



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 01/27/2024 | Report No: ESRSA03229



I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P178120	Investment Project Financing (IPF)	Resilient Agri-food Clusters Development	2024
Operation Name	Resilient Agri-food Clusters Development Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Kyrgyz Republic	Kyrgyz Republic	EUROPE AND CENTRAL ASIA	Agriculture and Food
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Ministry of Finance	Ministry of Water Resources, Agriculture, and Processing Industry	02-Feb-2024	28-Mar-2024
Estimated Decision Review Date	Total Project Cost		
12-Dec-2023	30,000,000.00		

Proposed Development Objective

To increase productivity and climate resilience of selected agri-food clusters and in case of an eligible crisis or emergency, respond promptly and effectively to it.

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

Country Context The Kyrgyz Republic is faced with multiple challenges that have been amplified by Russia's invasion of Ukraine conflict and the COVID-19 pandemic. The country experienced positive economic growth, but it has been largely driven by gold exports and worker remittances. Poverty in the country increased during the COVID-19 pandemic and Russia's invasion of Ukraine is increasingly impacting food affordability. The COVID-19 pandemic increased the



poverty rate (US\$3.2 a day, 2011 purchasing power parity (PPP)) from 9.7 percent in 2019 to 16.2 percent in 2020. Reduced labor income and remittances caused by the pandemic and inflation pushed an additional 700,000 people (11 percent of the population) into poverty and this trend is expected to increase with the poverty rate reaching 25.5 percent in 2022 (at the US\$3.65 a day, 2017 PPP poverty line) from 21.8 percent in 2021. Food and fuel prices drove inflation to 11.2 percent in December 2021 from 9.7 percent a year ago but has fallen to 10.8 percent since February 2022. The uncertainties related to the geopolitical and global economic situation are expected to increase inflation in the Kyrgyz Republic to 15.5 percent, thus creating significant further pressure on fiscal and debt management as well as potentially pushing more people into poverty. Sector and Institutional Context Agriculture is the main source of income and livelihoods in rural areas but is dominated by smallholders both upstream and downstream. The sector contributes about 12 percent to GDP and employs nearly 30 percent of all labor in the country. The sector consists mainly of small-scale production systems with over 470,000 farm units and more than 700,000 rural households that collectively produce over 95 percent of the total agricultural products in the country. Productivity remains below potential. Yields of major crops remain below Central Asia and ECA averages and while livestock numbers have been rising, productivity gains remain small due to low levels of investment, pasture degradation, livestock diseases and insufficient access to veterinary services. Limited access to improved seeds, fertilizer, farm equipment, extension services, and financing remain key challenges to improving productivity. The Kyrgyz Republic is a net exporter of a selected number of commodities (milk, potatoes, horticulture products) with the potential to expand exports if production can meet market requirements. Agri-food enterprises would benefit from improved processing equipment and facilities, and public support in this case would be limited to promoting innovation and modern technologies rather than granting new equipment to enterprises. Relationship to CPF The proposed project is aligned to the Country Partnership Framework (CPF) 2019-2022 (Report No. 130399-KG), which seeks to promote diversified, export-oriented, inclusive, and sustainable growth in the Kyrgyz Republic and is focused on improving conditions for private sector growth. The proposed project falls under the CPF Focus Area 1: Strengthen foundations for inclusive private sector-led growth and Focus Area 3: Enhance economic opportunities and resilience. As preparation of the new CPF for 2024-28 is underway, the proposed project would directly contribute to the proposed High-Level Outcome 2 (HLO2) by addressing key constraints to improvements in agricultural productivity and increasing competitiveness of agri-food value chains by adopting climate-smart, modern technologies. Project Description Summary The PDO will be achieved through improving production processes and linkages in selected agri-food clusters, strengthening associated national and regional support systems, and promoting climate smart technologies and practices. The proposed project components are as follows: Component 1: Investment for Agri-food Clusters Development. This component would support investments in each selected agri-food cluster by financing producers and productive partnerships among producers and aggregators/processors engaged in production and value addition. Component 2: Strengthening Institutions and Systems. This component would provide support to public-sector service delivery for seeds and livestock breeding and information management. Following sub-components are included: Sub-component 2.1: Training and capacity building of agri-food clusters. This sub-component would support climate smart training and capacity building of beneficiaries including farmers and processing enterprises, and other participants in the targeted agri-food clusters. This sub-component would also provide training to relevant government agencies for improved services to the producers. Sub-component 2.2: Seed system improvement. This sub-component would support the enabling environment for policies, strategies, legal frameworks, standards, and organizations associated with seed and planting material. Sub-component 2.3: Improved livestock breeding and information management system. This sub-component would support improvement of animal breeding policies and regulations, development of a national dairy breeding plan, artificial insemination services, and strengthening of public services. Component 3: Operational support and project management. This component would support project implementation, including the project's monitoring and evaluation system, communication strategy, preparation and implementation of environment and social framework



instruments, training, and financing of incremental operating costs. Component 4: Contingent Emergency Response Component (CERC). This is a zero-dollar component that will provide support in the event of an eligible crisis or emergency, including climate-related disasters, to reallocate project funds to support emergency response.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]

The Kyrgyz Republic is a landlocked, mountainous, lower-middle-income country with a population of 6.2 million and a per capita gross national income of US\$ 1220. It is one of the poorest countries in Europe and Central Asia, with an economy dominated by mineral extraction, agriculture, and reliance on remittances from citizens working abroad. Incomes in recent years have decreased substantially due to a fall in gold prices and the deterioration of the Russian economy. The country has considerable economic potential based on its rich, largely unexploited natural endowments in the form of minerals, as well as the potential for significantly expanded agriculture, hydroelectricity production, and tourism. Due to the country's predominantly mountainous terrain, less than 8% of the land is cultivated. Agriculture is important for the livelihoods of the majority of the people in the Kyrgyz Republic. It contributes 15% of the country's total gross domestic product (GDP) and provides employment to 30% of the economically active population. The Kyrgyz Republic can be divided into three broad agro-ecological regions. The first is the southern region, encompassing the Fergana valley, including the Osh, Jalal-Abad, and Batken regions. The central zone comprises vast alpine areas of inhospitable mountains, high-altitude rivers, and valleys. The third agro-ecological zone is the northern region, which includes the Chui and Talas rivers, and the Issyk-Kol lake basin.

Mountainous rangelands and forests make 49 percent of the total land area, while arable land makes up only about 8 percent. Almost all crops (90 percent) are cultivated on 1.28 million ha of this arable land. These geographic and terrain conditions make agriculture extremely vulnerable to weather and climate variations. The country's population of about 6.5 million people lives mostly on 19 percent of the habitable land area. The main crops grown are wheat, barley, maize (for grain and silage), potatoes, melons, oilseed crops, and different types of vegetables. Fodder crops are also grown, especially lucerne (on the better-irrigated land) and sainfoin (on the less well-irrigated hill slopes). Water shortages occur during the growing season and are especially problematic in the southern region (Batken, Jalal-Abad, and Osh provinces). This limited water supply can cause crop and small harvest losses (decrease in yields of around 15-20%), especially in home gardens and household plots.

The Naryn and Kara-Darya rivers run through the Fergana valley, incl. Jalal-Abad region supports local agriculture, which is the main source of income in the region. Because of a high population density, farm sizes are often smaller in this region. Although a wide variety of crops are grown throughout the region, typical crops include potatoes, wheat, cotton, tobacco, melon, and fruits. Potatoes are far and away the most cultivated vegetable in the country and rank among the top five agricultural products in Kyrgyzstan (13% is cultivated in Chui, 9% in Jalal-Abad, and 6% in Naryn). Apples are the most popular fruit in Kyrgyzstan, and its production is widely spread all over the country and accounts for more than 70 percent of total fruits produced. Nationwide, Chui has the highest production area (25.5%), while the production accounts for 14.5% in Jalal-Abad. Sugar beet is also an important cash crop in Chui oblast.



The Naryn region located in central zone with mountains, high-altitude rivers, and valleys has good winter grazing fields and sees light snowfall in the winter months. The northern region of the Kyrgyz Republic includes the Chui and Talas rivers and the Issyk-Kol Lake basin. The climate is favorable around the Issyk-Kol Lake region, but it is more continental and drier along the Chui and Talas valleys. Most agricultural croplands are irrigated, although rainfed cultivation is still being practiced, especially for cereal crops. Because of favorable climatic and topographical conditions, livestock farming can be found throughout the country. The main produce in this sector involves meat (beef, sheep, horse, others), cow's milk, wool, and eggs. The agriculture sector is vulnerable to climate change. Major events threatening to reduce agriculture productivity include extended summer drought, hailstorms, windstorms, late spring, early fall frosts, and winter thaws. Other climate change vulnerabilities include landslides, floods, and mudflow hazards, which frequently occur across the country.

The proposed project would support two agri-food clusters: (i) dairy in the Chui and Jalal-Abad regions; and (ii) horticulture in the Naryn and Jalal-Abad regions.

D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]

The Ministry of Water Resources, Agriculture and Processing Industry (MoWRAPI) will have overall responsibility for project implementation, with the Agribusiness Competitiveness Center (ABCC) under the MoWRAPI being the implementation agency for component 2 (strengthening institutions and systems). The ABCC has extensive experience in implementing World Bank-financed projects and ABCC has consistently rated as satisfactory for project management performance. Day-to-day project management and implementation of environmental and social standards for the proposed project will be carried out by ABCC.

The existing PIU in ABCC has adequate technical and fiduciary capacity and would be further strengthened to ensure regional implementation units (RIUs) are adequately staffed and have the requisite environmental and social risk-management capacity. Currently, the PIU has one Regional Safeguards Coordinator for Issyk-Kul Oblast and two Environmental and Social (E&S) Specialists for the Naryn and Talas regional offices. The PIU will recruit and maintain two additional Environmental and Social (E&S) specialists, one E&S specialist for the project to be based in Bishkek, and one E&S specialist for the Jalal-Abad oblast. The E&S specialist to be based in Bishkek will serve Chui and Naryn oblasts and will be responsible for overall E&S coordination and reporting under Component 2. While ABCC has experience implementing Bank-financed projects under the safeguards policies, it lacks adequate experience to implement projects under the ESF requirements. To enhance the capacity of the ABCC PIU and the regional implementation units in this respect, the ESCP includes specific training on the World Bank's ESF and other environmental and social management aspects.

The Ministry of Finance (MOF) will have the responsibility to implement the credit line under component 1 (Investment for agri-food clusters development). The Credit Line Management Unit (CLMU) under the MOF, has been successfully implementing the revolving fund component under the ongoing Dairi Productivity Improvement Project (IDPIP) and its



Additional Financing projects (P155412). The CLMU will have the following functions: (i) administration of the credit line for producers and processors through supporting investments for the productive partnerships; (ii) liaising with the project’s participating financial institutions (PFIs) and collection of the regular reports from the PFIs. The existing PIU is staffed with an environmental and social specialist who will be responsible for overseeing the PFIs activities and reporting to the MoWRAPI PIU through regular reporting. Additional E&S staff could be recruited as needed to undertake the additional tasks under this project. The PFIs will prepare, adopt, and maintain environmental and social management systems (ESMSs). The Agreements between the Ministry of Finance of the Kyrgyz Republic and Participating Financial Institutions (PFIs) will define the responsibilities of the PFIs to comply with the requirements of the relevant national legislation, ESMS, and ensure compliance with such requirements throughout the life of the Project.

The Credit Line Manual (CLM) will describe the procedures for providing loans to productive partnerships (producers and processors) as well as producer groups in the dairy and horticulture clusters. The CLM will detail the E&S management, the eligibility criteria, and the selection process and prioritize the inclusion of youth, women, and vulnerable groups.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

A.1 Environmental Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The project environmental risk rating is assessed as moderate. The project has positive long-term impacts associated with improving the productivity and competitiveness of agri-food value chains, supporting the adoption of climate-smart and modern technologies for improved food safety and security, and enhancing agri-food practices in the Kyrgyz Republic. The project will support direct investments, systems improvements, and capacity-building activities to promote the modernization of production and processing practices of related public services and producers, focusing on two agri-food clusters: dairy and horticulture. The project will not include any intervention that would result in significant environmental risks and impacts. Some of the project activities may, however, imply some environmental risks. Component 1 activities include providing working capital loans for: (i) infrastructure improvements for animal housing, greenhouses, equipment shelters, post-harvest processing, and logistics warehouses and value chain relevant facilities (e.g., storage, washing, grading, packing, pre-cooling, cold storage), (ii) provision of farm equipment (e.g. sowing, weeding, harvesting); (iii) procurement of seed varieties, and seedlings, livestock, fertilizers, and veterinary vaccine, (iv) renovation and provision of equipment to local and zonal veterinary laboratories, (v) breeding and artificial insemination (AI) in selected livestock breeding farms, and (vi) installation of water and energy saving systems (e.g. drip irrigation, and small solar panel). Component 2 activities will focus on strengthening the agri-food clusters institutions and strengthening by: providing training and capacity building needs of the agri-food clusters, modernization of the seed system and livestock breeding and information system. It will support laboratory and equipment upgrading for seed testing and accreditation, cattle breed improvement, seed farms for multiplication, and creation of a modern training center for certified AI technicians. The above activities



could result in increased environmental pollution due to the potential generation of solid and liquid waste (livestock and agriculture waste, vaccination waste, packaging waste, veterinary and laboratory chemicals, agrochemicals, wastewater, etc.). They may also result in possible health and safety issues connected with the renovation activities, use of agrochemicals, vaccines, and exposure to lab pathogens. Potential impacts on biodiversity could also be associated with the introduction of genetically modified seeds. Health and safety issues may also arise from the small scale physical works, use of agrochemicals, and handling of vaccines. Overall, the potential environmental risks and impacts are low to moderate, temporary, and site-specific. They can be mitigated by designing the best agro-processing and renovation or construction practices. Capacity building and training of farmers and processors on related environmental, health, and safety management during project activities implementations could further help reduce the impacts of these environmental risks. The project will not finance tobacco production, processing, or marketing. Furthermore, any activities that may result in substantial or high environmental risks will be screen out and excluded from financing.

A.2 Social Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The project social risk rating is moderate. Project activities are expected to provide significant social benefits, with critical assistance to farmers to improve agricultural systems and production in an environmentally and socially sustainable manner. The project includes commitments for active stakeholder engagement in developing and prioritizing systems and activities; citizen engagement to ensure project commitments, outcomes, and standards are being met; and dedicated extension and other support to women farmers and entrepreneurs. One potential social risk concerns the exclusion of vulnerable and disadvantaged groups. resulting in a skewed distribution of opportunities and benefits. If grievance systems are not adequate, the project may not be able to address real problems or make positive adjustments. Due attention has to be paid to ensure that any child labor is within legal norms and does not result in children being harmed or taken out of school; the project also cannot employ forced labor.

[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]

B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

[Explanation - Max. character limit 10,000]

The project Environmental and Social risk rating is Moderate. The project is expected to have positive long-term impacts associated with improving the productivity and competitiveness of agri-food value chains, supporting the adoption of climate-smart and modern technologies for improved food safety and security, enhancing agri-food practices, creating new jobs, and contributing to the improvement of socio-economic conditions in rural areas. In addition, the proposed project is expected to generate climate co-benefits through, inter alia, the adoption of climate-resilient crop varieties by farmers, crop diversification for increased production of higher value and nutrient-rich

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horticulture products, and potential use of renewable energy and energy-efficient technologies and drip irrigation systems. The project will not include any interventions that could result in significant environmental risks and impacts. The project mainly covers systems improvements, capacity-building activities and working capital loans to agri-food clusters through Participating Financial Institutions (PFIs) to promote the modernization of production and processing practices of related public services and producers, focusing on two agri-food clusters: dairy and horticulture. It supports inputs and services for on-farm fodder production, horticulture, livestock breeding, and dairy products. Input and services include improved seeds and seedlings, fertilizers, feed, breed, food safety, quality testing, animal vaccination, sanitary and phytosanitary and veterinary services, and high-efficiency irrigation and renewable energy systems. It also includes some structure/ facility improvements of animal houses, laboratories and equipment, processing warehouses, veterinary laboratories, and seed certification and accreditation centers as well as a modern training center for certified AI technicians. The above interventions/ activities could result in low to moderate adverse environmental impacts associated with the potential generation of liquid and solid waste (crops and livestock sanitary waste, chemical and biological waste (laboratory reagents, veterinary vaccines), and water pollution, some dust and noise due to minor renovation of laboratories (for veterinary testing, produce certification), and other structures (food-processing warehouses, greenhouses, animal, machine, and equipment shelters, etc.). Health and safety issues may arise in connection with the physical works and use of agrochemicals, including some pesticides and vaccines. Finally, there are some risks of social exclusion resulting from a lack of awareness about the project, particularly for vulnerable groups and women. Other risks could be related to grievance management and stakeholder/citizen engagement issues. Overall, the potential environmental risks and impacts are low to moderate, mostly temporary, and can be mitigated by applying the best construction and/or agri-processing practices. These practices include the use of manure-based fertilizers to reduce reliance on chemical fertilizers, safe transport and disposal of hazardous materials and waste, proper animal feeding practices, the use of on-farm efficient water and energy-saving systems, the use of certified seeds and proper seed storage, the use of on-farm waste segregation, collection, and composting, dust and noise suppression, training of farmers on the proper use of equipment, machines, and agrochemicals. The project will not finance tobacco production, processing, or marketing and seeks to help tobacco-producing countries diversify away from tobacco. Investment loans to producers and productive partnerships engaged in production and value chains in dairy and horticulture clusters under Component 1 will be provided through participating financial institutions (PFIs). Therefore, PFIs will be required to establish and maintain ESMSs consistent with the requirements of ESS9 and the World Bank agri-food-related EHS guidelines no later than three months after the Project Effective date. All sub-projects will be assessed for their environmental and social risks prior to financing. To manage the risks of Component 2, a draft Environmental and Social Management Framework (ESMF) was prepared by the client, reviewed by the Bank, and will be disclosed before appraisal. The draft will be consulted on, finalized, disclosed, and adopted by the Project Effective Date. Subproject-specific Environmental and Social Management Plans (ESMPs) or ESMP checklists and other management plans as needed, including implementation arrangements and indicative budgetary resources, based on the best international practices and COVID-19-related WHO and WBG Environmental, Health, and Safety Guidelines, will be developed during project implementation. The project includes a Contingency Emergency Response Component (CERC). The activities financed by the CERC will be demand and event-driven and will be detailed in the Project Operating Manual (POM) and CERC Manual. When the CERC is triggered, the ESMF will be updated to describe the environmental and social risk management procedures for screening, assessing, and managing risks associated with CERC activities and providing a positive list of activities funded under CERC. Besides ESS1 and ESS10, the specific ESF standards relevant to the project activities include ESS2, ESS3, ESS4, ESS8 and ESS9. In addition to the sub-project-specific instruments, a draft Stakeholder Engagement Plan (SEP) has already been



prepared, as well as a draft Labor Management Procedures (LMP). Furthermore, all the PFIs will develop ESMSs in accordance with ESS9.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

[Explanation - Max. character limit 10,000]

A critical aspect of the project is continuous engagement with stakeholders to design and implement local project activities that improve productivity while sustaining green, resilient, and inclusive development in this sector. Key stakeholders include the Ministry of Finance, Ministry of Water Resources, Agriculture and Processing Industry (and corresponding regional units), private agribusinesses, agriculture finance institutions, farmers groups, individual farmers and their households, local communities, and NGOs involved in rural development, gender, children/youth and other issues related to the agricultural supply chain. The borrower has prepared a draft Stakeholder Engagement Plan (SEP) with the following components: (i) stakeholder identification and analysis; (ii) planning engagement modalities, including guidance on effective communications, consultations, and disclosure; (iii) defining roles and responsibilities of different actors in implementing the SEP; and (iv) a grievance mechanism (GM) for project activities. Key objectives of the SEP are to maintain a constructive relationship with stakeholders, ensure that stakeholder views can be taken into account in project design and implementation, specifically in the management of environmental and social performance, provide means for inclusive engagement with all project-affected parties, and ensure that appropriate project information is disclosed to stakeholders in a timely, understandable, accessible, and appropriate manner and format. A first set of consultations took place in November 2022 and was followed by a set of virtual meetings in April 2023 due to the remoteness of some project areas. The SEP includes measures to ensure that disadvantaged and vulnerable groups have equal opportunity to obtain information and benefit from project activities, as well as including channels for grievance and redress if negatively affected. The SEP describes the project-specific Grievance Mechanism (GM), which has been adapted from the Integrated Dairy Productivity Improvement Project (IDPIP). The GM has a special window to address SEA/SH complaints, such as to ensure the privacy and dignity of the affected persons.

ESS2 - Labor and Working Conditions

Relevant

[Explanation - Max. character limit 10,000]

ESS2 is relevant to this project. The project workforce will include direct workers including ABCC staff and consultants and contracted workers (both employees of civil works contractors and employees of consulting companies). The project may involve community workers for some of the local agricultural productivity activities, including the rehabilitation or construction of structures and facilities. Primary supply workers are not expected to be relevant to the project. The project would primarily rely on a supply of construction materials and labor force from the local market, but this will need to be confirmed and assessed further during the preparation stage. It is unlikely that there would be child labor in the project with the exception of occasional help with crop harvesting/processing and related activities on family farms. In line with ESS2, that excludes activities that are likely to be hazardous or interfere with children's education or be harmful to their health or physical, mental, spiritual, moral or social development. The Borrower has prepared a first draft of the Labor Management Procedures (LMP), which is currently under review by the Bank. It identifies the main labor requirements and risks associated with the Project and will help the Borrower and implementing agency to determine the resources necessary to address project labor issues. The LMP describes (i) procedures relevant to each category of workers involved, including terms and conditions of employment, principles

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of nondiscrimination and equality of opportunity and workers' organizations; (ii) overview of key potential labor risks (if any); (iii) overview of Kyrgyz labor legislation; and (iv) description of grievance mechanism or mechanisms available for all direct workers, contracted workers and others (and if relevant, to their organizations). The LMP may be amended at any time during the project cycle depending on the needs and developments in the project preparation and/or implementation. Bidders for civil work contracts, if needed, will be required to make express commitment to developing the Contractor's LMP when selected and prior to the start of civil works. Contractors will be required to prepare OHS Management Plans as per the measures identified in the ESMF and commensurate with the risks and impacts (eg. accident risks of earth-moving machinery, noise/dust, remote and isolated work areas) associated with the works under their contracts. While a moderate risk in the project, all civil works contracts will include industry-standard Codes of Conduct that include measures to prevent SEA/SH. The project will regularly integrate the latest Technical Notes, COVID-19 guidance, and best practices as they evolve.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant

[Explanation - Max. character limit 10,000]

The standard is relevant. The project activities under Component 1 may result in air emissions, wastewater releases, noise, odor, waste, wastewater management, water, and energy use at the sub-project level. These risks and impacts will be mitigated through the implementation of the respective ESMS of PFIs, to be described in the Credit Line Manual (CLM) and to be implemented by the PFIs. The ESMS, which is fully discussed under ESS 9, will include all the necessary processes and procedures to ensure site-specific considerations related to resource efficiency, pollution prevention, and management are addressed and managed. Environmental risks of beneficiary agri-food clusters, which might cause significant pollution impacts, will be rated as High or Substantial and, thus, will be considered ineligible for financing. The risks and impacts of Component 2 are mainly associated with upgrading the veterinary laboratories, seed certification and accreditation centers, and cadre training centers. They may include air and water emissions and waste from small-scale civil works. The ESMF prepared for the project proposed generic mitigation measures aligned with ESS3, Good International Industry Practice (GIIP), and the World Bank Group Environmental, Health and Safety General Guidelines (EHSGs). Furthermore, the site-specific ESMP or ESMP checklist will address site-specific risks and determine relevant mitigation measures.

ESS4 - Community Health and Safety

Relevant

[Explanation - Max. character limit 10,000]

ESS4 is relevant to the project. The implementation of beneficiary agri-food cluster business activities under Component 1 may cause impacts associated with the community's health and safety, including SEA/SH risks. Such impacts will be identified, assessed, and addressed within the scope of the PFI's established ESMS described in the CLM and implemented by PFIs in accordance with ESS4 requirements. Working capital loans with significant impacts rated as High or Substantial risk will be considered ineligible for financing. E&S risks and impacts associated with component 2 are not likely to entail any significant community health and safety impacts given their technical assistance nature and the small-scale renovation activities of laboratories (for veterinary testing and seeds certification). The ESMF provides guidance for managing related risks, and the ESMP or the ESMP checklist will specify measures to mitigate any potential impacts (e.g., management of laboratory waste, noise, and emissions).



ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Not Currently Relevant

[Explanation - Max. character limit 10,000]

The project is not expected to require any land acquisition as all activities will be implemented on existing farms and state land. Sub-project activities under the project are not expected to cause any temporary or permanent physical or economic displacement, loss of assets, or access restrictions. The project will exclude any working capital loans that may require involuntary resettlement, restrictions on land use, or negative impacts on the assets or livelihoods of land users. The PFIs ESMS will include screening for voluntary purchase of land as market-based transactions between private entities (i.e., Agri-food cluster owners and private land owners).

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Not Currently Relevant

[Explanation - Max. character limit 10,000]

The standard is not relevant. Subprojects from agri-food clusters, producing organizations, and eligible farmers that might adversely impact biodiversity conservation and sustainable management of living natural resources will not be eligible for financing within the scope of the project. However, support to seed farms under component 2 for the multiplication and promotion of climate-resilient seeds may pose some risks and impacts to biodiversity due to the introduction of modified varieties. To mitigate these risks, the ESMPs or ESMP Checklists will provide specific measures for promoting good agriculture management practices and ensure the use of certified crop seeds that comply with the existing host country regulatory framework for such use. Furthermore, the project activities will be subject to environmental screening and procedures to exclude any activities with a potential negative impact on biodiversity.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Not Currently Relevant

[Explanation - Max. character limit 10,000]

This standard is not relevant, as such groups are not found in the Kyrgyz Republic.

ESS8 - Cultural Heritage

Relevant

[Explanation - Max. character limit 10,000]

It is not anticipated that the project will impact cultural heritage. The ESMS developed for activities under Component 1 will include screening of cultural heritage impacts and such sub-projects will be excluded from financing.

ESS9 - Financial Intermediaries

Relevant

[Explanation - Max. character limit 10,000]

Under Component 1, the MoF and participating financial institutions (PFIs) will sign Subsidiary Loan Agreements to implement the project's credit line. The credit line manual (CLM) will specify all criteria and terms. The PFIs will receive

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the credit line proceeds under the Subsidiary Loan Agreements and on-lend them to eligible beneficiaries for implementing subprojects in accordance with the CLM, acceptable to the World Bank and their banking regulations. The loans to beneficiaries will be between US\$5,000 and US\$50,000. The E&S requirements of ESS9 on financial intermediaries, the project’s Exclusion List (including substantial and high-risk activities), the World Bank Group relevant agri-food guidelines, and the national laws of Kyrgyz Republic apply. Given that the MoF is not a financial intermediary and will not provide working capital loans directly to the agri beneficiaries, the participating financial intermediaries will develop and maintain an Environmental and Social Management System (ESMSs) acceptable to the Bank. The MoF will incorporate the ESMSs into the CLM for PFIs to align with and implement in line with World Bank ESS 9 requirements for PFIs to manage the E&S risks of the Project. The PFIs will be required to adopt and implement the PFI-level ESMS. For PFIs who already have an established ESMS under implementation, the PIU will ensure the ESMS aligns with the Bank ESS9 requirements. ESMSs, in form and substance acceptable to the Bank, shall be developed, disclosed, and adopted no later than 3 months after the Effective Date of the Loan and will include the following elements: 1. Environmental and Social Policy; 2. Exclusion List; 3. Environmental and Social Risk Evaluation Procedures in the investment process including: a) Environmental and Social Due Diligence and Risk Screening; b) Environmental and Social Risk Categorization; c) Identification and preparation of appropriate site-specific environmental and social assessment (ESA) instruments, such as ESMP, to address site-specific impacts as well as impacts of associated facilities (if any); d) Requirement for Environmental and Social Action Plan (ESAP) preparation; e) Integration of the ESAP into the investment contract between respective PFIs and eligible beneficiaries; 4. Environmental and social monitoring and semi-annual reporting; 5. Roles and responsibilities for ESMS implementation at PFIs; 6. PFIs Senior Management Commitment; 7. Environmental and social risk training process for PFIs staff with E&S credit approval functions; 8. External and internal communication 9. Internal control and management review.

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B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways	No
OP 7.60 Operations in Disputed Areas	No

B.3 Other Salient Features

Use of Borrower Framework	No
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[Explanation including areas where “Use of Borrower Framework” is being considered - Max. character limit 10,000]

The project will not use the Borrower Framework for environmental and social risks and impacts.

Use of Common Approach	No
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[Explanation including list of possible financing partners – Max. character limit 4,000]

NA



B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD – Max. character limit 10,000]

The Project Environmental and Social risk rating is Moderate. The project has positive long-term impacts associated with improving the productivity and competitiveness of agri-food value chains, supporting the adoption of climate-smart and modern technologies for improved food safety and security, enhancing agri-food practices, creation of new jobs, and contributing to the improvement of socio-economic conditions in rural areas. In addition, the proposed project is expected to generate climate co-benefits through inter alia the adoption of climate-resilient crop varieties by farmers, crop diversification for increased production of higher value and nutrient-rich horticulture products, and potential use of renewable energy and energy-efficient technologies and drip irrigation systems.

The project will not include any interventions that could result in significant environmental risks and impacts. The project mainly covers systems improvements, capacity-building activities, and direct investments to promote the modernization of production and processing practices of related public services and producers, focusing on two agri-food clusters: dairy and horticulture. It supports inputs and services for on-farm fodder production, horticulture, livestock breeding, and dairy products. Input and services include improved seeds and seedlings, fertilizers, feed, breed, food safety, quality testing, animal vaccination, sanitary and phytosanitary and veterinary services, and high-efficiency irrigation and renewable energy systems. It also includes some structure/ facility improvements of animal houses, laboratories and equipment, processing warehouses, veterinary laboratories, and seed certification and accreditation centers, as well as a modern training center for certified AI technicians.

The above interventions/ activities could result in low to moderate adverse environmental impacts associated with the potential generation of liquid and solid waste (crops and livestock sanitary waste, chemical and biological waste (laboratory reagents, veterinary vaccines), and water pollution. It will generate dust and noise due to minor renovation of laboratories (for veterinary testing, produce certification) and other structures (food-processing warehouses, greenhouses, animal, machine, and equipment shelters, etc.). Health and safety issues may arise in connection with the physical works and use of agrochemicals, including some pesticides and vaccines. Finally, there are some risks of social exclusion resulting from a lack of awareness about the project, particularly for vulnerable groups and women. Other risks could be related to grievance management and stakeholder/citizen engagement issues. Overall, the potential environmental risks and impacts are low to moderate, mostly temporary, and can be mitigated by applying the best construction and/or agri-processing practices. These practices include the use of manure-based fertilizers to reduce reliance on chemical fertilizers, safe transport and disposal of hazardous materials and waste, proper animal feeding practices, the use of on-farm efficient water and energy-saving systems, the use of certified seeds and proper seed storage, the use of on-farm waste segregation, collection, and composting, dust and noise suppression, training of farmers on the proper use of equipment, machines, and agrochemicals.

Investment loans to producers and productive partnerships engaged in production and value chains in dairy and horticulture clusters under Component 1 will be provided through participating financial institutions (PFIs). Therefore, PFIs will be required to establish and maintain an ESMS consistent with the requirements of ESS9 no later than three months after the Effective Date of the Loan before any sub-loans are approved. All sub-projects will be assessed for their environmental and social risks prior to financing by implementing the PFI's respective ESMS. To manage the risks of Component 2, a draft Environmental and Social Management Framework (ESMF) was prepared by the client, reviewed by the Bank, and will be disclosed before appraisal. The draft will be consulted on, finalized, disclosed, and adopted by



the Project Effective Date. Subproject-specific Environmental and Social Management Plans (ESMPs), or ESMP checklists, and other management plans as needed, including implementation arrangements and indicative budgetary resources, based on the best international practices and COVID-19-related WHO and WBG Environmental, Health, and Safety Guidelines, will be developed during project implementation.

The borrower has prepared a draft Stakeholder Engagement Plan (SEP) with the following components: (i) stakeholder identification and analysis; (ii) planning engagement modalities, including guidance on effective communications, consultations, and disclosure; (iii) defining roles and responsibilities of different actors in implementing the SEP; and (iv) a grievance mechanism (GM) for project activities. The draft SEP will be updated no later than thirty (30) days following the Project Effective Date. The Borrower has also prepared a draft of the Labor Management Procedures (LMP), which identifies the main labor requirements and risks associated with the Project and will help the Borrower and implementing agency determine the resources necessary to address project labor issues. The LMP will be adopted prior to the Project Effective Date and, after that, implemented throughout Project Implementation.

Besides ESS1 and ESS10, the specific ESF standards relevant to the project activities include ESS2, ESS3, ESS4, ESS8 and ESS9.

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?

[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]

ESMSs, LMP, SEP, ESMPs

III. CONTACT POINT

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