Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 12/24/2019 | Report No: ESRSA00390
**BASIC INFORMATION**

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<td>Kyrgyz Republic</td>
<td>EUROPE AND CENTRAL ASIA</td>
<td>P167428</td>
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**Project Name**
Kyrgyz Republic Regional Economic Development Project

**Practice Area (Lead)**
Urban, Resilience and Land

**Financing Instrument**
Investment Project Financing

**Estimated Appraisal Date**
12/26/2019

**Estimated Board Date**
3/19/2020

**Borrower(s)**
Ministry of Finance

**Implementing Agency(ies)**
Community Development and Investment Agency (ARIS)

**Proposed Development Objective(s)**
The Project Development Objective is to support the Government of the Kyrgyz Republic (GoKR) to enhance regional economic development through targeted interventions in the selected sectors in the Osh region.

**Financing (in USD Million)**

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<th>Amount</th>
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<tr>
<td>Total Project Cost</td>
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**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**
No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**
The Kyrgyz Republic is a landlocked, mountainous country of 6 million people with considerable economic potential given its rich natural endowments and strategic location. The country’s economy has grown at a quick pace between 2000 and 2018 and yielded significant overall welfare gains and poverty reduction, but the momentum has slowed, and many challenges remain. Since the turn of the century, the main drivers of economic growth have been gold extraction and worker remittance, which fueled domestic consumption. This growth model has enabled the economy to grow at an average rate of 4.5 percent over the 2000-2016 period, continuing strong at 4.7 percent in 2017, 3.5 percent in 2018 and projected at 4 percent for 2019. Across the country’s seven regions, an increase in regional
disparities has been observed in both population distribution and economic activity over the past decade. The population in Kyrgyz is concentrated only in a few regions, with the two largest cities of Bishkek and Osh city and their surrounding oblasts accounting for roughly 56 percent of the country’s total population. Although the country has seen a steady increase in the average Gross Regional Product (GRP) per capita since 2006, the gap between the poorest and the richest regions has widened, particularly since 2010. Similar trends have been observed in other economic and social indicators.

The 2018 Strategic Country Diagnostic identified agriculture, tourism, hydropower and mining as key sectors that build on the country’s strong base of natural and cultural resources to generate economic growth. Of the four sectors, agriculture and tourism represent those with the potential to propel broad-based private sector development. The Kyrgyz agriculture sector has traditionally been a pillar of the economy and agri-food products have considerable market potential given the Eurasian Economic Union (EEU) and World Trade Organization (WTO) trade frameworks. Of the non-traditional growth sectors, tourism represents an underexploited opportunity and has large potential through developing a range of cultural and natural sites, enabling accessibility and provision of services, and improved promotion.

The proposed project is envisioned as a multi-sectoral project and will support regional development through targeted investments in the key sectors of agriculture and tourism with a focus on enabling private sector development in these areas. Project interventions will include a tailored package of investments and activities aimed at boosting the region’s unique economic potential and eliminating binding constraints while supporting the elevation of living standards.

The project is consistent with the current World Bank Group Country Partnership Framework (CPF) for Kyrgyz Republic (2019-2022) and supports multiple Focus Areas and Objectives, including Focus Area 2: Raise productivity and build connectivity and Focus Area 3: Enhance economic opportunities and resilience (and explicitly Objective 8 to support regional development).

D. Environmental and Social Overview
D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The Kyrgyz Republic is a landlocked, mountainous country of 6 million people with considerable economic potential given its rich natural endowments and strategic location. The country’s economy has grown at a quick pace between 2000 and 2018 and yielded significant overall welfare gains and poverty reduction, but the momentum has slowed, and many challenges remain. Since the turn of the century, the main drivers of economic growth have been gold extraction and worker remittance, which fueled domestic consumption. This growth model has enabled the economy to grow at an average rate of 4.5 percent over the 2000-2016 period, continuing strong at 4.7 percent in 2017, 3.5 percent in 2018 and projected at 4 percent for 2019. Across the country’s seven regions, an increase in regional disparities has been observed in both population distribution and economic activity over the past decade. The population in Kyrgyz Republic is concentrated only in a few regions, with the two largest cities of Bishkek and Osh city and their surrounding oblasts accounting for roughly 56 percent of the country’s total population. Although the country has seen a steady increase in the average Gross Regional Product (GRP) per capita since 2006, the gap between the poorest and the richest regions has widened, particularly since 2010. Similar trends have been observed in other economic and social indicators.
The 2018 Strategic Country Diagnostic identified agriculture, tourism, hydropower and mining as key sectors that build on the country’s strong base of natural and cultural resources to generate economic growth. Of the four sectors, agriculture and tourism represent those with the potential to propel broad-based private sector development. The Kyrgyz agriculture sector has traditionally been a pillar of the economy and agri-food products have considerable market potential given the Eurasian Economic Union (EEU) and World Trade Organization (WTO) trade frameworks. Of the non-traditional growth sectors, tourism represents an underexploited opportunity and has large potential through developing a range of cultural and natural sites, enabling accessibility and provision of services, and improved promotion.

The proposed project is envisioned as a multi-sectoral project and will include core investments in local and regional development in the key sectors of agriculture and tourism with a focus on enabling private sector development in these areas. Project interventions will include a tailored package of investments/activities aimed at (i) boosting the pilot region’s unique economic potential and eliminating binding constraints, while supporting the (ii) elevation of living standards; and (iii) strengthening the institutional and private sector capacity in the target sectors. The project will focus support on one pilot region, Osh Oblast, and include Osh City as well as other growth poles and clusters within the Osh region. The proposed project components are: (i) Strengthening Regional Economic Planning and Regulatory Functions (ii) Strengthening Agri-Food Supply Chains and SMEs (iii) Catalyzing investments for tourism and urban development; (iv) Supporting Tourism and Rural SME Development through Small Grants.

The project is consistent with the current World Bank Group Country Partnership Framework (CPF) for Kyrgyz Republic (2019-2022) and supports multiple Focus Areas and Objectives, including Focus Area 2: Raise productivity and build connectivity and Focus Area 3: Enhance economic opportunities and resilience (and explicitly Objective 8 to support regional development).

D. 2. Borrower’s Institutional Capacity

The Community Development and Investment Agency (ARIS) is the project implementing agency, while the Ministry of Economy will provide overall coordination of the project. ARIS has had extensive experience working with the World Bank (WB) as well as multiple development partners to prepare and implement projects. ARIS has had extensive experience working with the World Bank as well as multiple development partners to prepare and implement projects. ARIS has been responsible for the management of multiple WB financed projects and has in its staff highly experienced environmental and social safeguards specialists, which have participated in the past in organized WB safeguards training, including training on the new WB Environmental and Social Framework (ESF). Based on the results of the WB supervision missions on last projects under ARIS implementation (Third Rural Water Supply and Sanitation Project, and the Urban Development Project), ARIS environmental and social management performance was mainly qualified as satisfactory. ARIS is also well experienced with implementing all donor-financed projects on agriculture and water resource management and has a good record of working hand-in-hand with the line ministries to deliver specific programs. At same time, ARIS has limited experience and knowledge in the new WB ESF and including those related to the protection of vulnerable social groups; labor and working conditions and labor safety issues; community health and safety; incidence reporting protocols; and biodiversity conservation - mostly in terms of requirements for preventing introduction of new seed varieties which may have risks and impacts related to biodiversity and ecosystem services. While the agency has experience with financial intermediaries, the E&S screening and monitoring arrangements for credit line services have to be re-assessed and possibly expanded to be consistent with the requirements under Environmental and Social Standard (ESS) 9 on Financial Intermediaries. It was agreed and the ESMF document specifies the project will support necessary capacity building in specified areas.
The Credit Line Management Unit of the Ministry of Finance (MoF CLMU) will administer a credit line under the project undertaking direct on-landing to beneficiaries or using commercial banks as financial intermediaries. The Unit has a vast experience in administering credit lines under various World Bank and other donor financed projects.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) Substantial

Environmental Risk Rating

The proposed project investments targeted at productive partnerships and development of agro-processor supply chain linkages, rehabilitation of sanitary and phytosanitary infrastructure and seed and breed multiplication facilities and access to finance to support agriculture supply chain may 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 and impacts. 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, etc.; and, (d) improving seed/breeding stock: health risks due to inappropriate agrochemicals use; water and soil pollution; solid waste management; etc.

Similarly, the proposed investments targeted at development of tourism and urban centers, infrastructure and public buildings construction and rehabilitation, as well as supporting tourist SMEs, may also generate, along with positive social and economic impacts (improvements to priority touristic sights and clusters; regional infrastructure and services/amenities to attract tourists and retain residents, and pilot public-private cooperations to support and strengthen SMEs in the tourism sector) a series of environmental risks and site specific, and temporary impacts, such as noise, dust, increased pollution with solid wastes, air and water pollution, potential asbestos issues, potential impacts of physical cultural heritage resources, etc., as well as entail health hazards and labor safety risks.

Some indirect environmental impacts might be generated under the proposed TA activities. In particular, unless environmental and social considerations are duly integrated into urban and/or business development planning documents, adverse impacts may follow at the construction phase. Overall, most of identified risks and impacts are expected to be typical for small scale construction/rehabilitation works, as well as agriculture and food processing activities and will be temporary by nature and confined in space, site-specific and can be easily mitigated by applying best industrial construction practices and relevant mitigation measures.

Considering the potential environmental risks, described above, the high uncertainty over sectoral policy priorities and directions, and diverse areas of potential investments, as well as weak knowledge of implementing entity of the ESF requirements, the project environmental risks at Appraisal stage are assessed as Substantial.

Social Risk Rating Substantial

Social risk is considered to be Substantial. Recognizing the multi-sectoral and integrated nature required for regional development, the geographic scope of the proposed project has been changed since the PCN stage. Instead of focusing on two regions (Osh and Batken) the project will focus on one – Osh region including Osh and Uzgen cities. The selection of Osh as the pilot region is based on the regional and spatial analysis which shows Osh as one of the
key lagging and the most populated regions (21% - 1.341 million). The Project area is characterized by: (1) Past inter-
ethnic relation conflict – the project area is exposed to conflict and fragility risks which may have a bearing on the
project outcomes. (2) Geographical features – territory is covered by mountainous area and valley, making it difficult
to improve connectivity to markets and deliver infrastructure and basic public services. The region is highly exposed
to natural hazards and disaster risks. Livelihoods of households are heavily dependent on natural resources and
agriculture which are inextricably linked to environmental and climate vulnerabilities. (3) Economic situation – high
rate of unemployment in particular among youth and significant dependency of household income on remittances
which is vulnerable to external economic conditions and fluctuations. (4) Weak institutions – local governments and
communities are still limited in their capacity to undertake participatory approaches to governance and development.
This weak state-society relationship has been a trigger for conflicts, due to poor management and inequitable
distribution of public services, resources, and employment opportunities.
Project social risks mostly concern (i) exclusion risk of vulnerable or disadvantaged groups and (ii) potential risk of
physical and economic displacement. 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,
and youth, female-headed households, disabled and elderly people to benefit from the project, specifically from
components 2 and 4. Government capacity in providing an enabling environment for an inclusive private sector
reaching out to smallholder farmers, rural producers, and agro-processors is weak. Under the proposed Component 2
and 3 the project will finance civil works that could necessitate some temporary and/or permanent physical and
economic displacement or induce changes in land use or land access in the areas of certain activities. Potential project
interventions would extend to rejuvenation of Osh city downtown core through improvements to urban roads, non-
motorized network for pedestrian and cyclists, upgrading of city parks and public spaces, waterfronts, community and
social facilities, exploration of smart-city ideas (such as provision of wifi and hotspots around the city or key tourist
sights, or applications to enhance information access etc.). And in Uzgen city this will include improvements to urban
roads, pedestrian bridges, upgrading of city parks and public spaces, community, and social facilities, etc. However,
the nature and extent of interventions and the impacts thereof are currently not known and will become clearer
when investment activities are chosen and designed.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 is relevant. The proposed activities targeted at boosting agriculture competitiveness will 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) also a series of environmental risks and impacts. These risks and impacts are 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 of phytosanitary border points and of logistics centers, or rehabilitation of the plant
quarantine laboratory and/or rehabilitation of the existing premises: soil and air pollution; acoustic, construction
wastes, and potential asbestos issues, etc. (d) improving seed/breeding stock: health risks due to inappropriate agrochemicals use; water and soil pollution; solid waste management; etc.

Similarly, the proposed activities on catalyzing investments for tourism and urban development and investments targeted at tourism and urban infrastructure and public buildings construction and rehabilitation, including small grants for tourism enterprise start-ups and the development of a comprehensive tourism strategy for the Osh, might generate a series of 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. Also, some indirect environmental impacts might be generated under the Component 1 while activities on preparing site development concepts, and detailed subproject designs for the selected priority investments in urban development sector, because, if environmental and social considerations are not duly integrated into the planning and design process, adverse impacts may emerge at as during the implementation phase. Overall, most of the identified above environmental risks and impacts are expected to be typical for small scale construction/rehabilitation works, as well as agriculture and food processing activities and will be temporary by nature and site-specific and can be easily mitigated by applying best construction practices and relevant mitigation measures.

Environmental risk is rated as substantial. Towards addressing the risk ARIS as an implementing agency has prepared an Environment and Social Management Framework (ESMF). Given that concrete types of investments and their location will be known only during project implementation, ARIS prepared the ESMF which specifies rules and procedures for the activities and subprojects’ Environmental and Social Impact Assessment (ESIA) and for preparing adequate Environmental and Social Management Plans (ESMPs). The ESMF will guide the ESIA process and covers the following: (i) rules and procedures for environmental and social screening of project activities and subprojects proposals and grant applications to be supported under the project; (ii) guidance for conducting subprojects ESIA and/or preparing simple ESMP or ESMP Checklist which would include the monitoring plan; (iii) mitigation measures for possible impacts of different proposed activities and subprojects to be supported by the project; (iv) safety measures while applying pesticides and a template for the Pest Management Plan (PMP); (v) requirements for monitoring and supervision of implementation of ESIA/ESMPs; (vi) institutional arrangements for E&S management under the project, overview of the capacity of ARIS for E&S risk management; (vii) plan for capacity building for ARIS, the Productive Partnerships Selection Committee and Small Grants Program for E&S management. The ESMF also specifies that the proposed institutional strengthening and capacity building should include special training on identifying and addressing environmental issues and integrating environmental requirements in the business development process and in providing small grants for tourism development.

Based on the ESMF document ARIS will develop Productive Partnerships Manual (for activities under component 2) and Small Grants Manual (for grants under component 4), acceptable to the Bank. These documents will specify the E&S all rules and procedures provided in the ESMF document.

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. To address these risks, in addition to the ESMF ARIS has prepared a Social Assessment (as part of the ESMF), Stakeholder Engagement Plan (SEP); (iii) Resettlement Policy Framework (RPF); and (iv) Labor Management Procedures (LMP). A high level social assessment was undertaken during the project preparation stage to accomplish the following: (a) stakeholder identification/mapping; (b) stakeholder analysis of expectations, concerns, and issues, possible obstacles to accessing project benefits; (c) assessment of positive and negative impacts of project interventions. Findings were incorporated into the ESMF and Stakeholder Engagement Plan (SEP). Additionally, the project design has been informed to address
the above-mentioned risks. The project design will ensure the selection criteria of sub-projects will prioritize those demonstrating potential to generate additional social benefits in terms of inclusion of youth, women and vulnerable groups. Additionally, the project would also finance a revolving fund targeting low-income producers that are located in geographically isolated parts of the Osh region and not sufficiently productive to participate as part of a producer group in sub-project activities. Social risks also relate to potential project interventions which could necessitate physical and economic displacement due to (a) improving basic agricultural services (component 1) and (b) tourism and urban development of the Osh region and its cities (component 3 and 4). Under component 1.2 the project financing will include upgrading/construction of border control points, laboratories. Under component 2 project will finance public infrastructure rehabilitation (i.e. access road repairs, electricity infrastructure, and other agriculture related infrastructure) critical to functioning of the value chain. Under component 3 and 4 it will include tourism development through construction of basic infrastructure (rest stops, parking lots, kiosks, etc.) and urban development through improvement of urban infrastructure (roads, community and social facilities, etc.). Furthermore, ARIS will need to undertake Social Assessment while undertaking ESIA and/or developing ESMPs for each sub-project 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) a social management plan to mitigate the negative impacts and enhance positive benefits. The TORs for these activities under agribusiness and tourism development components have to be based on the provisions in the ESMF and include the ESSs requirements, as relevant. The ESMF document provides a detailed comparative analysis of National and WB safeguards requirements and provides recommendations on how to proceed in the case of identified discrepancies.

**ESS10 Stakeholder Engagement and Information Disclosure**

The project preparation has been engaging with various project stakeholders since December 2018. ARIS, in consultation with the Bank, prepared the SEP which lays out stakeholder engagement activities for both project-affected parties (PAPs) and other interested parties (OIPs) to be undertaken during the life of the project. The SEP includes a communication and outreach strategy targeting the wider community of the Osh region, including but not limited to PAPs. The majority of the PAP under the project will be the direct beneficiary of the Project, namely, SMEs from the agricultural and tourism sectors; agricultural producers and visitors who will benefit directly from improved accessibility, connectivity, infrastructure and services; and inhabitants of participating regions and municipalities (both urban and rural) who may be associated with agricultural and tourism activities for a varying degree in different forms, including through increased job opportunities. Government counterparts and associated entities will benefit from the project mainly through Component 1 initiatives on institutional and capacity strengthening. These include: at the central level - Ministry of Economy; Department of Tourism under the Ministry of Culture, Information and Tourism; Ministry of Agriculture, Food Industry and Melioration, Agribusiness Competitiveness Center (ABCC); and at the regional and local level - the regional Government in Osh Oblast, local administrations of Osh city, Uzgen City, and various districts within the Osh Oblast. While the majority of PAP will benefit from the project without any material negative impacts, some beneficiaries may experience some negative impacts, including loss of private assets, health and safety-related issues, the influx of visitors, and so on. Also, some potential beneficiaries may not be able to benefit from the project due to their socioeconomic, ethnic, gender, political economy and other related factors. The SEP presents a differentiated approach for the project to engage with them meaningfully.
The draft SEP will be disclosed by the project appraisal and may be continuously updated during the project implementation as needed, upon mutual agreement by MoE/ARIS and the World Bank. During project preparation, ARIS engaged with various project stakeholders. The following types of stakeholder engagement activities have taken place to date:

- Formal and informal communication with government agencies at the national, regional and local level;
- Formal and informal communication with private tourism companies and agribusiness associations;
- Needs assessment meetings with agricultural producers;
- Community meetings;
- Needs assessment surveys;
- Meetings with potential destination management organizations and enablers;
- Communication with local NGOs;

Initial informal meetings and public consultations on draft ESMF and draft RPF.

The sub-project cycle under component 2 would start with initial awareness-raising and mobilization step to identify specific supply chain actors for participation and the competitive selection of sub-projects. This will imply carrying out public awareness campaigns in target locations. The first stage would work with district administration, private sector leaders, donor projects and other sources of information to identify actors. The second stage would identify and mobilize interested actors to participate in workshops on supply chain constraints, opportunities, and identify potential sub-project proponents. One output would be to prepare a shortlist of interested primary beneficiaries. The selection criteria of sub-projects will prioritize those demonstrating inclusion of youth, women and vulnerable groups.

SEP describes processes of meaningful consultations with all stakeholders throughout the project life cycle paying special attention to the inclusion of vulnerable and disadvantaged groups. Also, SEP describes institutional Beneficiary Feedback Mechanism (BFM) which is an expanded Grievance Redress Mechanism that includes all project activities, not just safeguards. The systems and requirements (including staffing) for the grievance redress chain of action – from uptake, sorting, and processing, and acknowledgment and follow-up, to verification and action, monitoring and evaluation, and finally feedback – are embodied in this BFM. To encourage proactive beneficiary engagement, the BFM will be communicated at project orientation and on city and district center notice boards, to direct and indirect project beneficiaries. Additionally, the project will provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination, and intimidation.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. ARIS has prepared a Labor Management Procedure (LMP) which describes the type of workers, key elements of the national labor policy and regulations and gaps with ESS2, as well as labor management tools to be adopted during the project implementation. The project will include direct workers (employees of ARIS and of participating municipal agencies) as well as contracted workers (employees of civil works contractors). Community workers will not be involved in the project. The project is not expected to directly procure goods or materials essential for the core functions of the project on an ongoing basis. Primary supply workers are not expected to be relevant to the project.
The project will prevent any risk associated with forced and child labor issues through the subproject specific ESMP and LMP. In addition, the project will include in the grants or loan agreement provisions to require farmers to commit to not using any use of forced and child labor.

Bidders for civil work contracts will be required to make express commitment to developing Contractor’s LMP when selected and prior to the start of civil works. All civil works contracts will include industry-standard Codes of Conduct that include measures to prevent Gender-Based Violence/Sexual Exploitation and Abuse (GBV/SEA). No risk with labor influx is expected under the project activities because the scale of civil works will be small and most workers will be hired locally.

Grievance redress mechanisms for all project workers will be established, or – where one exists – will be assessed and strengthened to comply with the objectives of ESS2. The Project and Contractor’s LMP will also include Occupational Health and Safety (OHS) measures. These would have a special focus on handling potentially dangerous or toxic materials, such as asbestos, lead-containing paints, etc.

While tendering of civil works, bidders will be required to submit Environment, Social, Health, and Safety (ESHS) Code of Conduct prepared in line with Environment, Health and Safety Guidelines of the World Bank Group. Contractors engaged in the civil works will develop an Occupational Health and Safety Plans which will include procedures on incident investigation and reporting. Contractors will be contractually required to monitor and enforce safety plans.

### ESS3 Resource Efficiency and Pollution Prevention and Management

The ESS3 is relevant to the project. Project activities will contribute to improved local and regional infrastructure and assets, strengthen market linkages and enhance institutional capacity in the participating regions and cities which would contribute to better resource efficiency. The ESMF includes sections on Pollution Prevention and Management, - with a focus on those issues which might arise while conducting civil works for facilities construction and rehabilitation activities. Assessment of associated with civil works risks and impacts and proposed mitigation measures related to relevant requirements of ESS3, including raw materials, water use, air pollution, hazardous materials, and hazardous waste have been clearly specified in the ESMF and requested to be included ESMPs as relevant. Though the measures recommended in ESMF, and specified in site-specific ESMPs and ESMP checklist, the subproject and grant beneficiaries will avoid or minimize the release of pollutants like asbestos, lubricants, paints, etc. The ESMF also has relevant provisions related to safety measures while applying pesticides and a template for developing the Pest Management Plan, - all these will be applied as relevant in the case of agricultural subprojects that will support agriculture production. Plan Furthermore, the main topics for the training program for TA activities under Component 3 will have a strong focus, among others, on various aspects of resources efficient use in the urban development sector.

### ESS4 Community Health and Safety

ESS4 is also relevant to the project. To address environmental risks and impacts that might affect community health and safety, the ESMF includes assessment of work-related health risks; works and road safety; excessive noise and dust levels, site safety awareness and access restrictions; and labor influx, - all these issues will be required to be included in the site specific ESIA/ESMP to be prepared once the investments are identified. The ESMF document also requires specifically that fencing should be installed around all construction sites and areas where there is a risk to community health and safety.
Since the project’s civil works will mainly be undertaken in urban areas, maintaining the health and safety of local populations and nearby communities throughout the construction/rehabilitation phase is critical. The movement of heavy goods vehicles can lead to accidents. Construction and/or rehabilitation activities in such premises can also disrupt economic and social activities through dust emission, noise, increased generation of solid waste, etc. Potential threats to people and communities may be posed by uncovered or barricaded or not signage spots such as excavated sites, trenches, open holes, open electric cables, etc. The project will ensure the safety of the local population during the construction and rehabilitation works by identified relevant measures in ESMF and adopting adequate OHS protocols following WBG EHS Guidelines. As requested by the ESMF, those will be reflected in site-specific ESMP documents. Partition of construction area by putting in place fences, signaling, mitigation measures to control excessive noise and dust levels, and secure access to the area in the infrastructure sites and public buildings for the public use will be ensured through a robust mitigation and management planning through the site-specific in the proposed ESMPs or site-specific ESMP Checklists. No risk of labor influx or, gender-based violence (GBV) or security forces are expected under the project activities because the scale of civil works will be small and most workers will be hired locally. Furthermore, no security forces are envisioned during the project implementation.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is relevant due to the potential investments under Components 1, 2 and 3 which could necessitate some temporary and/or permanent physical and economic displacement. Potential project interventions would extend to rejuvenation of Osh city downtown core through improvements to urban roads, non-motorized network for pedestrian and cyclists, upgrading of city parks and public spaces, waterfronts, community and social facilities, exploration of smart-city ideas (such as provision of wifi and hotspots around the city or key tourist sights, or applications to enhance information access etc.). And in Uzgen city this will include improvements to urban roads, pedestrian bridges, upgrading of city parks and public spaces, community, and social facilities, etc. The nature of impacts and extent of interventions are currently unknown and will become clearer once the final designs of subprojects become available. Hence, given this situation, a Resettlement Policy Framework (RPF) has been prepared and disclosed during project preparation. The RPF establishes how site-specific Resettlement Action Plans (RAPs) will be prepared, disclosed, and implemented. It is noted that all sub-projects requiring RAPs will ensure that the RAPs are fully implemented prior to the commencement of works.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant. The activities envisaged by the project are small in scale and expected to be carried out in participating cities or the existing agricultural lands, therefore, the standard is not currently relevant. However, as specified in the ESMF document, site-specific potential risks for biodiversity will be assessed for each individual subproject and, if need be, relevant mitigation measures will be included in the ESMPs. All activities/subprojects located in natural habitats (including wetlands, forests, mountain pastures, etc.) will be ineligible for the project financing and the ESMF provides clear guidance and criteria on avoiding project activities in natural habitats and any other protected lands.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The Kyrgyz Republic does not have such groups of people/communities and thus this ESS is not relevant.
ESS8 Cultural Heritage

The ESS 8 is relevant. While most of the proposed construction and rehabilitation activities are not expected to impact cultural heritage resources, financing integrated package of improvements to touristic sights and clusters might include rehabilitation of cultural heritage sites. To address potential impacts on such sites the ESMF includes a section on protection of cultural heritage as well as proper "chance find" procedures to be included in site specific ESIA/ESMPs. This ESMF also provides guidance on preparing Physical Cultural Resources Management Plans in the case of rehabilitation of Physical Cultural Resources sites.

ESS9 Financial Intermediaries

The ESS 9 is not relevant as Financial Intermediaries will be not used by the project.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

Yes

OP 7.50 on International Waters is triggered as the proposed investments, may include among others, water supply and sanitation activities that would improve the reliability and quality of rural water supply services, reduce losses, and improve water distribution and supply. These investments are proposed to be relatively small-scale in nature and are not expected to lead to increased water abstraction or increased volume of discharged wastewaters and will not extend any existing schemes. None of the water supply and sanitation investments will cause significant environmental impacts on Sir–Daria River that passes through Uzbekistan’s territory and further flows into the Aral Sea, therefore triggering the World Bank OP 7.50 – Projects on International Waterways. The task team sought VPU’s exception to the notification to the riparian countries and received it on November 22, 2019.

OP 7.60 Projects in Disputed Areas

No

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

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<th>DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED</th>
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<tr>
<td>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</td>
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<td>REGULAR REPORTING: Prepare and submit to the Association regular monitoring reports on the ESHS performance of the Project, including but not limited to the implementation of the ESCP, status of preparation and implementation of E&amp;S documents required under the ESCP, stakeholder engagement activities, functioning of the grievance mechanism(s).</td>
<td>07/2020</td>
</tr>
<tr>
<td>INCIDENTS AND ACCIDENTS: Promptly notify the Association of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers including large scale of accidental spills of polluting and hazardous materials; occupational health and safety serious injuries; and road accidents.</td>
<td>12/2025</td>
</tr>
</tbody>
</table>
### Incidents and Accidents

INCIDENTS AND ACCIDENTS: Provide sufficient details regarding the incident or accident, indicating immediate measures taken or that are planned to be taken to address it, and any information provided by any contractor and supervising entity, as appropriate. Subsequently, prepare a report on the incident or accident and propose any measures to prevent its recurrence, as per Environmental and Social Incident Reporting Toolkit, provided in the Environmental and Social Management Framework.  

**12/2025**

### Contractors Monthly Reports

CONTRACTORS MONTHLY REPORTS: As per contracts’ specifications to be signed by ARIS and selected Contractors, all Contractors will be required to provide reports on ESMPs’ implementation and on Occupational Health and Safety issues to ARIS. Furthermore, such reports would be submitted to the Bank by ARIS upon request, mostly for project activities and subprojects with potentially high social and environmental risks.

**12/2025**

### Project Grant Reports

PROJECT GRANT REPORT: Beneficiaries of grants will be required to provide reports on the implementation of ESMPs, LMPs and OHS guidelines to ARIS on a quarterly basis. Information from these reports will be included in biannual reports of ARIS to the Bank.

**12/2025**

### Organizational Structure

ORGANIZATIONAL STRUCTURE: ARIS will maintain and strengthen their institutional capacity with qualified staff and resources to support the management of E&S risks.

**12/2025**

### Environmental and Social Assessment

ENVIRONMENTAL AND SOCIAL ASSESSMENT: Disclose draft ESMF, undertake consultation with stakeholders, finalize ESMF thereafter through incorporation of relevant feedback and re-disclose ESMF.

**11/2020**

### Management Tools and Instruments

MANAGEMENT TOOLS AND INSTRUMENTS: ARIS will screen any proposed project activity and grants in accordance with the ESMF prepared for the Project, and, thereafter, ensure drafting, disclosure, stakeholder consultation and implementation of subproject-specific ESMP, as required, in a manner acceptable to the Association.

**05/2020**

MANAGEMENT TOOLS AND INSTRUMENTS: Based on the ESMF, ARIS will develop Productive Partnerships Manual for activities under component 2 and Small Grants Manual (for grants under component 4), acceptable to the Bank.

**09/2021**

MANAGEMENT OF CONTRACTORS: Incorporate the relevant E&S mitigation measures and/or plans, along with the Labor -Management Procedures, into the ESHS specifications of contracts for the provision of works the procurement documents with contractors. Thereafter ensure that the contractors will be required to comply with the ESHS specifications.

**12/2020**

### ESS 10 Stakeholder Engagement and Information Disclosure

STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION: Prepare, adopt and disclose Stakeholder Engagement Plan (SEP).

**12/2019**
### STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION

Update and implement SEP.  

**Date:** 12/2019

### PROJECT GRIEVANCE MECHANISM

Implement the arrangements for the project Grievance Mechanism, as described in the SEP.  

**Date:** 12/2019

### ESS 2 Labor and Working Conditions

#### LABOR MANAGEMENT PROCEDURES

Finalize the draft Labor Management Procedures (LMP), adopt, and implement it throughout project implementation.  

**Date:** 12/2019

For large-scale subprojects, submit for Bank’s approval civil works contractor(s)’ Labor Management Procedure (C-LMP) and cause Contractor(s) to adhere to C-LMP.  

**Date:** 05/2021

Conduct awareness raising for local authorities, and regular monitoring, to ensure that no unpaid, forced, or child labor is used on any activity related to Project life.  

**Date:** 09/2020

Establish, maintain, and operate a grievance mechanism for Project workers including ARIS workers, as described in the LMP and consistent with ESS2.  

**Date:** 05/2020

Ensure contractor(s) develop their GRM for their employees as per C-LMP.  

**Date:** 05/2021

Require Contractor to deliver training of Contracted Workers to raise awareness about their contractual rights and obligations.  

**Date:** 05/2021

OHS MEASURES: The ESMF OHS measures, including emergency preparedness and response measures for subprojects with significant civil works and involving hazardous materials will be required to be specified in the site-specific ESMP documents.  

**Date:** 12/2026

### ESS 3 Resource Efficiency and Pollution Prevention and Management

Assessment pollution risks and impacts and ensure proposed development and application and application of mitigation measures.  

**Date:** 12/2026

### ESS 4 Community Health and Safety

TRAFFIC AND ROAD SAFETY: Adopt measures and actions to assess and manage traffic and road safety risks under roads rehabilitation subprojects and under other subprojects which would relate to disturbing road traffic.  

**Date:** 05/2021
COMMUNITY HEALTH AND SAFETY: ARIS and grant beneficiaries will prepare, adopt, and implement measures and action to assess and manage specific risks and impacts to the community arising from both all groups of Project activities.  

GBV AND SEA RISKS MITIGATION: Include in site-specific ESMPs actions to prevent and mitigate risks of sexual exploitation and abuse and sexual harassment (SEA/SH) in line with ESMF and enforce their implementation.  

TRAINING FOR THE COMMUNITY: For subprojects involving substantial infrastructure or social impacts hold awareness-raising sessions in each Project-affected community on the risks related to community health and safety.  

ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement  

LAND ACQUISITION AND RESETTLEMENT: Prepare Resettlement Policy Framework.  

RESETTLEMENT PLANS: Prepare, adopt, and implement RAPs in accordance with ESS5 and consistent with the requirements of the project RPF, before carrying out the associated activities, in a manner acceptable to the Association.  

GRIEVANCE MECHANISM: Ensure that any grievances related to land acquisition, land use restrictions, impacts on private assets and livelihoods, or resettlement are included and processed via the project GRM.  

MONITORING AND REPORTING: Ensure that monitoring and reporting on land acquisition and resettlement activities are conducted separately or as part of regular reporting.  

ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources  

ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities  

ESS 8 Cultural Heritage  

CHANCE FINDS: Implement the chance finds procedure described in the ESMF and included in all site specific ESMPs involving subprojects with earthmoving activities.  

CHANCE FINDS: Prepare and ensure efficient implementation of Physical Cultural Resources Management Plans for subprojects targeted at rehabilitation of such resources.  

ESS 9 Financial Intermediaries  

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts  

Is this project being prepared for use of Borrower Framework? No
Areas where “Use of Borrower Framework” is being considered:
Given the differences between WB ESF and National ESA requirements and due to the fact that the national legal framework does not clearly require preparing site-specific ESMP, Borrower’s E&S Framework will not be used for the Project as a whole or for any of its parts.

IV. CONTACT POINTS

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Borrower/Client/Recipient
Borrower: Ministry of Finance

Implementing Agency(ies)
Implementing Agency: Community Development and Investment Agency (ARIS)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Chyi-Yun Huang, Tengiz Gogotishvili, Melissa Brown
Practice Manager (ENR/Social) Madhavi M. Pillai Cleared on 23-Dec-2019 at 22:01:41 EST