



Report No: PIDIAF0088

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 26-Nov-2024

Kyrgyz Republic -

Additional Financing for Regional Economic Development Project
with Approval Authority Delegated to Management
(Ref: R2024-0147/IDA/R2024-0200)

**BASIC DATA****A. Product Information****Main: Kyrgyz Republic Regional Economic Development Project (P167428)**

Operation ID P167428	Product/Financing Instrument Investment Project Financing (IPF)
Beneficiary Country/Countries Kyrgyz Republic	Geographical Identifier Kyrgyz Republic
Practice Area (Lead)	
Urban, Resilience and Land	
Borrower(s) Kyrgyz Republic	Implementing Agency Community Development and Investment Agency (ARIS)
Additional Financing Request 1	
Estimated Appraisal Date 28-Nov-2024	Estimated Board Date 19-Mar-2025

Development Objective

Original Development Objective (Approved as part of Approval package on 11-Mar-2020)

The Project Development Objective is to support the Recipient to enhance regional economic development through targeted interventions in the selected sectors in the Osh region.

Components

Improving Regional Economic Planning and Regulatory Functions
Strengthening Agri-Food Supply Chains and SMEs
Catalyzing Investments for Tourism and Urban Development
Supporting Tourism and Rural Development through Small Grants
Implementation Support and Monitoring and Evaluation

COSTS & FINANCING (US\$, Millions)**SUMMARY**



	Last Approved	Proposed	
		Addition	Total
Total Operation Cost	60.00	8.50	68.50
Total Financing	60.00	8.50	68.50
Of which IBRD/IDA	60.00	8.50	68.50

FINANCING DETAILS

World Bank Group Financing	Last Approved	Additional Financing	Total
International Development Association (IDA)	60.00	8.50	68.50
IDA Shorter Maturity Loan (SML)	0.00	8.50	8.50
IDA Credit	30.00	0.00	30.00
IDA Grant	30.00	0.00	30.00

IDA Resources

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
National Performance-Based Allocations (PBA)	30.00	30.00	8.50	0.00	68.50
Total	30.00	30.00	8.50	0.00	68.50

B. Introduction and Context

1. The Kyrgyz economy grew at an estimated 6.2 percent in 2023, following a 9 percent expansion in 2022. This growth was driven by gold production and a rebound in the agriculture and services sector, particularly services related to transit trade from China and Russia. On the expenditure side, exports and consumption supported growth. Average consumer price inflation declined from 13.9 percent in 2022 to 10.8 percent in 2023 due to easing global food and fuel prices and a tight monetary policy.
2. Gross domestic product (GDP) growth is projected to slow to 5.8 percent in 2024, as exports continue to be weak in H2 2024 due to an expected reduction in reexports. Aggregate demand is expected to be supported by public and private consumption and investment. On the production side, construction and services are expected to contribute the most to growth. GDP is expected to stabilize at 4.5 percent over the medium term in the absence of structural reforms to raise



productivity and potential growth. Assuming the central bank maintains a prudent monetary stance, inflation is projected to remain below 5 percent by end-2024 and thereafter in the medium term. Risks to this outlook arise mainly from the geopolitical situation and the uncertain outlook for transit trade and remittances.

3. Despite the Kyrgyz Republic's promising economic performance, poverty remains a significant challenge. Following a sharp rise in 2021, the national poverty rate returned to a downward trend, with the share of the population living below the poverty line dropping from 33.2 percent in 2022 to 29.8 percent in 2023. However, extreme poverty remained high, with the 2023 rate at 5 percent – a sharp increase compared to the pre-pandemic level of 0.5 percent in 2019. This challenge is especially severe in the Batken region, where extreme poverty surpassed 16 percent in both 2022 and 2023. While rural and urban poverty rates were similar in 2021, urban poverty overtook rural levels by 2022/23. By 2023, the urban monetary poverty rate reached 30.2 percent, exceeding the rural rate of 29.6 percent. Yet, multidimensional poverty continues to be a critical issue in rural regions. Additionally, income inequality has grown since the start of the COVID-19 pandemic and 9.8 percent of the population were at risk of poverty in 2023.
4. The RED-1 project serves as a flagship initiative designed to assist the GoKR in addressing critical regional development challenges. By prioritizing key economic sectors, particularly tourism and agriculture, the Project aims to leverage these industries as primary drivers of local and regional economic growth in the Osh Region. This strategic focus seeks to improve the economic landscape of the region by enhancing key tourism attractions in the cities of Osh and Uzgen and nearby and transforming them into destination hubs for tourism development. Additionally, the Project supports the development of small and medium-sized enterprises (SMEs) and startups through customized capacity-building activities aimed at improving business operations and providing financing for high-potential businesses.
5. The Suleiman-Too and Uzgen Archaeological Complexes, key investments in the RED-1 project, hold immense cultural and historical significance for the Kyrgyz Republic. Moreover, the Suleiman-Too is protected by UNESCO. Both sites have faced substantial degradation over the past 30 years, threatening their unique heritage. Revitalizing the Suleiman-Too Complex is particularly crucial for regional development. Osh, where the complex is located, has the potential to become a major tourist destination in the eastern Ferghana Valley.
6. The Project is expected to significantly boost tourism at the regional level and catalyze economic development in the region. Domestic and international tourist arrivals are projected to increase by 25-30 percent, driven by enhanced visitation to key heritage sites such as the Sulaiman-Too and Uzgen Complexes in the initial years of their operation. Tourism circuit development, destination marketing efforts, and improved infrastructure are anticipated to attract an estimated US\$10 million in private sector investments, fostering the establishment of new accommodation businesses and service providers. This is expected to result in a 15 percent increase in local tax revenues and an average profitability growth of 20 percent across the tourism sector.
7. Recognizing the cultural and economic significance of these sites, the GoKR has sought the Bank's support for their revitalization and included them in the RED-1. However, due to limited capacity at both national and local levels, the preparatory phase has taken longer than anticipated, posing risks for its implementation under the Project. To address this issue, the Project Implementing Entity (Community Development and Investment Agency, ARIS) has mobilized extra domestic and international expertise to bridge the capacity gap. In parallel, the Bank has engaged additional consultants to assist stakeholders in meeting UNESCO's stringent requirements and advancing the preparation of design packages.



C. Proposed Development Objective(s)

Original Development Objective

8. The Project Development Objective (PDO) is to support the Recipient to enhance regional economic development through targeted interventions in the selected sectors in the Osh region.

Current Development Objective

9. The Project Development Objective (PDO) is to support the Recipient to enhance regional economic development through targeted interventions in the selected sectors in the Osh region.

Proposed New Development Objective

10. The PDO stated above will remain the same for the Additional Financing as well.

D. Project Description

11. *The RED-1 PDO is to support the Recipient to enhance regional economic development through targeted interventions in the selected sectors in the Osh Region.* The Project is structured with five components:

Component 1: Improving Regional Economic Planning and Regulatory Functions.

- **Sub-component 1.1: Enhancing Regional Economic Planning (US\$ 1.5 million):** This sub-component supported the development of the *Regional Economic Development Plan* including the Regional Development Strategy for Osh region and Osh city.
- **Sub-Component 1.2: Improving Basic Agricultural Services and Regulatory Functions (US\$ 4.0 million).** This sub-component aims to improve the infrastructure and services that underpin agri-food marketing and trade in Osh with a focus on strengthening capacity for sanitary and phytosanitary (SPS) control, food quality, and basic services.

Results achieved to date: Significant progress has been made in preparing the Regional Economic Development Plan which includes Regional Development Strategies for the city of Osh and the broader Osh region. These strategies focus on enhancing regional economic potential through inclusive, integrated, and climate-smart initiatives aimed at strengthening climate resilience and addressing the impacts of climate change. The City Council has formally endorsed the City Strategy and began its implementation, while the Regional Development Strategy for the Osh region is currently undergoing review by various line ministries at the central level and is expected to receive final approval from the Cabinet of Ministers by December 2024. Additionally, at the government's request, the project is financing the development of an Online Platform for Regional Development, which is scheduled to be deployed by mid-2025. This will be the first online resource, bringing together all donor and state supported activities in one space for enhanced accountability and transparency. Furthermore, the Project has successfully enhanced the capacity of more than 50 out of the targeted 100 municipal and regional staff in the preparation of strategic regional and city-level documents.

Furthermore, significant progress was achieved in enhancing laboratory capabilities across the region. Feasibility studies were conducted for 11 laboratories to determine their needs, leading to the renovation of five out of the targeted eight laboratories to modernize their infrastructure. Additionally, six out of the targeted eight laboratories were equipped with



specialized technical and office tools, improving their capacity to deliver essential agricultural services. Concurrently, training and capacity-building initiatives focused on food safety for both domestic and export markets are ongoing, aiming to enhance regulatory compliance and improve the quality of agricultural products, thereby expanding market access and export opportunities.

Component 2: Strengthening Agri-Food Supply Chains and SMEs (US\$ 25.5 million). This component facilitates the development of partnerships between agri-businesses and small agricultural producers to finance targeted investment sub-projects that improve quality and expand production/processing volumes.

Results achieved to date: the Productive Partnership Committee (PPC) identified 25 Productive Partnerships (PPs) aimed at boosting agricultural productivity. Currently, the identified PP are at various stages of implementation in eight application rounds, including the six PP being at the operational stage. Additionally, around 3,413 farmers have been trained on adopting improved agricultural technologies, which are crucial for modernizing farming practices, increasing yields, and enhancing overall efficiency in the project area.

Component 3: Catalyzing Investments for Tourism and Urban Development (US\$ 22.0 million).

- **Sub-component 3.1: Upgrading Osh and Uzgen Urban Cores and Tourism Circuits (US\$ 19.0 million).** This sub-component aims to revitalize Suleiman-Too and Uzgen Archeological Complexes to materialize their touristic potential for increased visitations and spending and serve as anchors for local economic development.
- **Sub-Component 3.2: Tourism Product Development, Marketing and Promotion (US\$ 3.0 million).** This sub-component provides support organizing cultural events and e-governance initiatives.

Results achieved to date: a significant progress has been made in enhancing urban and tourism infrastructure in the cities of Osh and Uzgen, benefiting 35,000 residents and visitors. In Osh, 33,235 sq.m. of public amenities were rehabilitated, including the central park, with ongoing efforts to upgrade an additional 475,000 sq.m. of public space in two towns, set for completion in 2025. Incorporating climate resilience measures, the rehabilitation works included flood-resistant green infrastructure and improved drainage systems to manage both heavy rainfall and droughts, ensuring the longevity and usability of these spaces in the face of changing climate conditions. Further, a regional tourism strategy and action plan have been prepared, enabling participation in international events like UNESCO's 42nd General Conference and facilitating tourism fairs and roadshows. Over 150 participants have benefited from training programs aimed at improving service quality for city and mountain guides, as well as professionals in the hospitality, restaurant, and catering (HoReCa) sectors. Additionally, these programs include training on climate-resilient tourism practices to ensure the sector remains robust despite increasing climate impacts. Through its Public-Private Cooperation (PPC) Initiative, public infrastructure spending of US\$780,000 has mobilized US\$22.7 million in private capital and supported the creation of over 260 new jobs. The PPC serves as a mechanism to help medium and large businesses scale up their activities in the tourism and agriculture sectors by providing essential public infrastructure through Project financing.

Component 4: Supporting Tourism and Rural SME Development through Small Grants (US\$ 3.0 million). This Component is supporting SME development through a training and small grant program targeting tourism and rural SMEs and startups.

Results achieved to date: *Supporting Tourism and Rural SME Development through Small Grants:* a notable progress has been made in fostering entrepreneurship and small business growth in the region. A total of 311 individuals participated in business planning and execution training sessions, leading to the approval of 181 business plans for financing with a total allocation of US\$1.7 million. Notably, 100 of the approved grants are female-led initiatives.

Component 5: Implementation Support and Monitoring & Evaluation. This Component supports overall project management, monitoring and evaluation.



12. Overall, the RED-1 project is making steady progress in its implementation, despite experiencing initial delays after becoming effective. Both *the Implementation Progress (IP) and Progress toward Achieving the PDO are rated as Moderately Satisfactory*.¹ All project components are also rated Moderately Satisfactory or Satisfactory. The Environmental and Social (E&S) performance is rated Moderately Satisfactory, the Financial Management (FM) is rated Satisfactory, and the Procurement rating is also Moderately Satisfactory.
13. In the initial two years several setbacks arose, primarily due to challenges in fully staffing ARIS, finalizing the investment activities pipeline, and preparing detailed designs for construction activities. The design packages submitted by the beneficiary municipalities for tendering and implementation under Component 3 required significant revisions due to sub-standard quality. The selection of consultants for the preparation of Management Plans and Design Concepts (two consultancies) for Suleiman-Too and Uzgen Complexes took nearly two years, which was much longer than initially anticipated. This delay was partly due to the limited capacity of ARIS and national authorities in preparing the terms of reference, combined with cost increases in consultancy services between project preparation and the actual tender, leading to multiple tender announcements. The COVID-19 pandemic caused significant setbacks to the project timeline, resulting in an estimated 18-month delay. Thus, the revitalization of the Suleiman-Too and Uzbek Complexes is unlikely to be completed by the current closing date given the scope and nature of the activities and high probability of archeological findings. All consultants were finally recruited in 2023, and the concept designs are now ready. Significant strides have been made in the project implementation in Year 3. ARIS is staffed with the required expertise and most of the consultancies to prepare design packages and other necessary project documentation are ongoing. The pipeline of investment activities has been agreed upon with all stakeholders at both central and regional levels, and design packages for nearly all activities are ready. Many investment activities are currently at the implementation stage.

Rationale for Additional Financing and Restructuring

14. The World Bank received a request letter from the Ministry of Finance, dated May 28, 2024, for an additional IDA financing of US\$8.5 million² to address a financing gap under Component 3, particularly, related to the revitalization of the Suleiman-Too Complex, a UNESCO-protected site, and Uzgen Archaeological Complex. The requested additional financing will help bring these two important cultural heritage sites up to modern standards with full preservation of their universal values and position Osh and Uzgen as key tourism hubs for both domestic and international visitors. Moreover, the AF will enable the full achievement of the PDO and ensure that all project targets are fully met. Both sites are crucial for meeting one PDO-level indicator (“Increase in the number of tourist arrivals at sites supported by the project”) and two intermediate-level indicators (“Sustainable management plans for key regional assets developed” and “Increased revenue from visitors to museums”).
15. Additionally, the current RED-1 closing date will be extended by 23 months, from December 18, 2026, to November 17, 2028 (first extension). This extension was formally requested by the Ministry of Finance in a letter dated October 7, 2024 and will provide sufficient time for the completion of all activities associated with the revitalization of the Suleiman-Too and Uzgen Archaeological Complexes. The timeline for the extension was meticulously calculated by ARIS and validated by the Bank task team. The extension will be accompanied by a series of tailored actions outlined in a detailed action plan, prepared by ARIS, to ensure the timely completion of all outstanding activities by the extended closing date. Furthermore, with the engagement of additional consultants and the ongoing support from the Bank task team, ARIS is equipped with the necessary technical expertise and supervision capacity. This enhancement ensures that the works will be implemented according to the detailed action plan. All project activities under other components are scheduled to be completed by the current closing date of December 18, 2026.

¹ The ratings have been reconfirmed during the MTR mission which took place on September 11-27, 2024.

² In the form of PBA-SML credit with 12-year maturity period including 6 years of grace period.



16. **Alignment with the Country Partnership Framework FY24-FY28.** The proposed AF is aligned with the World Bank Group's County Partnership Framework (CPF) for the Kyrgyz Republic for the period FY24-FY28.³ Specifically, it supports the CPF's Objective 2.3, which focuses on strengthening infrastructure resilience to climate and disaster risks. All activities supported by the project undergo climate change screening, with design packages incorporating measures to mitigate or adapt to identified risks, as detailed in the climate section below.
17. **The Climate Co-Benefits (CCBs)** of the proposed interventions under the parent project and this AF were designed with a focus on climate and disaster vulnerability, ensuring long-term adaptation to climate change. These activities specifically address the increasing risks posed by extreme weather events, including more frequent and severe flooding, landslides, and mudflows, as well as extreme droughts. To mitigate these risks, the project includes the implementation of improved drainage systems in flood-prone areas and the construction of permeable pavements to reduce surface runoff and control flash flooding. Furthermore, the project emphasizes improving the seismic resilience of urban infrastructure and includes the establishment of early warning systems for floods and landslides, enhancing disaster preparedness and community safety. Sustainable land-use planning has been integrated to mitigate the impacts of mudflows and erosion in high-risk zones. In addition, the project incorporates nature-based solutions such as reforestation and the creation of green corridors around urban areas, which help cool urban environments, reduce heat island effects, and provide natural barriers against landslides and mudflows. By strengthening the climate resilience of the Suleiman-Too Complex and its surrounding infrastructure, the project supports sustainable, climate-resilient development in the Kyrgyz Republic. These actions are closely aligned with the World Bank Group's and Europe and Central Asia (ECA)'s Climate Change Action Plan for 2021-2025, promoting proactive climate adaptation measures across the region.
18. **Compliance with the World Bank policies.** The proposed AF aligns with the World Bank's policies and procedures governing 'Additional Financing for Investment Project Financing'. Particularly, the RED-1 Project is an ongoing, well-performing operation with both Overall Implementation Progress and Progress Toward the Achievement of the PDO been constantly rated as "Moderately Satisfactory" over the most recent 12 months. The Project is also in compliance with legal covenants, including audit and FM reporting requirements.

Summary of Proposed Changes

19. The changes under this AF include: (a) changes to project component costs, associated with the provision of US\$8.5 million to address the cost overrun for selected activities under Component 3; (b) extension of the Project closing date by 23 months, from December 18, 2026 to November 17, 2028; (3) modifications to the results framework to update target end dates for the indicators under Component 3 and to reflect the project's enhanced focus on gender empowerment.
20. The AF aligns with the existing PDO and the overall design of the parent project. Both the PDO and project scope will remain unchanged, retaining the original five components and their sub-components without any modifications to the scope or types of activities. The only adjustment noted is the increased cost for Component 3. Furthermore, there are no anticipated changes to the implementation, institutional arrangements, or project management structure.
21. **Changes to Component Costs:** The proposed AF will close the financing gap identified under Component 3 with US\$8.5 million of the AF, as discussed above, and bring the Component 3 total cost to US\$30.5 million equivalent (see Table 1 below).

³ Discussed by the Board of Executive Directors on October 31, 2023 (Report No. 182689-KG)



TABLE 1. SUMMARY OF THE TOTAL PROJECT COSTS BY COMPONENTS

	Original Financing (US\$ million equivalent)	Additional Financing (US\$ million equivalent)	Project Total (US\$ million equivalent)
Component 1	5.50	0.00	5.50
Component 2	25.50	0.00	25.50
Component 3	22.00	8.50	30.50
Component 4	3.00	0.00	3.00
Component 5	4.00	0.00	4.00
Total	60.00	8.50	68.50

22. **Change to the Project closing date.** The Project closing date will be extended from December 18, 2026 to November 17, 2028. This extension will provide sufficient time to complete all remaining project activities at both Suleiman-Too and Uzgen cultural heritage sites, enable the full achievement of the PDO, and meet all the set targets in the results framework.
23. The project disbursement estimates and implementation schedule will be updated accordingly, to take into account the extended Project closing date.
24. **Changes to the Project Results Framework.** The Project Results Framework will be updated with two key modifications to ensure that it reflects the project's extended timeline and its enhanced focus on climate resilience and gender and youth empowerment:
- Target End Date Adjustment:* All target end dates associated with the PDO and intermediate-level indicators under Component 3 will be revised to align with the newly extended project closing date.
 - A new gender-focused intermediate indicator* “Number of female staff at the Suleiman-Too and Uzgen Archaeological Complexes in leadership, management, or advance technical-level positions as a result of the project” will be introduced to the project to monitor the number of female staff, experts, and consultant at the Suleiman-Too and Uzgen Archaeological Complexes in leadership, management, or advance technical-level positions as a result of the Project. This indicator aims to promote gender equity within the project, with a target of achieving 6 female staff, experts, and consultants in leadership or managerial positions by the project's closing date in November 2028.
25. **Private Capital Enabled (PCE) designation.** Component 3 of the parent Project supported under this AF includes activities aimed at mobilizing private capital in the tourism and agriculture sectors targeted under the project. A dedicated indicator, “Increased amount of private sector investments in targeted areas (US\$ million),” has been included in the Results Framework to measure related progress. While no changes are proposed in the PCE modality under the Project, the AF will help designate it for PCE.

Legal Operational Policies

Policies	Triggered?		Explanation
	Current	Proposed	
Projects on International Waterways OP 7.50	Yes	Yes	OP 7.50 on International Waters was triggered during the preparation of the parent project due to the nature of



			<p>the water-related activities.</p> <p>The proposed activities under the parent Project were relatively small in scale, with no anticipated increase in water abstraction or wastewater discharge volumes, nor any expansion of existing schemes. The water supply and sanitation investments were assessed to have no significant environmental impact on the Syr Darya River, which flows through Uzbekistan and into the Aral Sea. Consequently, the task team requested and received an exception from the VPU to notify riparian countries, which was granted on November 22, 2019. The proposed AF will maintain the same project parameters, with no changes in design, location, activities or scope from the parent project. Therefore, the RVP's exception for the parent project will subsist for this AF.</p>
Projects in Disputed Area OP 7.60	No	No	

Summary of Screening of Environmental and Social Risks and Impacts

The project investments targeted at tourism and urban infrastructure and public buildings construction and rehabilitation, as well as at rehabilitation of sanitary and phytosanitary infrastructure, generate site-specific, and temporary impacts such as noise, dust, increased pollution with solid wastes, air, and water pollution, potential impacts of physical cultural heritage resources, etc., as well as entail health hazards and labor safety risks. Similarly, the proposed activities targeted at productive partnerships and development of agro-processor supply chain linkages subcomponent and access to finance to support agriculture supply chain may also generate along with positive social and economic impacts (increased production, products and goods which would result in creation of new jobs and respectively, more employment and increased income; improving of business environment, introduction of advanced



agricultural technologies and techniques, contribution to poverty reduction and food safety) and a series of environmental risks. These risks and impacts can be summarized as follows: (a) agricultural production: soil erosion, loss of soil productive capacity, soil compaction, soil pollution, surface, and underground water pollution, loss of biodiversity; (b) agro-processing: contribution to surface water pollution, wastes generation, odor; (c) small scale construction and/or rehabilitation of the existing premises: soil and air pollution; acoustic, construction wastes, and potential asbestos issues, labor safety issues, etc. Some indirect environmental impacts are generated under the proposed TA activities, in particular for preparing site development concepts, detailed subproject designs for the selected priority investments in urban development sector, as during the implementation phase, if the designed urban development and/or business development planning documents, didn't integrate the safeguards requirements, can generate a series of adverse environmental impacts and risks. Overall, most of the identified risks and impacts are typical for small scale construction/rehabilitation works, as well as agriculture and food processing activities and are temporary by nature and site-specific and can be easily mitigated by applying the best construction practices and relevant mitigation measures. Social risks of the project are associated with: (I) the potential for weak or insufficient information and engagement with beneficiaries/stakeholders; (II) beneficiary exclusion risks; (III) potential physical and economic displacement; and (IV) labor issues e.g. prevention of forced and child labor, gender-based violence. On the exclusion risk, it is concerned about ensuring vulnerable and disadvantaged groups such as low-income and geographically isolated smallholder farmers, rural producers, women, youth, female-headed households, disabled and elderly people to benefit from the project, specifically from components 2 and 3. Government capacity in providing an enabling environment for an inclusive private sector reaching out to smallholder farmers, rural producers, and agro-processors is weak. Social risks also relate to potential project interventions that could necessitate physical and economic displacement due to (a) improving basic agricultural services (component 2) and (b) tourism and urban development of the Osh region and its cities. Under component 2 the project financing includes upgrading/construction of laboratories. Under component 3 it includes tourism development through revitalization of the Suleiman-Too and Uzgen Archaeological Complexes, construction of basic infrastructure (rest stops, parking lots, kiosks, etc.) and urban development through the improvement of urban infrastructure (roads, community and social facilities, etc.). The ARIS conducts social assessment that includes: (i) stakeholder identification/mapping; (ii) stakeholder analysis of expectations, concerns, and issues; (iii) assessments of positive and negative impacts; (iv) more in-depth assessments on exclusion risks, and (v) social actions to mitigate the negative impacts and enhance positive benefits. Considering the potential environmental and social risks, described above, as well as diverse areas of potential investments the project's both environmental and social risks are assessed as Substantial for the original project which remains relevant to the AF. The World Bank Environmental and Social Standards (ESSs) 1, 2, 3, 4, 5, 8, and 10 are relevant to the Project, including the AF. Since September 2022, the project's E&S management performance is assessed as Moderately satisfactory because of need to improve the quality of the E&S screening results and the ESMPs prepared for subprojects, also to improve the system of regular monitoring and compliance with occupational health and safety requirements in the subprojects. It should be noted that considering that this project is the first project prepared and implemented by ARIS under the World Bank's Environmental and Social Framework (ESF) and ARIS had limited experience and knowledge in the ESF. To address this, the ARIS E&S team regularly attend the ESF trainings conducted by the Bank to strengthen their capacity to implement the project in accordance with the ESF requirements. Since the proposed AF will fill a financing gap within the existing scope of the Project, particularly under Component 3, it will be implemented using the same implementation arrangements that were agreed upon under the original project. The Project will continue the (i) implementation of the measures and actions set out in the project's Environmental and Social Commitment Plan (ESCP) in line with the project's Environmental and Social Management Framework (ESMF), Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP), and Resettlement Policy Framework (RPF), and (ii) monitoring the progress and completion of the material measures and actions and reporting to the Bank throughout the Project implementation. The AF does not include any new activities



or change in the geographical scope that would require updating and re-disclosing the ESF instruments prepared for the original project, consulted, adopted and disclosed by both the Bank and the Borrower on December 24, 2019. The public consultations carried out during the project preparation adequately cover the project activities, including under the AF, the subprojects level consultations will continue to be carried out as necessary per the SEP. The project's E&S management is supported by one E&S specialist at central level, and one Environmental specialist and one Social specialist at regional level. The current E&S staffing arrangements are adequate for managing the project's E&S risks and supervising the implementation of the E&S instruments. In accordance with the ESCP, ARIS is committed to maintain and strengthen the existing ARIS organizational structure with qualified staff and resources to support management of E&S risks and impacts of the project.

E. Implementation

Institutional and Implementation Arrangements

26. The Institutional and Implementation Arrangements for the Additional Financing (AF) will follow the structure established under the parent Project. Key elements include:
- Steering Committee (SC):** The project is overseen by a SC, comprised of Deputy Minister or director-level representatives from various relevant ministries and agencies, including the Prime Minister's Office, President's Office, the Ministry of Finance (MOF), Ministry of Economy (MOE), Ministry of Water Resources, Agriculture, and Processing Industry (MWRAPI), Ministry of Culture, Information, Sports and Youth Policy (MCISYP), Department of Tourism under MOE, State Agency for Architecture, Construction and Communal Services, and the Plenipotentiary Representative of the Government in the Osh region and the City of Osh. The SC is chaired at the Prime Minister's Office level, ensuring high-level coordination and strategic decision-making.
 - Ministry of Economy (MOE):** As the coordinating ministry, MOE is responsible for overall project coordination. Through its Regional Development Policy Department, the MOE Deputy Minister oversees smooth implementation, reviewing work plans prepared by ARIS and providing technical input on economic promotion and strategic policy.
 - Ministry of Water Resources, Agriculture, and Processing Industry (MWRAPI)** sets priorities for agricultural activities under the Project and endorses investments under Component 1.2. It also participates in selecting, evaluating, and monitoring targeted investment activities under Component 2.
 - Ministry of Culture, Information, Sports, and Youth Policy (MCISYP)** is responsible for prioritizing and endorsing tourism and cultural heritage development plans under Component 3.
 - ARIS, the Project Implementing Entity,** manages all fiduciary and safeguard functions, including procurement, financial management, report preparation, environmental and social safeguards, and technical assessments. Based in Bishkek, ARIS coordinates closely with central governments and with its regional office in Osh with local municipalities and regional government.
 - Agribusiness Competitiveness Center (ABCC)** assists MWRAPI with technical implementation of agricultural activities, particularly under Components 1.2 and 2, working closely with ARIS for fiduciary support and liaising with MWRAPI departments to provide technical assistance.
27. The Project Operation Manual, developed by ARIS and approved by the Bank, provides a comprehensive outline of the roles and responsibilities for all parties involved in the project, including the regional and local governments and Productive Partnership and Small Grants committees established under the Project.



The World Bank

Kyrgyz Republic Regional Economic Development Project (P167428) – Additional Financing Request 1

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