

**PROJECT INFORMATION DOCUMENT (PID)  
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC87495

<b>Project Name</b>	CASA1000 Community Support Project (Kyrgyz Republic)
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Country</b>	Kyrgyz Republic
<b>Lending Instrument</b>	IPF
<b>Project ID</b>	P161503
<b>Borrower Name</b>	Ministry of Finance
<b>Implementing Agency</b>	Community Development and Investment Agency (ARIS), Aga Khan Foundation
<b>Environment Category</b>	B - Partial Assessment
<b>Date PID Prepared</b>	06-Dec-2016
<b>Estimated Date of Approval</b>	31-Oct-2017
<b>Initiation Note Review Decision</b>	The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

1. The Kyrgyz Republic is a landlocked, mountainous country in Central Asia with a multi-ethnic population of about 6 million. Despite inheriting well-developed infrastructure, the country has suffered significant declines in living standards since the break-up of the Soviet Union as a result of disruption in established trade and broader relations with other Soviet Republics. It is prone to exogenous geographic and economic shocks, and has suffered significant social strife over the last decade. While there has been a significant decline in poverty rates (from 40% of the population living below the national poverty line in 2006 to 30% in 2014), the Kyrgyz Republic remains one of the poorest economies in the Europe and Central Asia region, with a GNI per capita of US\$1,170 in 2015 (Atlas methodology).

2. Almost two-thirds of the Kyrgyz population lives in isolated, rural and mountainous areas. Traditional providers of social and economic services, the collective or state enterprises, no longer exist. The disappearance of these structures left significant voids in the provision and maintenance of basic services and infrastructure. Access to basic services and infrastructure in rural areas is therefore limited. Although improvement of living conditions has responded to significant donor investments, progress has been hampered by frequent changes in Government, a region-wide economic slowdown and currency depreciations.

3. In addition, weak governance has been a major hindrance to the country's economic development. Lack of accountability within a highly centralized governance system eroded state-citizen relationships and resulted in political and social upheavals in 2005 and 2010. Anti-government protests and inter-ethnic conflict among rural communities explicitly demonstrated built-up frustration over corruption, misuse of public assets, rising inflation, and deterioration in

social services and infrastructure. In response to these events, the government of the Kyrgyz Republic has committed to improving governance and reducing corruption as unifying themes and the basis for the country's economic and social development.

### **Sectoral and Institutional Context**

4. The Kyrgyz Republic has abundant hydropower which would cater for over 90 percent of domestic energy needs, but there is an imbalance relative to demand that is yet to be resolved. There is surplus power and wastage in summer and perennial power shortages in winter. Moreover, this seasonality of electricity supply combined with low tariffs and under-maintenance of energy assets causes severe economic disruption, bringing with it negative effects on productivity and the welfare of the population. With support from ADB, the European Bank for Reconstruction and Development (EBRD) and other development partners, the Kyrgyz Republic committed specific investment in the rehabilitation of several aging hydropower plants, and the construction of an additional plant.

5. Export of the country's relatively low cost, clean surplus summer electricity would help the Kyrgyz Republic government to generate the revenues needed to bolster budgets available to finance fuel resources for winter energy needs, promote energy efficiency programs and thus deal more effectively with their winter energy crises in the medium to long term. As early as 2006, the Central Asian countries of Kyrgyz Republic and Tajikistan and the South Asian countries of Afghanistan and Pakistan signed an MOU that would lay the ground work for a regional electricity market – the Central Asia South Asia Regional Electricity Market (CASAREM) – to connect the surplus electricity resources of Central Asia with the unmet demand for electricity in South Asia. The first phase of CASAREM is to establish the necessary transmission and trading infrastructure systems to enable a trade of roughly 1,300 megawatts (MW) of electricity between Central Asia and South Asia. In May 2016, the CASA1000 Power Project was inaugurated in Dushanbe by the leaders of the 4 countries.

6. The Kyrgyz portion of CASA1000 is a 450 km AC transmission line that will extend from the Datka substation (Jalal Abad region) to the border, with an additional 25km on the Tajik side, reaching the Khudjand substation. The line will follow the borders of Uzbekistan and Tajikistan, passing through regions that are economically weak and isolated, prone to regular ethnic tensions and heated exchanges between Kyrgyz and Uzbek border guards (Jalal-Abad, Osh and Batken). The total cost of the CASA1000 project is currently estimated at US\$1.7 billion. The Kyrgyz share will be financed by a World Bank grant directly to the Implementing Agency in charge of the Kyrgyz portion of the project, and is estimated at US\$300 million.

7. Foremost among the risks of the CASA1000 project in the Kyrgyz Republic (and the other countries a party to this arrangement) is the security risk of construction through areas beset by conflict and poverty, passing by communities suffering from a lack of basic services, including inter alia, intermittent electricity during the long winter months. To mitigate against the safety and security risks on a project which aims to export electricity out of the Kyrgyz Republic to South Asia, to enhance the ownership of communities along the transmission line, and simultaneously seize the opportunity for enhancing the development of these communities (including access to year round electricity), a CASA1000 Community Support Program (CASA1000-CSP) was agreed by Development Partners. The CASA1000-CSP will be implemented in each of the four countries. With the Afghanistan portion already underway through the National Solidarity Program (NSP)

community-driven development project and the project preparation for CASA1000-CSP for Pakistan complete and awaiting Board Approval, the Kyrgyz CASA1000-CSP is the third leg of the CSP to be prepared. The UK Department for International Development Trust Fund included funds for the CASA1000-CSP in the Kyrgyz Republic, to kick start donor support for community-driven development activities along the transmission line.

8. The Kyrgyz Republic has a well-established vehicle for community development projects. The Bank has been significantly involved in this effort primarily, but not only, through the Village Investment Project, now in its third phase (VIP3). Implemented through a Community Development and Investment Agency established for the purpose, VIP3 aims to alleviate rural poverty and empower local communities by implementing small-scale social and infrastructure investments and income-generating community enterprises, while increasing the engagement of communities in the local decision-making process. As part of this and the country's effort to improve governance, the Kyrgyz Republic adopted, in 2008, an amendment to the legal framework for local governance, which assigns more political, administrative, and fiscal autonomy to local governments. Local authorities now have increased responsibilities towards local populations, and there are increased opportunities for the local administrations (Ayil Okmatu) to work closely with communities in local development initiatives. VIP3 has been reoriented to respond to the need for local government to take a more central role in development, and for the first time, local governments play a defined role in the decision-making process.

9. This support is however implemented in complex context of state-non-state relations. Despite significant political and social instability the Kyrgyz Republic and the unmet promise of security/stability and the delivery of public services, the country still has the most favorable environment for civic engagement in Central Asia. The social contract has however been transformed by the two regime changes of 2005 and 2010. The first Kyrgyz regime (1991-2005), called for a civic identity to celebrate the constructive relationship between all ethnic groups. The second regime (2005-2010) has taken a more nationalistic tone, intensifying after the interethnic riots in Osh in 2010. Ethno nationalism is now a central element of the state-society and intra-society relations. The second element of the social contract, linked to the social service provision, has also been broken. Popular discontent is overtly expressed around issues of social services. One of the issues which stimulate confrontation between the state and its citizens is energy subsidy reform, and the CASA100-CSP will be implemented in the geographical area that has been subject to the most conflict in the country.

#### **Relationship to CAS/CPS/CPF**

10. The World Bank Country Partnership Strategy (CPS) for the Kyrgyz Republic (2014-2017) is aligned with the Kyrgyz Government's National Sustainable Development Strategy (2013-2017). This project is aligned with both strategies: through the objectives to ensure energy security and developing export potential, to expand access to local basic services, and to improve the management of natural resources and physical infrastructure for sustainable development.

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

The proposed Project Development Objective is to: (i) build local capacity and empowerment for participatory development; and (ii) improve access to social and economic infrastructure services to communities in the project area (including communities located along the CASA1000 transmission line).

### **Key Results**

The project will benefit targeted communities living along the 450km CASA1000 transmission line in the Kyrgyz Republic. PDO level results indicators are likely to include:

- (i) % of communities in the project areas with improved access to social and economic infrastructure services;
- (ii) % of communities with improved year-round access to electricity;
- (iii) % of target communities/households benefiting from the CSP, expressing objections to transmission line;
- (iv) % of target communities benefiting from the CSP which demonstrate enhanced social cohesion and empowerment.

## **III. Preliminary Description**

### **Concept Description**

13. The proposed project will consist of three components: (i) Community grants for (economic and social infrastructure) sub-projects; (ii) Community mobilization, capacity building, communication and outreach; and (iii) Project implementation support. The key features of each component are likely to be:

Component 1: Community Grants for sub-projects (\$7.50m)

14. Component 1 will provide grants directly to communities to fund social and economic infrastructure subprojects (including sub-projects which will enable communities to obtain more regular power supply). Targeted villages will be supported in developing local investment plans through a participatory process in which local communities assess local needs, and carry out participatory identification of priorities, similar to the VIP3 project approach. Special attention will be paid to the participation of women so as to cater to their specific needs and priorities. The project will also pay special attention to the participation of young men, especially in fragile and conflict-affected areas where they are often involved in violence and where there is a potential of radicalization. The size of the block grants provided to participating communities will be based on criteria agreed during preparation, similar to VIP3; the implementation arrangements for the selection of the grants will also be defined before appraisal.

Component 2: Community-mobilization, capacity-building, communication and outreach (\$2.00m)

15. The objective of this component is to build the awareness, develop capacity and mobilize community participation in sub-project planning, implementation and, as appropriate, operations and maintenance. As is the norm for Bank-financed CDD projects, community-level activities will aim to ensure sub-investments are needs-based, empower communities with decision-making and build ownership and sustainability of sub-projects in order to maximize the development outcomes for the rural poor.

16. The IA will assign staff to help build capacity and ownership through a number of activities,

such as: (i) participatory planning and prioritization; (ii) community governance and accountability systems, including mechanisms for conflict resolution; (iii) participatory monitoring of construction and procurement; (iv) grass-roots financial management of community-implemented investment schemes; and (v) the necessary communication with subnational and national government and contractors building the CASA-1000 transmission line. These activities will not be limited to small-scale infrastructure investment, but also potentially address other issues which affect the development and security of target communities. Investments in activities that support youth development, for instance, may also be eligible under this (and the first) component.

17. In addition to community mobilization, this component will also finance a highly visible and intensive communications campaign and access to information effort designed to reach relevant stakeholders within the concerned oblasts in the south, but with a special emphasis on outreach to communities in the project areas. A multi-media communications strategy will be at the core of information sharing efforts, designed with the aim of ensuring that information on the CASA1000 project implementation progress and impacts is conveyed to interested members of Government, civil society and the citizenry more broadly. To ensure that CSP communities living in the CASA1000 corridor are effectively reached, the communications strategy will take into account their infrastructure access, literacy rates, and language. In addition, it will also ensure that feedback loops (perception surveys, community participatory monitoring and grievance handling mechanisms) between the corridor communities and the implementing agency are put in place. The activities of this subcomponent are aimed at creating the conditions for smooth construction of the CASA1000 transmission line.

Component 3: Project management, communication and outreach (\$0.50m)

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

#### IV. Safeguard Policies that Might Apply

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

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

Total Project Cost:	10	Total Bank Financing:	6.67
---------------------	----	-----------------------	------

Financing Gap:	0	
<b>Financing Source</b>		<b>Amount</b>
Community and Capacity Development Support Program		3.33
IDA recommitted as a Grant		6.67

## VI. Contact point

### World Bank

Contact: Janelle Plummer  
 Title: Senior Social Development Spec  
 Tel: 5775+257 / 7  
 Email: jplummer1@worldbank.org

### Borrower/Client/Recipient

Name: Ministry of Finance  
 Contact: Mirlan Baigonchokov  
 Title: Deputy Minister  
 Tel: 00996312660504  
 Email: m.baigonchokov@minfin.kg

### Implementing Agencies

Name: Community Development and Investment Agency (ARIS)  
 Contact: Kubanychbek Ismailov  
 Title: Executive Director  
 Tel: 00996312301805  
 Email: KIsmailov@aris.kg

Name: Aga Khan Foundation  
 Contact: Jalaluddin Shah  
 Title: Country Director  
 Tel:  
 Email: jalaluddin.shah@akdn.org

## VII. For more information contact:

The World Bank  
 1818 H Street, NW  
 Washington, D.C. 20433  
 Telephone: (202) 473-1000  
 Web: <http://www.worldbank.org/projects>