the development of sustainable site management plans for cultural and natural heritage sites and relevant workforce development and capacity building for public and private sector.
  18. **Component 4: Supporting Tourism and Rural SME Development through Small Grants (US\$ 3.0 million).** The project will support SME development through a training and small grant program targeting tourism and rural SMEs and startups. The small grants program will aim to support the launching of new enterprise activities in rural areas and diversification and expansion of tourism services. In tourism, small grants will be expected to improve the capacity, and the quality and range of services offered, which could result in inter-linked activities, *inter alia*, in the areas of gastronomy tourism and eco-tourism. The program will follow a phased approach, where the accommodation managers/staff, tour operators and tour guides will undergo a robust training program and those who will complete it successfully will be eligible to apply for financing. Other services providers and SMEs



will be required to submit a sound business plan for their proposed activities. Technical support in business plan development will be provided by the project. Startups financed under the program will be eligible for financing to scale-up their activities after the proven record of successful utilization of funds (presenting books, payment of taxes, generating employment, etc.).

- 19. To address the issues of low rates of women participation in the labor and in access to finance, described in paragraph 6, the small grants program will give preferences to women. Female applicants for the training program will be given a priority at the selection stage as well. This will give women an opportunity to gain practical knowledge and skills in doing business in the hospitality sector or rural entrepreneurship. When scoring business-plans for financing, women applicants will be given additional points. The same approach will be used for youth to promote young entrepreneurs at the local level.
- 20. The Small Grants Program will be guided by a Small Grants Handbook, which will be developed by the PIE. Disbursement under this component will be subjected to the adoption of the Handbook, acceptable to the Bank, by the PIE.
- 21. **Component 5: Implementation Support, Monitoring and Evaluation (US\$ 4.0 million)** This component will support project implementation, including the project’s monitoring and evaluation system, communication strategy, application of safeguard instruments, training and financing of incremental operating costs of the PIE.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

- 1. The OP 7.50 on International Waters is triggered by the project. The proposed activities will be located in the Osh region of the Kyrgyz Republic, which is located on the Ak-Bura river, a tributary of the Syr-Darya River that is shared by the Kyrgyz Republic, Kazakhstan, Tajikistan, and Uzbekistan and thus an international waterway according to OP 7.50. The proposed investments will include rehabilitation of field-level irrigation systems, and rehabilitation and improvement of existing water supply and sanitation infrastructure in Osh and Uzgen cities. These investments are proposed to be relatively small-scale of rehabilitation in nature and are not expected to lead to increased water abstraction or increased volume of discharged waste waters and will not extend any existing schemes. The Project will not adversely impact the quality or quantity of water flows to the other riparians and will also not be adversely affected by the other riparians' possible water use. An exception to the notification requirements according to paragraph 7 (a) of OP 7.50 was approved by the Regional Vice President on November 22, 2019.
- 2. The OP 7.60 on Projects in Disputed Areas does not apply and therefore it is not triggered by the project.



3. *Relevance of Environmental and Social Standards (ESSs)*. All ESSs but ESS 7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities) and ESS 9 (Financial Intermediaries) are relevant to the project.
4. As before project appraisal it is not possible to identify all activities and the subprojects that will be financed, in accordance with the ESS1, the borrower prepared the draft of the Environmental and Social Management Framework (ESMF), which specifies rules and procedures for the activities and subprojects' Environmental and Social Impact Assessment (ESIA) and for preparing adequate Environmental and Social Management Plans (ESMPs). The ESMF will guide the ESIA process and covers the following: (i) rules and procedures for environmental and social screening of project activities and subprojects to be supported under the project; (ii) guidance for conducting subprojects ESIA and/or preparing simple ESMP or ESMP Checklist which would include the monitoring plans; (iii) mitigation measures for possible impacts of different proposed activities and subprojects to be supported by the project; (iv) safety measures while applying pesticides and a template for the Pest Management Plan (PMP); (v) requirements for monitoring and supervision of implementing of ESIA/ESMPs, implementation arrangements; (vi) overview of the capacity of ARIS (the project implementing entity) for E&S risk management and capacity building activities that would include other parties on mitigating potential environmental and social risks and conducting subproject-level ESIA. Furthermore, the client will need to prepare a SA as part of SIA process that includes: (i) stakeholder identification/mapping; (ii) stakeholder analysis of expectations, concerns, and issues; (iii) assessments of positive and negative impacts; and (iv) a social management plan to mitigate the negative impacts and enhance positive benefits.
5. The ESS5 is considered relevant due to the potential investments under Components 2 and 3 which could necessitate some temporary and/or permanent physical and economic displacement or induce changes in land use or land access in the areas of certain activities. For example, these could include sewerage, water supply, drainage system, roads, and transport linkage improvements and other type of transformative investments in improving livability, tourism, and agro-industry. However, the nature and extent of interventions and the impacts thereof are currently not known and will become clearer when investment activities are chosen. An RPF was prepared and disclosed prior to appraisal.
6. The Borrower's Environmental and Social Commitment Plan specifies the main responsibilities and actions to be undertaken by the MOE and the implementing entity (ARIS) to ensure project compliance with the WB ESSs and in particular: (a) conducting environmental and social screening for all project activities via ESMP/ESMP Checklist covering the above aspects; (b) application of the ESMF and RPF to all project activities, including the need to prepare site specific ESMPs and Resettlement Action Plans; (c) reporting on environmental and social performance of all activities on a biannual reports; (d) ensuring transparency in providing project environmental safeguards and ensuring all ESIA and/or ESMPs are disclosed and publicly consulted with all interested parties; (e) maintaining through the whole period of project implementation human capacity to ensure project activities ESIA and ESMP supervision and monitoring and providing adequate reporting to the implementing entity and to the WB; (f) preparation and adherence to the Environment, Social, Health and Safety Code of Conduct by works contractors; and (g) implementing and reporting on (i) Stakeholders Engagement Plan; (ii) Labor Management Plans (LMP); and Grievance Redress Mechanism.
7. Communities and individuals who believe that they are adversely affected by the Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in



order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and the Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

## E. Implementation

### Institutional and Implementation Arrangements

1. The project's implementation arrangements are as follows:
  - (a) To ensure coordination and flow of information and timely decision making on strategic and programmatic aspects at the highest level, the project will be overseen by an **Inter-Ministerial Working Committee (IMWC)**, formed with participation of the Deputy Minister or director level representatives from various relevant line ministries and government agencies (e.g. Prime Minister's Office, President's Office, the Ministry of Finance (MOF), the MAFIM, ABCC, the Ministry of Culture, Information and Tourism, Department of Tourism, Gosstroy, and Governor of the Osh region). This committee will be chaired at the level of Prime Minister's Office with the MOE providing secretariat support.
  - (b) The **MOE** will be the **project coordination Ministry** responsible for overall project coordination. The MOE will also coordinate effective implementation of the RED through its Regional Development Department, with the MOE's Deputy Minister having overall responsibility for facilitating smooth and high-quality project implementation. As such, MOE's responsibilities will include reviewing and endorsing annual work plans and budgets (prepared by ARIS), providing relevant technical inputs, especially those at a strategic and policy level or on issues related to economic promotion.
  - (c) **ARIS** will be the **project implementation entity (PIE)** responsible for all fiduciary (e.g. procurement, financial management, preparation of annual reports, budgets, etc.) and safeguards (e.g. assessments, document preparation and embedding safeguard specialists in local and regional governments to carry out supervision, monitoring and compliance) functions for the RED. ARIS will also be responsible for key technical aspects of the project (e.g. preparation of technical assessments, design and tender documents, organization of evaluation, consultations, oversight on agriculture activities carried out by ABCC, etc.), especially for the tourism and urban development aspects of the project. ARIS will have a core team based in Bishkek, consisting of a project coordinator, a civil/municipal engineer and other relevant sector specific staff, a senior safeguards specialist, a senior procurement specialist and a communication/monitoring and evaluation specialist. With their technical and safeguards staff in Osh, ARIS will closely coordinate with the regional and local governments and ensure smooth implementation of the project in light of technical, environmental social aspects.
  - (d) **ABCC** will provide technical support to ARIS on behalf of the MAFIM in the implementation of agriculture related activities under Components 1.2 and 2. ABCC will play a lead role in facilitating



implementation of productive partnership related activities. For other agriculture related activities ABCC will liaise with relevant departments in the MAFIM to provide technical support where needed. In order to fulfill its role, ABCC will place technical staff member in its Osh office and draw on technical staff in Bishkek.

- (e) **The Regional and Local Governments** in Osh region will actively participate in project implementation. Representatives of ARIS and ABCC, located in their regional offices, will ensure effective coordination with regional and local governments for project specific activities. *Inter alia*, the local municipalities will be in charge of monitoring implementation of the project activities, public safety and public health by appointing a representative. The representative will facilitate civic engagement and communication with the citizens and project affected people, conduct community meetings, participate in tender evaluation committees, facilitate local inputs to proposals and ensure both horizontal and vertical coordination for cross-sector activities. Finally, the representatives of the local and regional governments will be presented in the Productive Partnerships Selection and Small Grants Selection Committees, established under the project.
  - (f) **The Productive Partnerships Selection Committee**, established under Component 2, will comprise representatives from the MOE, MAFIM, MOF, ARIS, ABCC, representatives of the regional and local governments, and members of the civil society. The members of the committee will be appointed by the decree of the MOE. The committee's members roles and responsibilities, as well as all other details on the screening, selection, monitoring and evaluation of productive partnerships will be set out in the Productive Partnerships Manual, acceptable to the Bank and developed by ARIS and ABCC. The adoption of the manual by ARIS will be a disbursement condition for Component 2.
  - (g) Similarly, **the Small Grants Program Committee**, established under component 4, will comprise members from the MOE, MOF, ARIS, two members of the SCO sector from the Osh region, the Osh Governor's Office, City of Osh and City of Uzgen. The members of the committee will be appointed by the decree of the MOE. The Committee's mandate, roles and responsibilities, as well as the grants screening, selection, awarding, reporting and all other details will be described in the Small Grants Handbook, acceptable to the Bank, developed by ARIS. The adoption of the handbook by ARIS will be a disbursement condition for component 4.
2. The specific roles and responsibilities of the all parties set out above will be described in detail in the Project Operation Manual (POM), which shall be developed by the PIE and furnished for the Bank for no objection. The approved POM will be an effectiveness condition for the project.

## CONTACT POINT

### World Bank

Tengiz Gogotishvili  
Sr Urban Spec.

Chyi-Yun Huang



Senior Urban Development Specialist

Melissa Brown  
Senior Agriculture Economist

**Borrower/Client/Recipient**

Ministry of Finance  
Abdybaly tegin Suerkul  
Vice Minister  
s.abdybaly@minfin.kg

**Implementing Agencies**

Community Development and Investment Agency (ARIS)  
Asel Mambetkulova  
Deputy Director  
AMambetkulova@aris.kg

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Tengiz Gogotishvili Chyi-Yun Huang Melissa Brown
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**Approved By**

Environmental and Social Standards Advisor:		
Practice Manager/Manager:		
Country Director:	Sascha Djumena	30-Dec-2020

