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WORLD BANK – KYRGYZ REPUBLIC PARTNERSHIP PROGRAM SNAPSHOT

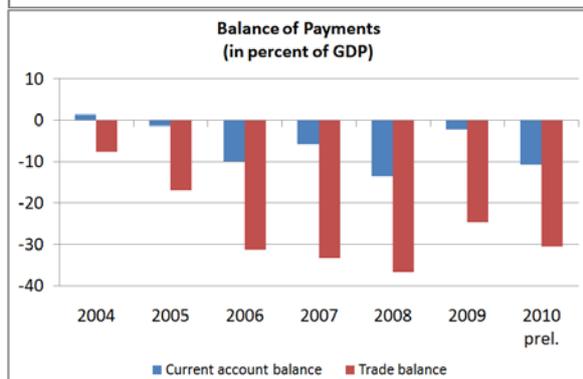
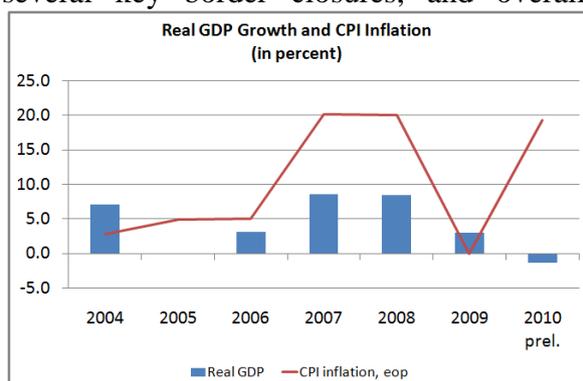


APRIL 2011

RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

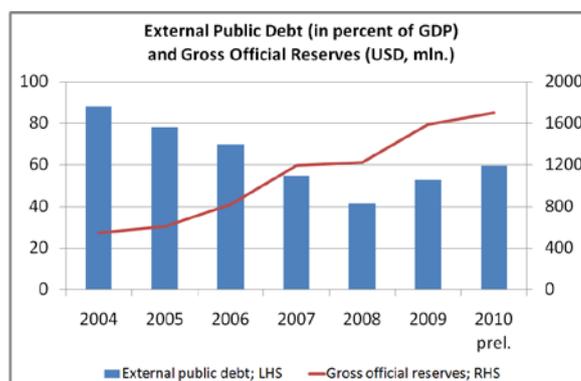
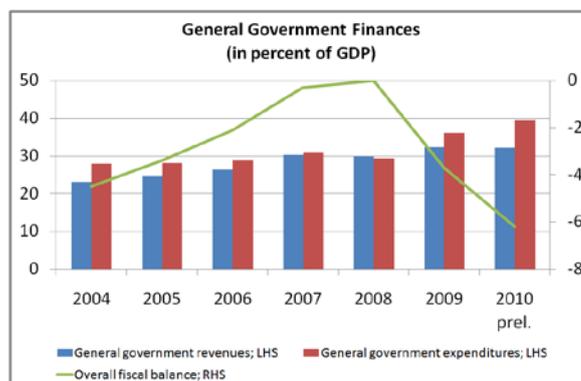
Growth and Macro-Fiscal Management

Although the Kyrgyz economy weathered the global economic crisis relatively well, the revolution in April 2010 and the outburst of ethnic conflict in the south in June 2010 dealt a large shock to the economy. Real growth of gross domestic product (GDP) averaged 6 percent between 2006 and 2008, but was reduced to 2 percent in 2009 as a result of the global economic crisis, which affected the Kyrgyz economy primarily through the reduction of external demand and a sharp fall in remittance inflows from Russia and Kazakhstan. Fiscal and monetary relaxation and timely interventions in the financial sector prevented a potential recession and financial sector instability. Early in 2010, a recovery from global crisis was well under way with GDP projected to grow by 4.6 percent in 2010. However, the April revolution and ethnic clashes in the south led to damage to infrastructure, the destruction of private and public property, and a weakening of confidence within the private sector. Investment, including foreign direct investment, was dampened, the financial sector severely stressed, trade and services adversely affected by weak security and several key border closures, and overall



economic activity disrupted. As a consequence the economy contracted by 1.4 percent in 2010 and faces more uncertain prospects in the period ahead.

Attempting to deal with the immediate impact of the political crisis and address the issues that were thought to have contributed to it, the authorities stepped up public expenditures, which resulted in significant deficit widening. The political crises of April and June 2010 increased the fiscal deficit to around 6 percent of GDP, a worsening of around 2.5 percentage points compared to the 2009 budget. Public spending was increased by around 3.5 percentage points of GDP, due to outlays on refugees and internally displaced persons, resettlement, rehabilitation, internal security, social protection and elections, and the reconstruction of infrastructure. Revenue performance in 2010 was exceptional, given the recession, as non-grant revenues increased from 27.1 percent of GDP in 2009 to 28.8 percent in 2010.



Together with nominal exchange rate devaluations, the fiscal deficits contributed to a large increase in external public debt. The fiscal relaxation of 2009 and 2010 provided support to economic activity and employment and addressed the urgent post-crisis needs of the crisis-affected communities. However, it also contributed to a substantial public debt increase. External

public sector debt increased from 53 percent of GDP in 2009 to 60 percent in 2010. In the near future, fiscal consolidation, debt management, and inflation containment will be the key macroeconomic policy challenges for the Kyrgyz government.

The World Bank supports the Kyrgyz Republic's macroeconomic and fiscal performance through the Emergency Recovery Project of 2010 and the Economic Recovery Support Operation of 2011. Both of these operations have been designed to provide financing to the central government budget to fund its critical expenditure, and support its post-2010 crisis recovery program. The World Bank has also expanded its ongoing roads project in order to create 5,500 person-months of employment for unskilled workers in the south.

Financial sector



Unlike the global financial crisis, the April and June 2010 events strongly affected the financial sector, including worsening in loan quality and significant deposit withdrawals. This led to substantial financial instability. While most of the banks continued to be sufficiently liquid and capitalized, there have been problems at 7 banks. Access to finance in the country was also impacted. All banks suspended lending in the south, while bank lending was also affected in the north following border closures with Uzbekistan and Kazakhstan. A major private bank, Asia Universal Bank (AUB), was forced to suspend operations, while banks under temporary administration

had their operations limited. AUB was nationalized in August 2010 and then restructured into a new bank named Zalkar Bank on December 24, 2010. A spike in missed repayments at microfinance organizations (MFOs) also caused them to reduce lending.

Poverty and social protection



The strong rate of economic growth experienced over the 2003-08 period led to a sharp fall in poverty: during this period, overall poverty fell from 64 percent to 32 percent, and extreme poverty from 28 percent to 6 percent. A growth in worker remittances and a rise in real terms in pensions also played a significant role. Progress in fighting poverty is likely to have slowed in 2009 as growth decelerated.

Poverty is nearly certain to have gotten worse in 2010. The closure of the border with Kazakhstan for six weeks initially and the continued closure of several border points and restrictions on trade imposed by the Kazak authorities, as well as the persistent closure of the Uzbek border, have affected border trade carried out by communities with a high incidence of poverty. Farming was disrupted by delays in supply of inputs, especially during the sowing season in the north of the country, as well as sustained drop in bank lending and cut-off of credit to the south. Physical damage to businesses in certain cities and business closures will harm employment. Moreover, the sectors that will bear the brunt of the disruptions and the growth slowdown

- construction and tourism - are labor-intensive sectors. The tourism sector has been badly hit by the April and June events and the perception of lack of security. In particular, tourism has all but dried up in the important region of Issyk-Kul, with consequent highly significant losses in income and employment.

The government has begun to reform the social protection system, but more money needs to be targeted to the poor. A major reform of the social protection system began at the end of 2009. It aimed to expand recipients' choice by giving cash instead of often unavailable or badly targeted services, simplifying administration, and mitigating the effects of energy and heating tariff increases on vulnerable households.

However, the only direct pro-poor benefit is still the means tested Monthly Benefit. The Monthly Benefit is a cash allowance for low income families with children, to bring the household income to the Guaranteed Minimum Income (GMI) of 310 Kyrgyz soms (US\$ 6.5, as of March 2011). The Monthly Benefit is well targeted. Over 70 percent of its funds go to the poorest 40 percent of the population. But coverage of the poor remains low: two-thirds of the poorest 20 percent of the population do not receive the Monthly Benefit.

The World Bank supports the social protection sector through the Social Protection component of the Health and Social Protection Project. By the end of 2011, it will buy computer hardware and software for the social protection administration and its rayon offices. It will also fund technical advice and training. The aim is to help the administration reach needy claimants more effectively by improving its data management.

Health Development

In the period of 1995-2008, key health indicators showed a lot of variation but there was no steady trend. The maternal mortality rate rose from 44 per 1000 in 1995 to 61 per 1000 in 2005, before falling to 55 in 2008. The infant mortality rate has moved



in the range of 21 per 1000 to 31 per 1000, and was 28 per 1000 in 2008. Life expectancy has barely changed over this period.

At the same time, the Kyrgyz Republic's health sector has made some important achievements. Health systems had to adjust to massive cuts in funding after the break-up of the Soviet Union. Through the Manas and Manas Taalimi programs the government has put in place financing arrangements that are better adapted to the country's current situation. Their focus is on cost-effective basic services paid for through the National Health Insurance Fund. These reforms helped to tangibly improve health indicators. Despite fiscal pressures, the government has consistently allocated 10 percent or more of public spending to health services.

The World Bank supports health services by financing the government's Manas Taalimi health program through the Health and Social Protection Project. Its results have been remarkable, for example:

- The poorest half of population spent 27 percent less on health in 2006 than in 2004.
- Only 3.1 percent of the population say that care is too expensive or too distant compared with 11.2 percent in 2001.
- The share of patients making informal payments has fallen. Informal payments for staff have fallen from 70 to 52 percent (2001-06) and for medicines from 81 to 51 percent (2001-06).
- The use of primary care services went up by 36 percent between 2004 and 2007.
- The share of health spending going to cost-effective Primary Health Care went up from 26.4 percent in 2004 to 37.9 percent in 2007.

- Access to pharmaceuticals has improved. The share of people able to obtain all items prescribed during a doctor's visit increased from 77 percent in 2001 to 92 percent in 2007; and of those who did not obtain medicines, the proportion citing cost as the primary factor reduced from 54 to 43 percent.

Education



The Kyrgyz Republic has a literacy rate of nearly 99 percent and a strong history of education.

The government allocates a solid 20 percent of its expenditure to the sector. The challenge is to turn this spending into results. A low student teacher ratio (15-1), small school sizes, uneven deployment and underutilization of teachers and schools contribute to inefficiency and poor results. At the same time, teachers have been demoralized as their salaries were previously only 60 percent of the pay scale for civil servants.

In December 2010, the Organization for Economic Cooperation and Development (OECD) published the results of the Program for International Student Assessment (PISA) 2009 that benchmarked student performance in reading, mathematics and science in 34 OECD member economies and 41 partner countries. Kyrgyz students had previously participated in PISA 2006. The Kyrgyz participation in both rounds was supported by the World Bank Rural Education Project. The 2009 results were much better than

those of 2006. The mean scores were up 29 points in reading, 20 points in math and 8 points in science. According to OECD, 57 points in difference equal one level of proficiency.

The World Bank supports education through the Rural Education Project. This project has financed 39 titles and 7,597 copies of new textbooks and 200,000 reprints of existing textbooks were provided. It has funded a new system for measuring teachers' performance, 337 school-level investments planned by local people, and training in testing for 7000 teachers.

Agriculture



The agricultural sector generates about a quarter of the country's GDP and about one third of employment. Farm incomes are driven by irrigated agriculture (1.3 million hectares) and pasture based livestock production (9 million hectares). The sector expanded rapidly between 1996 and 2002 but growth has stagnated in recent years. Real GDP growth in the agricultural sector in 2005, 2006, 2007 and 2008 was - 4.2, 1.7, 1.5, and 0.7 percent respectively but rebounded to 7.4 percent in 2009. The Joint Economic Assessment estimated that the 2010 crisis may have reduced agricultural GDP, mainly due to the abandonment of field work, collapse of trading activity and border closures.

The Kyrgyz Republic has been one of the most advanced reformers in Central Asia. Land reform was largely completed by 2002. A successful specialized rural financial institution Aiyl Bank and independent agribusiness and rural advisory services have

been established and the basic legislative framework for the seeds sector has been put in place. Kyrgyzstan has a progressive policy of delegating the management to local communities. 71 percent of the on-farm system is managed by water-user associations, which provide an important foundation for the ongoing rehabilitation program, and in 2008 a radical law was passed which delegates responsibility for management of pastures to communities. Animal health reform has been slow but in 2009 the government embarked on a substantial program of investment supported by the European Union and the World Bank. The food crisis triggered development of the Food Security Law 2008 which marked a partial change in the direction of policy. It provided the foundation for stronger government intervention in markets and the establishment of the Agri-Food Corporation (AFC). In practice, government intervention

- Set up of 449 pasture users' unions
- Creation of 142 community seed funds
- Establishment of 450 Water Users' Associations and rehabilitation of 122,000 ha of irrigation schemes.

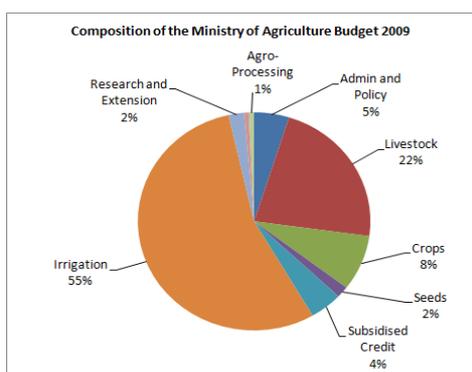
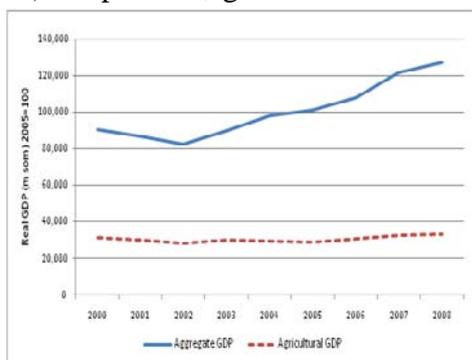
Energy



The electricity sector is one of the largest industries in the Kyrgyz economy. It accounts for around 3.9 percent of GDP and 16 percent of industrial production. The electricity sector affects the Kyrgyz economy both directly, as one of the largest industries, and indirectly, through its impact on the price levels of other commodities. The bulk (about 90 percent) of the country's current generating capacity is hydropower, developed for dual purpose of electricity generation and irrigation water supply for the Kyrgyz Republic and the downstream countries. The country's power generating company also provides daily peak reserve capacity and frequency regulation for the Central Asia regional power system.

The energy sector is in difficulties. Hydroelectric generation cannot meet peak winter demand, thermal generation plants are ageing, the south depends on transmission lines that run through other countries, and infrastructure at every level needs more maintenance. With 25 percent power losses and low tariffs, the sector does not have enough money for maintenance and investment.

The World Bank supports the energy sector through two projects. The US\$ 15



in markets has been relatively limited.

The Bank supports the sector through the On-Farm Irrigation Project II, the Water Management Improvement Project, the Agricultural Investments and Services Project, the Agribusiness and Marketing Project, and the Avian Flu Project. An Agricultural Policy report is currently being prepared. Examples of the projects' results include:

million Energy Emergency Assistance Project and the US\$ 35 million Emergency Recovery Project (Energy Component) fund essential repairs, rehabilitation and fuel to keep the system running.

As a result of the Energy Emergency Assistance Project:

- Thermal power output during the winter season 2009/10 increased by 191.5 gigawatt-hours, far exceeding the targets;
- Additional heat output during the winter season 2009/10 reached 272 thousand gigawatt-hours.

Municipal and community services



The World Bank has been engaged in the financing of the Urban and Water Sector in the Kyrgyz Republic since the early 2000s, with the objective of supporting the Kyrgyz government to improve access to basic services. The current project portfolio addresses basic needs for water supply, sanitation and other urban services over the entire spectrum of urban and rural areas of the country.

So far, the World Bank's investments made in the sector have contributed to improved water and urban services in Bishkek, Osh, all 23 small towns and over 200 villages; however, delivery of services remains obsolete and inefficiencies affect infrastructure, equipment and management.

The World Bank supports municipal and community services through the Second Village Investment Project, the Small Towns Infrastructure Project, the Second Rural

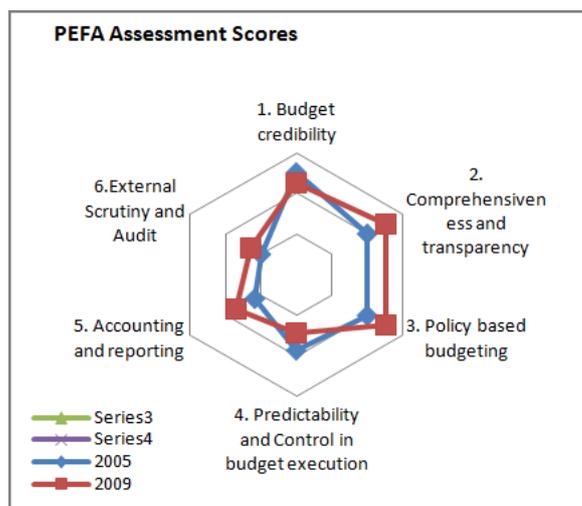
Water Supply and Sanitation Project, and the Bishkek-Osh Urban Infrastructure Project.

As an example of the projects' impact on the ground, the Second Village Investment project has:

- Trained more than 64,000 local government officials and community members in principles of budgeting and planning,
- Helped 1500 villages to improve their social and economic infrastructure.
- Allowed more than 2.7 million people to benefit from about 5,000 microprojects, including drinking water (179,606 beneficiaries), electricity (99,550), primary health facilities (347,733), and schools (636,334).

Public Financial Management

The progress of improving Public Financial Management (PFM) systems since 2005 can be traced through Public Expenditure and Financial Accountability (PEFA) assessments. The graph below shows that budget credibility, budget predictability and control over budget execution have deteriorated from 2005 to 2009. At the same time, some progress was achieved in budget comprehensiveness, linking budget with policies, accounting and reporting, and external scrutiny and audit.



The World Bank supports public financial management through the Capacity Building for Economic Management Project, the

multi-donor Trust Fund for Public Financial Management, and the Government Technical Assistance Project.

For example, the Government Technical Assistance Project has already helped the government:

- to introduce modern legislation in public procurement, though the implementation of this legislation needs to be approved.
- to strengthen the civil service system, with (i) new legislation distinguishing between political appointees and administrative civil servants; (ii) the institute of State Secretaries, as the highest administrative position in the Kyrgyz civil service, and (iii) merit based principles in recruitment.

Its next step is to finance computer systems for the Ministry of Finance's budget, treasury and human resource functions.

Transport



The transport sector of the Kyrgyz Republic is represented by rail, aviation and roads sub-sectors. The roads sector, however, is a priority for the Government of the Kyrgyz Republic given its importance to providing access to international markets and basic public services. To date, 92 percent of passenger and 59 percent of freight traffic in the Kyrgyz Republic is carried by road. The road network provides connections to remote communities and links to neighboring countries. Travel in most of the country is severely constrained by the predominantly

alpine topography where roads have to cross passes of 3,000 meters altitude and are subject to frequent mud slides and snow avalanches.

The Kyrgyz Republic's transport infrastructure consists of a) about 34,000 km of roads; b) 420 km of railways; and c) three main airports. In the rail and aviation sub-sectors, most of the rolling stock and air fleet are obsolete. The current road network condition is generally poor to very poor (51 percent) or fair (38 percent), with only 11 percent of the network assessed to be in good condition. Roads in fair to very poor condition need immediate rehabilitation in form of strengthening or reconstruction to prevent further deterioration of the road assets.

The World Bank supports the sector through the US\$ 25 million National Road Rehabilitation (Osh-Batken-Isfana) Project, which alongside other donor financed projects is helping the Ministry of Transport and Communications to rehabilitate 32 km of sections of the Osh-Batken-Isfana road corridor, one of the six strategic corridors of the Kyrgyz Republic. This road corridor is the only connection for about one million inhabitants, connecting Batken oblast with the rest of the country.

The US\$ 10 million Additional Financing for the National Road Rehabilitation Project approved in September 2010 helps the Government to repair and rehabilitate road infrastructure in and around Osh and Jalal-Abad cities aiming at creating about 5000 person-months of temporary jobs following the social unrest that took place in the Kyrgyz Republic in April and June 2010.

The Bank is also supporting the Ministry of Transport and Communications through an Institutional Development Fund grant to introduce quality management within the road sector by improving performance and pursuing higher fiduciary standards in the sector.

THE WORLD BANK PROGRAM IN THE KYRGYZ REPUBLIC

Since the Kyrgyz Republic joined the World Bank in September 1992, it has received commitments of US\$ 974 million for 47 IDA-funded¹ projects, out of which US\$ 798.6 million has been disbursed. To date, 28 operations for US\$ 671.5 million have been completed and closed, and 19 projects for US\$ 302.6 million are ongoing. From 1992 until 2000, the Kyrgyz portfolio had a significant focus on budget support, however since 2001 there was a gradual shift to investment projects and in the current portfolio there is one budget support operation.

The last Joint Country Support Strategy (JCSS) supported by five development partners (ADB, DFID, SECO, UN and WB) expired in June 2010. The July 2010 Joint Economic Assessment (JEA) led by three development partners (ADB, IMF and WB) with participation of other five partners (EBRD, EDB, EC, IFC, UN) set out a strategic framework for reconciliation, recovery and reconstruction after the violence of 2010.

The World Bank is currently preparing an Interim Strategy Note which could run as far as June 2013. It would be followed by a full Country Assistance Strategy, based upon the national development strategy.

The current portfolio consists of 19 active investment projects totaling US\$ 302.6 million out of which US\$ 165.9 million has been disbursed.

In consideration of the 2010 crisis, the World Bank recently allocated an additional US\$ 40 million of IDA resources to the Kyrgyz Republic. This money will be committed before June 2011: US\$ 30 million for support to the government budget, US\$ 9 million for health services and US\$ 1 million to clean up radioactive rubble from Soviet uranium mines.

¹ IDA – International Development Association, an institution of the World Bank Group focusing on low-income countries.

Active IDA Portfolio

Key Portfolio Characteristics and Performance *(as of April, 2011):*

<i>Total commitments to date –</i>	<i>US\$ 974,125 million</i>
<i>Total disbursement to date –</i>	<i>US\$ 798,597 million</i>
<i>Active portfolio commitment to date –</i>	<i>US\$ 302.6 million</i>
<i>Active portfolio disbursement to date –</i>	<i>US\$ 165.9 million</i>
<i>Active portfolio undisbursed balance to date-</i>	<i>US\$ 148.2 million</i>

Portfolio quality is high overall, and the disbursement rate is currently 47.8 percent. However, there are three problematic projects in the current portfolio. The Capacity Building for Economic Management and the Government Technical Assistance projects have had procurement delays. The Second Rural Water Supply and Sanitation Project has suffered from cost overruns and substandard engineering.

Trust Funds. In addition to IDA funds the World Bank manages many contributions from other donors (Trust Funds). As of January 2011, the Trust Fund portfolio has a total value of US\$ 99.3 million, out of which US\$ 78 million has been disbursed. The Kyrgyz Parliament recently ratified an agreement on the European Union Food Security Trust Fund in the amount of US\$ 10 million to co-finance the Agricultural Investments and Services Project.

To learn more about the World Bank activities in the Kyrgyz Republic please visit www.worldbank.org.kg

Projects	IDA, US \$ million
Agriculture and Rural Development – US \$ 65,95 million	
Agribusiness & Marketing Project	8,1
Agricultural Investments and Services Project	13
Second On-farm Irrigation Project	16
Water Management Improvement Project (WMIP)	19
Avian Influenza Control & Human Pandemic Preparedness & Response Project	4
Second Land & Real Estate Registration Project	5,85
Energy and Mining - US \$ 15 million	
Emergency Energy Assistance	15
Environment – US \$ 6,9 million	
Disaster Hazard Mitigation Project	6,9
Economic Policy - US \$ 73 million	
Capacity Building for Economic Management Grant	3
Emergency Recovery Project	70
Financial and Private Sector Development - US \$ 14 million	
Payments & Banking System Modernization Project	9
Reducing Technical Barriers for Entrepreneurship and Trade	5
Health, Nutrition and Population - US \$ 21 million	
Health & Social Protection Project	21
Public Sector Governance - US \$ 7,78 million	
Governance Technical Assistance Project	7,78
Social Development – US \$ 23 million	
Second Village Investment Project	23
Transport – US \$ 35 million	
National Road Rehabilitation (Osh-Isfana) Project	35
Urban Development – US \$ 31 million	
Small Towns Infrastructure & Capacity Building Project	19
Bishkek and Osh Urban Infrastructure Project	12
Water – US \$ 10 million	
Second Rural Water Supply & Sanitation	10
Total (current portfolio)	302,6

AGRIBUSINESS AND MARKETING PROJECT
P049724

Key Dates:

Approved : December 14, 2004

Effective: May 02, 2005

Closing: December 31, 2011

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit (40150)	8,1
TF 53554 (PHRD)	4,75
Borrower	0,125
Total Project Cost	12,975

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	8,1	5.35	3.24
TF 53554 (PHRD)	4,75	3.42	1.33

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Project Development Objective is to increase and enhance the business activities of agribusinesses and contribute to the Kyrgyz Republic's growth.

The Project has two main components:

- 1) The Market Development Component implemented by the ABCC (Agribusiness Competitiveness Center) is designed to streamline commodity supply chains, through interventions in both private and public sectors. The critical factors here are capacity building and establishing a framework for effective interaction among economic agents.
- 2) The Access to Credit Component implemented by the CLMU (Credit Line Management Unit) is designed to address key constraints associated with access to capital by enterprises in the agricultural and food sector of the economy.

The Project works directly with private enterprises and commercial organizations to improve the competitiveness of Kyrgyz products. It also engages policymakers in identifying and addressing the critical policy and regulatory constraints for the development of the agribusiness sector in the country. The ultimate objective of these efforts will be to increase the amount of value added to Kyrgyz agro-food commodities, to increase their sales both domestically and abroad, and to improve the operation of agricultural markets.

Results achieved:

The project's overall progress towards achieving its development objectives is satisfactory. Some of the achievements include:

- 1) The first batch of 20 selected agro-processing enterprises received long-term on-site technical assistance (TA) from an international consulting company. Each enterprise underwent a detailed diagnostic and needs assessment and then received a tailored technical assistance package. This resulted in streamlining the technological and operational processes, introduction of new variety of products, improved quality, increased sales and better financial management. Client enterprises showed high level of satisfaction and some of them have applied for the second phase with commitments to contribute an increased percentage of financing towards the cost of the TA. The contract for the second phase of the international TA has been signed and action plans have been finalized for 20 new enterprises.
- 2) The Market Development Service (MDS) continues to successfully facilitate trading and promotion of Kyrgyz agricultural products both domestically and abroad. From the start of its activities in 2006 to date the MDS has assisted with 1,143 client contacts and facilitated sales amounting to US\$ 7.6 million, of which 87 percent has gone to export markets such as Kazakhstan, Russia, Bulgaria, and Turkey.
- 3) Under the Credit Line, US\$ 3.8 million of the initial US\$ 5 million have been disbursed, financing 53 agribusinesses. The private financial institutions have disbursed an additional US\$ 1 million in sub-loans from the repayments, financing 14 agribusinesses. Investment lending, structured finance and environmental management training has been delivered to 547 loan officers.

Key Partners: Ministry of Finance, Ministry of Economic Regulation, and Ministry of Agriculture.

Key Development Partners: The Government of Japan (co-financing through a PHRD grant).

AGRICULTURAL INVESTMENTS AND SERVICES PROJECT

P096993

Key Dates:

Approved : April 29, 2008

Effective: August 22, 2008

Closing: June 30, 2013

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Grant	8.82
IDA GFCRP	3.82
Government of Kyrgyzstan	0.5
Swiss (SDC Swiss francs)	3
IFAD	8.5
EU (Euro)	6.7
Total Project Cost	31.34



World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	8.82	5.53	3.29
IDA GFCRP	3.82	2.74	1.08

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Agriculture is a backbone of the Kyrgyz economy. It provides 39 percent of all employment and remains critical for food security, price stability, and exports.

The Project Development Objective is to improve the institutional and infrastructure environment for farmers and herders, with a strong emphasis on the livestock sector. More specifically, the project will increase farmers' productivity, particularly of livestock farmers in the project areas and reduce animal diseases that have a public health impact (e.g., brucellosis).

The **Project** will fund capital investments, strengthen services, deliver know-how, and support sustainable management of pastures. This will enable farmers and herders to improve the productivity, profitability and sustainability of their enterprises and thereby reduce poverty. Through its specific support for a regional program to control brucellosis, the project will also help to improve public health.

Results achieved:

- Under the **Pasture Management Component** an innovative Pasture Law has transferred pasture management from the state to farmers. It has been well accepted by farmers and led them to organize themselves into 449 pasture users unions across the country.
- Awareness building and training campaigns are instilling among the pasture users the sense of "ownership" and responsible use of natural resources. But much work has yet to be done on boundary demarcations, pasture use and pasture development plans, pasture improvement and monitoring activities.
- Under the **Animal Health** subcomponent specific disease control strategies have been developed and a brucellosis control program has been piloted in Naryn oblast. A second year of brucellosis vaccination has been completed and valuable lessons were learned for the country-wide scale up of the National Animal Diseases Control Program.
- Reforms under the **Rural Advisory Services** subcomponent have instituted the concept of demand-driven services. The newly established farmers unions – Koshuuns – acting as buyers of advisory services are making various service providers compete for their contracts. In the long run this will build a competitive and client-oriented advisory services industry.
- The **Food Security Component** helped to establish 142 community seed funds and provided them with high quality seeds and fertilizers. It has mitigated the food security concerns of several thousand families.

Key Partners: The Ministry of Agriculture of the Kyrgyz Republic is responsible for project implementation.

Key Development Partners: IFAD, SDC and the European Commission contributed to the project financially.

SECOND ON-FARM IRRIGATION PROJECT
P096409

Key Dates:

Approved : June 19, 2007

Effective: October 31, 2007

Closing: June 30, 2013

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Grant	16.5
Government of Kyrgyz Republic	4.6
Total Project Cost	21.1

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	16.5	7.96	8.54

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Irrigation has been practiced in the Kyrgyz Republic for centuries. Since 1991, due to technical, managerial, and financial constraints, deterioration of irrigation and drainage infrastructure has led to unreliable supply and distribution of irrigation water, as well as drainage and water logging problems. With the assistance of the First On-Farm Irrigation Project, 450 Water Users Associations (WUAs) were established and 63 WUAs with the total command area of 122,000 ha benefited from rehabilitation.

There remained a large unfinished agenda: (i) insufficient rehabilitation and modernization investment will lead to continued deterioration of infrastructure, leaving many farmers without access to adequate and timely water resources; (ii) the focus of assistance to WUAs needs to be redirected towards developing skills necessary to sustain their infrastructure and maximize its utilization.

The Project Development Objective is to improve irrigation service delivery on a sustainable basis that will contribute to increased agricultural productivity among irrigation farmers.

The Project will achieve its objective through (i) assistance to ensure that WUAs are able to efficiently and productively utilize their rehabilitated on-farm irrigation systems on a sustainable basis, with special emphasis on water and asset management aspects; (ii) rehabilitation and modernization of irrigation and drainage infrastructure for around 29 WUAs commanding 51,000 ha.

Results achieved:

Under the rehabilitation component significant progress has been made:

- The project has a provisional list of 30 WUAs eligible for rehabilitation, with an estimated cost of US\$ 13.74 mln.
- Out of this, 26 WUAs commanding around 62,000 ha have been selected for rehabilitation and modernization, and 4 WUAs commanding 7,000 ha are on the reserve list.
- Five subprojects are completed, 16 subprojects are ongoing, and five contracts are at the no-objection stage and are expected to start soon.
- Rehabilitation and modernization of these subprojects will cover the command area of around 70,000 ha across all seven oblasts.

There are some concerns regarding the WUA Support Units which were integrated in the Department of Water Resources. Due to the current budget crisis, the Support Units do not receive sufficient funds to adequately conduct their work, and as a result performance of WUAs has dropped slightly after years of a steady improvement. Therefore, over the course of 2010 the project will work more actively with the government on resolving this issue in order to ensure that adequate resources are dedicated to their proper functioning.

Key Partners:

State Committee of Water Management of the Kyrgyz Republic which is responsible for overall project implementation through its PIU
Ministry of Finance of the Kyrgyz Republic

WATER MANAGEMENT IMPROVEMENT PROJECT
P088671

Key Dates:

Approved : March 29, 2006

Effective: August 18, 2006

Closing: December 31, 2011

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Grant	20.39
Government of Kyrgyz Republic	4.7
PHRD Grant (Japan)	4.4
Total Project Cost	29.49

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	20.39	9.18	11.21

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Irrigation has been practiced in the Kyrgyz Republic for centuries. Since 1991, due to technical, managerial, and financial constraints, deterioration of irrigation and drainage infrastructure has led to unreliable supply and distribution of irrigation water, as well as drainage and water logging problems. Despite all the activities carried out in irrigation and technical and financial support received from various donors, including IDA, there remains a large unfinished agenda: (i) remaining irrigation rehabilitation and modernization needs that are beyond the financial means of the Government; (ii) lack of budget in order for irrigation to remain sustainable; (iii) poor technical and financial performance of the Department of Water Resources (DWR) and the need to reform the DWR towards an efficient and client-oriented bulk water supply and management organization; and (iv) significant overlap of water resource management functions.

The Project Development Objective (PDO) is: (i) improve irrigation service delivery and water management for the benefit of a sustainable increase in irrigated agricultural productivity; and (ii) improve national water resource governance for the benefit of water users and the nation as a whole.

The Water Management Improvement Project (WMIP) has the following components: (i) Rehabilitation and modernization of irrigation infrastructure to secure the water supply to around 85,000 ha which serves 40,000 families; (ii) Management of water resources to achieve sustainable and efficient water resources management through implementation of the water code, support to the DWR and support to Water Users Associations (WUAs); (iii) Organization of beneficiaries supporting the formation and development of WUA Federations and the transfer of minor irrigation schemes to WUAs, thereby alleviating some of the pressures on the DWR to operate and maintain these systems.

Results achieved:

- Under component 1, initial disbursements were low due to delays in the tendering process, retendering of two contracts and slow construction progress. Since early 2010, out of an estimated 18 schemes, 16 schemes have been contracted, and disbursements increased. However, since most of the schemes are constructed in the south, some delays were incurred in the construction progress as a result of the April and June 2010 events, and construction could only restart in full in July 2010. By end of 2010, it is expected six sub-projects in the amount of US\$ 6.8 mln will be completed.
- Under component 2 and 3, most of the technical advisory packages on water governance have been completed and their implementation is in progress.

Key Partners:

The Bank team works closely with (i) the State Committee of Water Management of the Kyrgyz Republic responsible for overall project implementation through its' PIU; (ii) Ministry of Finance of the Kyrgyz Republic.

Key Development Partners include Government of Japan through PHRD facilities who financially contributed to the implementation of the component related to management of water resources.

AVIAN INFLUENZA CONTROL AND HUMAN PANDEMIC PREPAREDNESS AND RESPONSE PROJECT

Key Dates:

Approved : February 9, 2006

Effective: July 10, 2006

Closing: December 30, 2011

Financing from all co-financiers, million US Dollars:

Financier	Financing
IDA Grant	4.33
IDA credit (ASSP)	1.0
Japan (PHRD)	1.0
AHI Facility	1.15
Government of Kyrgyzstan	0.3
Total Project Cost	7.78



World Bank Disbursements, million US Dollars *:

	Total	Disbursed	Undisbursed
IDA Grant	4.33	3.31	1.02
IDA Credit	1.0		

***As of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

The rapid spread of the Human Pathogenic Avian Influenza (HPAI) virus in 2005 and avian influenza outbreaks in neighboring countries put Kyrgyzstan at high risk of being affected. The Kyrgyz Republic, located at the cross-roads of birds' migration routes, was therefore the first country to get the assistance from the newly established global facility for fighting the HPAI. Although initially designed to control AI outbreaks the project aimed at strengthening general disease control, surveillance and containment capacities in the country. The emphasis on general capacity rose as, fortunately, no HPAI cases were registered in the country after four years while other diseases such as brucellosis, anthrax, rabies, TB, etc. are causing significant health problems. Therefore in 2010 the Board approved a restructuring of the project to broaden its focus from HPAI only to other major diseases.

The revised Project Development Objective is to assist the Recipient in minimizing the threat in the Kyrgyz Republic posed by the Highly Pathogenic Avian Influenza (HPAI) infection as well as other poultry and livestock diseases and to prepare for the control and response to an influenza pandemic and other zoonotic or infectious disease emergencies in humans.

The **Project** finances activities under five components: (i) animal health, (ii) human health, (iii) public awareness and information, (iv) implementation support, monitoring and evaluation, and (v) emergency imports.

Results achieved:

- Support to the implementation of the **National Program and National Action Plan** for prevention, containment, control, and eradication of HPAI in the poultry sector and among humans.
- Local Disease Crisis Coordination Committees at the rayon level established and trained to respond to outbreak reports.
- Detailed review of current policies and the existing legal and regulatory environment for a sustainable and modern veterinary service carried out for **Strengthening the National Policy and Regulatory Environment**.
- **Diagnostic Capacity** has been strengthened at the Republican (Central) Veterinary Laboratory (RVL), the regional veterinary laboratories in Osh and in Kochkor: facilities for sample collection and submission, detection, reporting and follow-up of reported AI cases have been renovated; essential equipment, consumables and reagents have been provided, supported with staff training and technical assistance. Similar support was provided to the virology laboratory of the Sanitary and Epidemiology Surveillance Department of the Ministry of Health.
- **The National Animal Disease Information Systems** are being developed.
- **Rapid Response Teams** were established by the Ministry of Health and State Veterinary Department. The project has equipped them with special vehicles, equipment and personal protection devices.

Key Partners: Ministry of Agriculture and Ministry of Health.

Key Development Partners: Ministry of Finance of Japan (PHRD grant), European Union, OIE, FAO, WHO.

**SECOND LAND AND REAL ESTATE REGISTRATION PROJECT
P108178**

Key Dates:

Approved: July 15, 2008

Effective: December 24, 2008

Closing: 31 May, 2012

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	5.85
Government of Kyrgyz Republic	1.65
Total Project Cost	7.50

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	5.85	1.63	3.94

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



A reliable and well-functioning system for registration of rights in immovable property is a key government priority, because of its importance for private sector development in both rural and urban areas as well as for public sector management. The first Land and Real Estate Registration Project, which was completed in December 31, 2007, systematically registered over 2.4 million land and real estate objects and established a customer-oriented registry system for the land and real estate market. The government then requested additional support to expand and deepen these achievements and ensure that the system will be institutionally and financially sustainable.

The Project Development Objective is to support markets for land and real estate and the more intensive and effective use of land and real estate. This will be done through the further development of a reliable and well-functioning system for registration of rights in immovable property.

The project supports:

- (a) Organizational development and improved services including performance management, policy development, public relations, information technology, agency financial management, records improvement, and organizational restructuring.
- (b) Expanding spatial and legal land and real estate data, including registration, upgrading of cadastral mapping, and valuation support.
- (c) Professional Development and Standards including staff training and support for educational and professional bodies

Results achieved:

In spite of political and economic disruptions, project progress has continued. Policy reforms in early FY10 helped to reduce the average secondary transaction for individuals from 3 days in calendar 2008 to 2 days in calendar 2009. During calendar year 2009, the number of mortgages grew by 10%, and sales transactions declined by only 1.5%. An updated customer survey has been undertaken and analyzed. Public relations initiatives are increasing as a result of project-supported capacity building. A proposal has been developed to establish a single agency with consolidated finances. Information technology improvements include improved networking and automated data management, and provision of information on sales price trends. A government directive has been drafted to make digital spatial data accessible to the public, and to recognize the use of the new transparent geodetic reference and coordinate system for official purposes. Detailed planning for digitizing existing cadastral plans on a large scale is now underway. However, project implementation is delayed. Project restructuring will be required to adjust the intermediate results targets, costs, timeframe, and the scope of the project.

Key Partners:

The project operates within the Department of Cadastre and Registration of Rights to Immovable Property, State Registration Service and works with a wide range of national and local government agencies, as well as private real estate professionals and non government legal aid organizations.

Key Development Partners which have supported related activities include the Swedish International Development Agency (SIDA), the United States Agency for International Development (USAID), and the Swiss Development Corporation (SDC).

**ENERGY EMERGENCY ASSISTANCE PROJECT
P101392**

Key Dates:

Approved : November 25, 2008;
Additional Financing – November 19, 2009
Effective: February 26, 2009
Additional Financing – August 5, 2010
Closing: May 31, 2011

Financing from all co-financiers, million USD *:

<i>Financier</i>	<i>Financing</i>
IDA Grant	5.5
IDA Credit	5.5
IDA Grant – Additional Financing	2.0
IDA Credit – Additional Financing	2.0
Total Project Cost	15.0

World Bank Disbursements, million US Dollars*:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	5.5	5.26	0.19
IDA Credit	5.5	4.89	0.56
IDA Grant – Additional Financing	2.0	0.0	2.0
IDA Credit – Additional Financing	2.0	0.0	2.0

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Kyrgyz Republic depends on hydropower. Hydropower accounts for about 80% of the total installed generation capacity of 3,400 MW. The remainder is Combined Heat and Power (CHP) capacity of about 700 MW (in Bishkek and Osh CHP plants). However, in reality the dependence on hydroelectricity is almost 90% since the operable capacity of the CHPs is down to less than 200 MW.

The Kyrgyz Republic's thermal power stations require fuel supply, mainly imported gas and coal. Summer electricity exports normally pay for gas and coal imports. However, due to the lower water levels in the Naryn reservoir, exports dropped to a quarter of the normal level of 2.5 billion kWh per annum. This meant that the 2008/9 winter fuel supplies were also uncertain. Rapid increases in fuel prices during 2008-9 also caused uncertainty.

The Project Development Objective is to urgently increase the volume and reliability of the national energy supply, especially, thermal power in the winter season, thereby supporting the implementation of the Recipient's Energy Emergency Mitigation Action Plan (EEMAP). These objectives will be realized through: increasing, to the extent possible, thermal power generation and heat supply from existing assets in the shortest possible timeframe and initiating institutional and technical measures to increase the amount and reliability of energy supplied to the population during the winter seasons.

Results achieved:

All the activities under the main EEAP project have been completed. All the goods – fuel oil, brass pipes, bulldozers, and spareparts for electrostatic precipitators – have been delivered and installed. As a result, the project has contributed to substantial increase of power and heat outputs at Bishkek and Osh CHPs, by far exceeding the targeted indicators.

In particular:

1. Additional thermal power output during the winter season 2009/10 increased by 191.5 GWh, far exceeding the targets;
2. Additional heat output during the winter season 2009/10 reached 272 thousand GWh.

The project has therefore immensely helped the people of the Kyrgyz Republic to face winter hardships.

Key Partners:

The Bank team worked closely with (i) the Ministry of Energy of the Kyrgyz Republic, (ii) the Joint Stock Company Power Plants being the responsible agency for the Project.

**DISASTER HAZARD MITIGATION PROJECT
P083235**

Key Dates:

Approved: June 15, 2004
Effective: September 28, 2004
Closing: March 31, 2012

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	7.19
Government of Kyrgyz Republic	1.91
Global Environment Facility	1.00
PHRD Grant	1.95
Total Project Cost	12.05

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	7.19	3.98	3.21

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Kyrgyz Republic is a mountainous country where the risks associated with natural disasters (landslides, earthquakes, floods, etc.) are high. With independence in 1991, the Kyrgyz Republic inherited a legacy of environmental damage caused by many years of mining development with little regard to environmental impact. A particularly dangerous location is Mailuu-Suu - a town of about 23,000 people, including about 6,000 in surrounding villages – where there was uranium mining from 1946 until 1968. Mailuu-Suu is near the Uzbekistan border, upstream of the densely populated and highly productive Ferghana Valley with over 6 million people in three countries, as well as major rice and cotton irrigation areas. These uranium mining operations in the Mailuu-Suu River Valley have created significant manmade hazards, including abandoned uranium tailings (23) and waste rock dumps (13) in an area where natural hazards are also high.

Slow release of radionuclides and other hazardous wastes like heavy metals and arsenic occurs to the ground- and surface-waters of the Mailuu-Suu area, due to continued drainage and seepage from tailings and waste rock dumps. Some of the tailing dams appeared to be unstable and the area is prone to floods, landslides and earthquakes.

The Project Development Objectives are to: (a) minimize the exposure of humans, livestock, and riverine flora and fauna to radionuclides associated with abandoned uranium mine tailings and waste rock dumps in the Mailuu-Suu area; (b) improve the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; and (c) reduce the loss of life and property caused by hazardous landslides.

The Project The project aims to support key mitigation measures designed to: (i) isolate and protect abandoned uranium mine tailings and waste rock dumps from disturbance by natural processes such as landslides and floods, and from leaching and dispersal processes associated with ground- and surface-water drainage; (ii) create a disaster management and response system that can be administered effectively by national and sub-national authorities, and local communities; and (iii) develop a system to detect and warn against active landslide movements in key hazard areas.

Results achieved:

- The project has reduced the impact of uranium tailings and waste dumps in Mailuu-Suu.
- Amelioration and strengthening works along the Aylampa-Sai River were completed in 2008 and the behavior of this structure during and after the rain season was satisfactory. The behavior of the protection works as executed for Waste Dump #6 during the period December 2007-November 2009 is also good.
- Physical works were executed on several tailings and waste dumps in 2008 (tailings #5 and #7) to address the most serious safety issues. The works consisted of placing soil covers on localized hot spots, cleaning, repairing or installing drainage ditches and water diversion channels, and erecting warning signs and informing the public. Before the project, Waste Dump #5 was in the center of Kara-Jigach village. The entire waste dump has been relocated. All materials have been removed and the leveling has been completed.
- The Tectonic Triangle has been unloaded to improve landslide safety. Some 86,000 m³ of rocks from Waste Dump #1 have been relocated to Waste Dump # 2 and the Kulmen Say River has been channeled around the waste dump.
- A new National Emergency Response and Management Plan has been prepared under the project and is expected to be approved by the Government shortly.

Key Partners: Ministry of Ecology and Emergencies (now the Ministry of Emergency Situations).

Key Development Partners: the Government of Japan, the Global Environment Facility (GEF), Asian Development Bank, United Nations Development Program, and International Atomic Energy Agency (IAEA).

CAPACITY BUILDING FOR ECONOMIC MANAGEMENT P108525

Key Dates:

Approved : July 01, 2008

Effective: December 18, 2008

Closing: December 31, 2012

Financing in million US Dollars*:

<i>Financier</i>	<i>Financing</i>
IDA Credit	3
Borrower	0.45
Total Project Cost	3.45

World Bank Disbursements, million US Dollars *:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	3	0,39	2,57

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Project Development Objective is to establish and institutionalize a sound framework and capacity for economic policy making and implementation in the Kyrgyz Republic.

The most important project objectives are: a) improve macro-economic policy development and decision making through establishing strong inter-ministerial coordination; b) support economic policy development and implementation; and c) support reform of employment practices and wages in the civil service by building the capacity in a special task force in this area.

The project will fund consultancies and training, for four purposes:

- Creating an institutional and technical framework for government-wide macroeconomic policy development and co-ordination.
- Strengthening the capacity for economic management, analysis and policy development in Government. This component will focus on developing capacity within Ministries of Economic Regulation and Finance.
- Development of capacity to carry out a pay and grading reform in the civil service.
- Project management and coordination. This component will finance two local senior policy advisors (one on macro fiscal issues and the other on growth, business environment issues and institutional issues) reporting to a steering committee of the principal agencies involved in the project to provide policy advice and help project management.

Results achieved:

The Capacity Building for Economic Management (CBEM) implementation has been slow. So far, only 13% of the total project funds have been disbursed. Slow implementation is the result of a) effectiveness delays and late launch only in February 2009, and b) the volatile political and security situation in the Kyrgyz Republic.

However, some early results have been achieved, for example:

- The drafting of legislation to create a Ministerial Coordination Council on Macroeconomic Policy.
- Officials have been trained in macroeconomic policy development and coordination.
- A macroeconomic forecasting tool has been developed.

Key Partners:

The Bank team worked closely with the **Ministry of Economic Regulations** (former Ministry of Economic Development and Trade), the **Administration of the President of the KR** (earlier), **Ministry of Finance**, and the **Kyrgyz Central Bank**

**EMERGENCY RECOVERY PROJECT
P123044**

Key Dates:

Approved : September 30, 2010

Effective: October 8, 2010

Closing: December 31, 2012

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	38.1
IDA Grant	31.9
Total Project Cost	70

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	38.1	15,52	24
IDA Grant	31.9	12,91	20,1

***As of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Emergency Recovery Project (ERP) addresses the impact of recent civil unrest. The project supports implementation of the government's emergency program for social reconciliation, reconstruction and recovery. The project development objective is to assist the Kyrgyz Republic in: (a) strengthening the prospects for macroeconomic stability and the government's fiscal resilience to meet the priority needs of its emergency recovery and reconstruction program; and (b) restoring and ensuring continuous provision of the basic energy (power/heat/gas) services with a focus on the affected areas so as to support economic output and provide adequate heating to population during the winter.

The project seeks to achieve those objectives through the financing of: (i) purchases of essential goods and commodities for recovery and reconstruction, and (ii) rehabilitation and repair of energy infrastructure and networks to restore and ensure power, heat and gas services to affected areas. The latter comprises of procurement of fuel for thermal power plants and district heating systems and the urgent repairs of damaged networks for electricity, heating, and gas supply in the affected areas.

The Project Development Objectives are (a) to strengthen the Government's financial resilience to meet the priority needs of its emergency program and (b) to restore reliability and security of energy services electricity and heating -- especially in Osh and Jalalabad where energy infrastructure was damaged.

Results achieved:

US\$28 million has been disbursed as a retroactive financing under the High Priority Expenditures Component to support the state budget. The Ministry of Finance was able to satisfy its budgetary obligations in 2010 including those related to the emergency recovery and reconstruction in the south. No arrears on wages and social benefits have been reported.

A disbursement of the remaining US\$7 million under this Component is expected in 2011. This will likely support the Ministry of Education's request for essential goods for schools.

Under the Rehabilitation and Repair of Energy Infrastructure Component, the Ministry of Energy has specified technical and procurement documentation, and conducted seven tenders for equipment and materials. This includes the purchase of transformer substations, special machines, electric cables, electricity meters, and fuel for the heating stations. Disbursements under this Component have not started yet as many of the procurement packages have suffered delays. A short training on the World Bank's procurement policies and guidelines for the Project Implementation Units has been conducted in February 2011.

Key Partners: Main key partners for this project are Ministry of Finance, Ministry of Energy, JCS companies, Ministry of Education.

PAYMENTS AND BANKING SYSTEM MODERNIZATION PROJECT
P074881

Key Dates:

Approved : March 16, 2004
Effective: September 23, 2004
Closing: April 30, 2012

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	9.0
Local Sources of Borrowing Country	1.28
Borrower	0.21
Total Project Cost	10.49

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	9.0	5.12	4.22

***Source Client Connection as of January 25, 2010.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Payments and Banking System Modernization Project (PBSM) was designed to support the Kyrgyz Republic's financial sector modernization program. The Kyrgyz Republic's financial sector program built on the findings of the joint IMF/World Bank Financial Sector Assessment Program of 2002 that identified a number of priority actions, including *inter alia*: (i) upgrading the payments system infrastructure; (ii) strengthening banking supervision and debt resolution; (iii) enhancing the capacity and independence of the National Bank of the Kyrgyz Republic (NBKR); (iv) helping divest government ownership in banks by supporting privatization of state-owned banks (SOBs) or preparing SOBs for eventual privatization; and (v) expanding financial sector access of the poor and those in rural or remote areas, notably through support to microfinance institutions and expansion of credit resources to small and micro-enterprises.

The Project Development Objective was to assist the national payments system modernization program (thereby helping reduce cash payments and stimulating growth in the number of bank accounts held by the population and thus the deposit base), and its banking sector reform. While the largest share of the Project supports the national payments system modernization program, PBSM was restructured in July 2009 at the request of the Government to provide broader banking sector reform support, including privatization preparation support for the national agriculture microfinance bank, Aiybank.

The Project provides financing for (i) the investment costs incurred by the NBKR towards upgrading the country's national payments infrastructure, which includes implementation of a bulk clearing system, a central card processing center, and a real-time gross settlement system; (ii) the acquisition of a new modern General Ledger for the NBKR required to accommodate the increased transaction flows and volumes generated by the improved payments system infrastructure, and (iii) for the acquisition of a new modern core banking system by the State-owned Savings and Settlements Company (SSC) which operates as a banking and payments services' delivery intermediary and provides fiscal and quasi-fiscal payments for the Social Fund and other budgetary services, and (iii) TA support for privatization preparation of the Aiybank.

Results achieved so far:

- Substantial progress has been achieved in all components related to the modernization of the payments system infrastructure. The Bulk Clearing System (BCS) introduced in October 2006 is operating well and the Real Time Gross Settlement (RTGS) System introduced in June 2008 has now achieved its operational objectives and been formally accepted by the NBKR. The inter-bank Card Processing Center (CPC) has been operational since December 2006 and usage of the national El-Card continues to grow, reaching over 74,000 as of July 1, 2010.
- Another important planned application – the Government payroll reform initiative whereby Government employees' salaries are to be paid through bank accounts instead of cash – also continues to grow with approximately 35,000 employees as of January 1, 2010 receiving direct deposits of their salaries through commercial bank accounts. 51 new state and budget organizations joined this initiative in 2009, i.e., an increase of about 19 % over 2008.
- The General Ledger and the new core banking system for the SSC are currently being tendered out.
- Due to the recent political developments, privatization of the Aiybank was postponed.

Key Partners: **National Bank of the Kyrgyz Republic** which is responsible for the overall payments system policy, project implementation and is the ultimate recipient of credit resources provided under the Project.

Key Development Partners: Financial Sector Reform Initiative Trust Fund (FIRST), with contributions from the governments of Canada, the UK, Switzerland and Sweden.

REDUCING TECHNICAL BARRIERS FOR TRADE AND ENTREPRENEURSHIP PROJECT P087811

Key Dates:

Approved : July 13, 2006

Effective: January 16, 2007

Closing: April 30, 2011

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	5.0
Total Project Cost	5.0

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	5.0	2.19	3.21

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Reviewing Technical Barriers for Trade and Entrepreneurship Project (RTBET) was designed to support the transition from a burdensome regulatory system based on compulsory standards (the Soviet State Standard system) to a more streamlined system based on international standards. Specifically, RTBET supports the Kyrgyz Republic's regulatory and technical reforms necessary to help the country reap fuller benefits from its decade long WTO membership by helping remove non-tariff barriers to trade through the development of a sound domestic technical regulations system and a reliable infrastructure of Metrology, Standardization, Testing and Quality services (MSTQ).

The Project Development Objective is to streamline the compulsory standard requirements for business, develop systems to enhance product quality and safety, and increase enterprise competitiveness in pilot sectors.

The Project provides financing for (i) the development of a sound and internationally compliant regulatory framework of Technical Regulations, by providing capacity building support to the Ministry for Economic Regulation and other agencies involved in the reform; (ii) equipping with state-of-the-art metrology equipment and strengthening the capacity of the Center for Standards and Metrology so that the metrology institute is able to provide basic measurement services required by the private sector and ensure accuracy and traceability of measurements performed locally; and (iii) developing a modern domestic accreditation and certification infrastructure recognized internationally and thus capable of providing critical services to both enterprises operating locally as well as exporters.

Results achieved so far: the RTBET project has produced tangible results across all components.

- Three sector specific technical regulations have been adopted and signed into Law while two others are pending final approval by Parliament and a number of additional priority technical regulations notably in the food sector area are in the final stages of development.
- The list of products subject to mandatory certification has been significantly streamlined from 5000 to 684 categories of products, thereby easing the burdensome form-based versus risk-based certification and inspection requirements imposed on businesses.
- Two state of the art metrology laboratories for mass and temperature measurements have been installed within the premises of the Center for Metrology and Standards.
- The Kyrgyz Center for Accreditation created under the Project is now capable of providing reliable accreditation services to the domestic testing and certification infrastructure. In addition, the Center for Accreditation has initiated the peer-to-peer international recognition process supported by International Laboratory Accreditation Cooperation (ILAC), which will allow the country to benefit from the “tested once, accepted everywhere” trade principle under the WTO system.

Key Partners:

Ministry for Economic Regulation is responsible for technical regulation and trade reform. In addition, the Center for Standards and Metrology and the Kyrgyz Center for Accreditation are recipients of technical and financial assistance.

Key Development Partners:

The Government of Japan through a PHRD grant, Swiss Cooperation (SECO) and German Cooperation (GTZ).

HEALTH AND SOCIAL PROTECTION PROJECT (HEALTH SWAP)

P084977

Key Dates:

Approved : December 15, 2005

Effective: June 8, 2006

Closing: June 30, 2011

Financing from all co-financiers, million US Dollars:

Financier	Financing
IDA Credit	21
Other Donors (DFID)	12.82
Other Donors (SDC)	7.9
Other Donors (SIDA)	12.54
Other Donors (KfW)	18.9
Other Donors (Japan)	0.75
Total Project Cost	73.16



World Bank Disbursements, million US Dollars *:

	Total	Disbursed	Undisbursed
IDA Credit	21	19.1	2.6

***Source Operations – Dashboard as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Health spending in the Kyrgyz Republic declined rapidly from 1996 to 2004, falling from 3% of GDP in 1996 to around 1.8% in 2004. This was due in part to the country’s large debt burden and irregular revenues, which had been affected significantly by the regional financial crisis in 1998 and slow growth in the years thereafter. This situation reduced the funding available for essential health services. As a result, healthcare providers demanded steep increases in patient out-of-pocket premiums. Not surprisingly, declining health spending led to reduced access. In 2004, a consortium of donors led by the World Bank agreed to adopt a Sector-Wide Approach (SWAp) to support the health sector in Kyrgyzstan. This program, the first large scale health SWAp in the Former Soviet Union, focused on reducing financial barriers to access.

The Project Development Objective is to improve health status in the Kyrgyz Republic by: (a) improving access, financial protection, efficiency, equity and fiduciary performance in the health sector; (b) ensuring sufficient and reliable financing for the health sector; (c) strengthening the targeting of social benefits through development of an effective administration and information management systems to improve access to social services in general; (d) protecting and improving health and nutritional status of particularly vulnerable populations in the face of food price shocks, by providing nutritional supplements and nutrition education to pregnant/lactating women and infants/young children; and (e) helping poor Kyrgyz families manage and mitigate the impact of food price shocks and protect consumption (general and food consumption) by scaling up and strengthening targeted cash transfers.

The Project supports implementation of the government’s Manas Taelimi (MT) Health Reform Program through the SWAp and includes two components: component 1 supports the MT’s Program of Work, while component 2 focuses on strengthening the administrative systems of the Ministry of Labor and Social Protection to enable social protection and health systems to become more effective at targeting assistance and subsidies to the poor and disadvantaged.

Results achieved:

- *Successful Health Financing Reforms.* The Mid-Term Review in May 2008 showed clear evidence of: reducing people’s financial burden; improving their access to health services; reducing the share of patients making informal payments; equalization of the regional distribution of expenditures under the State Guaranteed Benefits Package and the additional drug benefit; and improving transparency and efficiency. This suggests that the Kyrgyz health financing reforms – and the Single Payer system around which they are based – have been highly effective at channeling funds to services and providing a fair, transparent, modest and balanced benefit package for the population. Less positively, improvement in health outcomes has been limited, largely due to the poor quality of health services, which is currently being addressed and would constitute a main pillar for the next generation of health reforms.
- *Timely Response to Mitigate Impacts of the Food Crisis.* Under the additional financing for the Food Crisis Response, supplements of Vitamin A were provided to approximately 1.1 million children aged 5-59 months to reduce the food crisis’s impacts on children’s long-term physical and cognitive development. Another 126,000 Vitamin A supplements were provided to nursing mothers. Further, the 30 % top-up of targeted cash transfers (known as the Unified Monthly Benefit program – the main safety net and poverty reduction program in the Kyrgyz Republic), to compensate for food price increases, reached an average of approximately 360,000 socially vulnerable people.
- *Increasing Resources for Health.* Thanks to the Manas Taelimi/Health SWAp the share of health expenditures relative to total government expenditures moved from 10.6 % in 2006 to 13.0 % in 2010 - a dramatic improvement over previous years’ decline.
- *Strong Government Ownership and Commitment for Reforms.* Manas Taelimi implementation is now one of the routine operations of the Ministry of Health (MOH) and the Mandatory Health Insurance Fund (MHIF). This has resulted in strong government ownership of the program with full engagement of the Ministry of Finance (MOF), MOH and MHIF staff at all levels.

Key Partners: The Bank team worked closely with (i) the **Ministry of Health of the Kyrgyz Republic** and (ii) the **Mandatory Health Insurance Fund (MHIF)**.

Key Development Partners included DFID, Sida, SDC and KfW who financially contributed to the project through pooled budget support, and WHO, USAID, UNICEF, UNFPA, GTZ and others who provided parallel funding.

**GOVERNANCE TECHNICAL ASSISTANCE PROJECT
P071063**

Key Dates:

Approved : May 15, 2003
Effective: August 28, 2003
Closing: December 31, 2010 (planned to be extended)

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	7.78
Borrower	2.43
Total Project Cost	10.21

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	7.78	4.08	4.98

* Source Client Connection as of January 25, 2011.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



In 2003, the Country Assistance Strategy Note identified strengthening the governance framework as one of the three key priorities. The Governance Technical Assistance Credit (GTAC) project aimed to contribute to improving transparency and accountability of the public sector, as well as at strengthening the institutional framework and capacity of the public sector. Prior to project approval, the government implemented a number of legal and organizational changes, such as establishing a Chamber of Accounts, adoption of a new Public Procurement Law, enactment of a Civil Service Law, structural changes in government institutional systems, etc. Still, weaknesses existed with public financial management and accountability, the application of merit-based human resource management, and transparency and accountability in public service. The GTAC aimed to support measures agreed under the Government Structural Adjustment Credit (GSAC).

The Project Development Objectives are to strengthen the Borrower's institutional capacity to implement the measures outlined in the GSAC Program Documents and to assist with the Treasury modernization.

The Project addressed these issues by: (1) strengthening voice and participation; (2) improving transparency in public procurement through institutional and legal strengthening; (3) improving service and financing standards in health and education and improving regulatory oversight in these sectors; (4) improving civil service effectiveness; (5) supporting organizational improvements in government ministries and agencies. Significant resources were allocated to modernization of the Treasury through the implementation of a Treasury Management Information System (TMIS) and the introduction of the Human Resource Management Information System (HRMIS). International development organizations, including USAID, UNDP, DFID and the EU-TACIS program provided parallel technical assistance.

Results achieved: *Civil Service System.* The Project has helped the government to strengthen the civil service system, inter alia, through introduction of (i) new legislation distinguishing between political appointees and administrative civil servants; (ii) the institute of State Secretaries, as the highest administrative position in the Kyrgyz civil service, and (iii) merit based principles in recruitment. The Project assisted the government in establishing a Civil Service Agency to oversee these reforms. The reforms minimized the turnover of administrative civil servants during political changes, as the State Secretaries, responsible for human resource policy in the respective agencies, retained their positions in the most cases. Computerized tests, introduced by the Project, helped improve selection based on qualifications.

Public Procurement. The Project helped the government to introduce modern legislation in public procurement, though the implementation of this legislation needs to be approved.

Financing social services. New financing models in the education and health sectors, introduced under the Project, proved to be more efficient and client-oriented. The new approach to allocation of financial resources in these sectors improves equity between urban and rural areas.

Modernization of Treasury. The most notable results of the Project are expected in area of public finance management, in particular, in area of budget execution. Almost 90 percent of the Project funds will be financing the modernization of the Treasury (TMIS) and Civil Service Agency (HRMIS). The government finalized the TMIS/HRMIS contracts with both software and hardware suppliers in October 2009 and January 2010, respectively. The detailed system design is currently being reviewed by the Ministry of Finance (MoF). The new TMIS/HRMIS solutions are expected to be launched in late 2011.

Key Partners: **Ministry of Finance of the Kyrgyz Republic**, which is the project implementing agency;

State Personnel Service; responsible for implementation of civil service reforms and other central agencies.

Key Development Partners, committed to providing complimentary technical assistance for capacity building in public financial management includes Swiss SECO, Swedish Sida, DFID, and the European Commission through a Multi-Donor Trust Fund of US\$7.49 million equivalent.

SECOND VILLAGE INVESTMENT PROJECT

Key Dates:

Approved : August 3, 2006

Effective: December 5, 2006

Closing: December 31, 2011

Additional financing (AF) approved: November 3, 2009

Effective: August 20, 2010

Financing from all co-financiers, million US Dollars:

Financier	Financing
IDA Grant	15.92
IDA AF (grant+credit)	7.93
DfID (£8.46m)	15.2
Government of Kyrgyzstan	1.0
Total Project Cost	40.05

World Bank Disbursements, million US Dollars *:

	Total	Disbursed	Undisbursed
IDA Grant	15.92	15.38	0.54
IDA AF (grant+credit)	7.93	2.13	5.8

*As of January 25, 2011.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Second Village Investment Project supports the development of capacity at the community level to plan, prioritize, and implement local investments and to manage financial resources efficiently and transparently. The Project provides grants to communities to implement community investment plans. All rural communities in the Kyrgyz Republic are eligible to participate. Through a participatory and transparent process, villagers identify local problems, establish their own priorities for the grant scheme, and prepare micro-projects that address their needs. The participatory process has helped to strengthen the voice of women and the poor, and female participation is high in community leadership roles, in the local and village investment committees, and as leaders of microproject groups. The Project is implemented by the Community Development and Investment Agency (ARIS), in close cooperation with the local communities.

The Project applies a bottom-up approach to prioritization, planning and implementation, and direct assistance to rural communities, and relies heavily on the empowerment of grassroots institutions. The Project draws upon the capacity created, the experience gained, and lessons learned under the first Village Investment Project. Examples include rehabilitation of rural schools, rural healthcare facilities, roads, electric substations, and opening rural information-resource centers, among others.

Community members contribute at least 25% to investment costs in cash and/or kind, and they are also fully responsible for the subsequent operation and maintenance of the facilities through the committees and groups established under VIP or in partnership with the local governments. Investments are implemented as much as possible by the local beneficiaries themselves and/or by local contractors in order to support the development of local small-scale enterprise.

The Project Development Objective is to assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services, and (c) supporting private group-owned small-scale enterprise development.

Results achieved:

- The project has expanded to cover each of 473 aiyl okrugs (local municipalities) in the country and has gained strong recognition amongst the rural population. The project allowed them to voice their concerns, trained them to prioritize their needs, helped to develop strategic investment plans and provided grant financing for their microprojects.
- More than 64 thousand local government officials and community members have been trained in principles of budgeting and planning, 1500 villages have improved social and economic infrastructure.
- More than 2.7 million people have benefited from the completion of about 5 thousand microprojects, including drinking water (179,606 beneficiaries), electricity (99,550), primary health facilities (347,733), and schools (636,334).

Such is the project's reputation among local communities, that several babies have even been named Aris after the local acronym for the Community Development and Investment Agency!

Key Partners:

Community Development and Investment Agency (abbreviated as **ARIS** from Russian) - an implementing agency.

Key Development Partners: DfID (co-financing), KfW (parallel financing).

**NATIONAL ROAD REHABILITATION PROJECT
P107608**

Key Dates:

Approved : November 3, 2009

Effective: February 26, 2010

Closing: June 30, 2013

Financing from all co-financiers, million US Dollars:

<i>Financier</i>	<i>Financing</i>
IDA Credit	13.75
IDA Grant	11.25
Borrower	5.76
Total Project Cost	30.76

World Bank Disbursements, million US Dollars *:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	13.75	0.0	13.72
IDA Grant	11.25	3.62	7.59

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The transport system, in particular the road network, is a priority of the Government of the Kyrgyz Republic given its importance to providing access to markets and basic public services. To date, 92 percent of passenger and 59 percent of freight traffic is carried by road in the Kyrgyz Republic. The road network covers all seven oblasts (provinces), and provides connections to remote communities and links to neighboring countries. Travel in most of the country is severely constrained by the predominantly alpine topography where roads have to cross passes of 3,000 meters altitude and are subject to frequent mud slides and snow avalanches. Travel in the Southwestern part of the country, namely between Osh and Batken town, has some additional problems since the road crosses Tajik and Uzbek enclaves which require a double entry Kyrgyz visa and a transit visa.

The existing basic transport infrastructure is adequate for the level of economic activity likely to occur in the medium term. About 18,800 kilometers of roads are under the jurisdiction of the MoTC. About 40 percent of the roads are sealed, including some with gravel mixed with bitumen binder. Over 50 percent are gravel and less than 10% are earth roads. Consequently, the primary concern is not expansion or major upgrading of the transport system, but proper maintenance and rehabilitation to preserve the existing network. Roads at all levels are deteriorating; over 60 percent require heavy maintenance or rehabilitation. The Government's focus is therefore on rehabilitating key links in the road transport network.

The Project Development Objectives are: (i) to contribute to the reduction of transport costs and travel time along the Osh-Batken-Isfana Road corridor, and (ii) to improve road safety planning. As transport costs and travel time decrease, route options increase, allowing more direct travel between destinations, thereby creating a more accessible and reliable transport system. The project will also allow cost saving for road users, and travelling will become safer. The completion of the Project will make a significant contribution to the level of connectivity offered as the road corridor provides the only connection between the main Kyrgyz cities in Fergana valley (such as Osh and Batken city) and the rest of the country. About one million inhabitants or 18 percent of the country's population will benefit from the investment. It will also improve transit between the Kyrgyz Republic and Tajikistan.

Results achieved:

The credit/grant is effective as of February 26, 2010 and the withdrawal conditions have been fulfilled. Advance procurement for component 1 (civil works and supervision consultants) started in September 2009. To date, the Project Implementation Unit (PIU) is finalizing the Evaluation Report for applications for prequalification, the draft Bidding Documents have been reviewed by the Bank (and found of high quality) and the contract with the supervision consultant is scheduled to be negotiated by the PIU in early August. The selection process for the consultancy contract on road safety is being initiated.

Key Partners:

The Bank team worked closely with the **Ministry of Transport and Communications of the Kyrgyz Republic (MoTC)**, the agency responsible for the project.

**SMALL TOWN INFRASTRUCTURE AND CAPACITY BUILDING PROJECT
P083377**

Key Dates:

Approved : December 14, 2004

Effective: May 2, 2005

Closing: June 30, 2011 (revised)

Financing from all co-financiers, million US Dollars*:

<i>Financier</i>	<i>Financing</i>
IDA Credit	12
IDA Grant	3
Government of Kyrgyz Republic	0,55
Total Project Cost	15.55

World Bank Disbursements, million US Dollars*:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	12.0	12.77	0.009
IDA Grant	3.0	3.21	0.056

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The Kyrgyz Republic faces substantial challenges in rebuilding basic infrastructure in urban areas. Since the collapse of the Soviet Union, there has been rapid deterioration in the availability and quality of public infrastructure services, as a result of withdrawal of state subsidies and lack of proper maintenance. Services once taken for granted (drinking water, solid waste collection, sewerage treatment, etc.) are often available only intermittently or not any longer. Steady deterioration in the quality of municipal services has led to public health problems. The capacity of local governments in providing infrastructure services is limited by lack of available fiscal resources, weak institutions, and local infrastructure service providers that are unable to cope with the rapid deterioration of infrastructure.

The Project started to work in 23 small towns in the country. After more than a decade of severe neglect, large portions of local service infrastructure, installations, and equipment have deteriorated significantly and need to be rehabilitated, rebuilt or even replaced entirely if service delivery is to be restored to minimally acceptable levels.

The Project Development Objective is to improve the availability, quality and efficiency of local infrastructure services for the population of participating small towns. The Project finances rehabilitation and/or repair of basic infrastructure and utility service installations and equipment and assists local governments in increasing the effectiveness of the management of local infrastructure services. The project targeted all 23 small towns with populations ranging from 9 thousand to 70 thousand people.

Results achieved:

- The implementation of the Project since its inception in 2005 continues to be satisfactory. By September 2010, all sub-projects included in the First-, Second- and Third-Year Investment Programs of the “Urban Infrastructure Improvement Component” were expected to be completed, but the investment in Kok-Jangak which is still ongoing and shall be completed by May 2011.
- All sub-projects under the last (2008) tranche of the “Social Infrastructure Improvement Component” have been completed and resources for the component have been used up. Sub-projects include renovation of roofs for school and community centers, repairs to heating systems in kindergartens, general repairs to kindergartens and sport facilities in schools.
- Activities under the “Institutional Strengthening Component” are largely completed, but some resources remain available for follow up programs, and a software support program, which is ongoing.
- Water supply and sanitation systems have undergone some level of rehabilitation in 18 small towns. Sewerage has been repaired in 2 towns.
- 22 towns have received equipment to improve their solid waste management capacity.
- Finally, all 23 small towns have received small grants for rehabilitation of social and cultural infrastructure.

Additional Financing of US\$ 4.0 million equivalent for the Urban Infrastructure Improvement Sub-Component of the Project became effective on July 02, 2009. Procurement and implementation of works for the sub-projects in the four towns to be financed from the Additional Financing is well advanced, but in some cases progress may have slowed down due to the political events in the recent months.

Key Partners:

The Bank team worked closely with (i) the **Community Development and Investment Agency (ARIS)** which is responsible for overall Project implementation and (ii) **the Local Self-Governance (LSG)** of participating small towns, which are responsible for identifying and preparing investment proposals to be submitted to ARIS as well as the preparation of Town Development Strategies and Performance Improvement Action Plans.

BISHKEK-OSH URBAN INFRASTRUCTURE PROJECT

P104994

Key Dates:

Approved : March 18, 2008

Effective: July 29, 2008

Closing: June 30, 2012

Financing from all co-financiers, million US Dollars*:

<i>Financier</i>	<i>Financing</i>
IDAT – IDA Grant	12.0
Government of Kyrgyz Republic	2.35
Total Project Cost	14.35

World Bank Disbursements, million US Dollars*:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Grant	12.0	5.42	6.43

*Source Client Connection as of January 25, 2011.

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



To control the effects of growing migration on urban development in Bishkek and Osh, the Kyrgyz authorities began in the early years of independence allocating agricultural land to migrants for housing construction in semi-informal settlements, so-called *novostroiki* (literally “areas containing new constructions”). Creation of such *novostroiki* continued throughout the 1990’s and early 2000’s at a relatively moderate scale, but accelerated significantly after 2005. Today, Bishkek has about fifty such settlements with a population of between 125,000 and 200,000, or up to one-fifth of the city’s total population. Osh has eight with a total population of possibly in excess of 50,000. Developing these *novostroiki* was instrumental in preserving a reasonably orderly urban fabric and averting the emergence of slum-like neighborhoods, but it did little to provide minimally acceptable living conditions to the residents of these areas or help secure their integration into the urban community. As a result, the two cities have become surrounded by a ring of settlements whose inhabitants are generally poor, lack basic infrastructure, and have limited access to social, educational and other services.

The Project Development Objective is to improve living conditions in selected semi-informal settlements (*novostroiki*) in Bishkek and Osh, the two largest cities of the Kyrgyz Republic, by increasing the availability of basic infrastructure to the residents of these areas.

The outcome of the Project will be monitorable improvements in the quantity and quality of basic services (water supply, roads, etc.) available to *novostroiki* residents. Specifically, the project’s performance will be assessed against criteria such as: (i) increase in number of residents benefiting from 12-hour availability of safe potable water, (ii) increase in number of residents with access to piped potable water within a distance of less than 150 m, (iii) increase in number of residents with access to roads open to public transportation within a distance of less 500 m, (iv) number of community investment projects successfully completed.

Results achieved:

The Project is making progress towards improving living conditions for the residents of the targeted *novostroiki*.

- Works for the construction of about 21 kms of roads in Bishkek *novostroiki* started in October 2009, and are still ongoing due to delays caused by the unrest of 2010.
- Works under the Osh water supply component are about 50% completed, with the civil works of the pumping station number 5 finished, and with pumping equipment being purchased for installation at the site; laying of pipes in the selected *novostroiki*, and works and installations at pumping station number 4 are completed.
- Under the social infrastructure component, 36 sub-projects were completed in 2009, including 2 pedestrian bridges, 12 playgrounds, 4 sidewalk improvements and greenery, 1 special machinery for solid waste collection, 5 sport grounds, 8 stele, 2 rainwater channels and 2 information centers for the communities participating in the project.

Although the pace of implementation has been significantly slower than planned due to the 2010 unrest in the country, fortunately, there was no direct damage made to the investments financed by the project. the Community Development and Investment Agency (ARIS) has performed well as implementing agency, and looking to the future, it will be important for ARIS to maintain strong management.

Key Partners:

The Bank team worked closely with the **Community Development and Investment Agency (ARIS)** which is responsible for overall BOUIP implementation.

**SECOND RURAL WATER SUPPLY AND SANITATION PROJECT
P110267**

Key Dates:

Approved : April 21, 2009

Effective: August 19, 2009

Closing: May 31, 2013

Financing from all co-financiers, million US Dollars*:

<i>Financier</i>	<i>Financing</i>
IDA Credit	5.5
IDA Grant	4.5
DFID	6.33
Government of Kyrgyz Republic	2.04
Total Project Cost	18.37

World Bank Disbursements, million US Dollars*:

	<i>Total</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	5,94	0,35	5,59
IDA Grant	4,84	0,82	4

***Source Client Connection as of January 25, 2011.**

Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Prior to independence in 1991, rural water supplies were managed by a state service provider, the now-dismantled Kyrgyz Ayil Suu (KAS – Rural Water Supply Entity). Water was supplied almost free-of-charge and systems were designed to a high standard, even providing sufficient storage and pressure to support fire hydrants. However, after independence, end of centralized budgetary support, KAS became unable to sustain the previous levels of operation and maintenance of the systems, which started to deteriorate. KAS was eventually dismantled and the responsibility for rural drinking water supply has since migrated to several ministries and agencies, including the Department for Rural Water Supply (DRWS) under the Ministry of Agriculture, Water Resources, and Processing Industry (MAWRPI) and the National Agency of Local Self-Governance Affairs (NALSG). This location aimed at more transparent and efficient management of the sector through closer links between DRWS and the rural self-government entities—Ayil Okmotu (AO). However in 2009, the responsibility moved again under the agency in charge of irrigation services.

The Project Background: the poor state of rural water supplies and sanitation infrastructure led the World Bank to support the Rural Water Supply and Sanitation Project (RWSSP-1) in April 2001 (closed in October 2008). The Kyrgyz Government requested financing for the second, repeater operation (RWSSP-2) in 2008. RWSSP-2 became effective in August 2009.

The Project Development Objectives are: (i) to improve access to potable water to the participating communities; and (ii) to improve hygiene, sanitation and water-related practices at individual, family and institutional levels in the rural areas.

The Project Components are the following: (i) Water Supply Infrastructure and Equipment, (ii) Sanitation and Hygiene Promotion Program, (iii) Institutional Development, (iv) Project Management.

Results achieved:

The implementation of the Project has been hindered by poor management by the implementing agency. Due to lack of agreement among all agencies involved on cost effective design standards, the final designs for the nine sub-projects of the first year investment program are only now being finalized; hence, procurement for civil works has not commenced. Contract with the designing consultants had to be amended. Overall construction activities are now delayed by about 12 months. An action plan to resolve the problems hampering implementation has been agreed with the Government and shall be implemented by May 2011.

Key Partners:

The Bank team worked closely with (i) **the Ministry of Natural Resources of the Kyrgyz Republic (MNR)** which is responsible for overall RWSSP-2 and (ii) **the State Committee for Water Resources.**



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