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Report No: PAD2387

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A

PROPOSED CREDIT
IN THE AMOUNT OF SDR 3.5 MILLION
(US$ 5.0 MILLION EQUIVALENT)

AND
PROPOSED GRANT
IN THE AMOUNT OF SDR 3.5 MILLION
(US$ 5.0 MILLION EQUIVALENT)

AND
PROPOSED GRANT
IN THE AMOUNT OF US$1.0 MILLION
FROM THE CASA1000 MULTIDONOR TRUST FUND

TO THE
KYRGYZ REPUBLIC

FOR THE
CASA1000 COMMUNITY SUPPORT PROJECT – KYRGYZ REPUBLIC

March 20, 2018

Social, Urban, Rural And Resilience Global Practice
Europe And Central Asia Region

CURRENCY EQUIVALENTS

Exchange Rate Effective February 28, 2018

Currency Unit	=	SDR
US$1	=	SDR 0.692
SDR 1	=	US$ 1.446

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Cyril E Muller
Country Director:	Lilia Burunciuc
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager:	Nina Bhatt
Task Team Leader(s):	Janelle Plummer, Holly Welborn Benner

ABBREVIATIONS AND ACRONYMS

AA	Aiyl Aimak
AKF	Aga Khan Foundation
ARIS	Community Development and Investment Agency
AO	Aiyl Okmotu
BAU	Business-as-usual
BFM	Beneficiary Feedback Mechanism
CASA1000	Central Asia South Asia Electricity Transmission and Trade Project
CASA1000-CSP	CASA1000 Community Support Project
CDD	Community Driven Development
CDSO	Community Development Support Officers
CoI	Corridor of Impact
CPS	Country Partnership Strategy
CSP	Community Support Project
CSP-CAP	CSP Communications Action Plan
CDF	Community Development Fund
C-VIA	Corridor-Village Investment Association
CWG	Communications Working Group
DFID	UK Department for International Development
EC	Electricity Company
EIRR	Economic Internal Rate of Return
ESMF	Environmental and Social Management Framework
FAP	First Aid Point
FM	Financial Management
GHG	Greenhouse Gas
GRM	Grievance Redress Mechanism
GRS	Grievance Redress System (WB)
ICT	Information Communication Technologies
IDA	International Development Association
IFR	Unaudited Interim Financial Report
IPF	Investment Project Financing
JSDF	Japan Social Development Fund
KfW	German Bank of Reconstruction
Km	Kilometer
kWh	Kilowatt Hour
kV	Kilovolt
LDS	Local Development Strategy
LED	Light Emitting Diode
LSG	Local Self-Government
L4Y-CSP	Livelihoods for Youth Community Support Project
MDTF	Multi-Donor Trust Fund
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MSDSP	Mountain Societies Development Support Programmes
NEGK	National Electric Grid of Kyrgyzstan Ltd
NPV	Net Present Value
O&M	Operation and Maintenance
PCC	Project Coordination Committee
PDO	Project Development Objective
POM	Project Operations Manual
RAP	Resettlement Action Plan
RES	Raion Electricity Station
SRWSSDP	Sustainable Rural Water Supply and Sanitation Development Project
ToR	Terms of Reference
UNICEF	United Nations' Children Fund
USAID	US Agency for International Development
US$	US Dollar
VIP	Village Investment Project
VIP3	Third Village Investment Project
YDP	Youth Development Plan

BASIC INFORMATION

Is this a regionally tagged project?	Country(ies)	Financing Instrument
Yes	Kyrgyz Republic	Investment Project Financing

[ ] Situations of Urgent Need of Assistance or Capacity Constraints

[ ] Financial Intermediaries

[ ] Series of Projects

Approval Date	Closing Date	Environmental Assessment Category
10-Apr-2018	30-Jun-2023	B - Partial Assessment

Bank/IFC Collaboration
No

Proposed Development Objective(s)

To engage communities in the development of social and economic infrastructure in order to enhance services, livelihoods and inclusion in target villages near the CASA1000 Transmission Line.

Components

Component Name	Cost (US$, millions)
Support for community-led investments in social and economic infrastructure	8.95
Support for community mobilization, youth engagement and communications	1.30
Project management, and monitoring and evaluation	0.75

Organizations

Borrower : Ministry of Finance

Implementing Agency : Community Development and Investment Agency

PROJECT FINANCING DATA (US$, Millions)

[ ] Counterpart Funding	[ ] IBRD	[✓] IDA Credit	[✓] IDA Grant	[✓] Trust Funds	[ ] Parallel Financing

Total Project Cost:	Total Financing:	Financing Gap:
11.00	11.00	0.00
	Of Which Bank Financing (IBRD/IDA):	
	10.00	

Financing (in US$, millions)

Financing Source	Amount
Community and Capacity Development Support Program	1.00
IDA-62190	5.00
IDA-D2940	5.00
Total	**11.00**

Expected Disbursements (in US$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.00	1.75	3.25	3.75	2.20	0.05
Cumulative	0.00	1.75	5.00	8.75	10.95	11.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Energy & Extractives

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Substantial
9. Other	
10. Overall	Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

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

Legal Covenants

Conditions

Type	Description
Effectiveness	(a) The Grant/Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled
Effectiveness	(b) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity

Type	Description
Effectiveness	(c) the Project Operations Manual has been prepared and adopted by the Recipient and the Project Implementing Entity in a manner satisfactory to the Association

Type	Description
Effectiveness	(d) the Recipient, through the Project Implementing Entity, has executed Cooperation Agreements with the selected Electricity Companies

Type	Description
Effectiveness	(e) the Recipient has established a PCC with terms of reference, composition and resources satisfactory to the Association

Type	Description
Disbursement	(f) the Sub-grants manual has been prepared and adopted by the Recipient and the Project Implementing Entity in a manner satisfactory to the Association as a condition of disbursement for Component 1 sub-grants

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Janelle Plummer	Team Leader(ADM Responsible)		GSU03
Holly Welborn Benner	Team Leader		GSU03
Irina Goncharova	Procurement Specialist(ADM Responsible)		GGOPC
Garik Sergeyan	Financial Management Specialist		GGOEE
Hamish Neil Goldie-Scot	Team Member	Engineering	GSU03
Heather B. Worley	Team Member	Communications	GEEDR
Jasna Mestnik	Team Member	Disbursement	WFACS
Kristine Schwebach	Social Safeguards Specialist		GSU03
Rebecca Emilie Anne Lacroix	Social Safeguards Specialist		GSU03
Robert James Searle	Team Member	Public Financial Management	GGOAC
Rustam Arstanov	Environmental Safeguards Specialist		GEN03

Ruxandra Costache	Counsel		LEGLE
Sara Munro Bryan Pasquier	Team Member	Communications	GEE03
Talaibek Torokulovich Koshmatov	Team Member	Rural Development	GFA03
Zamir Chargynov	Team Member	Energy	GEE03
Zhanetta Baidolotova	Team Member	Program Assistant	ECCKG

Extended Team

Name	Title	Organization	Location

KYRGYZ REPUBLIC
CASA-1000 COMMUNITY SUPPORT PROGRAM - KYRGYZ REPUBLIC

TABLE OF CONTENTS

I. STRATEGIC CONTEXT

A. Sectoral and Institutional Context

1. The sectoral and institutional context[1] for this project in the Kyrgyz Republic emerges from two distinct areas of development activity: regional energy sector development, including subsidy reform, and rural development.

2. Over the last decade, the Government of the Kyrgyz Republic has worked closely with donors to begin to address the many and varied issues that shape the energy sector and affect the delivery of reliable electricity services to the country's citizens. The country has abundant hydropower, which would cater for over 90 percent of domestic energy needs, but there is an imbalance relative to demand—surplus power and wastage in summer and perennial power shortages in winter. This seasonality of electricity supply, combined with low tariffs and under-maintenance of energy assets, has caused severe economic disruption, affecting productivity and the welfare of the population. As a critical step to resolve this issue, the Government committed to investment in the construction and rehabilitation of aging hydropower plants. Export of the country's relatively low cost, clean, surplus summer electricity would help the country generate the revenue needed to finance fuel resources for winter energy needs and promote energy efficiency programs, thereby creating a sustainable and efficient solution to the needs of the country's energy sector.

3. To leverage its excess summer energy supply, the Kyrgyz Republic entered into a regional agreement with Tajikistan, Afghanistan, and Pakistan in 2006 to create a regional electricity market—the Central Asia South Asia Regional Electricity Market. As part of this agreement, summer surplus electricity resources from Central Asia will be supplied to meet unmet demand in South Asia. Approved by the Bank in March 2014, the first phase of this agreement is the Central Asia South Asia Electricity Transmission and Trade Project (CASA1000), which aims to establish the commercial and institutional arrangements and the construction of transmission infrastructure to enable a trade of roughly 1,300 megawatts of electricity from the Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan. At an estimated cost of US$200 million, the Kyrgyz Republic portion of CASA1000 is a 450 km alternating current Transmission Line that will extend from the Datka substation (Jalal-Abad region) to the border with Tajikistan. The 3 km-wide corridor surrounding the Transmission Line (referred to as the "Corridor of Impact" or "CoI") follows the Kyrgyz-Uzbek border in the Fergana Valley, and includes communities in 7–8 raions in Jalal-Abad, Osh and Batken Oblasts that are economically and socially vulnerable, have limited access to public infrastructure and services, and suffer from winter energy shortages. However, the 500 kV high-voltage CASA1000 Transmission Line will not directly provide electricity to communities located nearby.

4. In all four countries in this regional initiative, to improve the livelihoods of the corridor communities and increase the shared prosperity associated with the Transmission Line, Community Support Projects (CSPs) were included as Component 3 in the Board-approved CASA1000 project appraisal document. The CSPs will aim to build local ownership of the regional CASA Electricity Trade and Transmission (CASA1000) project by improving the social and economic infrastructure and livelihoods of the communities along the CoI and surrounding administrative areas. Specifically, the CSPs in each country will be predicated on a community-driven approach to ensure local investments are tailored to community needs, actively engage communities and thus enjoy broad support. Each CSP will thus rely on the engagement of communities in planning, decision making, implementation, and monitoring and evaluation of local investments, and include local-level capacity building. In addition, the CSPs will help establish the channel through which CASA1000 will deliver a benefits-sharing

[1] The country context for the CASA1000-CSP is described in the Kyrgyz Republic Country Partnership Strategy FY14-17.

mechanism that has been agreed among the four governments – a portion of project revenue from each unit of energy exported/imported during the commercial phase of CASA1000 allocated for community development.[2]

5. In March 2014, the Bank approved the Afghanistan CASA1000 CSP (P149410) with US$40 million in financing from the Afghanistan Reconstruction Trust Fund. The preparation of CSPs in the other three CASA1000 countries was, however, postponed to align with the start of construction of CASA1000 infrastructure and to secure additional financing resources. Given progress in procurement of CASA1000 infrastructure and an expected start of construction activities in early 2019, this proposed CSP for the Kyrgyz Republic was thus prepared to support the communities at the start of construction of the Transmission Line in the Kyrgyz Republic. Preparation of the CSPs for Tajikistan and Pakistan are ongoing and will be presented to the Board for approval in the near future (currently planned for 2018).

6. Community-driven development (CDD) is relatively well established in the Kyrgyz Republic. The Bank and KfW have supported a Village Investment Project (VIP) for nearly a decade with the dual objectives of making locally-relevant investment decisions and empowering communities. Moreover, there is a well-established vehicle for CDD projects—a Community Development and Investment Agency, called ARIS, which was established in 2003 specifically to address the need for investment in rural communities (see para 65). The Bank has also expanded its support for CDD in the country through multi-sectoral CDD projects involving pasture and livestock management and irrigation, and a World Bank pilot project implemented by the Aga Khan Foundation (AKF) that has promoted social cohesion through community-based approaches in conflict-affected areas.

7. These community-based projects have aimed to address the poverty context in the Kyrgyz Republic. Although there has been a significant reduction in extreme poverty in the last decade (from 15.4 percent (2005) to 1.3 percent (2014)), a large proportion of the population remains vulnerable (about 60 percent are clustered near the poverty line). Almost 70 percent of all poor households are in rural areas, and poverty varies greatly by region, with almost half of the country's poor concentrated in two southern oblasts (Jalal-Abad and Osh). Rural poor also face a chronic lack of access to basic infrastructure and services, such as utility services, water supply, sewage, telephone services, and central gas supply. They are also disproportionately vulnerable to changing weather patterns, given the natural resource-dependent/agricultural basis of their livelihoods.

8. In 2008, to strengthen the role of local government in the country's development, the Kyrgyz Republic adopted an amendment to the legal framework for local governance, which assigns more political, administrative and fiscal autonomy to local governments. Local self-governments (LSGs) now have increased responsibilities towards local populations, and there are increased opportunities for local administrations (Aiyl Okmotus or "AOs") to work closely with communities on local development initiatives.[3] However, despite efforts to strengthen the AO role in village investment, fiscal transfers to LSGs are extremely limited and these local-level authorities have not yet developed the capacity for accountable and transparent decision making and financial management.[4] Nevertheless, local development planning is practiced and community investments form a part of Local Development Strategies (LDSs).

[2] Project Appraisal Document, Central Asia South Asia Electricity Transmission and Trade Project (CASA1000), March 7, 2014, p. 48.
[3] LSG responsibilities fall into four categories: (i) ensuring economic development of their respective territories through adopting development strategies, collecting local taxes, managing local budgets, and managing municipal property; (ii) ensuring maintenance and operation of public facilities and infrastructure (such as schools, hospitals, kindergartens, parks, roads, electricity grids, water-pipes, heating systems, waste-disposal systems, public transportation); (iii) administering architectural planning and land use; and (iv) administering the development and promotion of local culture and arts.
[4] A number of projects, including the VIPs funded by the Bank and KfW, and the Capacity Building in Public Financial Management 2 (P155148), have explicitly included the capacity building of LSGs. The CASA1000-CSP will utilize this capacity building and include key AO officials and Aiyl Kenesh representatives in project processes.

9. This sectoral and institutional context must also take into account the location of the proposed project. The CoI traverses the Fergana Valley, one of the most unstable regions in Central Asia, due to its diverse and interspersed populations, complex and intertwined borders, and dwindling natural resources. The area is also particularly vulnerable to climate change and natural disaster risks, including those related to changing patterns of precipitation, and more frequent and severe occurrences of floods, landslides and earthquakes, with rural poor being disproportionately affected. In addition to taking the adaptation measures needed to address these vulnerabilities, the Kyrgyz Republic is committed to mitigating the negative impacts of climate change by reducing its greenhouse (GHG) emissions in the range of 11.49-13.75 percent below "business-as-usual' (BAU) by 2030 and 12.67-15.69 percent below BAU by 2050 (as stated in its Nationally Determined Contribution which was submitted to the United Nations Framework on Climate Change Convention).

10. The Fergana Valley region in the Kyrgyz Republic is characterized by high levels of unemployment and underemployment, and migration has become the norm. For those that remain, the lack of economic opportunity, deteriorating infrastructure, and unreliable service provision has fostered apathy and a sense of exclusion, particularly for youth, 60 percent of whom still live in rural areas. This is also an area where, during consultations, communities articulated concerns regarding extremism and the loss of their children to the Syrian conflict. To address the needs of the target communities in the context of the Fergana Valley, it is necessary to address exclusion from economic opportunity and societal marginalization in conjunction with making improvements to infrastructure and services.

B. Higher Level Objectives to which the Project Contributes

11. The proposed project is consistent with the World Bank Group's Country Partnership Strategy for the Kyrgyz Republic (FY14-17), which includes several target results to which the CASA1000-CSP can contribute. This includes public service delivery, and the maintenance of scarce natural resources and physical infrastructure. It will also contribute to the goals of improving the efficiency and quality of essential public services, and improving the management of agriculture, forestry, livestock, pastureland, and water resources, while underpinning the CPS goal of ensuring energy security and the development of the export potential of energy. A new Country Partnership Framework is currently being developed.

12. In line with corporate mandates, the project prioritizes the engagement of citizens in implementation, meets gender targets for analysis, activities, and monitoring, and contributes to global and regional commitments to support and scale up climate action, and increase the climate-related share of development financing.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

To engage communities in the development of social and economic infrastructure in order to enhance services, livelihoods and inclusion in target villages near the CASA1000 Transmission Line.

B. Project Beneficiaries

13. The proposed project will benefit target communities living along the 450 km CASA1000 Transmission Line in the Kyrgyz Republic,[5] traversing three oblasts (Jalal-Abad, Osh and Batken) and an estimated 22 inhabited Aiyl Aimaks (AAs). The Corridor of Impact (CoI) is defined as a 3 km-wide corridor centered on the final route of

[5] The Engineering, Procurement and Construction contractor will determine the alignment of the CASA1000 TL (within a specified 2 km-wide construction corridor) when optimizing the design. In addition, it is understood that 10 percent of the corridor itself may be adjusted. This is likely to affect targets, but the extent to which they will increase or decrease is currently not known.

the Transmission Line. It is currently estimated that there are about 37 villages with a combined population of 87,500 within the Corridor of Impact. Within the 22 AAs, there are an estimated 132 villages with a total population of about 330,000. The Transmission Line is expected to directly cross approximately 10 villages.

14. The target areas of the CSP project support are thus defined as follows:

(i) Communities in the vicinity of the Transmission Line: This refers to all those living in the estimated 10 villages through which the Transmission Line will pass.
(ii) Communities within the Corridor of Impact: This refers to all those living in the estimated 37 "corridor villages" that lie within 1.5 km of the Transmission Line (including those "in the vicinity" of the line).
(iii) Communities in Aiyl Aimaks traversed by the Transmission Line: This refers to all those living in the estimated 132 villages in the approximately 22 AAs containing one or more of the corridor villages.

15. The PDO-level results indicators (Annex A) will measure access to improved electricity, social infrastructure improvements, and economic/livelihoods infrastructure, and the voice/empowerment, inclusion and social cohesion created by the project. PDO indicators will also measure satisfaction with the CSP as a solution to local impacts of the CASA1000 Transmission Line. Indicators will be disaggregated by age and gender where possible.

III. PROJECT DESCRIPTION

A. Project Components

16. The project will include the following components:

Component 1: Support for community-led investments in social and economic infrastructure
- Subcomponent 1A: Support for electricity improvements within target villages
- Subcomponent 1B: Support for social infrastructure and services in target villages
- Subcomponent 1C: Support for livelihoods facilities in selected AAs

Component 2: Support for community mobilization, youth engagement and communications
- Subcomponent 2A: Support for community mobilization and youth engagement
- Subcomponent 2B: Communications

Component 3: Project management, and monitoring and evaluation
- Subcomponent 3A: Project management and coordination
- Subcomponent 3B: Monitoring and evaluation

17. The project will adopt a "1+3" structure over its 4-year duration. The "1" refers to the first year, which will lead with investments specifically in community mobilization efforts and village-level electricity infrastructure (complemented by energy-related awareness building). The "3" refers to the remaining three years in which a CDD process, developed through Year 1 community mobilization efforts, will enable communities to participate in and choose from a relatively open menu of investments to meet local needs (including additional electricity improvements). The first year will not only create the link to the CASA1000, but also address the risks associated with low-quality electricity in the villages within the CoI. Complementary activities financed through trust fund resources will enhance the youth focus of the community mobilization process and establish a social accountability process vis-à-vis village investments.

Component 1: Support for Community-led Investments in Social and Economic Infrastructure
(US$8.95 million)

18. This component will contribute to the infrastructure aspects of the PDO. Through investments in infrastructure, communities will have access to improved social and economic infrastructure for poverty reduction, enhanced livelihoods, and youth development.

Subcomponent 1A: Support for electricity improvements within target villages

19. Launched in Year 1, this subcomponent will provide sub-grants to communities for: (i) village-level electricity improvements; or (ii) alternative energy sources (as determined by communities). The procedures for implementation of sub-grants under Subcomponent 1A will follow a participatory process (planning, decision making, management, and monitoring) similar to that being developed for Subcomponent 1B, but will be limited to community prioritization within an agreed menu of electricity/energy-related options.

20. The CSP sub-grants to communities will be allocated with a view to improving service provision towards a minimum service standard. Based on the Village Electricity Study carried out during preparation, a ceiling will be set at US$100,000 for the initial year of investment, but some villages are expected to require investments of less than US$50,000. The subcomponent is budgeted at US$3.5 million; however, communities will also be eligible to utilize one or both of their sub-grants under Subcomponent 1B for electricity improvements if that is their priority. Information from the Village Electricity Study indicates that this could increase village electricity investment by another US$0.8 million, for a total of US$4.3 million.

21. The menu of options to improve village electricity and related services is limited to intra-village investments, and is likely to include one, or some combination of (depending on technical viability) the following:

- Improved supply to existing settlements – replacement or upgrade of transformers, poles, lines and other elements of the distribution network
- Connecting new areas – extension of the village distribution network to new settlements[6] within villages[7]
- Street lighting – installation of LED street lighting.

22. The target area for this subcomponent will be the (approximately) 37 villages within the CoI. The sequencing of support to the target communities will either follow the sequencing of construction of the Transmission Line or start with those villages in the vicinity of the Transmission Line, while taking account of the capacity constraints of the regional electricity companies (ECs)[8] responsible for managing the electricity supply and related infrastructure at the sub-oblast level.

23. The technical design of the electricity improvements will be carried out by ARIS. Preliminary data from the 37 villages suggests that in about 29 villages, demonstrable improvements in service provision would be achieved through village-level investments in electricity infrastructure. The sub-grants for electricity improvements will be provided based on the cost of upgrading the service towards a minimum service standard.[9]

[6] New settlements, often on the edge of villages tend to house young families, and are typically poorly served. An extension of the electricity supply to such settlements would in many cases enjoy broad support across the community.
[7] In the case of the extension of services to new locations, additional short lengths of 10 kV lines within villages, with associated poles, would also be required. The distance from a 10 kV/0.4 kV transformer to the households served should not normally exceed about 800 meters. For longer distances, a transformer would be required closer to the households.
[8] Work will be implemented by, or in close collaboration with, Raion Electricity Stations (RESs), which are wholly owned by the respective ECs. There are three such RESs in Jalal-Abad, four in Osh, and five in Batken.
[9] Principles of service provision by the ECs are set out in the Electricity Law 1997, and associated standards defined in performance

The average cost of such upgrades is approximately US$120,000 in total, or approximately US$70,000 for Year 1 investments, if these are capped at US$100,000 for any one village. In those villages where it is not feasible or technically practical to launch electricity improvements in the first year, the project will offer alternative options related to internet connectivity or energy efficiency, allowing communities to choose from a relatively open menu of social or economic infrastructure, or to carry over funds to the following year or postpone village electricity improvements until later in the project.

24. **Installation.** As the ECs are responsible for the installation of the new equipment to rehabilitate the existing system, and will take over the assets after completion, this subcomponent will be carried out in close coordination with Osh-Electro EC (for Osh and Batken Oblasts) and JalalAbad-Electro EC (for JalalAbad Oblast). Prior to the purchase of equipment with project funds to replace existing substandard village-level transformers, 0.4 kV lines and poles, these ECs will sign Cooperation Agreements with ARIS to transport and install the equipment. The Cooperation Agreements will specify roles, responsibilities, and timeframes. In the first year, ARIS will be responsible for the design of the technical packages after the priorities are determined by the communities and the scope of work is agreed by the ECs. For the rehabilitation of existing systems, ARIS will procure the equipment required, and hand it over to the ECs to transport and install. In those situations where an extension of supply to new settlements is required (as opposed to rehabilitation of the existing system), the final arrangement for installation and transportation by ECs will be defined in the Project Operations Manual (POM). ARIS has undertaken these kinds of localized improvements before under the Village Investment Projects, and the same modality will be adopted to coordinate with the ECs and hand over assets to them for subsequent ownership, operation, and maintenance.

25. **Participation.** While Subcomponent 1A, due to its sole focus on electricity improvements, may have less scope for community choice and engagement than other subcomponents, community engagement will still drive decision making. To this end, communities will participate in prioritization and decision-making processes to determine which electricity improvements they prioritize from a shortlist of electricity improvement options (as noted in para 21). Taking into account community priorities, ARIS will then work with the ECs to develop options that are technically sound and consistent with budget constraints. Villages will review and confirm their preferred option. To ensure that communities are inclusive and poverty-focused in their decisions, this subcomponent will be subject to the same annual social audit process as the rest of the project.

26. **Outputs and indicators.** While communities in the approximately 37 villages within the CoI will be able to prioritize the electricity improvements that they need, it is likely that most of these communities will opt for: (i) improvements to electricity services; (ii) extended supply to new neighborhoods; or (iii) street lighting. Technical packages (designed by ARIS in collaboration with the ECs) would likely specify the transformers, lines and poles, street lights and any ancillary switching and other equipment needed. Given the focus on improved levels of service, and anticipated constraints, it is expected that this subcomponent would directly improve access to electricity supply in about 29 of the 37 villages, benefitting about 60,000 beneficiaries, approximately 70 percent of the village population within the CoI. Each of these outputs will directly support efforts to mitigate climate change impacts.[10]

agreements between the ECs and the Ministry of Energy and Industry. In keeping with the underlying legal principle of maintaining a “safe, reliable and uninterrupted supply of electricity” the CSP will, where technically feasible, focus on improving village-level service provision in terms of: i) safety; ii) reliability of voltage; and iii) continuity of supply, taking into account budgetary limits. The minimum service standard will be fully defined in the Project Operations Manual.

[10] These investments will result in GHG reductions (e.g. LED street lighting) and/or improve climate change adaptation (e.g. distribution network enhancements, which would both reduce energy use and enhance network resilience to climate change and natural disaster risks).

27. Outputs of this subcomponent will be measured in terms of:

- Percentage of target villages with improved voltage
- Percentage of target villages with reduced power outages
- Number of people formally connected to the network for the first time
- Number of target villages with street lighting systems improved by the project
- Percentage of transformers within target villages operating within rated limits
- Percentage of transformers with related distribution and supply systems considered to meet or exceed minimum safety standards.

Subcomponent 1B: Support for social infrastructure and services in target villages

28. Starting in Year 2, Subcomponent 1B will provide sub-grants to communities to fund the priority social infrastructure and services projects selected through the youth-led, participatory decision-making process established in Subcomponent 2A.

29. Under Subcomponent 1B, from Years 2 to 4, communities within the CoI will each benefit from at least two additional cycles of investment in community-prioritized subprojects. Approximately US$4.55 million in funds for Subcomponent 1B will be allocated according to village populations, weighted for variables on poverty, youth, and proximity to the Transmission Line. Villages will be grouped according to their weighted population (4 to 5 groups depending on the final list of target villages) and receive proportionately sized grants. The formula for fund distribution will be finalized when the final alignment of the Transmission Line is determined, and the final CoI villages identified.[11] Sub-grants are likely to range from a minimum of US$30,000 per community per cycle to a maximum of US$150,000 per community per cycle.[12] The project will allow communities to carry over sub-grants from previous cycles should they wish to undertake less but higher-value investments over the course of the project. Communities may also opt to replace social infrastructure with livelihoods facilities and obtain technical assistance as described under Subcomponent 1C. Communities will be discouraged from implementing subprojects that take longer than 18 months to complete.

30. **Scope of investments.** Communities will choose from a relatively open menu of options that contribute to poverty reduction. While it is not known what communities will prioritize until the participatory decision-making process is completed, and the local development strategy updated, sub-grants are likely to support small-scale infrastructure improvements relating to water, education, health, transport, and agriculture sectors. This will include, for instance, school rehabilitation to improve energy efficiency[13], kindergartens, first aid points (FAPs), rehabilitation of roads and bridges, rehabilitation of irrigation canals, pasture-related infrastructure, and school hygiene and sanitation. The subcomponent could also include the installation of internet connections (e.g. fiber optics) and alternative energy sources for households or community services (e.g. heating stoves). Facilities that specifically target youth needs will be eligible if they support livelihoods or leadership development supported by technical assessments to achieve the defined livelihood and/or empowerment goals. Water supply and sanitation improvements will be coordinated with, and technical assistance provided by, the Sustainable Rural Water Supply and Sanitation Development Project (SRWSSDP). As noted above, further village electricity improvements will also be eligible (in addition to those carried out through Subcomponent 1A) depending on

[11] 2017 population data will be used in the determination of subgrant distribution.
[12] This range will ensure that the minimum grant size is meaningful – to allow the purchase of a village priority that would have a demonstrable impact; a maximum size will ensure that the funds are not captured in more densely populated areas.
[13] Investments in energy efficiency as well as in households' uptake in alternative energy and awareness of energy savings will not only save energy but reduce GHG emissions.

community priorities, and limited to improvements within villages. All investments, except those on the negative list, will be permitted.[14]

31. The eligibility of proposed subprojects will follow the procedures detailed in the Project Operations Manual (POM), including:

- That all subprojects meet poverty reduction and gender equity goals
- That all proposed subprojects are included in the LDS, which includes youth and livelihoods development
- That community mobilization and decision making have been undertaken genuinely, and confirmed in a community-level social audit meeting
- That procedures requiring coordination with other donor projects have been met.[15]

32. Part of the community mobilization process will involve working with AOs to ensure the sustainable management of project investments.[16] The project will give due attention to Operations and Maintenance (O&M) at the very outset by deepening community training regarding the importance of good and timely maintenance, producing O&M plans, and requiring each community to contribute to an O&M fund appropriate to the investment (as defined in the POM). Under the CSP, O&M plans will clearly: (i) describe the activities and measures envisaged for the O&M of the subproject; (ii) assign roles and responsibilities for each measure; (iii) establish frequency; and (iv) describe the proposed mechanism (in addition to the community contribution) for covering O&M costs.

33. **Outputs and indicators**. It is estimated that this subcomponent will improve social infrastructure in 37 villages, with a current total population of 87,500 beneficiaries through about 70-80 subprojects, and result in commensurate climate co-benefits. Output and indicators include:

- Number of beneficiaries of diverse social infrastructure improvements (disaggregated by service, e.g. kindergartens, FAPs, roads and bridges)
- Number of village investments that were the top priority of communities[17]
- Number of communities selecting poverty-focused subprojects
- Number of communities selecting women's highest priority subproject
- Number of subprojects completed on time
- Percentage of villages with voluntary community contributions to village investments
- Number of subprojects that support climate change adaptation or mitigation
- Number of O&M committees established with community O&M funds.

Subcomponent 1C: Support for livelihoods facilities in selected AAs

34. To address the lack of economic opportunity in the target AAs, Subcomponent 1C will support the construction of a limited number of livelihoods facilities or selected productive/economic infrastructure in

[14] The negative list will be detailed in the POM. New irrigation canals will not be financed; however, rehabilitation of canals will be eligible to enable repairs that reduce losses, rectify other faults. The Heating Supply Improvement Project (P157079) will be leveraged to provide support for heating stoves. Diesel projects will not be eligible due to the complexity and high recurring costs of maintenance, and rate of depreciation. Sports facilities will not be eligible as they have been/are being financed by the VIP3 and KfW Debt Swap and are not focused on poverty alleviation and are not gender neutral. Water supply and sanitation is a top priority and the SRWSSDP will be leveraged to provide technical assistance to enable communities to access technically viable water supply and sanitation improvements. ARIS will ensure overall coordination on water and sanitation improvements, and report on this coordination in semi-annual project reports.

[15] Any subprojects funded by other donors after selection will be dropped and funds reallocated to avoid last minute changes.

[16] Training on municipal asset management, municipal budgeting, etc. has been conducted under VIP3.

[17] This refers to the top priority agreed through the community mobilization process and within the ceilings established. It would be measured through the social audits.

partnership with local entrepreneurs or entrepreneur groups. This subcomponent will expand the focus of support to include all communities located in the 22 target AAs, i.e. the funding of livelihoods facilities will be targeted at, and be accessible to, all residents of the estimated 132 communities in the AAs that are traversed by the Transmission Line.

35. Given the innovative nature of this subcomponent in the context of the Kyrgyz Republic, the project has budgeted US$0.90 million to be allocated through sub-grants to selected AOs, Corridor-Village Investment Associations (C-VIAs) (see para 43) or villages. It is anticipated that this will result in approximately 10 facilities[18] being selected in Year 1 and constructed thereafter. It is anticipated that these facilities could vary significantly in technical complexity (e.g. from apple storage facilities to ICT centers). To promote livelihoods development in the CoI, communities will also be able to opt for livelihoods facilities rather than social infrastructure under Subcomponent 1B.

36. The selection and prioritization of these facilities will be based on the community mobilization and youth engagement activities described under Subcomponent 2A. A complementary Japan Social Development Fund (JSDF) grant—Livelihoods for Youth CSP (L4Y-CSP) (described in box 1)—would strengthen this selection through a rapid market assessments and detailed value chain analyses that would validate the priorities identified during the community mobilization process and help select the most promising value chains with a potential for local value addition and employment creation for youth. The final decisions on the facilities to be supported would be subject to a number of criteria, including, inter alia: (i) a business plan; (ii) the entrepreneurs having their own investment contributions; (iii) the number of jobs generated for young women and men in the target AAs; (iv) the final ownership/sustainability of the assets; and (v) secondary benefits, especially for youth and vulnerable groups.[19] Innovative livelihoods facilities that employ youth, (e.g. e-enterprises and ICT centers) would be prioritized.[20] The activities proposed under the parallel L4Y-CSP are specifically aligned and tailored to provide technical assistance that builds the employability of youth, and the value chains for youth to be employed.

37. An asset transfer model will be used to ensure ownership and sustainability. It is anticipated that, on completion, facilities would be handed over by ARIS to the relevant AO and be placed on the AO balance sheet. After project closure, the income derived from leasing the facilities to entrepreneurs will be transferred to the relevant C-VIA and merged with the Community Development Fund (CDF) (see para 61) and funds subsequently channeled back into investments for social and economic infrastructure. The specific procedures concerning the livelihoods facilities' revenue, fund flows and controls will be described in the Sub-Grants manual.

38. **Outputs and indicators.** It is expected that the subcomponent will support 10 new livelihoods facilities. Output indicators will include:

- Number of facilities constructed
- Number of additional jobs created as a result of project investments (disaggregated by youth and gender)
- Amount of rent from facilities that will be channeled into the future CDF
- Number of businesses supported.

[18] While 10 facilities have been included in the indicative budget, the exact number of facilities will be dependent on the feasibility based on rapid market assessments and value chain assessments, and the willingness and availability of entrepreneurs who can meet the pre-defined criteria detailed under the competitive process in the POM. There is also a possibility that there could be smaller facilities which would have business viability.

[19] After the selection of the private entrepreneurs, the AOs, with the financial support of the project, will make additional capital investments (e.g. construction of the building and purchase of additional equipment) to complement the private entrepreneur's own financing. The role and responsibilities of the AOs and private entrepreneurs will be set out in a contract.

[20] These facilities will be designed to support community efforts to adapt to climate change risks by serving as an enabling environment/infrastructure for ensuring effective climate responses, improvements of early warning systems, etc.

Component 2: Support for Community Mobilization, Youth Engagement and Communications (US$1.30 million)

39. Drawing on lessons from World Bank CDD programming that promotes social cohesion and addresses conflict risks,[21] Component 2 will support a range of community mobilization and capacity building activities to ensure that: (i) communities, particularly youth and marginalized groups, are actively engaged in selecting poverty-focused project interventions; (ii) Component 1 investments in social and economic infrastructure (including electricity) are those that have been most highly prioritized by communities; and (iii) all members of the target communities are provided with the information, facilitation and capacity building necessary to make decisions that are needs-based, and inclusive of women, vulnerable, and poor households. The focus on poverty-alleviating investments is a part of the Bank's twin goals, and inclusion will form an explicit aspect of the community mobilization process. A gender target that 50 percent of the beneficiaries should be women/girls will also be rigorously implemented and checked. The Youth Needs Assessment and the Conflict Study conducted during project preparation drew attention to the following issues in the target communities: disempowerment of youth, particularly the low levels of employment among youth; cultural norms which make young people, especially young women, voiceless; the growing impact on children left by parents who have migrated for employment; issues of minority exclusion and inter-ethnic relations; gender-based violence; and the limited capacity of local institutions to manage and mitigate risks and provide services. To address these interconnected issues, the project will develop and implement a youth-focused community mobilization process that is designed to engage and empower young women and men to facilitate community engagement and to deepen participatory processes. Component 2 will also support the communications and awareness building activities.

Subcomponent 2A: Support for community mobilization and youth engagement

40. Subcomponent 2A will support the activities needed to ensure that Component 1 investments in social and economic infrastructure are decided by communities and responsive to the needs of all community members. This explicitly includes the poor and vulnerable. The objective of this subcomponent is to build local institutional capacity and engage communities in subproject needs assessment, planning, implementation, management, and monitoring, as well as O&M where relevant. This is expected to activate communities and help ensure that target communities are engaged in decision making over local investments.

41. An innovative process of engaging youth as leaders of the community-led processes will drive this subcomponent. Year 1 will be dedicated to the development of this youth-led engagement. From the outset, the project will fund youth mobilization events to select and build the capacity of approximately 150 youth as youth facilitators (two men and two women from each target village), who will take a leadership role in community mobilization and represent youth interests in project processes.[22] Targets for youth in active roles and the participation of women in capacity building and decision making is 50 percent across the project's various CDD processes.

42. At the outset of the project, to represent each target community at the AA level, a legal entity, known as the Corridor Village Investment Association (C-VIA), will be established and legally registered. The C-VIAs will represent and be accountable to the communities they represent. The head of the AO will be an active member

[21] The process will build on, but further elaborate the VIP3 process and incorporate lessons from the Social Cohesion and CDD project (P132577) experience in promoting social cohesion through CDD, as well as the Pasture Livestock and Management Improvement Project (P145162), while responding to the background studies (Conflict Study and the Youth Needs Assessment) that highlighted the risks associated with youth in the target areas.

[22] These activities will draw on the relevant local youth structures to bring youth together: youth committees and informal work or sports groups will serve as project entry points.

of the C-VIA in his/her respective AA, along with nominated representatives (two men, two women, 50 percent youth) from each corridor village. The C-VIAs will carry out a number of representation, coordination, financial management, and procurement functions. They will ensure that community priorities are taken forward, act as the main point of liaison with ARIS and, depending on capability, manage sub-grants for their villages (see further details in Section IV on Implementation). As part of the C-VIAs, a youth accountants scheme (discussed in paragraph 71 below) will also be established for the project period to provide unemployed young bookkeepers and accountants with work experience. The C-VIAs will be held to account through community monitoring and social audit processes (see box 1).

43. The cycle of youth-focused community mobilization activities undertaken at the village level under Subcomponent 2A will include:

- Initial outreach and sensitization efforts at the village level on CSP goals, activities and youth roles
- Participatory selection at the village level of relevant youth and community members for project roles
- Formal establishment of the Corridor-Village Investment Associations (C-VIAs) to represent community interests in the project
- Training and capacity building activities for project stakeholders, including youth facilitators and members of the C-VIAs
- Needs identification and prioritization at the village level led by youth facilitators (situation analysis, needs and asset mapping, focus groups)
- Development of inputs to Local Development Strategies (LDSs), including Youth Development Plans (YDPs), based on the community prioritization process
- Subproject selection for Component 1 activities based on community mobilization process
- Subproject coordination and management by C-VIAs.

Table 1: Summary – Youth Engagement Subcomponent 2A

Function	Youth Role	Description	Target numbers
Community Mobilization and Awareness Building	Youth Facilitators	• Young women and men (ages 18-28) from target villages • 50 percent women; 2 women and 2 men in each target village • Serve voluntarily as community mobilizers; facilitate YDPs/youth initiative groups; lead community awareness building initiatives (trained in technical aspects of relevant CSP social/economic infrastructure) • Capacity building and technical support provided by ARIS' Community Development Support Officers (CDSOs) • Obtain ARIS certification following training and quantified/qualified work experience	150
	Youth Accountants	• Young women and men (ages 18-28) in target villages • 50 percent women • Have graduated from basic bookkeeping course(s) and have skills to support accounting functions of the C-VIAs • Paid from C-VIA operating budget • The youth accountants scheme will enable youth to obtain practical experience, and, where necessary, to work alongside qualified financial management officers as a basis for future employment opportunities • Obtain certification after an agreed period of experience/level of competence.	21+ (each C-VIA)

44. The process will engage local stakeholders to help ensure that the project is understood by local leaders and officials, especially in the AOs and Aiyl Kenesh. To this end, representative from these bodies will be included in capacity building sessions and be appointed to specific roles. The community needs identification and

prioritization process will serve as an input to LDSs to inform the long-term development of local areas. The C-VIAs will also ensure that activities prioritized through the community mobilization process form part of the LDSs. In addition, in order to ensure that prioritized sub-grants include not only social infrastructure, but also livelihoods and youth development, support will be provided to pilot, in the LDSs, the inclusion of Youth Development Plans (YDPs) that specifically address the needs and challenges of young people, and identify youth-specific opportunities and strategies to enhance the voice and agency of young people, improve access to services, cultivate employable skills, and generate opportunities for local employment and income.

45. Youth facilitators will also take leadership roles in mobilizing groups of young people that will come together to brainstorm the scope of the YDPs. Gender-sensitive mechanisms will be developed to ensure the active participation of young women as youth facilitators in cultural environments where women are not traditionally involved in public affairs. ARIS will also field and manage 10 community support officers to work across the target villages/AAs, whose job it will be to support youth facilitators in community mobilization roles, build the capacity of C-VIAs, liaise with local authorities, and support the agreed monitoring and evaluation activities. Youth facilitators will not be paid, but will be reimbursed for agreed costs and will be certified as qualified facilitators by ARIS after training and work experience is complete.

46. This subcomponent will cover the costs of convening communities and facilitating meetings, training workshops and other community events and exchanges, to build the capacity of communities and local institutions. The cycle of activities will establish a system to engage communities, build the capacity of youth to play community facilitation roles, and encourage women to participate actively and equally. The outcome will be gender-sensitive, poverty-focused and community-owned decisions regarding the village sub-grants to be funded by the project. Capacity building will cover participatory methodologies, community governance and accountability systems, conflict resolution mechanisms, financial management, sustainability and equitable use, and Bank safeguard requirements. Relevant trainings will be targeted at ARIS staff, youth facilitators, youth initiative groups and community groups, as well as AO staff and members of the Aiyl Kenesh, and include community exchanges and cross-village monitoring. Guidelines for this mobilization and engagement process (with each step clearly defined in terms of methodology, target audiences, location, timing, gender targets, etc.) will be detailed in the POM.

47. **Outputs and indicators.** It is expected that approximately 150 youth facilitators will be selected and trained, at least 37 target communities in the CoI will engage in the community mobilization process over three cycles, and one C-VIA will be established and trained in each AA (with about 20 youth accountants). Technical assistance will underpin the innovations in community mobilization to bring about more genuine, active and inclusive engagement. Measures (with gender disaggregation) will include:

- Number of youth facilitators recruited and active in community mobilization activities
- Number of C-VIAs established and functioning in community mobilization, implementation oversight and monitoring activities
- Number of training sessions/workshops held
- Number/type of participants trained on project-related activities
- Percentage of target AAs with: (i) established C-VIAs; (ii) established bank accounts; and (iii) established financial management processes
- Percentage of target beneficiaries (young women and men) who report that they were engaged in: (i) planning and decision making; (ii) participatory monitoring; and (iii) planning for O&M
- Number of YDPs generated and included in LDSs
- Number of youth accountants working in C-VIAs.

Subcomponent 2B: Communications

48. Communicating clear, consistent and accurate information about the CASA1000-CSP in villages and AAs near the Transmission Line will be prioritized to build support, establish trust, and manage citizen expectations. Subcomponent 2B is closely linked to the communications strategy developed for the CASA1000 project, including communications about the Transmission Line, its purpose and benefits, and the safeguards aspects of the Transmission Line, be they health and safety or resettlement. Activities funded under Subcomponent 2B (and carried out by ARIS) will complement the scope of work carried out by a communications firm that will be engaged to support overall CASA1000 and CASA1000-CSP communications.[23]

49. A CSP Communications Action Plan (CSP-CAP) will be developed by ARIS in the POM, with the specific aim of: (i) building village-level support for the CASA1000 project by improving community understanding of the benefits and opportunities offered by the CSP; (ii) establishing trust in the CSP and managing expectations by transparently communicating CSP scale, scope and eligibility; and (iii) providing a supportive communications platform for messaging related to the broader CASA1000 infrastructure project.

50. **Timing and target audience.** Given the importance of community understanding of the CASA1000 Transmission Line, and the CSP as a benefit-sharing mechanism, activities under the CSP-CAP will begin as early as possible in project implementation, including with support from the CASA1000 MDTF. The target audience of the CSP-CAP will be local stakeholders, including AAs and villages near the Transmission Line, local agencies responsible for interacting with citizens in these villages (e.g. village leaders and ECs), as well as representatives of national project stakeholders.

51. **Activities.** Under Subcomponent 2B, ARIS will facilitate the dissemination of CASA1000 materials[24] and messaging, ensure ongoing information sharing and feedback, monitor the impact of communications efforts, and train communications staff to take part in communications activities. Emphasis will be placed on two-way communication; feedback from local stakeholders will be documented, and the response of the relevant agency tracked. ARIS will work closely with the communications firm to ensure that messages and materials meet the needs on the ground in target villages, adjusted as needed to constantly improve effectiveness. The subcomponent will finance: (i) ARIS' close engagement with the firm to ensure locally-relevant communications materials; (ii) dissemination of CSP communications materials through a broad range of channels to deepen local-level understanding, e.g. radio, roadshows, loudspeakers, community meetings, social media, and corridor village and AA events; (iii) communications materials; and (iv) feedback on the communications activities and to reflect on any revisions that may be necessary.

52. **Outputs and indicators.** For Subcomponent 2B, the outputs and indicators include:

- A communications action plan developed and agreed by all stakeholders
- Communications materials disseminated in all villages and AAs in the CoI
- Number of awareness-building events and participants (women/men/youth) attending
- Number of staff trained
- Percentage of villagers aware of CSP communications materials
- Community and stakeholder understanding of CSP (project objectives, scope, benefits and beneficiaries).

[23] The communications firm will be contracted by the World Bank and financed by the CASA1000 MDTF (not from project funds).
[24] A survey will be conducted by an external communications firm to develop tailored CASA1000 messages, design and produce communications materials, and train relevant implementing partners. These materials will be supported directly from the CASA1000 MDTF and will be coordinated with the project activities funded under Subcomponent 2B.

Box 1:
COMPLEMENTARY PROGRAMMING TO PROMOTE THE YOUTH FOCUS OF THE COMMUNITY SUPPORT PROGRAM

Under the activities described above, the CSP addresses young people's marginalization in the target areas by equipping young women and men in corridor communities with the skills needed to facilitate the CDD process, and become effective leaders and agents for change in their communities.

To further youth development and strengthen the community engagement in Component 1 and 2 activities, two streams of parallel initiatives, financed by small grants from trust fund resources have been/are being mobilized. These are: (1) the ***Community Engagement and Social Accountability Project*** (with agreed financing by the CASA1000 Multi-Donor Trust Fund (MDTF)) to further enhance community engagement and awareness building, and promote performance, transparency, and accountability in the social and economic infrastructure investments included in their communities; and (2) a ***Livelihoods for Youth Community Support Project*** (L4Y-CSP) (with proposed financing by the Japan Social Development Fund). Given the innovative nature of these awareness building, social accountability and livelihoods activities, the Aga Khan Foundation (AKF), an agency with a track record in implementing such innovations elsewhere, will act as implementing agency. AKF (with its local implementing partner Mountain Societies Development Support Programme (MSDSP)) brings global knowledge on youth, community mobilization, and social cohesion will help inform ARIS ongoing CDD and village investment interventions, and promote a new, youth-focused approach within the CSP.

More specifically, the small grant for the Community Engagement and Social Accountability Project (small grant 1) will aim to build knowledgeable, cohesive and sustainable communities, and address the disempowerment of youth in target areas, by supporting, firstly, *awareness-building activities* that focus on creating a platform for voice and agency of young women and men in target areas. It will support activities that empower youth, build their confidence and develop trust, enable youth to learn about, become expert in, and then function as community focal points. Communities will benefit from information disseminated on a range of relevant community development topics. Youth facilitators will mobilize informal groups to take part in trainings and workshops and then undertake outreach roles in their communities. Knowledge transfer is likely to include: (i) promotion of energy efficiency and alternative energy sources; (ii) enhancement of local services and livelihoods; and (iii) innovative methods for community-based knowledge generation such as community theater. These activities will complement the community mobilization efforts described in Subcomponent 2A and will ensure community oversight of CASA1000-CSP investments. Second, a set of *social accountability activities* will enable a group of (different) young women and men in the target villages to play a community oversight role implementing structured, demand-side accountability mechanisms. This will include hands-on training for a group of 150 community reporters to measure and monitor, ensure transparency and disclosure, and enable regular monitoring of community investments through (i) community reporting to track the CSP community decision-making and implementation process; (ii) participatory monitoring through community scorecards; and (iii) social audit meetings.

In the same target areas, the L4Y-CSP (small grant 2) proposes to pilot innovative activities in target areas which address employment constraints by equipping young people with the attitudes and aptitudes needed to succeed in the modernizing economy, while simultaneously addressing system-level constraints in the labor market. The L4Y-CSP proposes two activity streams: (i) promoting entrepreneurship and job skills linked to local labor market needs; and (ii) increasing opportunities for young people to enter the market by addressing constraints and fostering opportunity in youth-centric value chains. Each stream would support: (i) traditional value chains (e.g. horticulture, livestock, dairy production); and (ii) innovative enterprises linked to the digital economy. The activities have been structured to enhance the capabilities and support the aspirations of diverse groups of youth, and—through innovation—create opportunities in an economy where youth opportunities are currently limited. The L4Y-CSP would support improvements to the technical and vocational education system for skills that are in high demand in target communities, and provide training, internships and entrepreneurship programs for approximately 2,000 youth (50 percent women) in the target areas. To enhance opportunities for young people to enter the wider employment market, the L4Y-CSP would provide business acceleration services to 50 enterprise groups, and 20 youth-led e-enterprises. L4Y-CSP would also support the establishment of IT centers where young people would have access to advanced ICT courses, and 1,000 youth would be trained in ICT skills based on international standards. If approved, the youth entrepreneurship and market analysis through L4Y-CSP would enhance the technical assistance available to the livelihoods facilities proposed in Subcomponent 1C.

53. Subcomponent 3A will finance the incremental costs of ARIS for project management, including coordination and supervision of the implementation, managing the budget, project audits, a feedback system, and procurement. The subcomponent will fund a dedicated project management team (which will include experts in community mobilization, capacity building, engineering and project management, procurement and financial management (FM)) that will prepare a project workplan and budget, a POM, including terms of reference (ToR) for all staff and consultants, and training manuals. Under this subcomponent, the roles defined for ARIS regarding sub-grant activities (technical design,[25] procurement, and FM) will be conducted, as will support for the management of relationships with communities, C-VIAs, AOs and the ECs. The subcomponent will fund regular coordination with a number of national stakeholders, namely, the Energy Committee, National Electric Grid of Kyrgyzstan Ltd (NEGK), and the Ministry of Finance (MoF). ARIS will organize Project Coordinating Committee meetings semi-annually (see Section IV).

54. Under this subcomponent, ARIS will carry out all necessary activities to ensure transparency in the implementation and management of the project. These will be defined in the POM. This subcomponent will fund transparency, disclosure by ARIS (including reader-friendly materials, and a project website and other social media platforms). The documents for disclosure will be set out in the transparency and disclosure section of the POM. Transparency in project implementation will explicitly include the requirement that ARIS inform all relevant stakeholders (the Bank, C-VIAs, NEGK, etc.) of any gaps in the procedures that are identified during implementation.

55. The project will fund and ARIS will also manage a Beneficiary Feedback Mechanism (BFM), which will include the Grievance Redress Mechanism (GRM) required under OP4.12. It will also encourage and process feedback on all project issues. Awareness building of the BFM will be undertaken immediately after effectiveness, in order to clearly explain that the BFM is there for communities to provide feedback on all aspects of project implementation, including resettlement and other environmental safeguards related to the CSP, as well as any emerging concerns with the process and implementation. Awareness building on the BFM will be conducted annually by ARIS in target communities. Budgets for awareness building, staffing, and execution will be transparent and costs will be tracked. The BFM will include social media platforms (Facebook etc.), and the project will finance the piloting of a photo-based feedback mechanism (carried out by community reporters).

Subcomponent 3B: Monitoring and evaluation

56. Subcomponent 3B will support activities to track the progress of the project, carry out semi-annual assessments of outcomes and results, and communicate and report regularly on the progress of the project to relevant audiences. Monitoring and evaluation (M&E) will be conducted through an M&E team appointed by ARIS. This subcomponent will finance the team to coordinate internal and community-level monitoring (with the activities funded under the CASA1000 MDTF), as well as independent evaluations. M&E will focus primarily on the outcomes defined in the results framework and an agreed set of output indicators defined in the POM. ARIS will submit semi-annual reports to the Bank, the Energy Committee and the MoF, as well as quarterly unaudited interim financial reports (IFRs) to the World Bank.

57. The subcomponent will fund a baseline survey, and mid-term and final evaluations to capture the results of the social and economic infrastructure developed in Component 1, and the community mobilization and youth engagement processes described in Component 2. An implementation completion report (that draws on the evaluation results) will be conducted prior to completion.

[25] A budget will be established for technical design to facilitate appropriate design relevant to village circumstances.

58. The results of the BFM will monitor feedback and grievances, and will be posted online and in AO offices quarterly. The quality of the community mobilization and other inclusion, voice, and agency activities with communities will be measured annually through the community scorecards. No third-party monitoring is envisaged. Instead, a social audit and monitoring mechanism will be supported by a parallel grant, which will monitor participatory processes, fund flows, and subproject implementation. Given the high penetration of mobile phones in the country, the team will consider how the social audit process can pilot and utilize mobile technology.[26]

B. Project Cost and Financing

59. The lending instrument will be Investment Project Financing (IPF).

60. **Overall funding envelope and sequencing.** Total project costs are estimated at US$11.00 million, co-financed through an IDA allocation of US$10.00 million and US$1.00 million from the CASA1000 MDTF.

Project Components		**IDA** (est. US$)	**CASA1000 MDTF** (US$)
Component 1	Support for community-led investments in social and economic infrastructure	8,950,000	-
Component 2	Support for community mobilization, youth engagement and communications	666,000	634,000
Component 3	Project management, and monitoring and evaluation	384,000	366,000
	Total Project Costs	**10,000,000**	**1,000,000**
	Total Project Costs	11,000,000	1,000,000
	Front-end fees	-	-
	Total Financing Required	11,000,000	1,000,000

61. The CASA1000 project design included not only the concept of a community support project to be implemented in the CoI during the construction of the Transmission Line, but also a decision to create a mechanism for the provision of direct support to the communities during the operation phase to ensure continued funding of the CSPs. A Community Development Fund (CDF) was agreed by the CASA1000 parties as the mechanism through which local communities will continue sharing in the benefits of the CASA1000 project. The CDF will provide support through a portion of project revenues from each unit of energy exported/imported. An amount of US¢0.1/kWh was set as a part of the tariff negotiations, with an agreed split between the four participating countries.[27] It was further agreed that the CDF would be made available for a period of 15 years[28] after the Transmission Line begins the trade of electricity. The estimated share of the CDF for the Kyrgyz Republic will range from US$680,000–US$740,000 per year.

[26] Similar to the mobile technology platform piloted under the Central Asia Road Links project in the Kyrgyz Republic.
[27] In 2015, The CASA1000 parties agreed to the CDF as part of the Master Agreement. The parties agreed that "there will be imposed as one of the System Costs covered by the project energy prices the amount of 0.1 US cents per kWh of Electricity delivered under the Foundation PPAs. Of the amounts collected through this per kWh charge, one-half will be reserved for approved community development schemes in Afghanistan, and the remaining half will be split equally for approved community development schemes in the remaining three countries, Kyrgyzstan, Pakistan, and Tajikistan".
[28] This is the same duration as the Power Purchase Agreement, the main agreement that regulates the project cashflow distribution.

C. Lessons Learned and Reflected in the Project Design

62. **Enhancing the quality of village investment requires more genuine participatory processes and more coordination.** The nationwide VIP3 is implemented in all AAs in the country. Designed with a CDD methodology, and implemented by ARIS, it offers a wealth of lessons relating to poverty-focused investments, gender equity, community mobilization, local self-governance, and technical matters. A recent review has drawn attention to the need for better targeting, criteria to ensure inclusion and poverty focus, mechanisms to avoid capture by AOs and leaders of subproject selection, the pitfalls of competition, and the importance of transparency in AO and Project Implementing Unit decisions, and of coordination with other sector-specific and donor projects. Each of these lessons has been addressed in the project design.

63. **Applying CDD methods to enhance inclusion and stability**. The project design also reflects a number of lessons from CDD projects that seek to support not just community infrastructure and economic outcomes but also address local challenges around inclusion, social cohesion, and operating in conflict-affected or sensitive areas. Lessons reflected in the CSP design include: (i) involving local communities and stakeholders in needs identification, implementation and conflict-sensitive participatory M&E to improve services and infrastructure; (ii) focusing on outreach, capacity building and economic opportunity for vulnerable groups such as youth, minorities, and women; and (iii) programming to address the underlying drivers of conflict and instability (e.g. inter-ethnic relations, youth idleness/potential recruitment to violence, relations between communities and local authorities).

64. **Innovation is achieved through partnerships.** International experience of CDD projects provides evidence that partnerships with specialized and experienced organizations can raise the bar and introduce new ideas into institutions. The proposed implementation partnership between ARIS and AKF for Subcomponents 2A and 2B aims to provide a vehicle to advance knowledge exchange and learning, particularly on frontier issues where national institutions may not yet have the exposure or expertise for innovative project design. AKF's global experience in community-based engagement, youth mobilization, and working in conflict-affected contexts will be leveraged to help inform ARIS's ongoing CDD and village investment interventions, and to promote a new, youth-focused approach within the CSP.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

65. The MoF will be the official borrower and ARIS[29] has been designated as the lead executing agency for the project. ARIS will be responsible for the day-to-day management of the project, carrying out the project's fiduciary function (including FM functions, which comprise planning and budgeting, accounting, financial reporting, external auditing, fund flows, and internal controls), and ensuring that project implementation is conducted in a timely manner, in accordance with the legal agreement and with due attention to all project procedures and requirements set out in the approved POM. Procedures required but not set out in the POM will be brought to the attention of the Bank, and the POM will then be revised to ensure the transparent implementation of the project.

[29] The organization was established in 2003 as an autonomous non-governmental agency with an independent board to support community-based development in the Kyrgyz Republic. ARIS has adequate staff and management capacity, and an extensive network of partnerships with local agencies and NGOs in the Kyrgyz Republic. ARIS currently implements five World Bank projects.

66. At the national level, a Project Coordination Committee (PCC) will be established and maintained throughout the project period, to ensure the effective coordination with the CASA1000 Project Implementing Unit and other partners. It will include NEGK, the MoF, ARIS, the State Agency for Local Governance and Inter-Ethnic Relations, AKF, and Osh-Electro and JalalAbad-Electro ECs. It will meet semi-annually and function according to a ToR developed in the first meeting (slated for early 2018). The ToR for the PCC will be included in the POM. The World Bank will attend upon invitation to provide technical support. The ARIS CSP project team will act as the Secretariat for the PCC. The establishment of the PCC will be a condition of effectiveness for the Project.

67. ARIS will manage, through its oblast offices in Batken, Osh and Jalal-Abad, a capacity building team in the target areas. ARIS will field 10 community development support officers, whose job it will be to support youth facilitators in community mobilization roles, build the capacity of C-VIAs, liaise with local authorities, and support the agreed M&E activities. Community development support officers will be managed by two qualified national community mobilization specialists; their role will be to empower community representatives and structures.

68. As noted in Box 1, under a separate grant, ARIS will partner with AKF to deliver complementary social accountability and youth livelihoods streams of activities. This partnership aims to address three risks, namely: (i) the level of World Bank portfolio commitments currently with ARIS, specifically the nationwide implementation of the SRWSSDP from FY17-20; (ii) the weaknesses and non-compliances in the community mobilization and subproject selection identified under VIP3 – although these have been addressed through a remedial action plan, the partnership with AKF will strengthen accountability; and (iii) the location of the project in multi-ethnic areas. This will build capacity in ARIS on facilitation, introduce international experience into ARIS approaches, and strengthen the organization in these areas. ARIS and AKF will utilize existing regional offices to ensure close supervision of project implementation on the ground.[30]

69. For Subcomponent 1A, ARIS will coordinate with the C-VIAs, and JalalAbad-Electro and Osh-Electro ECs. Following the final demarcation of the Transmission Line, and prior to effectiveness, Cooperation Agreements will be signed with the ECs. The Cooperation Agreements will specify roles, responsibilities and timeframes for the implementation of each subproject. C-VIAs will be responsible for communicating village selection (without modification) by an instruction to ARIS to proceed with the technical design, and subsequently, the procurement. Jalal-Electro and Osh-Electro will approve the terms of reference, act as a member of the tender commission, co-sign supply contracts, and take responsibility for the transportation and installation of village electricity equipment, as well as subsequent ownership and O&M. ARIS will procure the technical design, carry out the tender process, and monitor implementation. Both ECs have confirmed these arrangements for engagement in the sub-grants. They will be exempt from customs duty and value added tax on the transfer of the equipment to their balance sheets.

70. For Subcomponent 1B, the youth-led, community-based implementation modality is intended to empower communities with decision making and monitoring. A C-VIA will be established and registered as a legal entity in each AA to represent the corridor villages located in that AA. C-VIAs will be established, as required through national law, through an AO-level community meeting with representatives from all target villages,

[30] While ARIS has a proven track record and adequate capacity in place for the project implementation, these risk mitigation measures reflect concerns arising during the implementation of VIP3, in which instances of non-compliance with the AO subproject selection and Oblast competition process were identified. A VIP3 remedial action plan includes, among others, revised (poverty-focused) selection procedures, improved transparency, tightened internal controls, and the strengthening of the Internal Audit Unit. The design of CSP has taken into account the need for improved internal controls and oversight.

which will approve the C-VIA charter. ARIS will sign Sub-Grant Agreements with the relevant AOs and C-VIAs (upon their establishment). The Sub-Grant Agreements will be defined in the POM and World Bank approval of a sample Sub-Grant Agreement will be a condition of sub-grant disbursement for subcomponent 1B. The C-VIAs will have elected and executive functions, including: (i) representing the villages in the project implementation process; (ii) informing ARIS of village priorities and subproject selections; (iii) coordinating with ARIS on the technical designs of the selected investments; (iv) instructing ARIS to procure contractors or suppliers (or carrying out the procurement function as noted below); (v) supervising contractors; (vi) coordinating with ARIS over contract payments (or carrying out the payment function where individual payments to contractors are less than the threshold to be defined in the Sub-Grants Operations Manual); and (vii) establishing O&M plans. Given that the C-VIAs do not currently exist and there may be constraints to the staffing necessary to carry out the above functions, ARIS will be responsible for establishing and maintaining adequate capacity and arrangements (including FM) at the C-VIAs. (If capacity is not in place, ARIS will implement the executive functions of the C-VIAs for the project.) The head of the AO will be an active member of the C-VIA in his/her respective AA, along with four representatives (two men, two women) from each corridor village.

71. The C-VIAs will receive a small administrative budget to cover the costs of employing its executive staff. Ensuring the C-VIAs have access to staff with appropriate skills will be linked to the youth development activities supported by the CASA1000 MDTF. Consistent with the youth-focused approach, the project will include the opportunity to identify and train a pool of young people with basic accounting, bookkeeping and other necessary skills to take up C-VIA staff roles. This youth accountants scheme will enable graduates to obtain practical experience (references and certificates), either working on their own or with qualified financial management officers.[31] All further details on the sub-grants' FM arrangements and controls will be detailed in the Sub-Grants Operations Manual, and be acceptable to the Bank.

72. After selection, Subcomponent 1C (construction of livelihoods-related facilitates) will be procured and implemented by ARIS. The preparatory selection process – the market assessment, and development of value chains, selection criteria, and competition for these sub-grants will be supported under the parallel JSDF grant (see box 1). ARIS will sign Sub-Grant Agreements with the relevant AOs. The Sub-Grant Agreements will be defined, and a template provided, within the Sub-grant manual for World Bank approval.

73. ARIS will also implement Subcomponent 2B to improve community understanding of the benefits and opportunities offered by the CSP. As the most relevant and local face of the CASA1000 project, the team members of ARIS will need the skills and information to communicate and direct people towards basic information about CASA1000. It is equally important for national CASA1000 communication efforts to include information about how the CSP is supporting villages located near the Transmission Line. The interlinkages between the CASA1000 and the CSP communications subcomponents are a critical aspect of the project. To this end, a Communications Working Group (CWG) will be established comprising communications staff from NEGK, ARIS, AKF and the Bank-appointed communications firm to support overall CASA100 and CASA1000 CSP communications. The CWG will meet quarterly to discuss messages, make decisions on the capacity and awareness building targets, decide on outreach meetings and discuss feedback received. Communications issues will be included in semi-annual progress reports to the Bank. This will institutionalize the coordination at the national level to ensure the two-way flow of information.

[31] ARIS will: (i) provide capacity building to C-VIA staff, including training on accounting and financial management; (ii) develop certification procedures; and (iii) conduct certification of accounting staff of C-VIAs.

Table 2: Summary Roles and Responsibilities of Implementing Partners

	Community mobilization	Communications	Village Electricity Improvements	Socio-Economic infrastructure	Livelihoods Facilities
ARIS (lead implementing agency)	• Lead project launch, awareness building and communications • Facilitate youth-focused community mobilization process • Establish and build capacity of C-VIAs • Liaise with AOs	• Lead communications efforts for CASA1000 CSP (in coordination with CASA1000 overarching communications strategy and dissemination efforts) • Carry out activities set out in the CAP-CSP.	• Coordinate with ECs • Present viable electricity options to communities • Carry out technical design • Launch procurements on behalf of C-VIAs • Sign Cooperation Agreements with ECs • Handover assets to ECs	• Sign Sub-Grant Agreements with CVIAs • Carry out technical design • Launch procurements on behalf of C-VIAs • Supervise construction • Handover assets on completion to AOs	• Sign Sup-Grant agreements with AOs • Carry out technical design • Launch procurements on behalf of AOs • Supervise construction • Handover facilities on completion to AOs
AKF	• Support community mobilization innovations, i.e. • Introduce youth engagement • Support capacity building of youth facilitators • Awareness building and social accountability (CESA) activities with complementary grant.				Proposed complementary small grant (L4Y-CSP - JSDF) would focus on: • Local market analysis • Entrepreneurship and youth-centric value chain development • Promoting enterprises linked to the digital economy
ECs	-	• Support communications efforts on CASA1000 CSP benefits to CoI villages	• Sign Cooperation Agreements with ARIS • Develop TORs • Check technical design • Join procurement committees • Transport and install rehabilitation infrastructure • Take on assets to balance sheets without tax.	• Provide support for any village electricity subprojects	Provide support for any electricity related requirements
AOs	• Support establishment of C-VIAs • C-ommunity outreach, and capacity building • Ensure update and development of LDSs	• Support dissemination of communications materials and CSP messaging within AO villages; provide feedback to ARIS on community concerns	• Provide public land as necessary • Coordinate with ECs	• Provide public land as necessary • Coordinate staffing and O&M • Take over assets on completion	• Endorse construction of livelihoods facilities • Provide public land • Take over ownership of facilities on completion
C-VIAs	• Established and legally registered during community mobilization	• Coordinate and cooperate with social accountability activities	• Represent corridor communities after subproject selection • Inform ARIS of subproject selections, instruct technical design (and procurement as necessary) • Carry out coordination, monitoring role and FM and procurement functions (if capacity is proven) • Establish O&M plans • Manage CDF post project		• Carry out agreed functions re rent from project financed facilities.
Private entrepreneurs/ entrepreneur groups	-	-	-	-	• Engage in the design of and investment in livelihoods facilities based on market assessment and value chain analyses

74. ARIS will put in place and implement a CSP-CAP that includes mobilizing staff to carry out communications activities, actively participating in the CWG, and assisting the communications firm with organizing focus groups and opinion research to document evolving community concerns and questions about the CASA 1000 and CSP. The communications firm will develop the content of communications material (flyers, infographics and a video) that will be disseminated by ARIS, the ECs, and other stakeholders. The firm will also train ARIS staff and other frontline implementers on good communication practices. ARIS will be in charge of implementing/organizing communication activities and events, and disseminating information. ARIS may hire a consultant (or firm) as needed to help with implementation and/or the creation of additional communications materials as well as for monitoring the progress of communications efforts.

75. The POM will set out the details of all procedures and technical aspects of each component, FM and procurement procedures, and provide clarification on each indicator, monitoring arrangement, and reporting requirement. The draft POM was completed prior to negotiations and the final POM will be a condition of effectiveness. A high standard of completion is anticipated to mitigate against risks of delay and unintended decisions. A Sub-Grants Manual will be developed separately, and will be a condition of disbursement for all of Component 1.

B. Results Monitoring and Evaluation

76. The monitoring of results will be based on the indicators defined and detailed in the Results Framework (Annex A). A baseline evaluation will be carried out before project effectiveness as a foundation for monitoring impact, and the project will include mid-term and final evaluations. A number of indicators will be measured through the participatory processes in Component 2, with a view to incorporating a process for dialogue and action. Since the design of CDD processes in the project includes innovations with regard to youth engagement, gender, inclusion, and social accountability, specific M&E to enhance knowledge in these areas will be captured and disseminated. M&E will also reflect on whether the project has addressed the underlying risk dynamics. Project lessons and results in these areas will be captured by ARIS to inform future CDD programming.

77. M&E activities will be the responsibility of ARIS, who will establish an M&E team to ensure adequate reporting. This will include reporting on the results indicators (including updates on citizen engagement processes), progress regarding Components 1 and 2, the status of the Environmental Management Plan and Resettlement Action Plan (RAP), and independent feedback from beneficiaries (through the BFM). Semi-annual progress reports will be made available one month after the end of each reporting period, and include the output indicators described in this PAD. The POM will include an M&E section that defines the methodology for the measurement of each indicator. This will be formulated to the satisfaction of the Bank.

C. Sustainability

78. Sustainability has been considered for each infrastructure subcomponent. For Subcomponent 1A, the equipment and facilities will be transferred to the EC balance sheets at completion. ARIS will ensure that an O&M plan is in place prior to handover. For Subcomponent 1B, the social infrastructure will be handed over to the AOs upon completion, following the well-established model of the VIP. Prior to financing, ARIS will ensure each facility has met 100 percent functionality through technical checklists developed for the POM, including operational requirements (i.e. assignment of teachers for kindergartens and health workers for FAPs). O&M Committees will also be established and trained in each community to manage the CDF and help ensure that investments are properly maintained. For Subcomponent 1C, any livelihoods facilities developed by the project will also be handed over to the AOs; lease payments will be used in part for O&M costs.

79. Sustainability of project investments also relies on the ownership and commitment of communities, strengthened through the community mobilization process via participatory planning and decision making, and active participation in monitoring. During the CASA1000-CSP, engineers and monitors will conduct regular field visits to completed projects and help develop the capacity of communities to manage and utilize the O&M funds. This will ensure greater likelihood of subprojects being maintained by the communities.

80. It is envisaged that the community engagement developed under the CASA1000-CSP will continue in the implementation of the CDF, which was approved in each of the four participating countries as part of the CASA1000 project. In the Kyrgyz Republic, the CDF will provide an estimated US$680,000–US$740,000 per year for 15 years for continued investment in communities in the AAs traversed by the Transmission Line. To enable the implementation of these village investments, the participatory and youth-oriented community structures built through CSP activities will extend beyond the project life to also cover the implementation of this CDF. The organizational structures at the local level (C-VIAs) will be established and their capacity built during the four-year CSP period, such that they can continue, with back-up from ARIS, for the 15-year period during which the villages in the AAs traversed by the Transmission Line will continue to receive sub-grants for CDD-type investments.

D. Role of Partners

81. The World Bank is coordinating with a number of partners on the CASA1000 project and associated CSPs. A number of bilateral partners (currently DFID and USAID) provide support for the CASA1000 MDTF. In the oblasts of the southern Kyrgyz Republic, the Bank also coordinates with a number of donors. This includes for example, KfW on the VIP in the south of the country, and DFID on conflict-related work in the region. A UNICEF project facilitates the construction and operation of kindergartens; and a number of other donors are implementing small vocational training projects in Batken Oblast. The CSP will support and enhance the LDS as the key mechanism in AOs for development coordination. The project is also closely aligned with a parallel grant that is proposed for funding by the JSDF to support youth-focused livelihoods activities to build capacity and create jobs for young women and men. This small grant (US$2.80 million) will complement the CSP's infrastructure-related activities, especially Subcomponent 1C, which focuses on the construction of livelihoods facilities (see box 1).

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

82. The overall risk of the project is assessed as **Substantial.** Political and governance risks are Substantial due to corruption in the public sector. The uncertain global and regional economic environment poses a Moderate macroeconomic risk that could affect project implementation, and the country remains vulnerable to external shocks affecting commodity prices and remittances.

83. Sector strategy and policy risks are Substantial. While there is a: (i) moderate risk of implementing a CDD project (this is now a well-established approach in the country); there is a (ii) substantial risk because of the project being positioned with the energy sector and the ongoing discussions on energy reforms; as well as (iii) community risks associated with the poor quality of electricity in target areas. The latter is being mitigated by launching village electricity supply improvements in the first year of implementation.

84. The institutional capacity risk is Substantial. Following the identification of non-compliances in subproject selection in VIP3, the Bank has worked closely with ARIS to improve transparency, establish tighter internal controls, and strengthen the internal audit function. The design of the CSP subproject selection has taken a different approach and put in place a series of steps to mitigate the risk of capture in AOs or political capture. Concerns that ARIS is currently implementing five World Bank-financed projects have been addressed in part by introducing a partnership for the delivery of local-level activities. This partnership is envisaged with AKF—an organization that brings international expertise in youth, livelihoods, and conflict-sensitive development, as well as on-the-ground experience in the target areas. AKF inputs will be especially focused on the community mobilization and capacity building, youth development, and livelihoods activities. The institutional sustainability risk is however low; ARIS Is a stable organization with a strong funding stream and donor support. Stakeholder risk is Substantial. High levels of collaboration are required between NEGK, the regional ECs, the RESs, the AOs and ARIS as well as AKF, and a Project Coordination Committee that meets semi-annually will be established to promote communication and coordination.

85. Fiduciary risk is also Substantial given that a large part of the project funds will be utilized for sub-grants to communities. This will be mitigated through close monitoring by the Bank of the sub-grant implementation, in particular, the eligibility and selection process of beneficiaries. Additionally, the internal audit function of ARIS will have a greater role in reviewing the flow of funds and control over sub-grants, while the project external auditor will conduct a transaction review of sample sub-grants. Procurement-related risks concern systemic weaknesses in: (i) procurement capacity at the national and community level; (ii) accountability of procurement decisions, especially at the community level; (iii) potential risk of delays due to the complexity of procurement processes and decision making that involves communities; and (iv) procurement planning and contract management. Procurement risks will be mitigated through close monitoring by the Bank, ARIS oversight, external audits as well as community oversight. The CSP includes building procurement capacity at the community level, training project staff on Bank Procurement Regulations and establishing a contract monitoring mechanism.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

86. **Economic Analysis**. The proposed project will be implemented using a community-based, demand-driven approach. The project will support activities targeted at improving small infrastructure: (i) village electricity improvements; (ii) a relatively open menu of social infrastructure improvements; and (iii) livelihoods facilities. Given that the precise community investments will not be known until the communities choose them, as with other CDD projects, it is not possible to provide a precise economic and financial analysis of the project. Nevertheless, given the experience of village investment in these oblasts in the Kyrgyz Republic, it is possible to anticipate the types of investments in the defined subcomponents under a likely grant distribution scenario. It is also possible to quantify some of the economic benefits of the infrastructure/services in order to provide an indication of the potential rate of return. At completion, the final investment data can be entered to more accurately calculate the economic rate of return.

87. The benefits of improved village-level electricity infrastructure will include enhanced reliability and quality of service provision for lighting, cooking and heating, lower associated energy costs, lower repair and maintenance costs for pumps and household appliances, and reduced safety risks. Other benefits include the improved possibility for children and adults to read, study, and communicate after sunset, increased use of domestic appliances, televisions, computers, and the internet, and the development of small income-generating

businesses (sewing machines, dairy processing), as well as safety and security within the village. From a system management perspective, significant benefits include reduced losses, and reduced costs of maintenance and repair of assets. Where feasible, energy-related investments will also contribute to climate change mitigation and adaptation measures, as well as improved resilience to natural disasters.[32] At a cost of US$3.50 to US$4.30 million, it is anticipated that about 37 villages located in the CoI,[33] with a total population of about 87,500 will benefit from significant improvement in the electricity supply to their residents and village-level businesses. It is also estimated that 70 percent of the population will benefit from the electricity improvements. Levels of connection are relatively high but the quality of supply is poor—low levels of voltage significantly affect the use of the electricity supplied. Using the potential investments and coverage described in the Village Electricity Study, it is anticipated that about 32 villages are likely to opt for rehabilitation, and five villages are likely to extend supply to new settlements; about 20 could use funds for street lighting. The economic internal rate of return (EIRR) for the electricity investments is estimated at 52 percent.

88. For social infrastructure, at a cost of US$4.55 million, the project will finance about 70-80 subprojects from an open menu of possible investments, to meet community needs.[34] It is likely that investments will be made in kindergartens, FAPs, school rehabilitation (including heating and energy efficiency improvements), irrigation rehabilitation and road improvements (or machinery to improve accessibility). For kindergartens, the benefits are not only the early childhood development of pre-school-age children, but the time released for parents to work, and the reduction in travel time for parents. It is likely that the project will provide kindergarten places for approximately 2,000 children, the benefits of which are long term and difficult to quantify. The EIRR calculated below assumes economic benefits due to women being able to work, and reduced cost and time for travel. For FAPs, notwithstanding the unquantifiable benefits of better healthcare, the direct economic benefits are reduced travel time and costs to visit medical facilities in AA or raion centers and less number of days of work missed. For irrigation rehabilitation, the economic benefits are reduced time transporting water and increased income from better yields. For village roads, benefits are seen in the creation of temporary employment, improved connectivity to markets and services, savings in travel time, new business growth, and reduced unit costs of transport. Table 3 provides a likely scenario of the proportion of the budgets that will be spent on these priorities.[35] The EIRRs for the social infrastructure investments vary.

89. The proposed budget for livelihoods facilities is US$0.90 million. It is anticipated that 10 facilities (e.g. greenhouses, dairy processing plants) will be developed in the target areas. These facilities are likely to generate up to 30 sustainable jobs per facility. Over the project and 15-year timeframe for the CDF, the EIRR for the livelihoods investments is estimated at 77 percent.

90. **Rate of return.** Given the above benefits and costs, the base case EIRR is estimated at 34 percent. The net present value (NPV) of the project's net benefit stream, discounted at 6 percent, is US$21.82 million. This is consistent with other CDD project estimates and ex-post analyses. The EIRR of 34 percent for this project is in line with the global average for CDD investments as well as recent community-based programming in the Kyrgyz Republic, and demonstrates a high benefit-cost ratio. The Kyrgyz Republic VIP3 estimated an EIRR of 28.8 percent.

[32] For example, investments in energy efficiency and measures leading to household uptake in alternative energy use is expected to result in significant energy savings and reductions of GHG emissions. By supporting infrastructure enhancements and making them climate resilient, adaptations respond to observed and anticipated climate change impacts.
[33] As noted above, the number of beneficiaries and villages will not be finalized until the CASA1000 contractor is appointed and has set the final route of the Transmission Line.
[34] The VIP provides some precedent for the choices that communities will make, as does the Benefit Sharing Study, the Youth Needs Assessment and consultations to date.
[35] Based on data analysis of the VIP (KfW) and the Youth Needs Assessment carried out for the project.

Other economic analyses for CDD projects in the Asian region indicate that EIRRs for rural infrastructure range from an average of 18 to 53 percent.[36]

91. Sensitivity analysis shows that the project is fairly robust and moderately sensitive to changes in key assumptions. A 10 percent increase in project costs, a 10 percent decrease in project benefits, and the omission of all roads improvements (with the highest sector EIRR) each result in EIRRs of between 25 percent and 34 percent. Project benefits would have to decline to 44 percent of their assumed value for the project to generate an EIRR of only 10 percent.

Table 3: Summary of Net Present Value and Economic Internal Rate of Return

	Assumed budget	Percentage subcomponent budget	NPV Cost	NPV benefit	EIRR
Electricity	3,500,000	39.1%	3,243,710	13,803,169	52%
Kindergartens	2,050,000	22.9%	1, 939,695	6,821,441	32%
First aid points	500,000	5.6%	440,660	479,167	6%
School rehabilitation	500,000	5.6%	440,660	410,714	3%
Roads/machinery for roads	750,000	8.4%	837,885	3,174,107	263%
Irrigation canals rehabilitation	750,000	8.4%	737,097	2,775,179	52%
Livelihoods facilities	900,000	10.0%	914,184	3,188,571	77%
Total investment cost	**8,950,000**	100%			
Management and mobilization costs	2,050,000	-			
Total/average	**11,000,000**	100%	15,130,114	36,952,349	**34%**

Assumptions:

- The period of the calculation is 4 years CSP plus 15 years CDF.
- Income data utilizes daily income per capita for both unskilled and those entering labor market, in Osh, Batken and Jalal-Abad Oblasts (KIHS, 2015).
- The stream of economic costs and benefits was discounted at the social opportunity cost of the capital, which was assumed to equal 6 percent (IMF, 2016); income increases by 5 percent annually.
- The EIRR is calculated on the overall total cost, which includes the cost of project management, community mobilization, and communications, as well as the incremental operational costs of the facility.
- Indirect human development benefits – improved health, improved levels of education, and early learning are not included.
- For kindergartens, we assumed that 25 percent of women are able to return to work and earn a poverty-level income as a result; and 25 percent of women slightly increased their daily earnings. For FAPs, we assumed 1 working person a day was able to earn their normal income as a result of the FAP being in the village. We did not include the benefits of healthcare or prevention. For irrigation rehabilitation, we assumed all households accessing improved irrigation obtain an improvement equivalent to one female unskilled worker, and that 25 percent of farmers benefit from time savings. For roads, we assumed 5 percent of households save travel time, and 5 percent increase their income by US$1 per day as a result of better access to markets. For electricity, we assumed that 25 percent of households are able to increase their income by US$1 per day as a result of their access to income-earning potential (sewing machines, dairy processing), and that 25 percent are able to save the costs of obtaining fuel and power elsewhere. We assume that the tariff increases 3-fold after 4 years. Relevant operational costs have otherwise been assumed for each facility/infrastructure. Benefits not quantified in the analysis include more equitable access to services, including for vulnerable groups and women, as a result of improved targeting and needs-based decision making, improved public health as a result of improved access to FAPs, adaptations for climate change and disaster resilience, and improved economic opportunity as a result of improved electricity.

92. **Value for money**. In overall terms the project is seen to be using the IDA and MDTF funds efficiently. In Subcomponent 1A, which supports electricity improvements, the project will leverage installation costs for rehabilitation works by the ECs, representing an estimated 30 percent cost savings (about US$1.30 million in

[36] By comparison, the Afghanistan CSP EIRR is estimated at 59 percent; VIP2 irrigation canals, specifically calculated at 37 percent.

absolute terms), and the cost of O&M will be taken up by the oblast ECs.[37] For Subcomponent 1B, the CDD approach brings with it potential cost efficiencies, if the costs of construction are reduced by lower overheads and zero profit margins.[38] In The Kyrgyz Republic, there have been problems with control of the quality of community (labor-based) construction in the past and, as such, only small subprojects (under US$20,000) will be eligible for direct implementation by communities, the remainder will be procured through competitive processes. Similar projects have indicated that these costs are still far lower than the costs of national, ministry-led projects. It is not yet clear the extent to which this opportunity will be taken up. Irrigation improvements will be coordinated with local Water Users Associations, keeping costs low. For social infrastructure investments, a number of the facilities will leverage, and be contingent on, commitments to support O&M, from the relevant budgets of the Government. The construction of kindergartens will leverage in-kind support of up to four teachers for a kindergarten of 50 students, operating costs (utilities etc.), and O&M funds generated by parents. Similarly, the staff and operating costs of FAPs will be covered by the national budget. In Subcomponent 1C, it is currently anticipated that livelihoods facilities will require a 50 percent cost share, thus leveraging, in absolute terms US$0.90 million.

93. The selection of ARIS as implementing agency is considered cost efficient. ARIS costs for construction are typically significantly lower than other government implementing agencies. ARIS does not pay tax and is not subject to the customs duty and taxes that apply to the ECs. The current project management costs come to US$0.84 million (7 percent of the overall cost). ARIS operates a number of central core services, including for instance, the BFM, to which the project will pay a proportionate contribution rather than setting up a separate system. AKF cost structures for community mobilization are also low, typically applying less than 10 percent overhead. Moreover, the project will leverage core AKF funds to expand activities designed under the CSP to additional communities. While it cannot be costed, the partnership is likely to bring about more genuine citizen engagement, and thus more likely to result in projects that are prioritized by communities.

94. Sub-grants will be allocated on a per capita basis, and will be used for any number of subprojects, ensuring that costs are not inflated to equal the grant. Communities will be able to decide how they use cost savings from low tenders (as experienced in other CDD projects in the country). Moreover, communities will be allowed to carry over funds from one cycle to the next to allow them to choose a priority subproject that costs more than the cycle budget. Additionally, they will be able to join together with a neighboring village if they choose. The project will not, however, require community contributions for construction, as this is seen to be inconsistent with the benefit-sharing principle of the CASA1000. However, the project will facilitate communities to generate a level of funding for equipment (e.g. playground equipment in kindergartens), and O&M. Checks will be carried out on kindergartens and FAPs prior to implementation to ensure that these subprojects, which generally use standard designs, do not suffer from inflated costs. Standard designs will be adopted where appropriate, and thus provide savings on technical design, but technical checklists will be required to ensure they are not inappropriately used.

[37] However, in overall terms, the efficiency of investing in electricity – despite its significant benefit for communities—is undermined by the extremely low tariffs. During the summer months, an estimated 90 percent of customers only pay the "lifeline" rate of KGS 0.77 (about US$0.01) per kWh. About 70 percent pay this reduced rate in winter, but the higher standard rate of KGS 2.16 (about US$0.03) per kWh is still very low. Project interventions would, however, result in financial savings and the implementation of annual work plans that are typically underfunded.

[38] A World Bank review of CDD programs found between 13 and 40 percent lower costs for CDD programming. Wong, Susan, *What Have Been the Impacts of World Bank Community Driven Development Programs*, The World Bank Social Development Department, 2012.

95. **Financial sustainability.** Investments made through the project will also be sustainable due to four main factors: (i) financial investments will be prioritized through the community mobilization model outlined for the project, and thus communities are likely to exercise longer-term oversight of investments they themselves have prioritized and implemented; (ii) the equipment and facility investments made in electricity improvements will be transferred to the ECs' balance sheets at completion (ARIS will ensure that an O&M plan is in place prior to handover); (iii) an asset transfer model will be used to ensure ownership and sustainability of social and economic infrastructure investments, which will be handed over by ARIS to the participating AO for continued oversight and maintenance; and (iv) the CDF approved in the CASA1000 will provide between US$680,000–US$740,000 per year for 15 years for continued investment in communities in the AAs traversed by the Transmission Line, and draw on the community decision-making structures developed through the project.

B. Technical Assessment

96. From a technical perspective, the project follows other CDD projects that have established the processes, staff and capacity for implementation. ARIS is already actively engaged in CDD investments in similar kinds of small infrastructure, and has developed systems for technical design, procurement and FM. Most recently, ARIS has expanded the staffing of its technical department, and engaged international consultants for capacity building in engineering and environmental risk management. In 2018, ARIS plans to establish a technical training center, which will include partnerships with local universities with expertise in engineering and CDD. Much has been learnt in the latter years of VIP3 and a number of these processes are under revision and improvement. The CSP will benefit from those improvements.

97. Around 10 types of sub- and micro-projects have been implemented in the southern oblasts of the Kyrgyz Republic under VIP3. This list includes irrigation, FAPs, kindergartens, school rehabilitation, (including school heating repairs, and window and door replacement), small bridges and paths, gas supply, water supply, roads, snow clearance machinery, and street lighting. Under the CSP, ARIS will carry out all technical designs, while liaising closely with relevant authorities to ensure that investments comply with all applicable standards and specifications. The design process will include the review of potential negative environmental and social impacts and the identification of adequate mitigation measures. O&M arrangements will be considered while preparing sub-grants. Checks have been carried out on standard designs, to ensure the standard designs are appropriate for this earthquake-prone region.[39] In addition, responding to shortcomings in the early stages of VIP3, the project will introduce technical checklists to ensure that there is adequate oversight with regard to: (i) 100 percent functionality; (ii) appropriateness and forward planning; (iii) justification for any use of standard designs (adjusted as appropriate); and (iv) safety and security considerations. These checklists will be carried out as a part of the subproject development, and will form a part of ARIS reporting to the World Bank.

98. The project will also promote and enable communities to invest in alternative technologies and local IT infrastructure (e.g. fiber optics)[40] to complement and enhance the benefits of the abovementioned investment programs. With regards to solar panels, LED street lighting, heating stoves etc., efforts will be made to ensure

[39] The project will incorporate environmental sustainability and consideration of climate change and disaster risks into technical designs. The project will provide support to communities to use "green" designs for new facilities and rehabilitation of existing facilities that could result in reduced operational costs. The quality of design, and standards for construction materials and fixtures, will be considered prior to tendering construction contracts to mitigate potential earthquake risks.

[40] Depending on the nature and extent of demand, the location of the nearest fiber-optic node, and other local ICT investment plans, local-level technical solutions could potentially include wireless, fiber-optic, and copper wire.

the quality of items supplied through the use of well-established specifications, and the shortlisting of suppliers, brands, and manufacturers.

99. As nearly 40 percent of the financing will be allocated to village electricity improvements, a detailed study has been carried out (and can be extended as required) on the investments needed in corridor villages. This detailed assessment defines the intra-village investments needed to improve electricity supply in corridor villages, and highlights where higher-level electricity improvements are technically required (e.g. 35kV/10kV substations and some new 10kV lines). In these situations, ARIS will coordinate with other stakeholders to ensure that the higher-level improvement is put in place prior to any village-level investment. ARIS has conducted village electricity improvements in the past (including in recent cycles of VIP3) in coordination with the ECs (replacement of poles, replacement of transformers). This experience has been studied and lessons learned. These include that: (i) village-level investments are mostly technically justified and do not require higher-level investments; (ii) particular care must be taken to ensure that equipment supplied meets the requirements of the ECs; and (iii) once equipment is supplied, rapid progress can be made in installation. ARIS will be responsible for the final technical design of all electricity improvements, and will coordinate with the ECs and obtain their clearance that intra-village investments are relevant, warranted and technically feasible. To this end, ARIS will appoint an appropriate number of electrical engineers to the team. This will ensure that any investments in village electricity infrastructure will result in a demonstrable improvement in service provision. Moreover, in the case of rehabilitation or upgrading of existing infrastructure, the ECs will be responsible for transportation and installation prior to their taking the assets onto their balance sheets, and for ongoing O&M. EC operational plans will be in place prior to handover.

100. Construction of the larger subprojects—livelihoods facilities and extension of electricity supply to new settlements within target villages—will be carried out by private contractors appointed through a competitive process and then monitored by communities. This responds to previous experiences in community contracting and the need for retrofitting due to poor-quality construction. These facilities will be inspected and signed off prior to handover to the AOs. The project will use ensure construction supervision activities for subprojects is acceptable to the Bank. This is necessary to separate the interests of the implementing agency with those of quality assurance and to benefit from the guarantees offered by firms.

101. Communities in the Kyrgyz Republic are generally familiar with the participatory needs assessment, planning and decision making that will be used to select investments. The youth focus will be new to communities, but an appropriate level of capacity building is planned, along with a number of innovative approaches to engage youth in project processes. Gender targets, traditionally set very low in the Kyrgyz Republic, are set at 50 percent, and specific culturally-responsive mechanisms will be introduced to enable young women, especially, to engage fully in contexts where gender norms traditionally marginalize their engagement. The project subcomponents are mutually reinforcing. Awareness and understanding of communities will be built through youth-awareness campaigns prior to participatory decision-making processes in an effort to enable more informed decision making, thus resulting in more appropriate and efficient investments.

102. The overall technical approach to this CDD project is to build on past experiences of CDD projects in the Kyrgyz Republic, while fully recognizing and addressing weaknesses. The project will, for instance: (i) address the mixed performance of the community mobilization processes that take place in villages and AAs; (ii) shift from many small grants spread thinly across AAs to larger grants to villages for greater impact; (iii) coordinate with technical assistance projects to create opportunities for employment; and (iv) blend a conflict-focused approach with one that focuses on youth development. The project will put in place a learning approach to community mobilization that draws on a partnership between ARIS (the government-owned CDD agency) and AKF. This

enhanced community mobilization will be piloted in the project with a view to being scaled up and rolled out in other ARIS projects.

103. An experienced communications firm will be hired to support overall CASA1000 and CASA1000 CSP communications efforts. The firm will provide communications training to the staff of ARIS and other key stakeholders. To ensure the messages are well understood, the firm will test and improve the messages and communications materials (using focus groups) before launching the campaign in the corridor village communities. To avoid communication tools that are not readily available or frequently used, opinion research will be conducted to ensure the availability and popularity of different communication channels, such as TV, radio, internet, social media, etc. Consideration of local customs regarding communication will also be made when determining which communications activities to deploy.

C. Financial Management

104. The FM assessment for ARIS was conducted in accordance with the Financial Management Manual for World Bank Investment Project Financing Operations that became effective on March 1, 2010 but was revised on February 10, 2017. Overall FM arrangements at ARIS are adequate to implement the project and meet the minimum requirements of the Bank's Policy and Directive on Investment Project Financing except for the completion of the POM, that will include FM arrangements, by project effectiveness. ARIS completed a draft of the Sub-Grants Manual for Component 1 prior to negotiations. The minimum conditions that must be fulfilled for C-VIAs to receive funds from ARIS are: (i) that C-VIAs have an accountant/finance officer on staff; and (ii) that ARIS adopt a final Sub-Grants Manual setting out the procedures to be followed for sub-grants to C-VIAs.

105. With regard to the FM Covenants to be included in the Disbursement and Financial Information Letter, the following should be noted: (i) IFR formats have been agreed with ARIS and they will be submitted to the Bank within 45 days after the end of the calendar quarter; and (ii) the project's annual audited financial statements are to be submitted to the Bank within six months after the end of the audit period. The audit reports for the Bank-funded projects currently being implemented by ARIS are timely received with no overdue audit reports, have clean (unmodified) audit opinions, and have not identified any significant internal control or accountability issues that would have an impact on the implementation of this project. Details of the FM assessment, including the formats of the IFRs, will be included in the POM. The project will receive disbursements from the Bank through advances using statements of expenditure, direct payments, reimbursements and special commitments, e.g. letters of credit. A specific category for Component 1 sub-grants will be established in the Eligible Expenditures table of the Financing Agreement, for which a disbursement condition will be ARIS' adoption of the final Sub-Grants Manual, acceptable to the Bank. Details with respect to disbursements are included in the Disbursement and Financial Information Letter. The overall FM residual risk rating is assessed as Substantial.

106. Details of the arrangements for the flow of funds and reporting for sub-grants as well as payments will be described in the above-mentioned Sub-Grants Manual. Under Subcomponents 1A and 1C, payments will be channeled to contractors, suppliers, and consultants directly by ARIS. Under Subcomponent 1B, ARIS will build the capacity of the C-VIAs to take on the responsibility for processing payments for subprojects up to an agreed threshold, or will make payments for procurements until the necessary fiduciary capacity is built at the C-VIAs.

D. Procurement

107. A procurement capacity assessment was performed by the Bank using the Procurement Risk Assessment and Management System. Based on the assessment and recognizing the existing procurement capacity of ARIS and the risks associated with CDD operations, the procurement risk is Substantial. The activities

under the project will be subject to the World Bank's New Procurement Framework. All procurement of contracts will be conducted through the procedures as specified in the World Bank's Procurement Regulations for IPF Recipients-Procurement in Investment Project Financing Goods, Works, Non-Consulting and Consulting Services, dated July 2016, revised November 2017 (Procurement Regulations). The project will also be subject to the World Bank's Anti-Corruption Guidelines, dated July 1, 2016. The procurement and contract management processes will be tracked through the Systematic Tracking of Exchange in Procurement (STEP) system. As required by the Procurement Regulations, a Project Procurement Strategy for Development has been developed and a Procurement Plan sets out the selection methods to be followed by the borrower during project implementation in the procurement of goods, works, non-consulting and consulting services financed by the World Bank.

108. **Use of National Procurement Procedures.** In accordance with paragraph 5.3 of the Procurement Regulations, when approaching the national market (as specified in the Procurement Plan tables in STEP), procurement under World Bank financed operations may be carried out in accordance with "Single-Stage Bidding" method set forth in the Public Procurement Law of the Kyrgyz Republic dated April 3, 2015 № 72 (the "PPL") with amendments dated November 18, 2016 N 182, December 10, 2016 N 195, February 14, 2017 N 25, May 30, 2017 N 93, provided that such arrangements continue to meet requirements of paragraph 5.4 of the World Bank Procurement Regulations and the following conditions:

- The request for bids/request for proposals document shall require that bidders/proposers submitting bids/proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, Bank Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights;
- Bidding documents, including contract forms, acceptable to the Bank shall be used;
- The Bidding process shall not be cancelled solely on the reason that minimum bid price is higher than the amount allocated by the procuring entity for this procurement;
- There shall be no preference applied during procurement of goods and works;
- The IA shall have an option to publish procurement notice without disclosing cost estimate.

109. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the Borrower, such arrangements will be subject to paragraph 5.5 of the Procurement Regulations. Other national procurement arrangements such as "Simplified Method" (Request for Quotation) may be applied on the same conditions stated above for procuring limited quantities of ready available off-the-shelf goods or simple civil works of small value. In addition, not less than three quotations will be requested to ensure competition.

110. The CDD approach and procurement by the communities will follow World Bank Procurement Regulations paragraph 6.52 and Annex XII - Selection Methods, paragraphs 6.9 and 6.10. The procurement arrangements at the community level (including procurement responsibilities, procedures, disclosure requirements, and sample documentation) will be detailed in the POM. Community procurement will follow the Community Procurement Handbook and the Guidance Note for Design and Management of Procurement Responsibilities in Community Driven Development Projects (March 15, 2012).

111. The project will finance the operating costs of ARIS (headquarters, regional and oblast offices, and field staff), which will comprise mainly salaries and fees, office operations, and travel and subsistence expenses. These will be procured using the existing administrative procedures of ARIS, which were reviewed and found acceptable to the Bank. ARIS will develop a detailed training plan and prepare an annual operational budget for the Bank team's review and clearance.

E. Social (including Safeguards)

112. **Social safeguards.** The OP 4.12 (Involuntary Resettlement) will be triggered for the project. Under Subcomponent 1A, there might be land acquisition and/or the voluntary donation of land for the purposes of improving electricity equipment and lines within the villages. Also in Subcomponent 1A, in approximately five villages, new low-voltage lines will be constructed in settlements where no electricity lines currently exist. No land acquisition is anticipated for the establishment of the Subcomponent 1B social infrastructure (such as kindergartens or FAPs). AOs will be required to identify and allocate public land prior to these facilities being approved for small grants. Under Subcomponent 1C, the building of economic infrastructure (e.g. apple processing plants, greenhouses, ICT centers) may result in situations where land is provided by entrepreneurs and it may be necessary to address potential social risks. In order to identify potential social impacts, a robust screening process will be put in place as part of the preparation and implementation of the infrastructure investments to identify any risks and impacts covered under OP 4.12. The infrastructure investments under Component 1 may lead to other impacts covered under OP 4.12 (i.e. impacts on assets and/or livelihoods), but the impact will not be known until the investments are selected in each cycle. The social screening will be implemented in every community to verify social impacts before the sub-grants are awarded. A Resettlement Policy Framework has therefore been developed to help guide the preparation of site-specific RAPs and abbreviated RAPs during implementation, as necessary. The draft Resettlement Policy Framework was disclosed in-country on December 4, 2017 and by the World Bank on January 11, 2018. The implementing agency will comprehensively set out the process and documentation requirements for social risk mitigation in the POM and ensure that the necessary capacity building is complete. Safeguards requirements will also be included in community capacity building events.

113. **Citizen engagement.** The project is predicated on the principle of participatory development, and the activities included in Component 2 engage community members in three stages of citizen engagement: (i) assessing needs; (ii) planning and prioritizing investments; and (iii) monitoring implementation. It will also support awareness building and civic engagement activities. To enhance the quality of community mobilization, these activities will adopt a youth-led approach to empower young women and men to lead "whole-of-community" processes, and provide specific support to develop the voice and agency of youth across the selected AAs. Social accountability mechanisms, including community scorecards, social audits and community reporters, are also planned, to establish an innovative platform of community monitoring. These will be supported by a parallel grant. The first year will be dedicated to establishing an enhanced, meaningful process, and a partnership will introduce international best practices and lessons. The project will meet the corporate requirements for a citizen-oriented design (including citizen-led decision making and monitoring, and a BFM) and will include a number of results that measure beneficiary feedback and citizen engagement processes in the results framework. Budgets are allocated for all citizen engagement activities.

114. **Beneficiary feedback and grievance redress**. ARIS has recently introduced an institutional BFM which includes an expanded GRM that includes all project activities, not just safeguards.[41] The systems and requirements (including staffing) for the grievance redress chain of action—from uptake, sorting and processing, and acknowledgement and follow-up, to verification and action, monitoring and evaluation, and finally feedback—are embodied in this BFM. To encourage proactive beneficiary engagement, the BFM will be communicated at project orientation and on village notice boards, to direct and indirect project beneficiaries. As a part of the improved system, ARIS will conduct annual outreach and ensure that staff are fully trained, and that

[41] To improve accountability, independence, and responsiveness to citizens and Project Affected Persons, ARIS will no longer create separate project GRMs, but utilize an independent central mechanism managed at the institutional level by ARIS, that will accept and solicit feedback on all project issues.

information is available in target communities. The CSP will utilize this system (written and telephone complaints channels), while ensuring all project-related information is disseminated and complaints and responses are disaggregated and reported. The use of the GRM for safeguards purposes will be elaborated in the Resettlement Policy Framework.

115. **Gender.** The project design is mindful of the disempowerment of women, especially young women, in the target region, and will develop strategies to counter the declining gender norms in this part of the country, specifically targeting young women. A parallel grant will undertake activities that empower women as facilitators, focal points and in awareness building roles. The project will specifically work to ensure that 50 percent of project beneficiaries are women through both activities that ensure women's engagement in decision making and oversight, and checks that decisions are implemented. With regard to participation, improving gender targets is an important goal, with strategies to reach 50 percent participation of women (cf. the 30 percent target agreed for VIP3), and ensuring that these are active roles. Each community will appoint two young women and two young men as youth facilitators, and two women and two men to the C-VIA. A project gender action plan will be included in the POM to help ensure that targets are met, women's voices are heard, participation is active, and agency is improved as a result of the community mobilization activities. The project further aims to empower women by: (i) organizing separate village consultations with women and men on their respective needs and priorities; (ii) tracking subprojects which are women's priorities; and (iii) ensuring that women working on subprojects receive equal pay for equal work. Project-related reporting will track progress on women's participation in decision making, implementation and monitoring, as well as the impact of the subprojects on enhancing gender equality in agency, resources and voice.

116. **Conflict and inter-ethnic tensions.** The CSP will operate in multi-ethnic villages, enclaves, and communities that have a history of border disputes and inter-ethnic tensions. To promote conflict sensitive project design, a rapid assessment was carried out during project preparation to identify the local-level conflict dynamics in the target communities. Key findings include that there is relatively peaceful co-existence in the villages in the CoI and a general sense of optimism of future stability. This is mainly attributed to: (i) overall political stability at the national level; (ii) no major ethnic or political violence since 2010; (iii) increased presence and effectiveness of security agencies since the last conflict; and (iv) at the AA and village levels, the positive and stabilizing roles played by village elders. However, the assessment also underscored continuing stresses and risks, namely: (i) social and ethnic cleavages and remaining scars from the 2010 violence; (ii) youth migration and unemployment and lack of opportunity for young people; (iii) domestic disputes and gender-based violence; (iv) dwindling natural resources and pressures on the environment, land and water, including competition and cross-border disputes over scarce resources; (v) perceived decreasing quality of key social services; and (vi) limited capacity of local institutions. In addition, some villages expressed concerns regarding the nexus between the drug trade, radicalization and the infiltration of extremist views amongst youth mainly in multi-ethnic towns along the Tajik-Kyrgyz border. The assessment also identified "hot spots" along the CoI where there were more pronounced conflict risks. The project has been designed in response to some of these underlying risks. The focus on inclusion as part of the PDO and in the design of community mobilization efforts will ensure the CDD approach brings together multi-ethnic communities and engages youth, women, and minority groups. Underlying conflict drivers and potential risks will also be addressed by: (i) mobilizing funding for social infrastructure that is prioritized by communities; (ii) ensuring immediate and visible improvements to village electricity; (iii) supporting the voice of youth in communities; and (iv) investing in the capacities of local state and non-state institutions (AOs, community-based organizations and supporting civil society organizations). These efforts will be supplemented by parallel youth livelihoods activities. The POM will include additional details on tailoring project investments in response to conflict assessment findings at the village level with a particular focus on the identified hot spots.

F. Environment (including Safeguards)

117. The project has triggered OP 4.01 and is rated environmental category "B", because of the potential limited environmental issues associated with the small-scale investments for local communities. The project will finance the implementation of physical investments that may include the construction or rehabilitation of FAPs, kindergartens, bridges, or livelihoods facilities. Specific investments during the first year of the project implementation will most probably include rehabilitation and construction of intra-village 0.4 kV lines, associated poles and transformers, and rehabilitation and construction of intra- or outside-village 10 (or 6) kV lines and associated poles.

118. While the environmental impact of the proposed project will be largely positive, some adverse impacts may be generated. The identified positive environmental impacts include: (i) improved citizens' skills and awareness in planning and implementation of local investments, with particular attention to environmental protection; and (ii) sustainable management of improved infrastructure by communities, which brings environmental and social benefits in relation to natural resources management. The potential negative impacts that may result from implementation of the project's activities are mainly related to the village investments, and include those usually associated with minor civil works: (i) increased pollution due to construction waste; (ii) generation of dust, noise and vibration due to the movement of construction vehicles and machinery; (iii) associated risks due to improper disposal of construction waste, asbestos, minor operational or accidental spills of fuel and lubricants from the construction machinery; and (iv) improper reinstatement of construction sites upon completion of work. Specific risks associated with investments in electricity infrastructure include: (i) exposure of community and workers to electrical hazards; (ii) impact on the environment and human health from PCB-containing transformer oils; (iii) health and safety risks associated with traffic and pedestrian safety, as lines cross multiple streets and sidewalks; (iv) risks related to earthworks, including people falling into excavations or excavation works undermining other structures (e.g. buried services and foundations of other buildings); (v) erosion of the excavated soil; and (vi) generation of dust. All these potential environmental impacts are readily identifiable, small in scale and minimal in impact, and can be effectively prevented, minimized or mitigated by measures identified in the Environmental and Social Management Framework (ESMF).

119. ARIS has assigned a designated safeguards specialist to work closely with communities and key stakeholders (regional ECs such as Osh-Electro and JalalAbad-Electro) and develop a project ESMF. The ESMF lays out a procedure for environmental screening and preliminary assessment of all infrastructure investment subprojects, explains the implementation arrangements and responsibilities of involved stakeholders in terms of project environmental management, provides an indicative list of activities that would be assigned environmental Category "A" and therefore cannot be financed by the project, and outlines the requirements for safeguards document disclosure and consultations per World Bank requirements. It also describes the requirements and provides the template for site-specific Environmental and Social Management Plans (ESMPs) that will be developed when particular investment subprojects are known. ARIS disclosed the ESMF on December 4, 2017 in accordance with World Bank requirements.[42] The public hearings were organized on December 1st, 2017.

120. The environmental screening process will check for the presence of physical cultural resources. In addition, chance find procedures will be included in all works contracts.

[42] Disclosed safeguards documents at: http://www.aris.kg/ru/press_tsentr/novosti/1425_agentstvo_razvitiya

121. **Climate Change.** The project has been screened for climate and disaster risks using the Bank's online screening tool at https://climatescreeningtools.worldbank.org. Major climate risks and natural hazards that are likely to affect the country's sustainability include extreme precipitation and flooding, landslides, and earthquakes. Nearly all of the Kyrgyz Republic is vulnerable to floods and mudflow hazards, which occur frequently across the country. The Kyrgyz Republic has 5,000 potentially active landslide sites, the majority of which are found in the south, and Kyrgyz Republic experiences between 3,000 and 5,000 earthquakes every year, with large-scale catastrophes taking place every 5-10 years.[43] National actions on climate change are reflected in the "National Sustainable Development Strategy of the Kyrgyz Republic for 2013-2017" and the "Program of the Kyrgyz Republic on Transition to Sustainable Development for 2013-2017".

122. The country's priority sectors for climate change mitigation that are addressed by project interventions include energy, agriculture, management of water resources, and vulnerability assessment and adaptation measures for extreme climatic events (earthquakes and landslides). Although the overall risks posed to project outcomes by climate and geophysical hazards are considered Low, they are nevertheless real, and need to be mitigated through careful design and implementation. For physical structures such as kindergartens and FAPs, checks for seismic resilience already form part of standard approval processes, but effective oversight will be required to ensure that materials conform to the specifications, and that any construction is properly supervised. More broadly, rising temperatures currently pose a slight risk and may in future pose a Moderate risk to agriculture-related livelihoods investments in the area through reduced water flows and increased susceptibility to drought. The project could potentially mitigate this risk through investments in reducing losses in irrigation channels. The risk of landslides in this area could be mitigated through protective infrastructure, as appropriate and prioritized by local communities aware of local changes. In addition, the youth-led community mobilization aspects of the project, and associated improvements in awareness, transparency and communication, can be expected to increase the general resilience of participating communities.

G. World Bank Grievance Redress

123. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit *http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service*. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

[43] World Bank Country Brief on Climate Change – Kyrgyz Republic - http://globalpractices.worldbank.org/climate/Pages/CountryBriefs/Kyrgyz%20Republic.aspx.

ANNEX A. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Kyrgyz Republic
CASA1000 Community Support Project - Kyrgyz Republic

Project Development Objectives

To engage communities in the development of social and economic infrastructure in order to enhance services, livelihoods and inclusion in target villages near the CASA1000 Transmission Line.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: PDO1: Percentage of beneficiaries in target communities who report that village/AA investments met their needs		Percentage	0.00	75.00	Every Cycle, Evaluation frequency	Community scorecards, Social audits, Community reporting, Baseline/mid/final evaluation	ARIS
Description: Measures improvements in infrastructure and services/whole of community (gender and age disaggregated).							
Name: PDO2: Percentage of beneficiaries in target communities who report that their engagement in decision making over village		Percentage	0.00	75.00	Planning and completion stages of each cycle Evaluation frequency	Community scorecards Community reporting Baseline/mid/final evaluation	ARIS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
investments was effective							
Description: Measures quality of community engagement – for the whole of the community and for women and youth (disaggregated).							
Name: PDO3: Percentage of young (women and men) beneficiaries who report that their role/voice in local decision making has been enhanced as a result of project support		Percentage	0.00	75.00	Annual Evaluation frequency	Community scorecards Baseline/mid/final evaluation	ARIS
Description: Measures empowerment and inclusion of youth (gender disaggregated).							
Name: PDO4: Percentage of target communities with improved access to social infrastructure and/or livelihoods facilities as a result of project support		Percentage	0.00	100.00	Annual, Evaluation frequency	Project progress reports Baseline/mid/final evaluation	ARIS
Description: Measures community infrastructure improvements in target areas - target is all villages in final corridor of impact.							
Name: PDO5: Percentage of beneficiaries in target communities who report that the CSP is an effective solution to the local impacts of the CASA1000		Percentage	0.00	70.00	Annual, Evaluation frequency	Baseline/mid/final evaluation, Community scorecards	ARIS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
transmission line							
Description: Measures community support for the overall package of CASA1000 interventions (gender/age disaggregated).							
Name: PDO6: Percentage of beneficiaries in target communities who report enhanced trust in community relations as a result of project support		Percentage	0.00	70.00	Annual, Evaluation frequency	Baseline/mid/final evaluation Community scorecards	ARIS
Description: Measures improvements in trust/social cohesion (gender and youth disaggregated).							

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: IO1: Percentage of villages with improved electricity supply for household and/or productive purposes as a result of project support		Percentage	0.00	80.00	Annual, Evaluation frequency	Project progress reports Baseline/mid/final evaluation	ARIS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Measures improved access to electricity in villages. (Target percentage reflects viability according to Village Electricity Study.)							
Name: IO2: Percentage of livelihoods facilities that reach intended target beneficiaries by year 4		Text	0	80.00	Evaluation frequency	Baseline/mid/final Evaluation	ARIS
Description: Measures impact of livelihoods facilities constructed through the project (gender/age disaggregated).							
Name: 103. Percentage of target communities empowering young women and men to facilitate community mobilization		Percentage	0.00	80.00	Evaluation frequency	Project progress reports	ARIS
Description: Measures communities enabling youth leadership (according to a basket of pre-defined criteria)							
Name: IO4: Percentage of target communities completing enhanced (youth-led) community mobilization processes		Percentage	0.00	80.00	Annual	Minutes of community meetings/reported in project progress reports	ARIS
Description: Measures communities completing a required set of mobilization processes (according to basket of pre-defined criteria).							
Name: IO5: Percentage of target AOs expanding the Local Development Strategy		Percentage	0.00	80.00	Annual	AA LDS documents reported in project progress reports	ARIS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
with youth development and livelihood activities							
Description: Measures efforts to include youth and livelihoods in local governance decision-making instrument.							
Name: IO6: Percentage of target communities selecting their highest priority subproject		Percentage	0.00	80.00	Every cycle Evaluation frequency	Minutes of FGD aligned with project requests/reported in project progress reports Community reporting, Baseline/mid-term/final evaluation	ARIS
Description: Measures whether project processes are changed after prioritization.							
Name: IO7: Percentage of target communities demonstrating an understanding of CSP objectives and parameters		Percentage	0.00	80.00	Semi-annual progress reporting Evaluation frequency	Community reporting Baseline/mid/final evaluation	ARIS
Description: Measures effectiveness of CSP communications plan and implementation.							
Name: IO8: Percentage of relevant subprojects that support climate change adaptation or mitigation		Text	0	TBD	Every cycle	Assessment reported in project progress reports	ARIS

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Measures contribution to enhanced resilience (e.g. of roads infrastructure, approved designs), as well as climate change mitigation (e.g. through retrofitting measures or alternative energy sources). Excludes subprojects where this measure is not relevant.							

Target Values

Project Development Objective Indicators

Indicator Name	End Target
PDO1: Percentage of beneficiaries in target communities who report that village/AA investments met their needs	75.00
PDO2: Percentage of beneficiaries in target communities who report that their engagement in decision making over village investments was effective	75.00
PDO3: Percentage of young (women and men) beneficiaries who report that their role/voice in local decision making has been enhanced as a result of project support	75.00
PDO4: Percentage of target communities with improved access to social infrastructure and/or livelihoods facilities as a result of project support	100.00
PDO5: Percentage of beneficiaries in target communities who report that the CSP is an effective solution to the local impacts of the CASA1000 transmission line	70.00
PDO6: Percentage of beneficiaries in target communities who report enhanced trust in community relations as a result of project support	70.00

Intermediate Results Indicators

Indicator Name	End Target
IO1: Percentage of villages with improved electricity supply for household and/or productive purposes as a result of project support	80.00
IO2: Percentage of livelihoods facilities that reach intended target beneficiaries by year 4	80.00

Indicator Name	End Target
103. Percentage of target communities empowering young women and men to facilitate community mobilization	80.00
IO4: Percentage of target communities completing enhanced (youth-led) community mobilization processes	80.00
IO5: Percentage of target AOs expanding the Local Development Strategy with youth development and livelihood activities	80.00
IO6: Percentage of target communities selecting their highest priority subproject	80.00
IO7: Percentage of target communities demonstrating an understanding of CSP objectives and parameters	80.00
IO8: Percentage of relevant subprojects that support climate change adaptation or mitigation	TBD