Report Number: ICRR0023005

## 1. Project Data

| Project ID | Project Name |
|---|---|
| P151416 | Urban Development Project |
| **Country** | **Practice Area(Lead)** |
| Kyrgyz Republic | Urban, Resilience and Land |

| L/C/TF Number(s) | Closing Date (Original) | Total Project Cost (USD) |
|---|---|---|
| IDA-57620,IDA-D1010 | 31-Dec-2020 | 11,752,954.89 |
| **Bank Approval Date** | **Closing Date (Actual)** | |
| 18-Mar-2016 | 30-Sep-2021 | |

| | IBRD/IDA (USD) | Grants (USD) |
|---|---|---|
| Original Commitment | 12,000,000.00 | 0.00 |
| Revised Commitment | 11,327,678.82 | 0.00 |
| Actual | 11,752,954.89 | 0.00 |

| Prepared by | Reviewed by | ICR Review Coordinator | Group |
|---|---|---|---|
| Maria Shkaratan | Fernando Manibog | Kavita Mathur | IEGSD (Unit 4) |

## 2. Project Objectives and Components

### a. Objectives

The project development objective (PDO) was to improve the quality of municipal services and pilot energy efficiency and seismic resilience retrofits of urban infrastructure in Participating Towns.

The PDO was not revised.

For the purposes of this ICR review, the objective will be assessed as follows:

PDO1: to improve the quality of municipal services in participating towns.

PDO2: to pilot energy efficiency of urban infrastructure in participating towns.

PDO3: to pilot seismic resilience retrofits of urban infrastructure in participating towns.

### b. Were the project objectives/key associated outcome targets revised during implementation?

No

### c. Will a split evaluation be undertaken?

No

### d. Components

**1. Original components**

Component A *Urban Development* (cost at appraisal: US$12.8 million; actual cost: US$12.00 million) financed activities aimed at improving service provision in participating towns.

- Sub-component A1 *Municipal Services* (cost at appraisal: US$9.0 million; actual cost: US$7.8 million) financed activities for upgrading and/or expanding municipal water supply networks, solid waste services, and street lighting.

- Sub-component A2 *Safe and Energy-efficient Social Infrastructure Pilot* (cost at appraisal: US$3.8 million; actual cost: US$4.2 million) financed activities aimed at improving energy performance, comfort levels, and seismic resistance of school buildings.

Component B *Institutional Strengthening* (cost at appraisal: US$0.7 million; actual cost: US$0.42 million) supported the Government's urban policy reform agenda at the national level and specific interventions aimed at strengthening service provision capacity in participating towns at the local level.

Component C *Implementation Support* (cost at appraisal: US$0.9 million; actual cost: US$0.9 million) financed the administrative aspects of project implementation.

**2. Changes in components during implementation**

The project components remained unchanged during implementation.

### e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

**Project Cost**: The actual project cost was US$13.6 million, compared to the appraisal estimate of US$14.4 million.

**Project Financing**: The project was financed by an International Development Association (IDA) credit (US$6.6 million at appraisal and US$6.2 million at closure) and IDA grant (US$5.4 million at appraisal and US$5.5 million at closure).

**Borrower/Recipient contribution**: The actual Borrower contribution was U$1.6 million, below the appraisal commitment of US$2.4 million.

**Comment on borrower contribution and re-allocation of funds between sub-components**. The borrower contribution was decreased due to the emergency needs related to the COVID-19 pandemic. The remaining co-financing of US$800,000 was cancelled. At the same time, the project funds were reallocated from Component A1 to Component A2 to fill the financing gap resulting from the decreased co-financing.

**Project Dates:** The project was approved on March 18, 2016 and became effective on December 29, 2016. The mid-term review was on October 5, 2018. The original closing date was December 31, 2020. The project was extended once, on April 9, 2020, for nine months, to September 30, 2021 through a level two restructuring. The extension was due to the COVID-19 related lockdowns and travel restrictions that led to a temporary closure of the project worksites and delayed the completion of the on-going construction works under Component A.

## 3. Relevance of Objectives

### Rationale

**Country and Sector Context**: Municipal services in the Kyrgyz Republic were inadequate due to insufficient financial resources for capital investment and maintenance, the situation that persisted since the 1990s and was exacerbated by weak regulatory and institutional frameworks, limited municipal capacity, and urban sprawl. The situation was worse in small towns: piped water outside of Bishkek was in short supply and intermittent, and water quality was low; solid waste collection in small towns was regularly provided only to 25-50 percent of the population. Most municipal buildings were lacking energy efficiency features leading to high operating costs of district heating, insufficient heating in winter, and unaffordable district heating prices. Overall, municipal infrastructure was outdated and deteriorating, and service gaps affected lower-income households the most. Additionally, more than 80 percent of schools and kindergartens had low seismic safety ratings. The situation was exacerbated by low operational efficiency of municipalities.

**Relevance to Government Strategies**: The PDO was relevant to the country conditions and well-aligned with national priorities. The Project responded to the need to support local governments in improving the service delivery, identified as a critical area in the National Sustainable Development Strategy (NSDS) for the Kyrgyz Republic (2013-2017) and in the State Program for Development of Water Supply and Sanitation in Kyrgyz settlements for 2014-2024. Several government reforms were undertaken to support NSDS, but municipal services in small towns were still inadequate, and no public buildings had undergone comprehensive retrofits to improve energy efficiency and seismic resilience.

At closing, the PDO was also fully aligned with NSDS 2019-2040, which highlighted support to regional needs in basic municipal services and effective management and financial sustainability at the local level, and with the “Climate Investment Program of the Kyrgyz Republic and Green Economy Development

Program in the Kyrgyz Republic for 2019-2023" which promoted measures to improve demand side energy efficiency and climate resilience.

**Relevance to the World Bank Group's (WBG's) Assistance Strategies**: The project was included in the Country Partnership Strategy (CPS) for FY2014-2017 and linked to the third CPS engagement area (Natural Resources and Physical Infrastructure) and the country's development goal to 'ensure sustainable urban development and communal services.' The project was in line with the WBG's twin goals of poverty reduction and shared prosperity: it included urban poverty as a criterion for selecting participating towns and focused on improving service delivery gaps which were disproportionally affecting the poor.

**The PDO remained relevant to the Bank Strategy at closing.** The project objectives were relevant to the WBG's Country Partnership Framework (CPF) for 2019-2025, to Focus Area 3 "Enhance economic opportunities and resilience", which promoted the development of human capital, regional development, and climate change resilience and included investments in improved water services, energy efficiency, and disaster mitigation.

**Previous sector experience**. The WBG has been engaged in municipal services, energy sector, and disaster preparedness in the Kyrgyz Republic for a long time. The Small Towns Infrastructure and Capacity Building Project (STICBP, P083377) and the Bishkek and Osh Urban Infrastructure Project (BOUIP, P104994) focused on improving municipal services including water supply, street lighting, and roads. The Heating and Energy Efficiency Assessment for the Building Sector Project (P133058) assessed heating options and recommended energy efficiency measures in public buildings. The Bank's Global Facility for Disaster Risk Reduction (GFDRR) provided TA for improved seismic resilience.

This project would continue to support the sector, and on a pilot basis, support improvement of both seismic resistance and energy efficiency of municipal infrastructure. The project would support towns that were experiencing important development pressures (e.g., population growth), and had large gaps in service provision and lack the financial means to bridge these gaps.

The relevance of objective is rated high.

### Rating
High

## 4. Achievement of Objectives (Efficacy)

### OBJECTIVE 1
#### Objective
To improve the quality of municipal services in participating towns.

#### Rationale

The **theory of change** (ToC) for this objective showed a logical causal link from inputs to outputs and to expected outcomes of this project. The inputs were: (i) improving water supply, solid waste management, and street lighting and (ii) strengthening capacity for municipal service provision and urban planning. These inputs, if successfully implemented, were expected to result in outputs such as rehabilitated water supply infrastructure, provision of equipment for solid waste removal (trucks), installed street lighting, improved capacity of water utility companies, and completion of the TA activities supporting urban policy reform. This, in turn, would result in the following outcomes: (i) increased duration of water supply; (ii) restoration of regular solid waste collection; (iii) increased safety of urban space due to adequate lighting; (iv) improved operational and technical capacity of water utilities; and (v) informed urban policy reform. The ToC then links these five outcomes to the PDO outcome “quality of municipal services improved”.

The ToC, which was created for the ICR, clearly indicates inputs and outputs, as well as the underlying assumptions necessary for the ToC to work. The outcomes are also formulated well, with the emphasis on the benefits to the population and on a verifiable capacity improvement of the water utility. The TOC could be further improved if the last outcome under objective 1 - “urban policy reform at the national and local levels informed”, – which sounds as an input, were re-formulated to sound as an outcome. The process of being informed is generally an input, while the outcome could include behavioral change, policy adjustments, or procedural modifications resulting from “being informed”.

The outputs and outcomes related to Objective 1 reflect restored water supply infrastructure, replaced solid waste collection equipment (trucks), improved street lighting, and related capacity improvements. All five PDO indicator targets were achieved or exceeded, and seven of the nine intermediate indicator targets were achieved or exceeded.

**Outputs**

A. Water supply improvement in Kerben and Sulukta:

- Results framework (RF) targets were achieved or exceeded in relation to the following physical works outputs: reconstruction of the water intake facilities; replacement of the water trunk mains; rehabilitation of the water distribution networks; and construction of the ancillary infrastructure (pressure reduction chambers, reservoirs, chlorination stations, and laboratories for water quality testing).

- RF targets were also achieved or exceeded with respect to capacity improvement outputs including: training of the water utility staff on water treatment practices, in relation to new equipment, and on the intake operations and troubleshooting; country-wide dissemination of the Water Supervision Manual prepared by the project and aligned with the Kyrgyz legislation; and provision of special machinery for maintaining the infrastructure built by the project and the laboratory equipment for water testing.

- RF targets were partially achieved in relation to the following two outputs: (i) Water Utility Performance Improvement Plans (PIP) development and endorsement and (ii) introduction and adoption of a new e-billing system in water utilities, allowing for the improved customer registry and accounting. These two outputs were achieved or exceeded in Sulukta but not in Kerben, where the European Bank for Reconstruction and Development (EBRD) was planning to implement a water improvement project with overlapping activities, covering some of the original World Bank project’s beneficiaries.

B. Solid waste collection in Kerben, Sulukta, Toktogul, and Baluckchy:

- The outdated solid waste collection vehicle fleet was replaced with specialized solid waste collection trucks, providing for regular trash collection at least twice a week.

- Training on operations and maintenance of the specialized trucks was provided.

C. Energy efficient street lighting in Toktogul and Baluckchy:

- Street lighting was improved on 15.1 kilometers of streets, exceeding the target of 14 kilometers.

D. Roadmap to improve urban planning:

- Roadmap to improve urban planning and spatial development was adopted by the State Agency for Architecture Construction and Communal Services and endorsed by the urban policy technical working group, achieving the target.

**Outcomes:**

A. Water supply improvement in Kerben and Sulukta:

- The duration of water supply in project areas increased from the baseline of two hours a day to eight hours a day, achieving the target of eight hours a day.

- Capacity building measures aimed at improved water utility performance, recommended by the project, helped to increase utility productivity and supported utility debt recovery in Sulukta. These measures are assessed as sufficient to close the technical, operational, and administrative capacity gaps in the utilities and thus are expected to support the sustainability of project outcomes.

- The project achieved increased access to improved (piped) water: as a result of the project's significant awareness raising efforts, 2,390 new household piped water connections were installed by the beneficiaries at their own expense.

B. Solid waste collection in Kerben, Sulukta, Toktogul, and Baluckchy:

- Access to regular solid waste collection service was provided to 41,200 people, exceeding the target of 40,600 people.

C. Energy efficient street lighting in Toktogul and Baluckchy:

- Urban safety has improved due to adequate street lighting benefitting over 5,000 people.

Project's outcomes under Objective 1 were evaluated by an independent Impact Assessment Study, produced by the Rebicon LLC, Kyrgyz Republic. The study was based on an in-depth examination of project outcomes and involved a survey of project beneficiaries (1,000 households), eight focus groups with the beneficiaries, and key informant interviews with government stakeholders and beneficiaries. The study confirmed that the following was achieved as a result of the project:

- Water supply system rehabilitation: water supply interruptions in project locations have been eliminated; water pressure improved (from 33 percent of customers reporting it as excellent or good

previously to 66 percent after the project in Sulukta and from 36 percent to 85 percent in Kerben); water quality increased (from 3.2-3.6 to 4.1 on a 5-point scale in Sulukta and from 3.2-3.5 to 4.3 in Kerben); and water meters installed. Ninety-eight percent of the households who were connected to piped water expressed satisfaction with the benefits received.

- Solid waste collection: the area covered by solid waste collection increased; a regular on-schedule collection has been established in three out of four project towns, and the fourth one experienced some schedule delays, but the service is regular. The level of beneficiary (household) satisfaction is 100 percent in two participating towns and 98 percent and 87 percent in the other two towns.
- Improved energy efficiency in public buildings: electricity savings (amounting to 24 percent and 40 percent of electricity consumption, depending on location) were achieved, cost of heating supply reduced, and comfortable temperature and lighting maintained in project's buildings.
- Street lighting: the installed lights cover the project locations, and are bright, providing for increased safety; the cost of street lighting for the municipal budget decreased three times and their activation is automatic, simplifying controls.

The ICR did not include a discussion of the outcomes of the Impact Assessment Study. IEG requested the Impact Assessment document and used it to provide the summary above. IEG also requested the team to provide information reflecting to what extent project outcomes could be attributed to the project's activities, given the concurrent involvement of the Swiss Development Corporation, the Asian Development Bank, the German Development Agency, and others, in supporting municipal infrastructure services in the country. The response of the team was as follows: Two of the four criteria for the selection of the participating towns were the gaps in service provision and the lack of donor support in this area. Prior to the project completion, there were no activities by other donors overlapping with the Project in the participating towns. Therefore, all project outcomes are attributable to the project only. More so, the project's experience paved a way for other donors, including EBRD, to support municipal services, for example, the potable water services in Kerben outside of the project areas. The financing agreement between the city of Kerben and the EBRD was ratified after the project closure.

Under Objective 1, the project improved access to three critical municipal services in targeted towns: piped water supply (a basic need reflected in the Sustainable Development Goals (SDG)-6 indicator "Clean Water and Sanitation"), solid waste collection, and street lighting. It financed related capacity building activities, increasing the sustainability of its investments in physical assets. A comprehensive independent beneficiary assessment conducted at project closure confirmed the achievement of the project objectives and reported that the level of household satisfaction with the benefits the project provided was high. The project fully reached all of its targets under Objective 1, except two intermediate indicator targets, which were achieved partially - Water Utility Performance Improvement Plans development and endorsement and adoption of a new e-billing system in water utilities. These two targets were achieved partially because of an unexpected overlap with an EBRD project with similar activities, which covered some of the original World Bank project's beneficiaries. This is considered a minor shortcoming.

**Rating**
Substantial

## OBJECTIVE 2

### Objective
To pilot energy efficiency of urban infrastructure in participating towns.

### Rationale
The ToC for this objective showed causal links from inputs to outputs to outcomes. The inputs were: (i) piloting energy efficiency in public buildings; (ii) preparing Energy Savings Plan for municipalities. These inputs were expected to lead to outputs such as: (i) public buildings retrofitted to improve energy performance; (ii) Energy Savings Plan for municipalities prepared and adopted; and (iii) training provided on implementation of energy efficiency approaches. This would result in the following outcomes: (i) energy performance of selected buildings improved; (ii) municipal investment plans informed by energy savings measures; and (iii) capacity to prepare and implement energy efficiency investments is built.

The ToC is logical and clearly describes the inputs, outputs, and most of outcomes. However, it could be further improved if the second outcome under objective 2 - “municipal investment plans informed by energy savings measures”, – which sounds as an input, were re-formulated as an outcome and reflect that these plans were adopted and are being used by the municipal management for public investments decision making. In addition, the level 2 outcome “energy efficiency retrofits in urban infrastructure piloted” presents a lower-level outcome than those listed as outcomes level 1 in the ToC. Piloting by itself does not provide sustainable benefits to the population; it is always the first stage of an intended result, which incentivizes a scale-up. The expected scale-up is not reflected in the ToC.

The outputs and outcomes under Objective 2 reflect the following:

**Outputs:**

- Efficient street lighting in the towns of Togtogul and Balykchy was installed on 15.1 kilometers of streets, exceeding the target of 14 kilometers (note that this output was also reflected under Objective 1, with the benefit of improved living conditions, while here the emphasis is on the co-benefit of energy efficiency).

- Four schools and two kindergartens were retrofitted with energy efficient features (walls and floors were insulated, doors and windows replaced, the heating and ventilation systems upgraded), plus two street lighting investments were implemented, exceeding the target of six facilities.

- For three participating towns, Energy Saving Plans were developed, exceeding the target of two. These plans were adopted, and municipal management is using them to inform public investments.

**Outcomes:**

- Efficient lighting installation led to over 2,000 MWh lifetime (15 years) energy savings.

- Energy efficiency improvements in four schools and two kindergartens lead to at least 16,000 MWh lifetime (15 years) energy savings.

Under Objective 2, the project achieved lifetime (15 years) energy savings of 18,000 MWh, valued at annual energy efficiency gains amounting to US$335,202. The development of Energy Efficiency Plans for three cities created potential for significant additional energy savings. The project reached or exceeded all related RF targets.

### Rating
Substantial

## OBJECTIVE 3
### Objective
To pilot seismic resilience retrofits of urban infrastructure in participating towns.

### Rationale
The ToC for this objective showed links from inputs to outputs to outcomes. The inputs were: (i) piloting seismic resilience retrofits in public buildings and (ii) providing related training. These inputs were expected to lead to outputs such as: (i) public buildings retrofitted to improve seismic resilience and (ii) training provided on implementation of seismic resilience public investment. This would result in the following outcome: (i) seismic resilience of selected buildings improved and (ii) capacity to prepare and implement seismic resilience investments is built.

The ToC is logical and clearly describes the inputs, outputs, and most of outcomes. However, the level 2 outcome “seismic resilience retrofits in urban infrastructure piloted” present a lower-level outcome than those listed as outcomes level 1 in the ToC. Piloting by itself does not provide sustainable benefits to the population; it is always the first stage of an intended result, which incentivizes a scale-up. The expected scale-up is not reflected in the ToC, despite the acknowledgement in the ICR that the scale-up is being supported by other Bank projects.

The outputs and outcomes under Objective 3 reflect the following:

**Outputs:**

- Four schools and two kindergartens were retrofitted with seismic resilience features (strengthening of the foundations, reinforcement of walls, replacement of partitions, firming of staircases, and upgrading of roofs), exceeding the target of three facilities.

- Seven learning events on seismic resilience were organized, and 100 public servants participated in training programs, round tables, and exchange activities.

**Outcomes:**

- Resilience retrofits benefited over 4,000 people who use the retrofitted buildings, they are expected to reduce the probability of loss of life in case of an earthquake. New Bank projects are now providing support to the scale-up.

Under Objective 3, the project improved seismic resilience of selected buildings, benefitting 4,000 people who use the buildings, and provided the basis for a scale-up of this activity across the country. The scale-up is being supported by other Bank projects. The project exceeded the related RF target.

IEG requested the team to provide a summary of how the Impact Assessment informed the scaling up of the project outcomes. The project team's response was as follows. The Impact Assessment helped the

Implementing Agency (Community Development and Investment Agency) and the PIU to replicate project practices in other Bank operations and to expand them beyond school buildings, to other public facilities. For example, the RED-2 project (P176798) is planning to apply the project experience with school rehabilitation and seismic resilience works. Another ongoing project, Enhancing Resilience in Kyrgyzstan (ERIK, P162635), is also scaling up this project's seismic resilience works, accompanied by functional improvements and the overall climate-resilient design. ERIK finances the largest investment in school infrastructure resilience in Central Asia; the outcomes will be further scaled up nationwide and across Central Asia.

### Rating
Substantial

## OVERALL EFFICACY
### Rationale
For Objective 1, the efficacy is Substantial. The project achieved the key outcomes of improved access to three critical municipal services in targeted towns - piped water supply (a basic need reflected in an SDG indicator), solid waste collection, and street lighting, under the the RF, as well as additional evidence in the Impact assessment, provide sufficient proof. There was a minor shortcoming: two intermediate indicator targets were achieved partially. The ICR provided sufficient explanation: this occurred due to an unexpected overlap with an EBRD project which covered some of the original World Bank project’s water sector beneficiaries in one of the participating towns, Kerben.

For Objective 2, the efficacy is Substantial. The project achieved all outcome and output targets under this objective. The activities led to significant energy savings and the adoption and implementation of the Energy Efficiency Plans, thus creating a potential for additional energy savings.

For Objective 3, the efficacy is Substantial. The project achieved related outcome and output targets and provided the basis for a scale-up of seismic resilience retrofits across the country.

The overall efficacy is substantial.

### Overall Efficacy Rating

Substantial

## 5. Efficiency
Economic analysis was conducted both at appraisal and at closure, using a similar approach.

1. Economic analysis at appraisal. The net present value (NPV) of project interventions was estimated at appraisal at US$18.6 million and the economic rate of return at 16.1 percent.

The methodology used was cost-benefit analysis. The benefits included: time savings due to the eliminated need to collect and treat (boil) water; savings due to the eliminated need for water storage tanks; and energy savings linked to energy efficiency investments. The following benefits were not included due to the difficulty to estimate them: health benefits due to improved water supply; benefits due to improved seismic resilience of public buildings; improved safety due to better street lighting; health gains linked to improved quality of water; benefits from improved solid waste collection; and institutional strengthening.

2. Economic analysis at closure shows a positive NPV equaling to US$23.5 million and an economic rate of return (ERR) at 25.7 percent. The analysis used a 5 percent discount rate, 25 years asset life in the case of water supply systems and social infrastructure, and 15 years of asset life for street lighting activities. The benefits included: time savings due to the eliminated need to collect and treat (boil) water; savings due to the eliminated need for water storage tanks; energy savings linked to energy efficiency investments; benefits from avoided loss of lives in case of an earthquake; and benefits from Temporary Job generation during project implementation.

While IEG concurred with the economic justification for the project, IEG inquired further if future scale-up plans were being made within the framework of a longer-term least-cost strategy. The project team responded that while the selection of the four participating towns did not include the least-cost approach and was based on criteria that included municipal service access gaps, poverty incidence, and the lack of donor support with urban services improvement, the project still utilized the least-cost approach in "the selection of interventions that took place at each of the project sites and activities. For example, the school retrofitting designs were based on the least-cost selection of the materials to be used during construction and interventions to be undertaken (for example, to strengthen the foundation, or replace the roof, etc.)."

Administrative efficiency. Operationally, the project was able to implement its activities within the original funding envelope and without any significant adjustment of its design. Project inefficiency was limited to the closing extension of nine months due to the lockdown caused by the COVID-19 pandemic. The extension enabled the successful completion of all activities, as planned, and achievement of the project development objectives.

The project efficiency is rated substantial.

## Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

| | Rate Available? | Point value (%) | *Coverage/Scope (%) |
|---|---|---|---|
| Appraisal | ✓ | 16.10 | 88.90<br>☐ Not Applicable |

| | | | |
|---|---|---|---|
| ICR Estimate | ✓ | 25.70 | 88.20<br>☐ Not Applicable |

* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

Based on the high relevance of objectives, substantial efficacy, and substantial efficiency, the overall outcome rating is Satisfactory.

### a. Outcome Rating

Satisfactory

## 7. Risk to Development Outcome

**Financial Risk**. The main project risk was financial sustainability of municipal service providers to ensure maintenance and operating of the assets constructed or provided by the project (water supply systems, solid waste collection equipment, energy efficient lighting, and renovated buildings). Before the downturn related to COVID-19, water utilities were on the path to debt recovery, and water tariffs were due to be revised. However, these trends were reversed after 2019, and now subsidies will be required to maintain the delivered assets. This risk is assessed substantial.

**Technical Risk**. Government capacity to maintain the delivered assets and equipment was insufficient at project appraisal, creating the risk of asset dilapidation prior to the end of their estimated lifespan. The project invested in developing such capacity: it provided training to technical staff and prepared training materials, checklists and manuals to allow for new staff onboarding. This risk is assessed low.

**Institutional Risk**. The project invested in strengthening Government's urban policy reform agenda at the national level and service provision capacity in participating towns at the local level. This included training provided to staff of the relevant government agencies. The risk is that the trained staff might leave the agencies. This risk is assessed moderate.

**Exposure to natural disasters**. The country is vulnerable to natural disasters including high seismic activity, and the project invested in piloting resilient feature in public buildings. However, the pilots financed by the project need to be scaled up to provide benefits to wider population. The scale-up is being supported by other Bank projects which are linked to the project under review, however, it is not clear at the moment if those projects will cover significant parts of the country or if the government will have sufficient resources to maintain those investments. This risk is assessed substantial.

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

The Project was aligned with the government's strategy for supporting local governments in improving the service delivery, identified as a critical area in strategy documents. The project was well-informed by analytical studies and consultations with various stakeholders and donors operating in the Kyrgyz Republic. The project was designed based on a comprehensive approach: the institutional strengthening component was supportive of the long-term sustainability of the project-financed physical investments. The participating towns were strategically selected to cover most vulnerable population, locations with high service access gaps, and considered donor involvement in the sector in targeted locations, thus providing support where it was needed the most and increasing the likelihood that the pilots will be scaled up.

While the project is small in comparison to the scale of the needs, it was designed to have a leveraging impact and was linked to the follow-up operations and to supporting interventions that were implemented in parallel and financed by the Global Facility for Disaster Risk Reduction (GFDRR) and by the Energy Sector Management Assistance Program (ESMAP). It was coordinated at design with the Government and the development partners.

Key risks the project would face were adequately assessed, including the poor technical capacity of local contractors and designers (international consultants were engaged and capacity building conducted to mitigate this risk); financial inefficiency of participating local governments (relevant TA was provided); and commercial losses related to water supply billing and collection (metered connections were initiated).

#### Quality-at-Entry Rating

Satisfactory

### b. Quality of supervision

The Project Implementing Entity (PIE) was supported by experienced international and local consultants specializing in energy efficiency, seismic resiliency, and water investments. The construction sites were regularly visited by the project team to ensure the technical quality of the construction works. The Bank team closely supported the PIE throughout the implementation period, and the support substantially intensified in the last two years of implementation. The support covered all areas of the PIE work, specifically, it addressed the technical skills, procurement, and environmental and social management. The Bank conducted missions at least twice a year and documented implementation issues candidly in the ISRs, Aide Memoires, and Management Letters. Management challenges, in particular those related to progress with construction activities in the last year of project implementation, were fully addressed: during that time, the Bank team had monthly coordination meetings with the PIE. As a result, the ISR ratings improved from Moderately Satisfactory during the period from March 2018 to October 2020, to Satisfactory throughout 2021. By project closure, all project activities were completed, and the assets were operational.

#### Quality of Supervision Rating

Satisfactory

### Overall Bank Performance Rating
Satisfactory

## 9. M&E Design, Implementation, & Utilization

### a. M&E Design
The project's RF was adequately linked to the project ToC, as well as to the PDO and to the logic of project interventions in the PAD. All indicators except one (Roadmap to improve urban planning and spatial development was adopted by the State Agency for Architecture Construction and Communal Services and endorsed by the urban policy technical working group) were quantitative, and all of them were time-bound and had baselines and targets. Sex-disaggregated indicators were applied adequately. The indicators sufficiently reflected project outputs and outcomes, importantly, project outcomes were fully reflected in the RF. The PDO indicators reflected higher level outcomes - improvements in the living standards of the beneficiaries.

### b. M&E Implementation
The ICR reports that the M&E data were adequately collected and analyzed. Both the baseline data and the data necessary to collect at project closure were gathered by the same PIE's consultant. Progress in achieving the set targets was monitored and reported to the Bank by the M&E specialist, hired by the PIE. Updated results framework was always included in the ISR reports. By project closing, surveys and focus group discussions were conducted with the beneficiaries and administration of the participating towns, and an impact assessment survey, as well as a project evaluation report, were produced.

### c. M&E Utilization
The M&E framework was well utilized during the project's lifetime to inform the progress made towards achieving the set targets.

### M&E Quality Rating
Substantial

## 10. Other Issues

### a. Safeguards
Environmental Safeguards. The project was assigned a Category B and Environmental Assessment (OP 4.01) was triggered and complied with. The environmental rating was downgraded from satisfactory to moderately satisfactory in October 2019 due to the inconsistency with the Bank health and safety (H&S) requirements at the project sites and upgraded back to satisfactory in April 2020 as soon as the Bank recommendations were satisfied. A World Bank environmental specialist and consultant regularly visited all project sites during field missions and provided comments on environmental documents and management

tools developed and applied by the implementation agency. The semi-annual and annual plans and relevant reports were prepared on time and submitted to the Bank. All outstanding issues related to Environmental were successfully resolved before project closing.

Social Safeguards. The level of required resettlement was not clear during project preparation, and the Recipient prepared a Resettlement Policy Framework (RPF) in accordance with the Bank Operational Policy on Involuntary Resettlement (OP 4.12). During project implementation, no significant resettlement occurred. The implementation agency conducted an impact assessment for water supply rehabilitation systems under Component A.1, and a Resettlement Action Plan (RAP) was prepared based on the project's RPF. The RAP was implemented, and compensation was paid to one affected person. In addition, two Social Impact Management Plans (SIMPs) were prepared to temporarily relocate students to alternative buildings. SIMPs were fully implemented. Affected people, the municipalities, and beneficiaries were involved in the Impact Assessment, RAP, SIMPs preparation and implementation processes. All outstanding issues related to Social Safeguards were successfully resolved before project closing. No accidents or incidents took place at the project sites.

Grievance Redress Mechanism. The implementation agency established the Beneficiary Feedback Mechanism. During project implementation, 10 complaints and a positive feedback was received. The complaints were mainly related to repair of social facilities (schools, kindergartens), quality of works, and the delays. All complaints and appeals have been fully addressed and resolved.

### b. Fiduciary Compliance

Financial Management (FM) rating was mainly Satisfactory throughout project implementation. A World Bank financial management specialist regularly carried out the FM missions to review project accounting and reporting arrangements, organization and staffing, internal control procedures, planning and budgeting, counterpart funding, funds flow and disbursement and external audits. The quarterly Interim Unaudited Financial Reports were submitted to the Bank for review in the agreed time frame, and there were no inconsistencies for follow up. The accounts were audited by a certified auditor, who found no irregularities.

Procurement. All project procurement activities were carried out by the implementation agency, which included a full-time procurement specialist and was later enhanced with a procurement assistant. The procurement risk was assessed as "Substantial" during preparation, considering: (i) potential delays due to the complexity of procurement and to decision-making that involves local governments; (ii) insufficient contract management skills; and (iii) the size of the civil works contracts to be procured. This risk was downgraded and remained moderate for the last two years of project's life. While procurement was within the moderately satisfactory range, some issues occurred including a delay with the civil works contracts for both water supply and school rehabilitations, which were caused by the lack of counterpart funding and the need to make related adjustments, as well as due to capacity constraints in the consultants' teams. The Bank assisted the implementation agency by providing intensive procurement support and guidance from the Bank's procurement specialist in the Bishkek Country Office.

### c. Unintended impacts (Positive or Negative)

---

### d. Other

---

## 11. Ratings

| Ratings | ICR | IEG | Reason for Disagreements/Comment |
|---|---|---|---|
| Outcome | Satisfactory | Satisfactory | |
| Bank Performance | Satisfactory | Satisfactory | |
| Quality of M&E | Substantial | Substantial | |
| Quality of ICR | --- | Substantial | |

## 12. Lessons

The following lessons were mostly derived from the ICR with some modifications by IEG (ICR, paragraphs 94-98):

- I**nstitutional capacity building, knowledge sharing, and development of local expertise are critical for the sustainability of investments in physical infrastructure.** The reviewed project involved “soft” activities – comprehensive training for government staff, development of manuals and guidance materials, and study tours – aimed at developing capacity to operate the newly delivered assets in a sustainable manner. Local technical specialists and experts were part of these activities, thus local expertise was supported, and the connection between local consultants and government agencies established or strengthened. This was especially useful for energy efficiency and seismic resilience activities in the project, which were new for the country. In addition, involvement of local experts was critical during COVID-19, when travel was restricted, and international experts could not be present.

- **Clarity and simplicity of the project implementation plan, as well as clarity regarding project risks, are key for successful project implementation.** A clear and comprehensive work program, highlighting the interlinkages between activities, resources to be mobilized, and risks and constraints to be addressed would help proactively address implementation issues early on and thereby reduce implementation risks, including those related to project delays. The project experienced some delays in the first half of its implementation due to insufficient attention to these matters but was able to make improvements once they were addressed.

- **When retrofitting or rehabilitating schools or kindergartens, where temporarily relocation of students is needed, having a flexible relocation plan is critical.** The project benefited from having such a plan when the works started slower than expected due

to the contractors' limited knowledge of retrofitting practices and when the counterpart funding became an issue due to the impact of the COVID-19 pandemic. As a result, the students needed temporary arrangements for an extended period of time, which was made possible.

## 13. Assessment Recommended?

No

## 14. Comments on Quality of ICR

The ICR is of a good quality and delivers relevant and valid information, substantial evidence, and a thorough analysis. The ratings are fully supported by the narrative. ICR's minor shortcoming is that, considering the involvement of multiple development partners in supporting municipal services' improvement in the country, it did not address the attribution of the achieved outcomes to the project. Also, the ICR did not include a discussion of the outcomes of the Impact Assessment Study.

**a. Quality of ICR Rating**
Substantial