

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA16802

Project Name	Third Village Investment Project (P146970)
Region	EUROPE AND CENTRAL ASIA
Country	Kyrgyz Republic
Sector(s)	Public administration- Other social services (100%)
Theme(s)	Participation and civic engagement (55%), Rural services and infrastructure (45%)
Lending Instrument	Investment Project Financing
Project ID	P146970
Borrower(s)	Government of Kyrgyz Republic
Implementing Agency	Community Development and Investment Agency (ARIS)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	13-Jan-2015
Date PID Approved/Disclosed	14-Jan-2015
Estimated Date of Appraisal Completion	30-Jan-2015
Estimated Date of Board Approval	26-Mar-2015
Decision	

I. Project Context

Country Context

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\$1200 in 2013. 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. Wide regional disparities, however, exist between rural and urban areas. In 2010, the rural incidence of poverty was almost twice as high as in urban areas (40% vs. 24%).

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 farms 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.

Weak governance has been a major hindrance to 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 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

Decentralization has been an important element of the Kyrgyz Republic's efforts to improve governance. In 2002 the government adopted "The National Strategy on Decentralization and Development of Local Self-Government". Under this strategy, the emphasis was given to community mobilization and community implementation of infrastructure projects. This was considered necessary given the lack of capacity in local representative and executive bodies (ayil kenesh and ayil okmotu) at the local level.

It was within this context that the Bank supported the Village Investment Project (VIP-1- 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). Village and local investment committees (VICs and LICs) were established to mobilize communities and internal resources for planning and implementing investment activities. In the first phase of the project (VIP-1), 1,661 villages implemented 4,344 micro projects. During the second phase of the project (VIP-2), ARIS has covered all of the 475 ayil aimaks (local municipalities) in the country. Approximately 2.3 million people have benefited directly from the completion of about 6000 micro-projects. VIP and ARIS have become well known and respected "brands" in the Kyrgyz Republic. At the same time, the focus has been more on community-level structures created by the project and less on local governments' own systems and their capacity to contribute to development efforts.

The Kyrgyz Republic has changed over the ten years since the first VIP was established. The 2008 law on local self-government (LSG) has assigned twenty-three distinct responsibilities to local self-government bodies. The 2007 Law on Access to Information obliges local governments and state-affiliated service providers to ensure that information and public records are available to citizens through a variety of channels, including local media outlets and public gatherings. In particular, local administrations (ayil okmotus) are obliged to hold at least two annual general assemblies of residents to present annual reports about their activities and plans. Local councils (ayil kenesh) must meet at least four times a year to discuss reports and plans presented by local governments.

Nonetheless, local governments and communities are still limited in their capacity to undertake participatory approaches to governance and development. The low capacity for participatory governance and community development has weakened the relationship between local governments and their constituencies. This weakened state-society relationship has been a trigger for conflicts, due to poor management and inequitable distribution of basic services, resources, and employment opportunities. It is within this context that the Government of the Kyrgyz Republic has approached the World Bank with a request to develop a new phase of VIP.

The third phase of the Village Investment Project (VIP-3) will be qualitatively different from earlier phases. VIP-3 retains the participatory approach embodied in previous VIPs, but focuses on

improving governance and building the capacity of local government institutions for effective development planning and implementation. With enhanced decentralization and the assumption of increasing responsibilities on the part of local administrations, it no longer makes sense to build community capacity while ignoring the mandated role of local governments. The new project assigns clearer responsibilities to local government institutions, while continuing to build on the respected VIP and ARIS brands.

VIP-3 builds on the past/ongoing initiatives. Since 2012, ARIS has been successfully experimenting with a pilot capacity-building initiative in participatory development in two regions (Chui and Talas), funded by the Japanese Social Development Fund (JSDF). VIP-3 will incorporate the training activities implemented under this JSDF-funded pilot program. 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, as well as local government capacity-building programs implemented by the Development Policy Institute and the Eurasia Foundation. VIP-3 will build on the lessons learned from these initiatives.

The IDA-financed VIP-3 is part of a larger program. It will be supported by the financing of State and Peace-building Fund-SPF (\$1.4 million) in the four northern provinces (Naryn, Issykul, Chui and Talas). KfW will be financing an identical project in the three southern provinces of the country (Osh, Batken and Jalalabad) using the same operational manual as VIP-3, while the IDA-funding will cover the 4 Northern provinces. Following the request by Kyrgyz Parliament, the majority of IDA funding will focus on “hard” investments (construction, reconstruction, and rehabilitation of infrastructure). A significant portion of the complementary “soft” investments (capacity building) will be funded from the SPF (the first cycle out of three cycles of capacity-building activities throughout project implementation.)

II. Proposed Development Objectives

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

III. Project Description

Component Name

Capacity Building

Comments (optional)

Component 1: Capacity Building

This component will support the achievement of the first part of the project development objective of building local capacity for participatory development and will target both local communities and local self-government bodies (local administrations and local councils). Project activities under this component are broadly divided into three sub-components: (i) community mobilization, (ii) training, and (iii) peer to peer learning. 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.

Component Name

Village Investments

Comments (optional)

This component will support and finance the design and implementation of community infrastructure projects drawn from local development plans of municipal districts (ayil aymaks). The project will finance a select number of community investments in four targeted regions of the country. The investments to be financed will be determined by a competitive selection process. The application packages to be submitted by interested ayil aymaks will be judged against a set of criteria, and those ranked the highest will have their priorities funded.

Component Name

Project Management

Comments (optional)

This component will finance the costs of the implementing agency for project management, specifically coordination and supervision of implementation activities, financial management, annual audits, and monitoring and evaluation.

IV. Financing (in USD Million)

Total Project Cost:	12.00	Total Bank Financing:	12.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			12.00
Total			12.00

V. Implementation

The Ministry of Finance will be the official borrower and the Community Development and Investment Agency (ARIS) has been designated as the executing agency for the project. ARIS was established in 2003 as an autonomous non-governmental agency with an independent board to support investments in rural communities. It will manage the day-to-day implementation of VIP-3 and ensure that project implementation is conducted in a timely and quality manner, in accordance with the legal agreement and with due attention to all project requirements and procedures.

ARIS has significant experience in managing donor-funded projects including the first and second phases of the Village Investment Project. The agency enjoys a high level of credibility in the country, has adequate staff and management capacity, and an extensive network of partnerships with local agencies and NGOs in the Kyrgyz Republic. Based on its experience with the Village Investment Projects, it is the only organization in the country at present that is able to carry out community-driven activities on a large scale. Local trainers will be hired as required, as consultants, especially on more technical topics.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

World Bank

Contact: Asli Gurkan
 Title: Social Development Specialist
 Tel: 5775+266
 Email: agurkan@worldbank.org

Borrower/Client/Recipient

Name: Government of Kyrgyz Republic
 Contact: Mirlan Baigonchokov
 Title: Deputy Minister of Finance
 Tel: 996312664036
 Email: m.baigonchokov@minfin.kg

Implementing Agencies

Name: Community Development and Investment Agency (ARIS)
 Contact: Kubanychbek Iskakovich
 Title: Executive Director
 Tel: (996-312) 301-805
 Email: office@aris.kg

VIII. For more information contact:

The InfoShop
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 458-4500
 Fax: (202) 522-1500
 Web: <http://www.worldbank.org/infoshop>