I. Project Context

Country Context
Economic growth in the Russian Federation has been consistent, but improving the quality of social services remains a challenge. Decentralization reforms were designed to improve service delivery by increasing local self-governance through community participation, but community involvement with local government affairs in line with the principles of these reforms remains limited.

II. Sectoral and Institutional Context

The proposed LISP project would supplement existing federal programs and overcome the barriers to making the decentralization reforms effective. It aims to increase citizen and community involvement in decision-making, oversight, and monitoring of service delivery, for improved provision of social and communal services and social infrastructure in target regions. The proposed project would achieve its development objectives by (i) providing technical assistance to improve local, regional and federal level capacity for increasing citizen and community involvement in decision-making, oversight, and monitoring of service delivery, and (ii) financing micro-projects in selected municipalities from target regions. Three out of seven NCFO regions were selected for the proposed Local Initiatives Support Project (LISP): these are the Stavropol Krai (2,711,000 people), Karachay-Cherkessia (427,000 people) and North Ossetia-Alania (701,000 people).

III. Project Development Objectives

The proposed Project Development Objective is to increase citizen and community involvement in decision-making, oversight, and monitoring of service delivery, for improved provision of social and communal services and social infrastructure in target regions.

IV. Project Description

Component Name
1. Technical Assistance and Capacity Building
2. Community Micro-projects Financing
3. Project Management

V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>For Loans/Credits/Others</th>
<th>Amount</th>
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</table>

The government decided to obtain a World Bank loan to partially finance the program on the basis of taking advantage of the World Bank’s global experience in Community Driven Development, project expertise, and experience accumulated in Stavropol and Kirov regions’ LISP pilots during 2008-2011. The World Bank’s control system and supervision capability was also recognized as an incentive for Bank involvement in the LISP project.

The World Bank has gained a strong comparative advantage in Russia through its ongoing and completed projects as well as AAA and TA provided to NCFO in the last 4 years. The Bank is well placed to continue its dialogue the Russian government and provide technical assistance in developing regional and local development programs.

Proposed objective(s):
The proposed project development objective is to increase citizen and community involvement in decision-making, oversight, and monitoring of service delivery, for improved provision of social and communal services and social infrastructure in target regions.

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VI. Implementation

The proposed Project totaling US$55 million would fund the following project components:

Component 1. Technical Assistance and Capacity Building (USD 8.25 million). This component would provide technical and institutional support for developing and establishing mechanisms to promote citizen and community participation and social accountability in the processes that guide the delivery of social and communal services. The TA would include the following sub-components.

Sub-component 1.1. Formation of regulatory and methodological basis for the Project implementation

Activities to be financed under the sub-component would include:
(a) Assistance for development of regulatory documents and setting up the project regional working bodies including inter-ministerial work groups, Steering committees, etc.;
(b) Customizing the Project regulatory and operational documents for each participating region; and
(c) Provision of ongoing legal support for the Project implementation.

Sub-Component 1.2. Technical assistance for preparation and implementation of community initiatives. Activities to be financed under the sub-component would include:
(a) Training and capacity building activities at federal and regional levels;
(b) Carrying out eligibility assessment of new regions (institutional, financial, procurement, etc.);
(c) Municipal level capacity building;
(d) Community facilitation and ongoing advisory support; and
(e) Information dissemination activities.

Sub-Component 1.3. Project monitoring and evaluation. The sub-component would finance:
(a) Development and implementation of the Project monitoring information system; and
(b) Conducting two rounds of impact assessment surveys in each participating region.

Component 2: Community micro-projects financing [USD 44.55 million]: Financial resources under this component would be transferred from the federal budget to the participating regions on co-financing basis. These resources would be granted by the regional authorities to the eligible settlements to finance small scale (up to 100,000 USD) demand driven micro-projects. Funds would be awarded for the micro-projects according the procedures and criteria adopted in each of the three regions.

Component 3. Project management [USD 2.2 million].

This component would provide resources for financing project management activities at the federal level. In particular, the component would finance activities of the federal level PIU, that would:
(i) procure and contract all TA activities at federal and regional levels;
(ii) facilitate and oversee the phased process of regional involvement in the Project;
(iii) monitor the FM aspects of the project and budget flows;
(iv) coordinate activities of the pool of local consultants;
(v) provide technical assistance for the development and implementation of the Project monitoring system; and
(vi) provide technical assistance and monitor activities of the Project regional working bodies (if any), like regional steering committees, inter-ministerial working groups, etc.

VII. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
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<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td>Projects in Disputed Areas OP/BP 7.60</td>
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</tbody>
</table>

VIII. Contact point
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