

**INTEGRATED SAFEGUARDS DATASHEET  
APPRAISAL STAGE**

**I. Basic Information**

Date prepared/updated: 05/07/2009

Report No.: 48506

**1. Basic Project Data**

Country: Kyrgyz Republic	Project ID: P049724	
Project Name: Agribusiness & Marketing Project		
Task Team Leader: Sandra Broka		
Estimated Appraisal Date: September 27, 2004	Estimated Board Date: December 14, 2004	
Managing Unit: ECSSD	Lending Instrument: Specific Investment Loan	
Sector: Agricultural marketing and trade (70%);Agro-industry (15%);Banking (10%);Central government administration (5%)		
Theme: Rural markets (33%);Other financial and private sector development (33%);Rural policies and institutions (17%);Export development and competitiveness (17%)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	8.10	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
BORROWER/RECIPIENT		0.13
Foreign Multilateral Institutions (unidentified)		4.75
		4.88
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

**2. Project Objectives**

The Project Development Objective (PDO) of the project as listed in the PAD are #(i) to expand the level of activity of processing, marketing, and trade enterprises downstream of the farmgate, (ii) to increase the number and economic importance of producer organizations, and (iii) to improve the functioning of markets and trade linkages between producers, and primary and secondary level trade organizations.# The Project works directly with private enterprises and producer and other commercial organizations to improve the competitiveness of Kyrgyz products. The ultimate objective of these efforts will be to increase the amount of value added to Kyrgyz agro-food commodities, to increase sales of those commodities both domestically and abroad, and to improve the operation of domestic agricultural markets.

The following reformulation of the PDO has been agreed with the Government: #The objective of the project is to contribute to the country#s economic growth by increasing the business activity of the beneficiary agribusinesses.# This is not considered a change

in the PDO, but rather a refinement of objective (i) which is the project's principal objective in order to make it simpler and more measurable.

### **3. Project Description**

The Project works directly with private enterprises and producer and other commercial organizations to improve the competitiveness of Kyrgyz products. There are three main components of the project:

Component 1: Market Development Component (original \$6.65 million of which PHRD Cofinancing Grant \$4.05 million and IDA Credit \$2.6 million; revised \$5.87 million, of which PHRD Cofinancing Grant \$4.05 million and IDA Credit \$1.82 million). This component will support building business capacity activities of the parties involved in marketing chains of agricultural commodities and providing them the foundation to work together more effectively.

Component 2: Access to Credit Component (original \$5.9 million, of which PHRD Cofinancing Grant \$0.6 million and IDA Credit \$5.3 million; revised \$6.68 million, of which PHRD Cofinancing Grant \$0.6 million and IDA Credit \$6.08 million). The objectives of the component are to: (a) address key constraints associated with access to capital by enterprises in the agricultural and food sector of the economy, and (b) expand lending to agricultural and food processing sector by the formal banking sector through introduction of risk mitigating tools for commercial banks.

The Component is implemented through eligible commercial banks and other financial institutions. After the initial training and technical assistance provided by the project, the PFIs are responsible for identifying prospective sub-borrowers, and have full autonomy in sub-project approval. Detailed eligibility criteria for sub-borrowers, and terms and conditions for borrowing the proceeds of the Credit Facilities and on-lending to the final beneficiaries are specified in the Agri-Credit Guidelines. The Component is designed as a combination of capacity building in the participating financial institutions, and a credit line for investment and working capital loans, to help the commercial banks to mitigate the risks involved in lending to agriculture.

The component provides access to investment capital for the emerging producer organizations and private businesses in any legal form, involved in processing and marketing of agricultural commodities, which also allows the PFIs to apply the improved knowledge in appraisal of such investment proposals. Eligible investments include a wide range of agriculture-related activities, such as investments in development of storage, grading, packing and marketing of agricultural produce, investments in processing facilities and domestic marketing and export of agricultural products. With the project restructuring it is proposed to implement a special sub-component - Farmer Cooperative Matching Grant Facility (US\$0.78 million, all financed from IDA Credit), which is designed for farmer cooperatives willing to borrow for investments in productive assets (such as agricultural machinery, processing equipment or storage facilities), to help the cooperatives meet their investment needs. The Matching Grant beneficiaries will receive the Sub-grants in accordance with eligibility criteria and procedures set forth in the Cooperative Matching Grant Program Agreement, acceptable to IDA. The matching grant in the amount not to exceed 50% of the total loan would be provided to cooperatives

borrowing from the financial sector for investments in productive assets and storage facilities. It is estimated that approximately 40 cooperatives will be supported through the grants.

Component 3: Project Monitoring and Advisory Office (\$0.15 million, of which \$0.11 million financed from the PHRD Cofinancing Grant and \$0.04 million from the IDA Credit). A Project Monitoring and Advisory Office (PMAO) was to be established in the MAWRPI on the basis of the Project Preparation Unit. Its functions was to include will include overall monitoring of the Project and liaising with the MAWRPI, and management of the public-sector capacity building activities included in the Project.

**4. Project Location and salient physical characteristics relevant to the safeguard analysis**

The project will be implemented countrywide based on demand for services and credits and will not be located in protected or culturally/socially sensitive areas. If potential projects are proposed in the vicinity of protected areas or critical habitat (highly unlikely), a specific and full environmental assessment will be required.

**5. Environmental and Social Safeguards Specialists**

- Mr Arcadie Capcelea (ECSSD)
- Mr Martin Henry Lenihan (ECSSD)

<b>6. Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>
<b>Environmental Assessment (OP/BP 4.01)</b>	<b>X</b>	
<b>Natural Habitats (OP/BP 4.04)</b>		<b>X</b>
<b>Forests (OP/BP 4.36)</b>		<b>X</b>
<b>Pest Management (OP 4.09)</b>		<b>X</b>
<b>Physical Cultural Resources (OP/BP 4.11)</b>		<b>X</b>
<b>Indigenous Peoples (OP/BP 4.10)</b>		<b>X</b>
<b>Involuntary Resettlement (OP/BP 4.12)</b>		<b>X</b>
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>
<b>Projects on International Waterways (OP/BP 7.50)</b>		<b>X</b>
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>

**II. Key Safeguard Policy Issues and Their Management**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: In accordance with the Bank's safeguard policies and procedures, including OP/BP/GP 4.01 Environmental Assessment, the project is classified as Category B as the supported activities are not expected to generate significant environmental and social impacts. The project supports technical assistance activities, along with the Access to Finance component which supports sub-loans and now will also include the new Farmer Cooperative Matching Grant Facility subcomponent, which will provide matching grants for investment subprojects. Eligible investments include development of storage, grading,

packing and marketing of agricultural produce, investments in processing facilities and domestic marketing and export of agricultural products. These activities may generate some adverse environmental and social impacts mostly related to construction and operation of agro-processing enterprises and are the following: (a) dust and noise due to the demolition and construction; (b) dumping of demolition and construction wastes, accidental spillage of machine oil, lubricants, etc; (c) solid waste, effluent discharges and air emissions; and (d) waste water treatment.

All proposed activities under the project so far have been, and will continue to be implemented on land which is already used for agricultural purposes and within the settlements# boundaries, thus the project will not have impact on wildlife and natural habitats and thus OP 4.04 #Natural habitats# is not triggered. It is also expected there will be no impacts on physical cultural resources which are not usually placed in the vicinity of agricultural lands and, consequently, OP 4.11 #Physical/Cultural Resources# is not triggered. The project will not support any sub-projects that might result in displacement. Land acquisitions are also not supported under the project. Therefore, OP 4.12 (Involuntary Resettlement) is not triggered. The lending guidelines are being amended to ensure that no displacement will occur as a result of sub-project implementation (see recommendations below). This was confirmed during the Mid Term Review (MTR; March 23 # April 3, 2009), which concluded that no social safeguards have been triggered to date, with only eight of the sub-projects approved involving construction. A number of these sub-projects were subjected to spot checks during which it was confirmed that the land on which construction took place was not encumbered by third party formal or informal uses (residential or economic) prior to their realization.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The expected cumulative impacts of the proposed activities are mostly positive and include improved knowledge on best agricultural and agro processing practices as well as improved livelihood.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The project team has analyzed the alternative of #no project#. It was concluded with no project there would be negative social impacts, including lower productivity in the agricultural sector, leading to issues with food safety of the country, and, possibly, increased poverty in rural areas.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. To avoid/mitigate any negative impacts, during the project preparation the Borrower conducted an Environment Assessment (EA) and prepared an Environment Management Plan (EMP), which contains relevant mitigation and monitoring measures and the institutional responsibilities for EMP implementation. The EA contains special Guidelines for Identification, Assessment and Mitigation of Environmental Impacts, which are used for subproject screening, assessment and approval.

A review of the status of EMP implementation and of compliance of subprojects with environmental safeguards was carried out during the MTR. Overall, the mission was satisfied to see the good progress in implementing the environmental requirements of the project. All supported subprojects have been preliminarily assessed from environmental point of view, based on completing in each case an Environment Screening Checklist, assigning an environmental category and determining a set of mitigation measures to be applied during the subproject implementation. It was also acknowledged that no environmental complaints related to the supported subprojects have been registered to date. None of the visited agro-processing enterprises have any outstanding environmental issues, and they operate based on environmental permits and licenses. However, it should be noted that in several cases the subprojects supported construction of new small scale buildings without preparing an EMP and/or a special mitigation plan.

#### Recommendations

The mission provided a series of recommendations:

(A) For improving the implementation of project EMP and of Environmental Guidelines: (a) continuing the capacity building of PFI loan officers through training to improve their subproject environmental screening and assessment skills; (b) strengthening cooperation with local environmental inspectors on supervision and monitoring in the cases of category B subprojects; (c) preparing semi-annually environmental monitoring reports; (d) ensuring no CFCs containing refrigerators, as well as no PCBs containing equipment are purchased; and (e) ensuring preparation of EMP checklists, based on preliminary completed Field Site Visit Checklists in the case of new construction activities.

(B) With regard to social safeguards: (a) no sub-project should be approved for implementation on land that is formally or informally occupied or used by third parties, where implementation of the sub-project would result in their displacement; (b) pre-approval site inspection must verify that the site is unencumbered by formal or informal use; (c) where necessary, the PFI should use external experts to verify that the site is conflict-free; (d) Public Infrastructure investments should only involve refurbishing or reconstructing existing publicly owned buildings, and should not involve the acquisition of private land, or any construction on Greenfield sites; (e) even in the case of existing publicly owned buildings, due diligence should be conducted in the form of pre-approval site inspections to confirm that these buildings are not being formally or informally used by third parties; (f) in the case of the cooperative support program even though the project itself may not finance land acquisition, all purchases of land made with the intent of realizing a sub-project must occur on a #willing-buyer, willing seller-basis#.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Task Team met with the key public sector stakeholders and representatives from potential project beneficiaries in the Project. Non-government organizations as well as members of the ABMPPU were invited to a round-table discussion (February 19, 2004) during the preparation of the draft EIA. This roundtable was held to explain the Project. More importantly, the discussion was used to allow these organizations to express their views regarding important environmental issues as these relate to components of the Project,

particularly agro-processing. An advertisement was taken out in Bishkek's main newspaper (March 26, 2004) to invite interested members of the public wishing to review the draft EIA in the offices of the ABMPPU at the MAWRPI over a one week period. Individual invitations were extended to the participating NGOs of the round table to review the draft EIA at the PPU offices in the MAWRPI. A summary of the draft EIA was circulated to the relevant government ministries and departments for their review and comment.

The final EIA report was submitted to the World Bank InfoShop for public review. The final EIA is also available for review at the World Bank Resident Mission office in Bishkek and in the MAWRPI.

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### ***B. Disclosure Requirements Date***

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#### **Environmental Assessment/Audit/Management Plan/Other:**

Was the document disclosed <b>prior to appraisal?</b>	Yes
Date of receipt by the Bank	04/15/2004
Date of "in-country" disclosure	04/30/2004
Date of submission to InfoShop	05/26/2004
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

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#### **Resettlement Action Plan/Framework/Policy Process:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

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#### **Indigenous Peoples Plan/Planning Framework:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

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#### **Pest Management Plan:**

Was the document disclosed <b>prior to appraisal?</b>	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

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**\* If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

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**If in-country disclosure of any of the above documents is not expected, please explain why:**

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***C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)***

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes

**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes
Have costs related to safeguard policy measures been included in the project cost?	Yes
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes

***D. Approvals***

<b><i>Signed and submitted by:</i></b>	<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:	Ms Sandra Broka	05/05/2009
Environmental Specialist:	Mr Arcadie Capcelea	05/06/2009
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Mr Martin Henry Lenihan	05/05/2009
<b><i>Approved by:</i></b>		
Regional Safeguards Coordinator:	Ms Agnes I. Kiss	05/07/2009
Comments:		
Sector Manager:	Ms Dina Umali-Deininger	05/07/2009
Comments:		