

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC22945

Project Name	Third Rural Water Supply and Sanitation Project (P154778)
Region	EUROPE AND CENTRAL ASIA
Country	Kyrgyz Republic
Sector(s)	Water supply (60%), Sanitation (30%), Public administration- Water, sanitation and flood protection (10%)
Theme(s)	Rural services and infrastructure (70%), Rural policies and institutions (30%)
Lending Instrument	Investment Project Financing
Project ID	P154778
Borrower(s)	Ministry of Finance
Implementing Agency	Community Development and Investment Agency (ARIS)
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	04-May-2015
Date PID Approved/ Disclosed	04-May-2015
Estimated Date of Appraisal Completion	22-Jan-2016
Estimated Date of Board Approval	28-Mar-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The Kyrgyz Republic is, with a 2014 GNI per capita of US\$ 1,040, one of the poorest Former Soviet Union (FSU) countries in Central Asia. About 37% of its population of currently 5.7 million are considered living in poverty, with the rate widely varying both by regions and between urban and rural areas, (where in many areas it exceeds 60%). Around one-third of the population lives in cities and small towns with Bishkek, the capital, counting about 1.0 million, while the other two-thirds live in an estimated 1,900 rural villages of variable sizes and many of them scattered in remote and isolated mountainous areas.

The Kyrgyz Republic has a three-tiered system of sub-national administration. At the top level the country is divided into seven oblasts (plus the areas of its two main cities, Bishkek and Osh). The oblasts, in turn, are sub-divided at the intermediate level into 40 rayons. The bottom level is formed

by local self-government units that currently include 28 urban municipalities and 473 rural districts (ayl-okmotus), which inter alia are responsible for the delivery of water supply and sanitation services (WSS) within their territories in accordance with the 2011 law on local self-government.

Since independence in 1991, the country has experienced a rather tumultuous political history that has hindered economic growth and, in many sectors, has held up the development of solid administration structures and institutional systems. The ‘Tulip Revolution’ in 2005 resulted in the ouster of President Akaev, a fate shared in spring of 2010 by his successor, President Bakiyev. Moreover, in summer 2010 violent and widespread riots in the south of the country resulted in numerous casualties and economic losses. In the wake of the 2010 events a new constitution was adopted by popular referendum and the country shifted from a presidential regime to a system of parliamentary republic. Since then the country has been politically stable.

Sectoral and Institutional Context

At the time of the Soviet Union, access to piped water was the standard of service for Central Asia (CA) countries. After independence, however, service conditions rapidly deteriorated due to lack of funding and loss of capacity for maintenance and expansion. Existing infrastructure is now generally in poor condition and very inefficient, with average losses at 55%. Conditions in rural areas are particularly dire, already by the year 2000, a mere 40% of rural inhabitants were believed to have access to working water supply systems while the rest had to resort to fetching water from unprotected sources. Rural sanitation conditions have also remained excessively poor with 96% of the rural population in 2012 still having to rely exclusively on yard-side pit latrines. These difficult conditions are exacerbated by the often harsh climatic conditions, and result in significant hardship for the rural population in general, and for women and children in particular.

In 2001, to help the Government arrest any further decline, the Bank, in concert with the Asian Development Bank (ADB) and the UK Department for International Development (DFID), started funding the ‘Taza Suu’ rural water supply and sanitation program. Management of rehabilitated and/or newly built systems was entrusted to Community Drinking Water User Unions (CDWUUs). The program was continued in 2009 with another two projects financed by the Bank and DFID (RWSSP-2), and ADB respectively. In its early years, implementation of the second phase of the program suffered from the gradually worsening Kyrgyz governance system and from the legacy of poorly designed and/or executed works under the predecessor projects. Following the poor performance of a Joint Project Management Unit (JPMU), the Bank agreed with the Government in summer 2011 to transfer the implementation responsibility of RWSSP-2 to ARIS. Under ARIS management, the RWSSP-2 was successfully completed in October 2014 and an ICR is currently under preparation. RWSSP-2 provided improved access to good quality water supply to about 83,000 people in 55 villages, allowing more than 3,900 households connections. Over 9,000 people, the majority school children, were given access to improved sanitation facilities. The improvements in hygiene and sanitation and water related practices contributed to an average of 62.5 % decrease in the incidence of waterborne diseases in participating communities.

In parallel with the stabilization of the political system, the past few years have seen a noticeable improvement and consolidation in the institutional environment of the water sector. A ‘National Program for Water Supply and Sanitation’ was prepared under RWSSP-2 and formally approved by the Government in September 2014. At the level of the Government, some previously existing ambiguities have been clarified, and the responsibility for water supply and sanitation sector issues has now been concentrated in the Department for Drinking Water and Sanitation (DDWS) within

the State Committee for Architecture, Construction and Communal Services (GOSSTROY). At the local level, the responsibility for water supply and sanitation service rests, in accordance with the 2011 law on self-government, with local government authorities, i.e. municipalities in small towns and ayl-okmotus in rural areas.

Relationship to CAS

Originally, the proposed project was not included in the 2014-2017 World Bank's Country Partnership Strategy (CPS) for the Kyrgyz Republic. However, in line with CPS objectives, the project will address poor sector performance, which is to a large extent related to weak governance systems in the country, by building capacity and improving sector governance. The project will contribute to CPS results by supporting improvements in WSS services. The project will also contribute to achieving improved health outcomes for which access to safe water and sanitation is critical as highlighted in the Government's National Sustainable Development Strategy for the period 2013-2017, which states that:

Access to safe water and adequate sanitation also largely influences the effectiveness of healthcare. Greater attention should be paid to issues of water supply, sanitation and hygiene, which are vital for the entire population of Kyrgyzstan, especially for children.

It is necessary to define, at the government level, the water-supply, sanitation and hygiene policy, especially in the regions, to study the needs in and ways to improve access to water, sanitation and hygiene in education and health care institutions and to promote the principles of hygiene as a key element of the public health strategy.

A specific addition to the development strategy for the water sector was prepared and approved by the Government in 2014, and a formal Government request for the inclusion and prioritization of a follow-up operation to RWSSP-2 was submitted to the World Bank in July 2014.

D. Links to Corporate Commitments

1. Link to the twin goals of poverty reduction and shared prosperity: As demonstrated by the KIHS data access to WSS services in rural areas is low and has been stagnating or even declining. Investments in improving service delivery are expected to provide important benefits for the poor, who are disproportionately affected by the low quality of services and high coping costs (i. e. time used collecting water, working days lost due to illness). Poverty will be included as one of the selection criteria for the participating communities. Further, the project is expected to strengthen the capacity of the Government and the local authorities to plan and execute development initiatives in the longer term, including through greater sensitivity to the needs of the poor and vulnerable groups. Finally, the team is also exploring the option of using 'Survey of Well-Being via Instant and Frequent Tracking' (SWIFT) module as part of the project Results Assessment. This will allow identifying the proportion of the poor and B40 among the potential project beneficiaries and assessing, at project completion, differences in project results across income groups.

2. Links to Climate Change Mitigation and Disaster Risk Management: When meaningful, investment sub-projects will be screened to identify potential climate change impact and disaster risks and incorporate appropriate mitigation measures.

3. Conflict Filter. RWSSP-3 has taken into account the findings of the Conflict Filter for the Kyrgyz Republic. There is a danger that perceived inequities in the distribution of project

benefits may aggravate social tensions between beneficiary and non-beneficiary communities. These risks will be mitigated by: (i) engaging during both project preparation and implementation in pro-active communication that will explain to both beneficiaries and the public at large the benefits brought by the project to the target communities; (ii) applying clear and transparent criteria for the selection of investments, including both social and economic/poverty indicators; (iii) developing suitable grievance redress standards and measures for the project (not only for safeguards-related issues); and (iv) identifying early on the propensity to social tensions and/or possible conflicts in the project areas by requesting ARIS, the project implementing agency, to assess such risks as part of its social and environmental impact checks.

4. **Citizen Engagement.** RWSSP-3 activities will increase the capacity of community-based groups such as the CDWUUs to decide themselves on their development priorities. The sector strategy and institutional development component will help promoting participatory decision-making, budgeting, and monitoring mechanisms involving both citizens and local authorities in matters of rural water supply and sanitation planning in general and the implementation and monitoring of investments to be financed by the project in particular. In addition, RWSS-3 will include the rate of beneficiary satisfaction as an indicator for solid citizen engagement in the Results Framework

5. **Gender.** RWSSP-3 will, first, attempt to ensure a 30 percent minimum participation of women in community consultations in order that investment priorities reflect the needs of women and girls; second, the PMU will establish and observe a minimum participation of female local government staff and CDWUU members in capacity building activities; and, third, while measuring the number of beneficiaries, the project will aim that at least 50 percent of direct beneficiaries are women.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed Third Rural Water Supply and Sanitation Project (RWSSP-3) is part of a programmatic framework, for which a vision was already laid out in the ‘National Program for Water Supply and Sanitation’ approved by the Government in September 2014. Accordingly, RWSSP-3 will have a stronger focus on assisting the Government in the development of service delivery options and building up the management capacity of community and local government entities as well as the overall oversight, planning and advisory capacity of State sector authorities. The DO for the proposed new project will be:

‘To assist the Kyrgyz Republic in i) improving water supply and sanitation services for the target rural communities, and ii) building up capacities at all levels of State and local sector institutions in the WSS sector.

Key Results (From PCN)

The key DO level results indicators are:

- (i) Number of people with increased access to piped water;
- (ii) Number of people with access to improved sanitation facilities;
- (iii) Improvements in O&M cost recovery;
- (iv) Number and importance of adopted legal reforms, regulatory measures, and/or other institutional changes.

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

III. Preliminary Description

Concept Description

1. Description

The proposed RWSSP-3 will build and expand on the experience of the recently completed RWSSP-2, and take into account lessons learned from the experience of other donors such as ADB (and, if meaningful, EBRD). Until now budget shortages and limited donors' engagement have prevented significant progress, a situation that has brought the improvement of WSS to the top of the requests from the rural population to the Government. The project will focus on achieving concrete, verifiable and sustainable results in the improvement of actual WSS delivery to participating rural communities as well as providing critically needed support to State and local authorities to further their ability to develop and improve WSS sector policies and institutions and strengthen their capacity to efficiently implement the project and subsequently ensure technically and financially sustainable management of system operations.

The proposed project will include the following four main components:

(a) Water supply infrastructure and equipment investments: This component will address the needs for rehabilitation of existing and/or construction of new water supply systems in up to 25 villages benefitting possibly up to 50,000 people, including wells, pumping stations, networks, communal standpipes, connection manholes, etc. as well as the provision of service equipment including but not limited to chlorination devices, maintenance tools, and spare parts.

(b) Sanitation development: This component will finance the retrofitting of existing sanitary facilities in schools and other community facilities as well as programs to support the construction of improved individual household latrines by community members. The component, whose precise features must be further discussed with, and agreed to by, the health sector authorities, will also seek to attract external financing to support the development and implementation of additional educational campaigns to promote improved health and hygiene practices.

(c) Development of sector strategies and institutions: This component will support strategic studies and technical assistance to assist the Government in making informed policy decisions for the development, modernization and reform of the WSS sector. It will also support consultancies and studies to help develop and implement (i) capacity building activities for State agencies; and (ii) capacity building activities for CDWUUs, local authorities, and other WSS local institutions that might be created.

(d) Project management: This component will finance the project management costs of the PMU related to staffing, consultancies and equipment costs, M&E program, and financial management including internal and external financial audits.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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:	16.25	Total Bank Financing:	13.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			3.25
International Development Association (IDA)			13.00
Total			16.25

VI. Contact point

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