

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC3647

<b>Project Name</b>	Third Village Investment Project (P146970)
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Country</b>	Kyrgyz Republic
<b>Sector(s)</b>	Public administration- Other social services (100%)
<b>Theme(s)</b>	Participation and civic engagement (60%), Rural services and infrastructure (40%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P146970
<b>Borrower(s)</b>	Government of the Kyrgyz Republic
<b>Implementing Agency</b>	Community Development and Investment Agency (ARIS)
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	07-Jul-2014
<b>Date PID Approved/ Disclosed</b>	07-Jul-2014
<b>Estimated Date of Appraisal Completion</b>	17-Oct-2014
<b>Estimated Date of Board Approval</b>	26-Mar-2015
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

1. The Kyrgyz Republic is a landlocked, mountainous country in Central Asia with a multi-ethnic population of about 5.5 million. It has one of the poorest economies in the Europe and Central Asia region, with a GNI per capita of US\$990 in 2013 (Atlas methodology). Between 2003 and 2012, GDP grew at an average of 4.3% annually. Poverty declined significantly in the last decade, from 63% in 2000 to 37% in 2011. As recently as 2010, wide regional disparities existed between rural and urban areas; the rural incidence of poverty was almost twice as high as in urban areas (40% vs. 24%). However, the last few years have seen a gradual convergence of rural and urban rates with current figures estimated at 39.6% and 35.4% respectively.

2. Almost two-thirds of the Kyrgyz population lives in isolated, rural, and mountainous areas. Access to basic services and infrastructure in these areas is limited. Traditional providers of social and economic services, the collective or state enterprises, no longer exist. The disappearance of

these structures has left significant voids in the provision and maintenance of basic services and infrastructure. This is a major manifestation of rural poverty in the Kyrgyz Republic.

3. Weak governance has been a major hindrance to the country's economic development. Lack of accountability within a highly centralized governance system eroded state-citizen relationships and resulted in political and social upheaval in 2005 and 2010. Anti-government protests and inter-ethnic conflict among rural communities evinced built-up frustration over corruption, misuse of public assets, rising inflation, and deterioration in social services and infrastructure. In response to these events, the government of the Kyrgyz Republic has committed to improved governance and reduced corruption as unifying themes and as the basis for the country's economic and social development. This is reflected in the recently issued National Sustainable Development Strategy (NSDS), 2013-2017, and the current World Bank Country Partnership Strategy (CPS) for the Kyrgyz Republic (2014-2017).

### **Sectoral and Institutional Context**

4. While decentralization and local government reform have been important elements of the Kyrgyz Republic's efforts to improve state governance, the process has been fraught with numerous obstacles and challenges. Early political decentralization did not always go hand in hand with administrative and fiscal decentralization. A lack of capable human resources, financial autonomy, and clear functional distinctions between the different administrative levels were major constraints in local government and in its ability to be fully responsive to citizens.

5. In 2002 the government adopted a strategy for decentralization, "The National Strategy on Decentralization and Development of Local Self-Government." The strategy covered the whole range of obstacles that threatened to limit the effectiveness of decentralization. It fed into local action plans for implementation as well as donor-supported projects to support the Kyrgyz decentralization process. Emphasis was given to community mobilization and community implementation of infrastructure projects. This was considered necessary given the lack of capacity in representative and executive bodies (ayil kenesh and ayil okmotu) at the local level. If larger financial resources were to be transferred to the local level, then community involvement was seen as essential to ensuring transparency and accountability.

6. It was within this context that the Bank supported the Village Investment Project (VIP - approved in December 2003) and the Second Village Investment Project (VIP-2 approved in August 2006), both implemented by the Community Development and Investment Agency (ARIS). The objective of these projects was to assist the Recipient with (a) improving governance and capacity at the local level; (b) strengthening the provision of and access to essential infrastructure services; and (c) supporting private group-owned small scale enterprise development. In response to weak local government systems, institutional mechanisms were established at the onset of VIP to mobilize communities and internal resources for planning and investment activities. These institutions have played an important role in the implementation of VIP activities and continue to be key local institutions in community mobilization. However, this has meant that the focus has been more on community-level structures created by the project and less on local governments' governance systems and capacity to contribute to development efforts.

7. The Kyrgyz Republic has changed over the ten years since the first VIP was established. A 2008 amendment to the legal framework for local governance assigned more political, administrative, and fiscal autonomy to local governments. Local authorities now have increased

responsibilities towards local populations, and there are increased opportunities for the ayil okmotu to work closely with communities in local development initiatives. Nonetheless, local governments and communities are limited in their capacity to undertake participatory approaches to governance and development.

8. It is within this context that the Government of the Kyrgyz Republic has approached the Bank with a request to develop a third phase of the successful Village Investment Project. The second phase of the project, VIP-2, has expanded to all of the 475 ayil aimaks (local municipalities) in the country and has gained strong recognition amongst the rural population. Approximately 2.3 million people have benefited directly from the completion of about 6000 micro-projects. In the past two years ARIS has been successfully experimenting with building local government capacity for participatory development in 2 regions (Chui and Talas), funded under the Japanese Social Development Fund (JSDF) and managed by the World Bank. Preparations are underway to scale up this approach in 4 regions (Issik-kul, Naryn, Batken and remaining locations of Talas) in a project funded by the State and Peace-building Fund (SPF) and managed by the World Bank as part of VIP-3 preparatory activities. Other capacity-building activities include the “Scaling-Up Peer-to-Peer Learning in Public Finance at the Local Self-Government Level in the Kyrgyz Republic” project financed by the Multi-Donor Programmatic Trust Fund for Europe and Central Asia, and implemented with the support of the World Bank. This project aims to improve the quality of budgeting at the local level by increasing the knowledge and capacity of local budget officers and local government officials. Other activities include a KfW-funded village investment program in the three southern provinces of the country, and local government capacity-building programs implemented by the Development Policy Institute and the Eurasia Foundation. VIP 3 will put greater emphasis on the institutions of local self-government and will seek to harness and build upon the successes of the previous VIP projects, the JSDF and SPF projects, and other capacity-building initiatives in the Kyrgyz Republic.

9. VIP 1 and 2, as well as other donor-funded projects, have experienced a number of poorly constructed works as a result of poor design and supervision. VIP 2 required additional financing to retrofit poorly designed and constructed works. Under VIP 2 Additional Financing, ARIS has taken a number of measures to avoid such problems, notably by coupling community-level monitoring with rigorous technical monitoring by specialists. Under VIP 3, special attention will be paid to ensuring the quality of works from the outset.

10. As part of project preparation, three assessments will be completed:

(a) ARIS organizational and institutional mapping: The objective of this assignment is to review the current institutional and managerial set-up of ARIS with a view to assessing procedures, strengths, and weakness in order to derive recommendations for enhancing ARIS’ performance and effectiveness in the context of the proposed Third Village Investment Project.

(b) Technical supervision review: The objective of this review is to examine technical supervision arrangements that have been implemented under VIP 2 and the ongoing JSDF project in ensuring the quality of infrastructure micro-projects. The review will propose recommendations as to how ARIS, local governments, community members, and third parties can be engaged in effective supervision of local-level infrastructure. The review will be conducted by a technical consultant (engineer) engaged in community-driven operations.

(c) Baseline capacity assessment of local governments (ayil okmotus): The objective of this assessment is to collect baseline information on the current capacity of ayil okmotus to implement the roles and responsibilities that will be assigned to them during the project. The assessment could

include: a) previous experience in planning and budgeting acquired as part of the preparation of micro-projects, b) the ability of local executives to prepare the required documentation that will be needed for participation in the competitive selection of sub-projects and micro-projects, c) the ability of ayil okmotus to conduct social mobilization activities, d) the capacity of local councils (ayil kenesh) for approving project proposals, and e) awareness among community members of existing local investment plans. This information will be used to adjust capacity-building activities as needed and to monitor the results indicators throughout project implementation.

### **Relationship to CAS**

11. The World Bank Country Partnership Strategy (CPS) for the Kyrgyz Republic (2014-2017) is aligned with the Kyrgyz Government's National Sustainable Development Strategy (2013-2017). The overarching theme in both strategies is the provision of support for improved governance and strengthened state-citizens relations as the basis for the country's economic and social development. This is to be achieved by making the state more accountable to its citizens and strengthening citizens' voice in the activities of the state. The project's focus on the interfaces between communities and local authorities and local participatory development will support the first key area of engagement spelled out in the CPS: Public Administration and Public Service Delivery. It will support the following CPS outcomes: institutionalizing a more meritocratic public administration and increasing villages with access to improved social and economic infrastructure.

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

### **Proposed Development Objective(s) (From PCN)**

12. The higher order objective of the project is to alleviate rural poverty. This is to be addressed through the project development objective (PDO) of building local capacity for participatory development planning and improving access to quality community infrastructure in targeted project areas.

### **Key Results (From PCN)**

13. Indicators that will track achievement of the PDO are likely to include:

- (i) Citizens have increased awareness of and participation in local decision-making processes, especially development planning, budgeting and community monitoring of infrastructure services
- (ii) Local self-government administrations have increased knowledge and tools for: a) participatory development planning and service delivery; b) transparent, responsive, and accountable management of local public resources; and c) grievance redress mechanisms.
- (iii) Local council members have increased knowledge and skills to exercise their rights, roles and responsibilities
- (iv) Increased capacity for planning and implementation of local investments
- (v) Increased access to improved infrastructure services in participating communities

14. A full results framework including indicators and a monitoring and evaluation system will be developed and agreed upon during project preparation. Baseline data on indicators will be collected upon project effectiveness.

## **III. Preliminary Description**

### **Concept Description**

15. The third phase of the Village Investment Project will target local community members, local administration staff, and local council members who will receive direct capacity building support in

participatory governance and participatory development (Component 1). The project will also support the design and implementation of sub-projects and micro-projects from participatory local investment plans (Component 2). Monitoring and evaluation of program activities is expected to create further knowledge of how to design successful participatory development interventions in evolving and fragile contexts for administrative and fiscal decentralization (Component 3).

The project's three inter-linked components are outlined below:

#### Component 1: Capacity Building

16. This component will support capacity building of local communities and local government bodies in participatory local governance and development planning. The following activities will be carried out under this component:

(i) **Social Mobilization.** The project will support the sustainable development of participating communities by promoting social mobilization, and encouraging the mobilization of internal resources for planning and investment activities. Local governments will play a key role in mobilization, design, and implementation of projects under VIP 3. Where they still exist, close collaboration will be encouraged with the institutional mechanisms established under VIP and VIP 2 to undertake social mobilization.

(ii) **Trainings.** The training activities under VIP 3 will be closely linked to what is taking place under the JSDF-funded Building Demand-Side Capacity for Effective Local Governance Project (P126873) and the proposed SPF-funded project (P149307) on scaling up participatory development training in the country. Training will be provided to community members and local government bodies on participatory local governance and participatory development planning and implementation. Special attention will be paid to the participation of women in training sessions, with a provision to have at least 30% women among the community trainees. Training sessions will be designed to be gender-sensitive, and will address the specific needs of different gender groups. Data on participation will be gender-disaggregated to keep track of the participation of women.

(iii) **Peer-to-peer Learning.** Exchange visits among communities in different parts of the country, and among local councils and local government administrations will be supported to learn good practices in participatory governance and local development. Visits will be encouraged across different ethnic groups, and across northern and southern populations as a means to promote social cohesion among areas that have faced tensions and violence in the last few years.

#### Component 2: Village Investments

17. Targeted villages will be supported in developing local investment plans through a participatory process in which local communities assess local needs, and carry out participatory identification of priorities. Special attention will be paid to the participation of women so as to cater to their specific needs and priorities. The project will also pay special attention to the participation of young men, especially in fragile and conflict-affected areas where they are often the instigators of violence.

18. Projects for financing under VIP-3 will be selected through a competitive process. This is a significant shift from the VIP 1 and 2 approach, in which block grants were provided to

participating communities on a per capita basis, based on population size. While this approach was successful in addressing certain needs and teaching people how to collaborate for local development, it did not allow for the funding of larger projects. Strategic development plans will be judged against a set of criteria, and those ranked highest will have their priorities funded. A comprehensive selection process will be developed and agreed upon during project preparation, with special attention paid to criteria that will engage and strengthen weaker municipalities in the competition.

#### Component 3: Project Management

19. This component will finance incremental costs of the implementing agency for project management, specifically coordination and supervision of implementation activities, financial management, annual audits, and monitoring and evaluation. The management and coordination of the project will be the responsibility of a dedicated project management team established within the implementing agency, ARIS.

#### IV. Safeguard Policies that might apply

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

#### V. Financing (in USD Million)

Total Project Cost:	12.00	Total Bank Financing:	12.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			12.00
Total			12.00

#### VI. Contact point

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