



2007 JOINT COUNTRY PORTFOLIO REVIEW

# **World Bank Portfolio**

BACKGROUND PAPER

**April 2007**  
**World Bank Country Office**

# TABLE OF CONTENTS

<b>I. PORTFOLIO OVERVIEW</b>	<b>1</b>
1. Introduction .....	1
2. Portfolio Size .....	1
3. Credits and Grants .....	2
4. Consultancy services and training activities.....	3
5. Active Portfolio .....	3
6. Portfolio Age.....	3
7. Portfolio Composition .....	4
8. Projects under preparation:.....	5
9. Technical Assistance .....	6
<b>II. PORTFOLIO PERFORMANCE</b>	<b>8</b>
9. Disbursement.....	8
10. Financial Management.....	9
11. Portfolio Restructuring.....	10
12. Effectiveness Delay.....	10
13. Closing Date Management.....	10
14. Development Objectives (DO) and Implementation Progress (IP).....	11
15. Portfolio Risk Assessments.....	12
16. Past Portfolio Quality Review .....	12
<b>ANNEX 1. Status of Project Audit Reports due, as of March 2007</b>	<b>14</b>
<b>ANNEX 2. Project approval, effective and closing dates 1992-2007</b>	<b>15</b>
<b>ANNEX 3. Execution of PIP Budget (WB-financed projects only) as of December 31, 2006</b>	<b>16</b>
ANNEX 4. Active Portfolio Project Data Sheets	

# KYRGYZ PORTFOLIO

## Fact-Sheet

### 1. Portfolio:

- **19 active projects**, which includes 1 adjustment and 18 investment operations and one regional project
- **2 project approved and became effective in FY 2007** – Reducing Technical Barriers for Entrepreneurship and Trade, Village Investment Project - II
- **5 Projects under preparation** – The repeater On-farm irrigation (second phase of On-Farm Irrigation project), Strengthening the National Statistical System, Bishkek-Osh Infrastructure, Agricultural Investments and Services Project (ASSP 2) and Tien Shan Biodiversity Project (second phase of regional Biodiversity project.)
- **Closing Date management**
  - 2 projects have been closed in calendar year 2006: (Irrigation Rehabilitation Project, and Second Health Sector Reform Project);
  - 1 project has Closing Date in FY 2007: Agricultural Support Services Project (June 30, 2007); in total, six operations are planned to be closed in calendar year 2007.
  - 2 project scheduled for closing in FY 2007 were extended to be closed in FY 2008: Governance Structural Adjustment Credit (October 31, 2007); On-Farm Irrigation (extended till May 31, 2008);
- **Total commitments to date-** \$US 776.3 million
- **Total disbursement to date -**\$US 604.3 million;
- **Active portfolio commitment to date -** \$US 254.3 million
- **Active portfolio disbursement to date–** \$US 123.3 million;
- **Active portfolio undisbursed balance to date –** \$US 131.1 million;

### 2. Portfolio Performance is satisfactory:

- No Actual Problem Projects
- No potential Problem Project



# I. PORTFOLIO OVERVIEW

## 1. Introduction

The last CAS covering FY03–06 has been completed in July 2006 and was built upon the areas of focus outlined in the NPRS with an overarching objective to support poverty reduction in the Kyrgyz Republic. The three pillars of the Country poverty reduction strategy were Formation of an Effective State, Building a Fair Society and Promoting Sustainable Economic Growth. The three CAS priority areas were supporting private sector-led growth, stemming the deterioration in key infrastructure and social services and finally addressing governance constraints to growth and poverty reduction.

At present World Bank Country team jointly with four development partners (ADB, DFID, SDC, and UN Agencies) is developing a Joint Country Support Strategy (JCSS) which will cover the period FY 07–10. JCSS will be based on the government's Country Development Strategy (CDS, equivalent of PRSP). However, since CDS has not been finalized and approved, development partners have delayed the JSCC preparation in order to fully align JSCC with CDS. The JCSS 2007-2010 Board discussion is planned for June 19, 2007.

The Bank's program within JCSS period will build upon the progress made by the Kyrgyz Republic in the implementation of the last CAS, and focus on three strategic objectives: improving the environment for business and growth, preserving and enhancing the quality of health and education and improving services delivery. Achievement of these three objectives will also depend on improving governance at all levels, reducing corruption and strengthening the state's institutional capacity.

While JCSS is being developed, the Bank will continue to support efforts that both have a direct impact on income poverty reduction, particularly in rural areas, and in improving the quality of the delivery of services that will reduce non-income poverty (health, education, water and sanitation). There will be move away from budgetary support adjustment type operations where experience has demonstrated, including during the last CAS period, that sustained reform impact has been elusive. Reform efforts will be addressed through sector specific investment projects, as well sector wide programs such as SWAps.

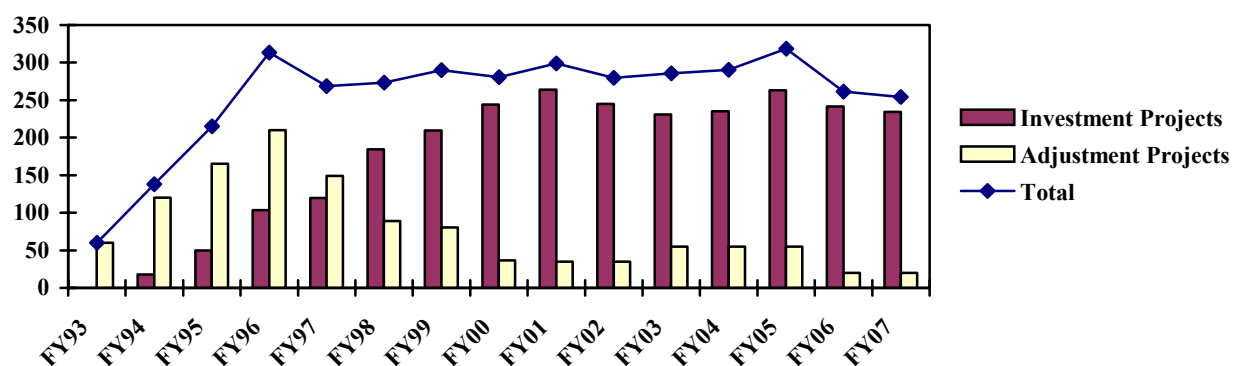
## 2. Portfolio Size

Since the Kyrgyz Republic joined the World Bank in September 1992, it has received commitments of US\$ 776.3 million for 38 IDA-funded projects, out of which about US\$ 604.3 million have already been disbursed.<sup>1</sup> To date, 19 operations totaling US\$481 million have been completed and closed. In addition, the Kyrgyz Republic was included in two regional projects, with a grant funded by the Global Environmental Facility (GEF). The evolution of commitments since 1993 provides a good illustration of how the portfolio has developed and matured (Figure 1).<sup>2</sup>

<sup>1</sup> Note: The amounts provided will slightly differ from the amounts giving in Joint CPR Background Paper, due to the difference in FY start and closing periods.

<sup>2</sup> Note: Amount of total commitment for specific year includes the amount of investments and adjustments operations for that FY only. If the operation was closed in the previous FY, it is not added to the total amount for the next year.

**Figure 1. Total commitments by Year under IDA-Assisted Projects  
FY 1993-2007 (US\$ million equivalent)**



	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	TOTAL
<b>Investment</b>		18.0	50.0	103.5	119.5	184.5	209.5	243.9	263.9	244.9	230.8	235.2	263.3	241.3	234.3	430.8
<b>Adjustment</b>	60.0	120.0	165.0	210.0	149.0	89.0	80.5	36.5	35.0	35.0	55.0	55.0	55.0	20.0	20.0	345.5
<b>Total</b>	60.0	138.0	215.0	313.5	268.5	273.5	290.0	280.4	298.9	279.9	285.8	290.2	318.3	261.3	254.3	<b>776.2</b>

### 3. Credits and Grants

The Kyrgyz Republic as low income country with high debt vulnerability is eligible to receive a significant level of grants. Under IDA-13 (FY03-05) program, the Kyrgyz Republic was eligible to receive up to 40% of total assistance on grant basis, whereas under IDA-14 (FY06-08) the country is eligible for 100 percent grant based assistance. Since this change in lending policy, the Kyrgyz Republic has received 8 IDA grants for 8 investment projects. IDA grants in current portfolio account for about 38.5% of total commitment (Table 1).

**Table 1. Portfolio Composition by Grants and Credits (FY00-07)**  
(Committed Amount US\$ Million through February 1, 2007)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Number Credits	14	15	14	14	15	12	12	10
Number Grants	-	-	-	-	1	4*	5	8
Amount Credits (\$)	226.9	264.9	258	259.2	265.1	206.3	206.3	156.3
Amount Grants (\$)	0	0	0	0	15.1	40	55	98
<b>Total</b>	226.9	264.9	258	259.2	280.2	246.3	261.3	254.3
Of which								
Credits \$ (%)	100	100	100	100	94.6	83.7	79	61.5
Grants \$ (%)	0	0	0	0	5.4	16.3	21	38.5

\*Note: Small Town Infrastructure and Capacity Building project receives 12 million on credit basis and 3 million on grant basis.

#### 4. Consultancy services and training activities

Out of \$ 604 million disbursed to date \$ 54.3 million (8.9%) have been spent on Consultancy (international and local) and Trainings. Approximately 5% of \$ 604 million disbursed was spent on international consultancy.

In addition to IDA funds the Bank attracted about \$ 19.2 million various TF (PHRD, IDF, etc.) which were mainly used for consulting services and training activities.

In total consulting services, paid through WB financed projects, PHRD, IDF and other grant funds account to \$ 64.2 million out of which:

- \$ 50.1 million were paid for international consultancy and training;
- \$ 14.1 million for local consulting services and training activities.

#### 5. Active Portfolio

As of February 2007, the *active Bank portfolio* (Table 2) in the Kyrgyz Republic comprises 19 operations with total commitments of US\$ 254.3, of which US\$131.1 million (51,5 percent) remains to be disbursed. Two projects (Irrigation Rehabilitation, Health Sector Reform -II) closed in calendar year 2006 and four new projects – Reducing Technical Barriers for Entrepreneurship and Trade, Water Management Improvement, Village Investment Project-II, and Avian Influenza Control were approved by the Board and became effective since last Portfolio review in 2006.

**Regional Projects:** The Kyrgyz Republic also benefits from one regional project - Central Asian HIV/AIDS Control, which includes Kyrgyz Republic Tajikistan, Kazakhstan, Uzbekistan which contributes to minimizing the potential negative human and economic impact of a generalized HIV/AIDS epidemic in all four countries.

#### 6. Portfolio Age

The portfolio comprises a mixture of mature and relatively young operations. Three of the 19 operations are over-age projects:

- Power and District Heating, which was restructured twice, has been active for 10,7 years,
- Agricultural Support Services - have been active for 8.7 years. (See paragraph 13 – Closing Date Management)
- CSAC TA has been active for 6.6 years

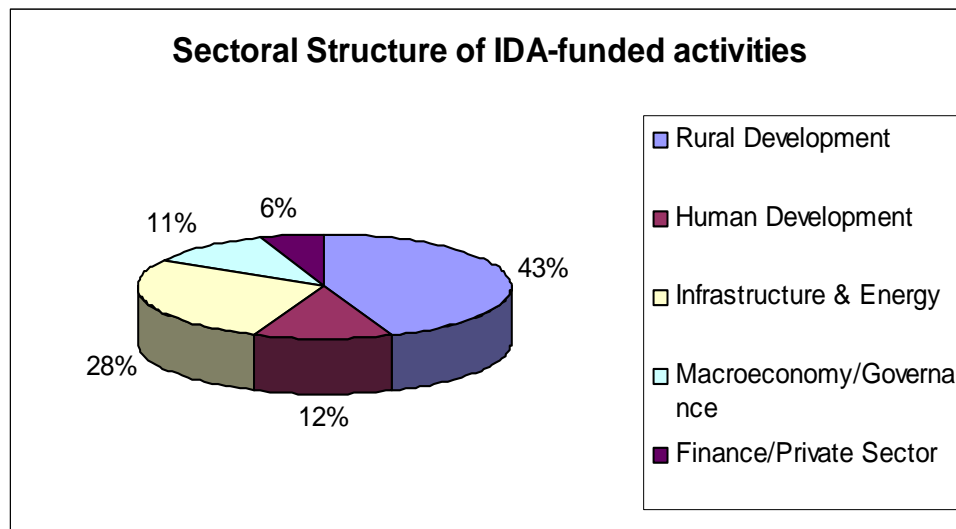
The project average age in the portfolio is 3.4 years, which has decreased from 3.9 in FY06 to 3.4 in FY07. This is partially due to addition of four projects - Reducing Technical Barriers for Entrepreneurship and Trade, Water Management Improvement, Village Investment Project-II, and Avian Influenza Control.

**Table 2. Active Portfolio of IDA projects (as of February 1, 2007)**

	<b>Project Amount (US\$ m)</b>	<b>Share of Current Portfolio (%)</b>	<b>Undisbursed Amount (US\$ m)</b>	<b>Disbursed Amount</b>	<b>Project Age (Years)</b>
<b>RURAL DEVELOPMENT</b>					
<b>TOTAL</b>	<b>112.5</b>	<b>44.2</b>	<b>59.1</b>	<b>53.4</b>	<b>3.6</b>
Agricultural Support Services	15	5.9	2.6	12.4	8.7
Land and Real Estate Registration	9.4	3.7	0.9	8.5	6.7
Agribusiness & Marketing	8.1	3.2	6.5	1.6	2.1
On-farm Irrigation	20	7.9	1.5	18.5	6.7
Disaster Hazard Mitigation	6.9	2.7	5.8	1.1	2.6
Village Investment	15.1	5.9	5	10.1	3.1
Village Investment 2	15	5.9	15	0	0.5
Water Management Improvement	19	7.5	18.5	0.5	0.8
Avian Flu	4	1.6	3.3	0.7	1
<b>HUMAN DEVELOPMENT</b>					
<b>TOTAL</b>	<b>30</b>	<b>11.8</b>	<b>24.6</b>	<b>5.4</b>	<b>1.6</b>
Rural Education	15	5.9	11.6	3.4	2.1
Health & Social Protection	15	5.9	13	2	1.1
<b>INFRASTRUCTURE/ENERGY and INDUSTRY</b>					
<b>TOTAL</b>	<b>70</b>	<b>27.5</b>	<b>16</b>	<b>54</b>	<b>6.15</b>
Power and District Heating	35	13.8	1.9	33.1	10.7
Rural Water Supply and Sanitation	15	5.9	0.7	14.3	5.2
Consolidated TA	5	2.0	2.4	2.6	6.6
Small Town Infrastructure & Capacity Building	15	5.9	11	4	2.1
<b>MACROECONOMY/GOVERNANCE</b>					
<b>TOTAL</b>	<b>27.8</b>	<b>10.9</b>	<b>21.1</b>	<b>6.7</b>	<b>3.7</b>
GSAC	20	7.9	14.8	5.2	3.7
GOV TA	7.8	3.1	6.3	1.5	3.7
<b>FINANCE/PRIVATE SECTOR</b>					
<b>TOTAL</b>	<b>14</b>	<b>5.5</b>	<b>10.2</b>	<b>3.8</b>	<b>1.75</b>
Payment and Banking System Modernization	9	3.5	5.3	3.7	2.9
Reducing Technical Barriers for Entrepreneurship & Trade	5	2.0	4.9	0.1	0.6
<b>TOTAL (Active Portfolio)</b>	<b>254.3</b>	<b>100</b>	<b>131.1</b>	<b>123.2</b>	<b>3.4</b>

## 7. Portfolio Composition

The active portfolio includes one adjustment operation (GSAC) and 18 investment operations with a heavy focus on rural sector development (nine operations, i.e. 44.2 percent of total commitments) and infrastructure (four operations, 27.5 percent of total commitments). The human development sector is represented by two projects and comprises 11.8 percent of total commitments.

**Figure 2. Sectoral Structure of IDA-funded activities.**

### 8. Projects under preparation:

There are five projects under preparation – The repeater On- Farm Irrigation (second phase of On-Farm Irrigation project), Strengthening the National Statistical System, Bishkek-Osh Infrastructure, Agricultural Investments and Services Project (ASSP- 2) and Tien Shan Biodiversity Project (second phase of regional Biodiversity project). The second On- Farm Irrigation project is planned to go the Board this fiscal year, meanwhile other projects undergoing various stages of preparation process. Summary description of each proposed projects is provided below:

- The development objective and main components of the **repeater On-Farm Irrigation project** with an IDA grant of USD 16 million would be similar to the ones of OIP-1, but refinements would be made based on lessons learned. A repeater project would continue the support to and strengthening of all WUAs. Considering the high demand from WUAs, a repeater project would finance rehabilitation and modernization of irrigation and drainage infrastructure that is being managed by WUAs, along similar lines as currently implemented under OIP-1. The repeater project would be implemented by DWR, assisted by the PIU that is already in place.
- **Strengthening the National Statistical System** aims to improve the efficiency and effectiveness of the national statistical system that will provide relevant, timely and reliable data for evidence-based policy making in support of government's development strategies and the monitoring and evaluation of the progress. The total cost of the project is estimated around US\$ 4.8 million in the Statistical Master Plan. However, the final cost and the amount of Government's contribution will be determined during the pre-appraisal and appraisal. SIDA and TICA have already expressed their tentative interest in supporting the development of statistics in Kyrgyz Republic and the implementation of the SMP provided that the Bank is the leading agency with some contribution to the project from the country IDA allocation. The amount of the donor contribution will be determined after the Bank's contribution is decided.

- The preparation of **Bishkek- Osh Infrastructure project** has been launched. The project will be aimed at improving efficiency and quality of services for the population of Bishkek and Osh new urban settlements.
- The preparation of **Agricultural Investments and Services Project (second ASSP)** is at early stage. The project will focus on linkages with interventions initiated under the ASSP and on high-priority interventions in the livestock sector. The project objective is to improve the institutional and infrastructure environment for crop and livestock farmers. This would enable them to raise their productivity and incomes and thereby help reduce poverty in the rural areas. The project will directly support more productive, profitable and sustainable smallholder crop and livestock production through the provision of essential support services, critical capital investments and delivery of appropriate know-how.
- The **Tien Shan Biodiversity Project** aims to improve sustainability of biodiversity, forest and land resources in the Tien Shan region through an integrated land management approach. The main objective of the project is to promote sustainable use, protection and rehabilitation of biodiversity and reforestation and afforestation in the Tien Shan mountain range. The proposed project would build on the experiences of the Central Asia Transboundary Biodiversity Project by increasing the sustainability of Tien Shan mountain ecosystems of Kazakhstan, Kyrgyzstan, and Uzbekistan.

## 9. Technical Assistance

In addition to investment and adjustment operations the World Bank provides technical assistance through various Trust Fund facilities: PHRD for project preparation, PHRD for project implementation, IDF for capacity building and other Trust Funds. All these trust funds flow from different financial sources, but mainly from the Government of Japan (PHRD). They are administered by the World Bank and executed by the Kyrgyz Government.

As of February 2007, the active portfolio of WB administered Trust Funds has a total value of US\$15,9 million, out of which US\$4,5 million has been disbursed. The largest portion of active PHRD grants are provided as co-financing for the Agribusiness & Marketing, and Water Management Improvement projects, while other smaller grants are provided to the Government for TA for project preparation and capacity building activities.

**Table 3. Active Government - Executed Grants (as of March, 2007)**

	Grant Amount (US\$ thous)	Undisbursed Amount (US\$ thous)	Disbursed Amount (US\$ thous)
<b>PHRD Grants</b>	<b>13,157,746</b>	<b>9,480,918</b>	<b>3,676,828</b>
Agribusiness and Marketing	4,750,000	3,827,116	922,884
Water Management Improvement Project	4,400,000	4,088,668	311,332
Disaster Hazard Mitigation	1,950,000	596,381	1,353,619
Avian Influenza Control & Human Pandemic Preparedness & Response Project	1,000,000	850,000	150,000
Poverty Reduction Support Grant	705,346	98,353	606,993
Water Management Improvement Project	352,400	20,400	332,000
<b>IDF Grants</b>	<b>1,355,100</b>	<b>680,035</b>	<b>675,065</b>
Institutional Strengthening through Support to National Procurement Training Center	346,000	102,852	243,148
Building Capacity in Governance & Revenue Management in Natural Resources IDF Grant	310,100	80,932	229,168
Institutional Capacity Enhancement for Public Expenditure Management IDF Grant	315,000	162,251	152,749
Strengthening Local Government Capacity to Implement Intergovernmental Fiscal Reforms	384,000	334,000	50,000
<b>MULT</b>	<b>1,450,000</b>	<b>1,300,000</b>	<b>150,000</b>
Poverty Reduction Strategy Multi-Donor Trust Fund Grant for Institutional Building for NPRS-II	450,000	400,000	50,000
KG-Disaster Hazard MSP	1,000,000	900,000	100,000
<b>TOTAL</b>	<b>15,962,846</b>	<b>11,460,953</b>	<b>4,501,893</b>

## II. PORTFOLIO PERFORMANCE

In 2006, despite difficult political environment and constant changes of government counterparts the World Bank portfolio in the KR was steady and satisfactory. All 19 projects are being implemented in a satisfactory manner and there are no commitments at risk in the active portfolio. This was indicated in last CPIA and might help to increase the IDA allocation for the KR. Despite the fact, that there is no approved CAS for 2007-2010 in place yet, four new projects were approved in FY2007 and five projects are currently under preparation.

### 9. Disbursement

The disbursement performance is presented in Figure 3, and indicates a steady flow of funds under investment credits in recent years. The total annual disbursement dropped from US\$84.2 million in FY1996 to US\$29.5 million in FY2006. This primarily reflects the move from large policy based adjustment operations to smaller amount investment projects. In addition, the Government's External debt management policy and its fiscal adjustment obligations under the PRGF program has limited the borrowing capacity.

Subsequently, the Kyrgyz portfolio disbursement ratio has also been steadily increasing since 2003. In comparison with the FY2002 disbursement ratio of 16.6%, the FY2006 indicator has increased to 29.5%, which is also much higher than ECA region average disbursement ratio – 13.5%. Figure 3 contains the complete information on historical disbursements for all projects in the portfolio. Agriculture Support Services, Power and District Heating and On-farm Irrigation projects have the highest disbursement levels due to the long period of project implementation. These projects are expected to be fully delivered in calendar year 2007.

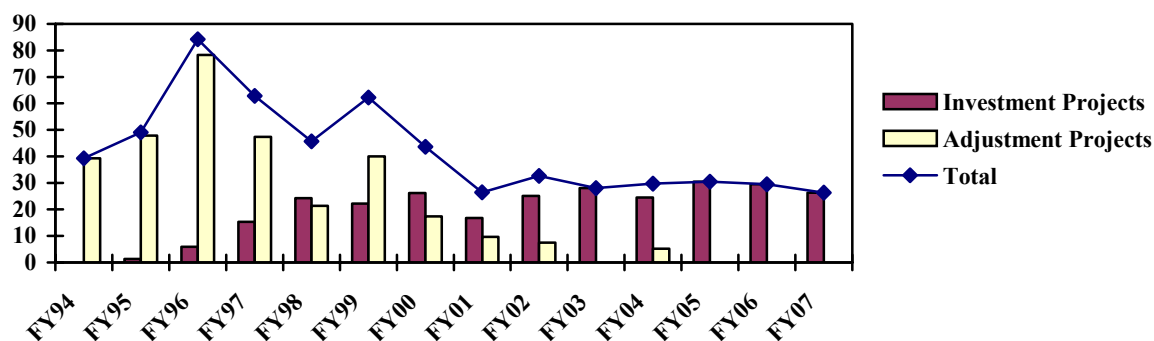
In 2006 calendar year, in addition to the above three mentioned projects, two moderately young projects - Village Investments-I and Small Town Infrastructure - showed high disbursement ratio. (Annex 3). This is due to effective project leadership, management and planning.

The actual disbursements under two projects – CSAC TA and Rural Education - did not meet the planned figures in 2006. The Consolidated TA has been under implementation for more than 6.6 years but only 52 percent of commitments have been disbursed. In 2006 disbursement under CSAC TA had the lowest figure and met the planned amount only by 42 percent. The closing date of the project was extended to December 2007. Slow disbursement under Rural Education project explained by delay of procurement of two large packages (learning materials and textbook reprinting). The procurement is planned to take place in 2007 CY.

Nevertheless, in comparison with the previous years the IDA disbursements within Public Investment Program in calendar year of 2006 was exemplary: 37.8 million US dollars has been disbursed against 39.9 million planned, which makes 94,7 percent execution.

**Figure 3. Annual Disbursements under IDA-Assisted Projects  
FY 1994-2007 (US\$ million equivalent)**

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	TOTAL
<b>Investment</b>	0	1.3	5.9	15.4	24.3	22.2	26.2	16.8	25.1	28	24.5	30.4	29.5	26.3	<b>290.3</b>
<b>Adjustment</b>	39.3	47.8	78.3	47.4	21.4	40	17.4	9.7	7.5	0	5.2	0	0	0	<b>314.0</b>
<b>Total</b>	39.3	49.1	84.2	62.8	45.7	62.2	43.6	26.5	32.6	28	29.7	30.4	29.5	26.3	<b>604.3</b>



## 10. Financial Management

**Audit:** Timeliness and quality of audited financial statements, i.e., the extent to which acceptable audit reports are submitted to the Bank within the deadlines stipulated in the legal agreements is a demonstration of the effectiveness of the underlying project financial system. Out of 15 projects with audit reports due by June 30, 2006 all but one project had their audit reports submitted by the due date. The one project with overdue audit reports (PDHRP) finally submitted audit reports in November 2006, including audit reports for the previous financial year (2004). Submission of audit reports has generally been satisfactory, with most project audit reports being received within one month after the due date at the very latest, with the exception of the PDHRP that continues to have serious difficulties in meeting the financial covenants contained in the legal agreements. (Annex 1. Status of Project Audit Reports)

The quality of audit reports during 2006, i.e., the extent to which audit reports contained qualified audit opinion showed a deterioration from the previous year, with only 7 projects (50%) reports receiving unqualified (clean) audit opinion, with one project (PDHRP) receiving a Disclaimer, which is the worst form of audit report. The disclaimers were issued mainly in the audit reports of power utilities under the Power & District Heating Rehabilitation Project, and reflect the unsatisfactory state of the financial management systems in the utilities

Most projects that received qualified audit opinions have been implementing action plans aimed at addressing the weaknesses noted in the accounting and internal control systems. For the power utilities there has been less attention by management to the issues raised in the audit reports, and the reports themselves are seen to satisfy only the World Bank requirements as they are not even presented and discussed by the shareholder(s). The Borrower (MOF) also does not seem to pay any

particular attention to audit reports issued by private audit firms: greater attention being given to audits conducted by the Chamber of Accounts, which essentially results into unnecessary duplication of auditing of Bank financed projects.

**Financial Reporting:** Four ongoing projects had Unsatisfactory Rating for Financial Management, arising mainly from unsatisfactory financial management arrangement. The PDHRP had Highly unsatisfactory FM rating due to overdue audit reports as well as unsatisfactory financial management arrangements. For projects with “U” rating for financial management ratings time-bound action plans were developed for addressing the weaknesses, and for most projects with “U” ratings the action plans have been satisfactorily implemented.

Like in the previous years, financial management oversight by the Ministry of Finance or Line Ministries - the extent to which the Ministry of Finance and Line Ministries exercise oversight on project financial management and fiduciary arrangements is not very evident. However, PIUs have often been visited by other State Agencies, such as Chamber of Accounts and Tax Inspection at intervals and duration that amount to disruption of day to day operations of PIUs. There is the need for such State Agencies to begin to make use of the project audit reports to avoid what amounts to duplication of the audit function. This is a recurring issue that has been raised in previous years, but with no notable change.

**Financial Management Capacity/Staffing:** Due to weak financial structures in government departments, among other factors, almost all projects are being implemented through stand-alone project implementing units. These units do not, however, ensure sustainable borrower capacity. A strategy to strengthen financial management capacity in government departments is an issue that should be addressed within the context of strengthening institutional capacity for project implementation. This would allow development partners to begin to place greater reliance on country systems as opposed to stand-alone parallel systems established to mitigate risks associated with weak capacity and high fiduciary risks associated with country systems.

## **11. Portfolio Restructuring**

Since CPPR-2006 no mid-term reviews (MTR) were conducted and no project restructuring took place.

## **12. Effectiveness Delay**

No projects in the Kyrgyz portfolio flagged for effectiveness delay.

## **13. Closing Date Management**

Poor closing date management was one of the issues raised during last CPPR. Obviously the extensions result in extra administrative costs for both the Government and the Bank, and in costs for the economy for not achieving the development objectives in due time. The Bank guidelines state that extensions of Closing Dates will only be granted when the implementation performance of the project is satisfactory, the development objectives remain feasible, and, there are no outstanding audit reports (unless a clear action plan has been agreed with the borrower to remedy this deficiency).

In 2006, the closing date management has improved significantly. Out of three operations scheduled for closing in calendar year 2006, two (Irrigation Rehabilitation Project, and Second Health Sector Reform Project) have been closed and only one (GSAC) has been extended in comparison with five projects extended in 2005. Six operations are planned to be closed in calendar year 2007.

#### 14. Development Objectives (DO) and Implementation Progress (IP)

Table 4 presents the summary of ratings for Development Objectives and Implementation Progress for ongoing projects. These ratings are based on the World Bank Project Implementation Report (ISR) system, which assesses project performance against two major parameters; (i) Development Objectives, and (ii) Implementation Progress. Implementation Progress is assessed on the basis of timeliness of Development Credit Agreement (DCA)/Development Grant Agreement (DGA) signing and project effectiveness, implementation progress, project financial management performance, compliance with legal covenants, project monitoring, etc. Development Objective rating is based on Bank's assessment on whether or not the project expects to meet its development objectives. The rating system provides an early identification of projects which are at risk.

**Table 4. Summary of ratings, active portfolio**

	Project title	DO*	IP*
1	Agricultural Support Services	S	S
2	Land and Real Estate Registration	HS	HS
3	Agribusiness & Marketing	S	S
4	On-farm Irrigation	S	S
5	Disaster Hazard Mitigation	S	MS
6	Village Investment - I	HS	HS
7	Small Town Infrastructure and capacity building.	S	S
8	Rural Education	S	S
9	Power and District Heating	S	S
10	Rural Water Supply and Sanitation	S	S
11	Consolidation TAC	S	MS
12	GSAC	MS	S
13	GTAC	MS	MS
14	Payment and Banking System Modernization	S	S
15	Health and Social Protection SWAP	S	S
16	Reducing Technical Barriers for Entrepreneurship & Trade	n/a	n/a
17	Water Management Improvement	S	S
18	Avian Flu	S	S
19	Village Investment 2	S	S
	<b>Problem projects – percent of rated projects</b>	<b>0</b>	<b>0</b>
	<b>Problem projects - percent of commitments</b>	<b>0</b>	<b>0</b>

\* DO/IP Ratings: S – satisfactory; U – unsatisfactory; MS – Moderately Satisfactory; HS – Highly Satisfactory;

In the current portfolio there are no “Unsatisfactory” rated projects, however two projects rated “Moderately Satisfactory” on development objectives - GSAC and GTAC. Three projects – CSAC TA, GTAC and Disaster Hazard Mitigation – are rated “Moderately satisfactory” on implementation progress. The GTAC being rated MS on both DO and IP requires close attention from both the Executing Agency and the Bank teams. Two projects are doing exceptionally well – Land and Real Estate registration and Village Investment -I

## 15. Portfolio Risk Assessments

The percentage of commitments within the portfolio that are at risk has been gradually decreasing: 27.0% in FY2004, 25.5% in FY 2005, and 7.7 % in FY 2006 and no commitments at risk in FY2007 (See table 5). In general, the overall risk rating of the portfolio could be higher than is represented by individual DO and IP ratings. The Critical Risks indicate a substantial level of risks for the majority of the operations.

*The Realism Index* is the ratio of actual problem projects to total projects at risk. Fluctuation of the realism index within the period of 2002 -2007 is shown in Table 5.

*Proactivity Index* measures the extent to which the necessary corrective actions on identified problem projects are addressed in a timely fashion. During previous years the proactivity index for the Kyrgyz portfolio was 100 percent, showing a preoccupation for reducing the incidence of projects remaining in a problem status for an extended period. Table 5 presents selected indicators of Bank active portfolio performance.

**Table 5. Kyrgyz Republic – Selected Indicators of Bank Portfolio Performance  
Active Portfolio**

INDICATOR	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Number of projects under implementation	14	15	14	14	16	16	17	19
Commitments (US\$m)	226.9	264.9	258	259.2	280.2	246.3	261.3	254.3
Disbursements (US\$m) in FY	26.2	26.5	32.5	28.0	29.7	30.4	29.5	26.3
Disbursement Investment (US\$m)	26.2	16.8	25	28.0	24.5	30.4	29.5	26.3
Disbursement Adjustment (US\$m)		9.7	7.5	0.0	5.2	0.0	0.0	0.0
<b>PORFOLIO PERFORMANCE</b>								
Average Implementation Period (years)	2.8	3.1	3.6	3.7	3.5	3.7	3.9	3.4
Percent of Problem Projects (DO and IP)/a	14.3	13.3	0	0	18.8	6.3	5.9	0
Percent of projects at risk	14.3	13.3	7.1	7.1	25	18.8	0	0
Percent of commitment at risk /b	13.7	21.7	3.9	5.8	28	24.6	0	0
Disbursement Ratio (%) <sup>c</sup>	19.9	14.9	16.6	20.1	20.8	28.5	27.5	20.5
Proactivity Index (%)	100	100	100	N/A	N/A	100	100	100
Realism Index (%)	100	100	0.0	0.0	75	33.3	100	N/A

a. Percent of projects rated U on development objectives and Implementation Progress

b. Includes problem projects (with unsatisfactory DO and IP ratings) and potential problem projects

c. Ratio of disbursement during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year

## 16. Past Portfolio Quality Review

Table 6 presents the overall results of the Operation Evaluation Department (OED) evaluations, and indicates that most of the closed projects are considered satisfactory in terms of their outcomes (OED definition). However, only half of the operations are considered sustainable and only one third have achieved the expected institutional development impact.

**Table 6. OED Ratings of Closed Projects**

	Outcome	Sustainability	ID Impact	Implementation Time
Private enterprise SAC FY96	Moderately Satisfactory	Uncertain	Modest	2.0
Agriculture Priv. Entr. Adj. FY96	Satisfactory	Likely	Substantial	1.0
Rehabilitation Credit FY07	Moderately Satisfactory	Uncertain	Modest	4.2
Financial Sector Adjustment FY98	Satisfactory	Unlikely	Modest	2.0
Public Sector Res. Mgmt Adj. 99	Satisfactory	Likely	Substantial	2.2
SOSAC FY00	Satisfactory	Likely	High	1.6
Social Safety Net FY00	Moderately Unsatisfactory	Unlikely	Modest	6.0
Telecommunications Reform FY01	Satisfactory	Likely	Modest	7.0
Rural Finance FY01	Moderately Satisfactory	Likely	Modest	4.1
Health I FY02	Highly Satisfactory	Highly Likely	Substantial	6.1
Financial Sector TA FY02	Satisfactory	Likely	Substantial	6.0
Private and Enterprise support FY03	Moderately Unsatisfactory	Likely	Modest	8.2
Sheep and Wool Improvement 03	Moderately Unsatisfactory	Unlikely	Modest	7.1
Flood Emergency FY04	Satisfactory	Highly Likely	Substantial	5.2
Consolidated SAC FY05	Unsatisfactory	Unlikely	Negligible	4.3
Urban Transport FY05	Satisfactory	Likely	Substantial	5
Rural Finance 2 FY05	Satisfactory	Likely	Substantial	5.3

**ANNEX 1. Status of Project Audit Reports due, as of March 2007**

<b>Financier</b>	<b>Description</b>	<b>Status of submission</b>	<b>Status of Acceptance</b>
IDA	Power & District Heating Rehabilitation	submitted	reviewed
IDA	Agricultural Support Services	submitted	accepted
IDA	Irrigation Rehabilitation	submitted	accepted
IDA	On-farm Irrigation	submitted	accepted
IDA	Land and Real Estate Registration	submitted	accepted
IDA	Consolidated TA	submitted	accepted
IDA	Consolidation SAC	N/a	N/a
IDA	Urban Transport & Maintenance	submitted	accepted
IDA	Health Sector Reform 2	submitted	accepted
IDA	Rural Water Supply & Sanitation	submitted	accepted
IDA	Village Investment	submitted	accepted
IDA	GSAC	N/a	N/a
IDA	GOV TA	submitted	accepted
IDA	Disaster Hazard Mitigation	submitted	accepted
IDA	Payment and Banking System Modernization	submitted	accepted
IDA	Rural Education	submitted	accepted
IDA	Agribusiness and Marketing	Not due yet	Not due yet
IDA	Small Towns Infrastructure and Capacity Building	submitted	accepted
IDA	Health and Social Protection	Not due yet	Not due yet

## ANNEX 2. Project approval, effective and closing dates 1992-2007

#		Commit Amount	Disbursed Amount	Lending basis	Date, Approval	Date, Effective	Date, Orig closing	Date, Revised closing	Status
1	REHABILITATION	60	61.9	credit	05/13/1993	07/27/1993	06/30/1996	12/31/1996	closed
2	PRIV & ENT SAC (PESAC)	60	64	credit	06/29/1994	09/22/1994	12/31/1995	12/31/1995	closed
3	TELECOM REF (KG)	18	17.5	credit	06/23/1994	02/01/1995	06/30/2001	06/30/2001	closed
4	SOCIAL SAFETY NET	17	14.1	credit	07/05/1994	10/05/1994	03/31/1999	04/30/2000	closed
5	APEAC	45	41.8	credit	06/28/1995	10/26/1995	02/28/1997	02/28/1997	closed
6	PRIVATE ENT SUPPORT	15	4.6	credit	05/04/1995	01/17/1996	06/30/2000	06/30/2003	closed
7	FSAC	45	44	credit	06/25/1996	09/03/1996	06/30/1998	06/30/1998	closed
8	HEALTH	18.5	15.9	credit	05/14/1996	10/29/1996	06/30/2001	09/30/2001	closed
9	FIN SECT TA	3.4	2.6	credit	06/25/1996	09/03/1996	12/31/2001	12/31/2001	closed
10	SHEEP & WOOL IMPRVMT	11.6	5.8	credit	05/14/1996	09/11/1996	06/30/2001	12/31/2002	closed
11	POWER & DIST HEAT REHAB	35	33.1	credit	05/23/1996	03/18/1997	12/31/2000	12/31/2007	ongoing
12	RURAL FINANCE	16	15.9	credit	06/05/1997	08/08/1997	06/30/2001	06/30/2001	closed
13	PUB SEC RES MGT ADJ	44	43.6	credit	04/16/1997	06/17/1997	06/30/1999	06/30/1999	closed
14	AGRICULTURE SUPPORT SERVICES	15	12.4	credit	05/07/1998	09/21/1998	12/31/2003	06/30/2007	ongoing
15	IRRIGATION REHAB	35	34.6	credit	05/07/1998	09/21/1998	12/31/2004	05/31/2006	closed
16	SOSAC	36.5	36.1	credit	12/10/1998	12/11/1998	06/30/2000	06/30/2000	closed
17	FLOOD EMERGENCY	10	9.5	credit	01/26/1999	04/07/1999	09/30/2001	03/31/2004	closed
18	RURAL FINANCE 2	15	15.2	credit	06/24/1999	03/31/2000	06/30/2004	06/30/2005	closed
19	LAND REGISTRATION	9.4	8.5	credit	06/06/2000	09/14/2000	12/31/2005	12/31/2007	ongoing
20	ON-FARM IRRIGATION	20	18.5	credit	06/06/2000	12/05/2000	03/31/2007	05/31/2008	ongoing
21	CONSLD TA	5	2.6	credit	06/22/2000	09/13/2000	07/31/2004	12/31/2007	ongoing
22	CONSOLIDATION SAC	35	17.2	credit	09/14/2000	09/26/2000	03/31/2002	12/31/2004	closed
23	URBAN TRANS & MAINTENANCE	22	22	credit	08/22/2000	11/17/2000	05/31/2004	11/30/2005	closed
24	HEALTH 2	15	14.7	credit	05/08/2001	10/01/2001	12/31/2005	06/30/2006	closed
25	RURAL WS & SANITATION	15	14.3	credit	12/04/2001	04/26/2002	10/31/2007	10/31/2007	ongoing
26	GOV SAC	20	5.2	credit	05/15/2003	07/30/2003	06/30/2005	10/31/2007	ongoing
27	GOV TA	7.8	1.5	credit	05/15/2003	08/28/2003	12/31/2008	12/31/2008	ongoing
28	VILLAGE INVESTMENT	15.1	10.1	grant	12/16/2003	03/04/2004	08/31/2008	08/31/2008	ongoing
29	DISASTER HAZARD MITIGATION	6.9	1.1	grant	06/15/2004	09/28/2004	03/31/2010	03/31/2010	ongoing
30	PYMNT/BANK SYST MODERNIZAT	9	3.7	credit	03/16/2004	09/23/2004	10/31/2008	10/31/2008	ongoing
31	AGRIBUSINESS & MARKETING	8.1	1.6	credit	12/14/2004	05/02/2005	12/31/2010	12/31/2010	ongoing
32	RURAL EDUCATION	15	3.4	grant	12/14/2004	05/02/2005	03/31/2010	03/31/2010	ongoing
33	SMALL TOWNS INFRA & CAP BLDG	15	4	credit 12/ grant 3	12/14/2004	05/02/2005	03/31/2010	03/31/2010	ongoing
34	HEALTH & SOCIAL PROTECTION	15	2	grant	12/15/2005	06/08/2006	06/30/2011	06/30/2011	ongoing
35	RED TECH BARRIERS FOR ENTREPR & TRADE	5	0.1	grant	07/13/2006	01/16/2007	04/30/2011	04/30/2011	ongoing
36	WATER MGMT IMPROVEMENT	19	0.5	grant	03/29/2006	08/18/2006	12/31/2011	12/31/2011	ongoing
37	VILLAGE INVESTMENT 2	15	0	grant	08/03/2006	12/05/2006	06/30/2011	06/30/2011	ongoing
38	AVIAN INFLUENZA CONTROL	4	0.7	grant	02/09/2006	07/10/2006	12/30/2010	12/30/2010	ongoing
	<b>TOTAL</b>	<b>776.3</b>	<b>604.3</b>						

**ANNEX 3. Execution of PIP Budget (WB-financed projects only)**  
**as of December 31, 2006**  
(in dollars)

№	Project	Internal financing			External financing		
		Planned for 2006	Actual 12 months	Percent of execution	Planned for 2006	Actual 12 months	Percent of execution
1	Disaster Hazard Mitigation Project	47.6	47.6	100.0%	1,485.2	1,485.2	100.0%
2	GSAC Technical Assistance (WB)	109.8	109.8	100.0%	360.0	358.4	99.6%
3	Agribusiness and Marketing Project (grant)	12.2	12.2	100.0%	350.0	345.7	98.8%
4	Agribusiness and Marketing Project (credit)				1,383.3	1 298.2	93.8%
5	Rural Education Project (grant)	106.8	106.8	100.0%	2,498.3	1 652.8	66.2%
6	Health Sector Reform II Project	11.1	11.1	100.0%	527.0	526.8	100.0%
7	Agricultural Support Services Project				1,400.0	1 396.0	99.7%
8	Water Supply and Sanitation Project	4.9	4.9	100.0%	4,840.0	4 837.9	100.0%
9	Avian Flu Project	4.8	4.8	100.0%	870.0	869.5	99.9%
10	Irrigation Rehabilitation Project	147.5	147.5	100.0%	350.0	346.4	99.0%
11	On-farm Irrigation Project	1 239.9	1 239.9	100.0%	6,360.0	6 356.0	99.9%
12	Water Management Improvement Project	3.0	3.0	100.0%	800.0	800.0	100.0%
13	Disaster Hazard Mitigation Project	28.5	28.5	100.0%			
14	Reducing Technical Barriers for Entrepreneurship & Trade Project	0.7	0.7	100.0%	100.0	99.3	99.3%
15	Urban Transport Project	16.1	16.1	100.0%			
16	CSAC TA				195.0	82.4	42.3%
17	Central Asia Transboundary Biodiversity Project				81.0	80.8	99.8%
18	Land and Real Estate Registration	64.6	64.6	100.0%	1,440.0	1 432.9	99.5%
19	Village Investment Project	150.2	150.2	100.0%	5 556.0	5 552.8	99.9%
20	Small Town Infrastructure & Capacity Building (grant)	9.8	9.8	100.0%	535.0	532.5	99.5%
21	Small Town Infrastructure & Capacity Building (credit)				2 500.0	2 487.8	99.5%
22	Power and District Heating Project				5,591.2	4 556.7	81.5%
23	Payment and Banking System Modernization				2,700.0	2 698.4	99.9%
	<b>TOTAL</b>	<b>1,957.4</b>	<b>1,957.4</b>	<b>100.0%</b>	<b>39 922.0</b>	<b>37 796.5</b>	<b>94.7%</b>

## **ANNEX 4: ACTIVE PORTFOLIO PDSs**

### **Agriculture and Rural Development**

- AGRICULTURAL SUPPORT SERVICES PROJECT (CR.30620)
- VILLAGE INVESTMENT PROJECT (IDA GRANT H070-KG)
- DISASTER HAZARD MITIGATION PROJECT (IDA GRANT H0960)
- ON-FARM IRRIGATION PROJECT (CR.33690)
- IRRIGATION REHABILITATION PROJECT (IRP) (CR.30630)
- LAND AND REAL ESTATE REGISTRATION PROJECT (CR.33700)
- AGRIBUSINESS AND MARKETING PROJECT (CR.4015)

### **Infrastructure, Energy and Industry**

- POWER AND DISTRICT HEATING REHABILITATION (CR.28680, 28681)
- TECHNICAL ASSISTANCE CREDIT (CR.3389)
- RURAL WATER SUPPLY AND SANITATION (CR.35790)
- SMALL TOWN INFRASTRUCTURE AND CAPACITY BUILDING PROJECT (CR.H1390)

### **Human Development**

- SECOND HEALTH SECTOR REFORM PROJECT (CR.3506)
- RURAL EDUCATION PROJECT (CR. H1370)
- HEALTH AND SOCIAL PROTECTION PROJECT

### **Macroeconomy/ Governance**

- GOVERNANCE STRUCTURAL ADJUSTMENT CREDIT (CR.3756 KG)
- GOVERNANCE TECHNICAL ASSISTANCE CREDIT (CR.3757 KG)

### **Private and Finance**

- PAYMENTS AND BANKING SYSTEM MODERNIZATION PROJECT (CR 3871-KG)

### **PIPELINE PROJECTS**

- KYRGYZ REPUBLIC: WATER MANAGEMENT IMPROVEMENT PROJECT (recently negotiated)
- REDUCING TECHNICAL BARRIERS FOR ENTERPRENEURSHIP AND TRADE PROJECT (recently negotiated)
- POVERTY REDUCTION SUPPORT GRANT (postponed till next CSS)

### **REGIONAL PROJECTS**

- CENTRAL ASIAN TRANSBOUNDARY BIODIVERSITY PROJECT (KYRGYZ REPUBLIC, KAZAKHSTAN AND UZBEKISTAN) GEF GRANT (22498)
- CENTRAL ASIAN REGIONAL AIDS CONTROL PROJECT (KYRGYZ REPUBLIC, KAZAKHSTAN, TAJIKISTAN, UZBEKISTAN)

### ***Agriculture and Rural Development***

<b>AGRICULTURAL SUPPORT SERVICES PROJECT (CR # .30620)</b>			
Original Credit Amount	\$12.98 million	Approved	7-May-1998
		Signed	22-June-1998
Disbursements:	\$11,66 million (as of February 20, 2006) (\$ 1.32 million available)	Effective	21-September-1998
Percent Disbursed	89.83% (as of February 20, 2006)	Closing Date	30-June 2007
Implementation Agency		Ministry of Agriculture, Water Resources and Processing Industry	
Senior Supervising Official		Saparbek Tynaev, Head of Policy and Investments Department, MAWRPI	
Task Team Leader in the World Bank		Gotz Schreiber	
Government Project Manager		Zahifa Omorbekova, Director APIU	
<p><b>A. Project Objectives:</b> Improve the incentive framework for, and the productivity, profitability and sustainability of Kyrgyz agriculture by assisting the Borrower in: (a) implementing land and agrarian reform and providing support for farm restructuring; (b) providing emerging private farms with advisory and development services and training in appropriate improved production technology and practices; (c) promoting the development of a viable seed industry; (d) establishing the legal framework institutions and procedures for plant protection and plant quarantine services; (e) establishing an agricultural market information system; (f) enhancing the institutional capacity of MAWRPI, and (g) rehabilitation of protection embankments and cleaning of Kugart River bed.</p>			
<p><b>Achieving of development objectives: Satisfactory</b></p>			
<p><b>B. Current Status of Implementation:</b></p> <p>With two exceptions, all project activities are being implemented as agreed and on schedule, and 2005 budget utilization was in line with approved plans. One exception is the relatively poor utilization of the credit line provided by IFAD to KAFC for group lending to poor rural households, where the lending portfolio is well below the target. The other concerns the newly added flood repair works on the lower Kugart river, where the contractor has been unable to mobilize sufficient transport capacity to bring quarry rocks to the work site in the needed quantities and on schedule. Therefore, the this work has been extended into the first quarter of 2006 although it should have been completed in 2005. Otherwise, the difficulties encountered in the early project years have long been left behind, due especially to the effective leadership and management of the APIU Director and the backing provided to her by the leadership of MAWRPI. The sustained growth in agricultural productivity and production, the evident progress in crop diversification, the advances made in upgrading technical and staff capabilities to international standards and in securing Kyrgyz membership in various international conventions and associations are due in considerable measure to the work carried out under the project and under other donor's projects that linked up with it. Project finances and procurement continue to be managed very effectively.</p> <p>Following the events of mass land seizure in March-April of 2005, the Government requested to extend the project closing date to June 2007 and to allocate funds for completion of cadastral works for the Gosregister and in cooperation with the Land and Real Estate Registration Project. Also, at the request of the Borrower a component on pilot pasture management and improvement has been added under the IFAD loan, which co-finances the ASSP. This will also continue to support the Rural Advisory Services until a follow-up project is made operational. Legal agreements on extension of credit and loan both have been signed now.</p> <p>Finally, a decision has been made to reallocate \$1.0 million from ASSP IDA credit to recently negotiated project on Avian Influenza. These funds would have otherwise been left utilized by the end of the project.</p> <p><b>Land and Agrarian Reform (LAR)</b> In 2005 the LAR team focused on training local trainers and leaders in 50 more rural communities (<i>aiyl okmotus</i>) and restructuring 10 large farms in Chui oblast where management had so far resisted real restructuring. These efforts were effective, and the agreed work program has been implemented according to schedule. The other major activities – monitoring the land reform process and results and providing legal assistance to farmers -- have been continued effectively. The work has progressed well and been greatly appreciated by the villagers.</p>			
<p><b>Rural Advisory Services.</b></p> <p>Despite hitting several road bumps, the service continues to move forward. It functions as a group of closely linked, but legally autonomous institutions at the regional level, with a national coordinating unit (RASCO) and a training center (ATC) providing support to the entire system, which is now organized as a national Association of Rural Advisory Services (ARAS). Farmers' steering councils at the rayon, oblast and national levels guide and supervise its work; of the roughly 500 members of these councils some 30% are women. The seven regional RASs have adopted participatory approaches to planning their work and are seeking dialogue with farmers, rather than instructing them on what to do. RAS has widened the scope of its advice to include not only farming technologies and practices, but also home processing and information about input suppliers and prices. It is active in assisting farmers to form groups that can more easily access advice, credit, inputs and information. It issues and sells regional newsletters, broadcasts messages by radio and television, prepares and disseminates informational booklets on commodities and practices, and operates a useful website. Using the so-called "mandate system", it manages its work planning and budgeting as a system of contracts which seek to take into account not merely the cost of activities but also their outcome and impact. It continues to look for opportunities to assure its funding once external donor support comes to an end, having introduced membership fees and nominal payments for training courses and extension material. The service has, thus, achieved much over the past years in terms of institution building as well as of serving farmers with relevant advice. Outreach and coverage continue to expand. 854 villages (out of about 1800 nationwide) had regular, scheduled visits from RAS field agents and over 36,000 households had direct and repeated contact with a RAS agent.</p>			

<p>A total of 2,434 formal groups are now receiving regular advisory and training support, and many are progressing to more formal levels of cooperation.</p>
<p><b>Farmer Development Fund.</b> Some progress has been made since the last supervision mission. Of the total amount of Som 101.7 million (US\$2.25 million) provided to KAFC for non-collateralized group lending about Som 56.7 million were outstanding as of December 23, 2005. Although this is a marked improvement since last May, it still indicates a substantial gap between the funds provided and the funds used for this lending facility for poor rural citizens. KAFC is working now on expanding its group lending to agreed amounts while retaining focus on high quality portfolio with consistently high repayment rates (95%-97%).</p>
<p><b>Seed Sector Development</b> Progress continues to be satisfactory. Most of the investment activities foreseen under the Project, including building refurbishment, provision of equipment, training and technical assistance, and provision of some operating costs have now been completed. Further funding will now focus on: (a) continuing support for work on the legal and regulatory framework, (b) some support for the operations of the SAK, (c) additional costs associated with ensuring ISTA accreditation, including payment of membership fees, and (d) costs of continued monitoring of the Community Seed Funds program. Priority project activities will include: completing the requirements for ISTA accreditation; participation in the international seed trade meetings in Turkey and organization of the regional seed meeting in Osh; submission of the revised Seed Law to the government for consideration; continuing efforts to put a royalty collection system into operation and to establish the Association of Plant Breeders; re-activating the National Seed Council; completing the registration of Community Seed Funds and establishing a national Association/Union of Community Seed Funds; and refurbishing the cotton seed testing laboratory in Jalalabad, possibly coupled with some seed testing equipment for the Talas seed testing laboratory.</p>
<p><b>Plant Quarantine &amp; Crop Protection</b> The activities and investments have been successfully completed. Laboratories and office facilities have been refurbished and equipped, staff has been trained, and the facilities are operating effectively. <b>Kyrgyz Agricultural Market Information System (KAMIS)</b> KAMIS continues to diversify its commercial operations, including client-specific market research on demand, so as to reduce its dependence on the contract with MAWRPI under which it collects and disseminates market information throughout the country. <b>Flood Damage Repair.</b> The works on the lower Kugart river are being implemented well, but are now behind schedule due to the contractor's inability to mobilize a sufficient number of heavy trucks to bring quarry stone to the work site on time. The Irrigation PIU now anticipates that the works will not be completed until February or March 2006.</p>
<p><i>Progress in implementation: satisfactory</i></p>
<p><b>C. Critical Issues:</b></p> <ul style="list-style-type: none"> <li>• Tendering process for the cadastral works has been delayed because the methods of procurement and respective ceiling amounts approved previously had to be reconsidered to fit the new project activity. Now, as the ceilings have been increased by the IDA, the APIU has to proceed quickly with tendering the works.</li> <li>• The ASSP funds need to be allocated to support AI activities.</li> <li>• Completion of works on Kugart River has been shifted a few times and it should definitely be completed now within the first quarter of 2006.</li> </ul>
<p><b>D. Next Steps and Recommendations:</b></p> <ul style="list-style-type: none"> <li>• APIU to launch a tender, select the contractors and start the cadastral works as soon as possible.</li> <li>• IDA and Government to make appropriate changes to legal agreement for reallocation of ASSP funds to AI activities.</li> <li>• Kugart River contract is completed as per revised plan before the spring floods.</li> </ul>

<b>KYRGYZ REPUBLIC: VILLAGE INVESTMENT PROJECT (IDA GRANT H070-KG)</b>			
Grant Amount	\$ 15.1 million	Signed	23-December-2003
Disbursements:	\$ 5.66 million (as of Feb. 20, 2006)	Effective	04-March -2004
In per cent to the grant amount	37.48 %	Closing Date	31-August-2008

Implementation Agency	ARIS
Supervising Committee	ARIS Supervisory Board
Task Team Leader in the World Bank	Gotz Schreiber
Government Project Manager	Elmira Ibraimova, ARIS Executive Director
<b>A. Project Objectives:</b>	
The aim of the project is to contribute to the alleviation of rural poverty by: (i) improving governance and capacity at the local level; (ii) strengthening the provision of, and access to, essential infrastructure services; and (iii) supporting private small-scale enterprise development.	
<i>(1) Achievement of development objectives: highly satisfactory</i>	
<b>B. Current Status of Implementation</b>	
<p>The project continues to make an excellent progress with expansion of coverage into 347 ail okmotus or 73% of the whole country. In 2003-2005, under the <b>Village Investments component</b> the participating communities implemented 1,565 microprojects, of which 1,303 are completed. In 2005 alone communities have approved 1,095 microproject proposals for implementation and have completed 951 of them. Among the microprojects selected by the communities in 2003-2005 the highest priority were given to school repairing (293), rural information resource centers (179), installation of electric power transformation substations (124), roads repair (98), repair of primary health care centers (95), clubs and gymnasiums (87), drinking water (86), irrigation network (85), etc. A prominent priority has also been given to income generating microprojects (201) in various areas, from services to production.</p> <p>Pace in disbursement of IDA funds is exceeding the initially projected amounts and has reached KGS 203.1 million (about \$5 million) since project's start, of which KGS 143 million have been disbursed in 2005. This has been matched by active community contributions often by far exceeding the required minimum levels. As of January 1, 2006 communities contributed KGS 73.7 million, i.e. 36.3% of ARIS disbursements. Just in 2005 cash and in-kind contributions amounted to KGS 57 million. Communities managed also to attract additional resources from other donors for microprojects implementation.</p> <p>Under the <b>Capacity Building component</b> since 2003 some 980 (625 in 2005) trainings and seminars have been delivered with participation of about 23 thousand people. More than 800 consultations were conducted for microproject groups in all seven oblasts. As a result of internally built-up capacity through Training-of-trainers (ToT) program, 90% of all seminars and trainings in 2005 were held by ARIS staff (CDSOs). This is by 57% more than in 2004 and clearly proves high efficiency of ToTs held in February and March of 2005. Three seminars on Participatory monitoring and evaluation were held for the staff of the Eastern, Southern and Northern regional offices in the second half of 2005.</p> <p>On public information and awareness side, more than 18 000 information materials in Russian and Kyrgyz were distributed in 226 communities. More than 100 articles and interviews on ARIS activities were published in print and Internet publications. Six ARIS information bulletins were issued in Kyrgyz, Russian and English with the total circulation of 13,300 copies. Three books under the "ARIS Library" series, namely 2 handbooks on social infrastructure and income-generating microprojects (2,000 copies) and a handbook "Women's fate: real stories" on women's involvement in project activities, as well as a "Handbook of Local Kenesh Deputy" and 3 500 information leaflets on Village Investment Project were issued. Also, three television films on communities' activities under the VIP were made.</p>	
<i>(2) Progress in implementation: highly satisfactory</i>	
<b>C. Critical Issues:</b>	
<ul style="list-style-type: none"> <li>The excellent project performance to date has generated very strong demand for accelerating the expansion of community coverage. An expansion more rapid than planned at appraisal has been agreed to, but funding constraints pose a limit on more rapid expansion.</li> <li>The project agreements do not require any significant counterpart contribution from Government, but consideration should be given to channeling at least part of the Stimulation Grants through ARIS so as to allow the addition of more communities to the program each year. This would also provide an opportunity to develop an effective mechanism for governmental financing of decentralized local development, an essential dimension of fiscal and administrative decentralization.</li> <li>Caution needs to be exercised to ensure that acceleration of project coverage does not lead to quality deterioration and implementation difficulties.</li> </ul>	
<b>D. Next Steps and Recommendations:</b>	
<ul style="list-style-type: none"> <li>Government should consider augmenting ARIS funds by allocating at least part of the Stimulation Grants each year to ARIS for funding additional community investment plans.</li> </ul>	

<b>KYRGYZ REPUBLIC: DISASTER HAZARD MITIGATION PROJECT (IDA GRANT H0960, PHRD № TF053437, GEF-MSP № TF055171)</b>			
Grant Amount	\$ 6.9 million (IDA) \$ 1.9 million (PHRD)	Signed	23-July-2004
Disbursements as of 02.20.2006:	\$ 0.65 million (IDA) \$ 0.652 million (PHRD)	Effective	28-September -2004
In per cent to the grant amount	9.42% (IDA) 34.3% (PHRD)	Closing Date	31-March-2010

Implementing Agency	Ministry of Emergency Situations
Task Team Leader	Joop Stoutjesdijk
Project Director	Anarkul Aitaliev, Director of Department of Emergencies Monitoring and Forecasting and Mining Tailings Management
Project Manager	Gulbara Tagaeva
<p><b>I. A. Project Objectives:</b> The project development objective is 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; (ii) improve the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; (c) reduce the loss of life and property in key landslide areas of the country. The project amounts to the total funding of USD10.95 million and USD 1 million of GEF funds.</p> <p>These objectives will be accomplished through key mitigation measures designed to: (i) isolate and protect abandoned uranium mine tailings and waste rock dumps from disturbance by natural processes, and from leaching and dispersal processes associated with ground-and surface-water drainage; isolate long-standing hazards and prevent their disturbance; (ii) create an effective disaster management and response system; (iii) develop a system to detect and warn against active landslide movements in about 20 key hazard areas.</p> <p style="text-align: center;"><i>(I) Achieving of development objectives: Satisfactory</i></p>	
<p><b>B. Current Status of Implementation:</b> Considerable progress has been achieved over the past months, although no physical intervention has been implemented in the town of Mailuu-Suu. Two consulting companies have been mobilized to assist the MoE with implementation of the project. One team of consultants has achieved good progress in implementation of surveys and/or design of projects for activities in the area of prevention of landslides, bank protection, tailings and refuses. The procedure of bidding for the first two packages of works has been completed. Consultants have also been mobilized to assist with elaboration of improved disaster management and response measures. This contract for consulting services is jointly financed by the IDA and ADB. Crisis Management Center (CMC) units have been established under all MoE branches. The project assists the MoE with the organization of the Crisis management Center. Renovation of the CMC's premises has been partially financed by the IDA. Standard sets of computer equipment and furniture have been procured in early 2006. The MoE management views the CMC as a critical center not only in case of emergency, but also for regular monitoring data transfers from rayons to the GIS center, which will also be a part to the CMC.</p> <p>Now the project has sufficient human resources for design and implementation of the landslide prevention activities under the project.</p> <p>The work plan and budget for 2006 have been submitted. Successful implementation of the work plan will require considerable efforts of all the partners under the project, including the MoE, PIU staff, consultants and contractors.</p> <p><i>Progress in implementation: Satisfactory</i></p>	
<p><b>C. Critical Issues:</b></p> <ul style="list-style-type: none"> <li>The company contracted for supervision of design and construction works under Component 1 must provide improved overall rehabilitation strategy that will have to be approved by the PIU and IDA. The GeoConsult/VisuTech joint venture has come up with a proposal to arrange for a workshop to present and discuss the final version of the feasibility study and rehabilitation plan in Germany/Austria. This workshop might include site visits to the ongoing reclamation projects at radioactive tailings and dumps of Bismuth, to ensure implementation of the training component for the selected PIU staff and provide practical view on actual activities.</li> </ul> <p>The project still needs an elaborate strategy of raising public awareness of the project, which must be implemented not for the purpose of frequent resorts to emergency actions, but for explanation and advocacy of the project activities. This will provide the PIU staff with an opportunity of implementing these activities based on clear understanding, clearly formulated goals and objective that must be consistent with the specific needs and conditions, and applicable to the relevant approaches and methodology that meet public demands. In addition to above, outcomes of activities and continuous monitoring of the project outcomes are also important, as well as the regular feedback with local communities. Finally, this will provide the PIU with an opportunity of designing annual work plan based on clear and comprehensive strategy to raise public awareness and disseminate information. It has been agreed that the Department of Emergencies Monitoring and Forecasting and Mining Tailings Management (DEMFMTM) / PIU will consider the project awareness raising and public relations requirements, and develop comprehensive campaign to raise awareness of the Government, Mailuu-Suu residents and other stakeholders of the Project activities on regular basis.</p>	

**D. Next Steps and Recommendations:**

- *The Tectonic Triangle.* The design for the unloading of the Tectonic Triangle that threatens with shifts is completed. The design has included rational method of costing the works to unload the unstable part of the landslide with maximum mobilization of the available local machinery and equipment, with due account for stability and safety of works, as well as the access road leveling works. A contract for partial unloading of the Tectonic Triangle landslide has been awarded to the *NarynHydroEnergoStroi* JSC on November 24, 2005, with mobilization scheduled on March 2006, and works planned to launch on April 1, 2006 and close on November 20, 2006.
- *Bank protection works on the Ailampa-Sai river.* It has been additionally agreed that consultants hired under the first component will also consider a possibility of moving two tailings to a safer place. These tailings are relatively small, and the materials they contain are not very toxic. This means there is an opportunity of moving these materials without troubling the adjacent tailings. Before this option could be considered, technical and environmental parameters must be examined thoroughly in accordance with the conditions of moving the tailings as specified in the Development Grant Agreement. It is unlikely that any of the option may be fully implemented until the next flood season. Design and survey works will therefore be conducted to identify temporary bank protection measures before the floods start, so that to have a possibility of coming up with the best long-term solution in the future. Appropriate procurement method will be agreed upon later on, depending on the cost of works.
- The deadlines for submission of bid projects and documents for *tailings piles 1, 2 and 6* to the PIU: March 2006.
- For bank protection works on the tailings 5 and 7, the PIU requested the joint venture to include into the project access road from the village of Karagach to the tailings, which is the link to the main road north of tailing 7. The PIU has provided the joint venture with the existing scheme of the Naryn hydroelectric power station to simplify this assignment.

<b>KYRGYZ REPUBLIC: ON-FARM IRRIGATION PROJECT (CR.33690)</b>			
Credit Amount	\$ 20.00 million (IDA)	Approved	06-June-2000
		Signed	29-June-2000
IDA Disbursements:	\$ 12.40 million (as of February 20, 2006) (\$ 8.95 million undisbursed)	Effective	05-December-2000
In percent of the credit amount (IDA)	62%	Closing Date	31-March-2007
Implementation Agency	Department of Water Resources, Ministry of Agriculture, Water Facilities and Processing Industry of the KR		
Senior Supervising Official	Jenishbek Bekbolotov, Director General, Department of Water Resources, Ministry of Agriculture, Water Facilities and Processing Industry of the KR		
Task Team Leader in the World Bank	Joop Stoutjesdijk		
Government Project Manager	Asirardin Kichibaev Nurlan Jailobaev	IRP PIU Director IRP PIU Deputy Director	
<b>A. Project objectives:</b>			
The development objective of the project is to achieve increased crop production through reliable and sustainable water distribution on about 120,000 ha of irrigated land across the country's seven oblasts.			
<i>(2) Achieving of development objectives: Satisfactory</i>			
<b>B. Current Status of Implementation:</b>			
The project has progressed from unsatisfactory implementation status in 2005 to satisfactory status in 2006. WUA support units have made a great effort over the past few months to assist WUAs. Over 9,000 persons have been trained in 2005. The total number of people trained over the period of 2002-2005 is therefore 32,000. These statistics are an impressive evidence of an important role of support units in assisting WUAs to learn the ways of working to develop into sustainable associations.			
WUA creation, registration, and strengthening continue to move forward. To date, about 419 WUAs have been legally created and independently serve 708,000 ha of irrigated land, which equals to 69 % of total irrigated area in the country. The rehabilitation works are ongoing under the Project.			
Fifteen rehabilitation contracts have been completed and 44 contracts are ongoing. Biddings documents are being prepared for four more contracts. It will not be possible to cover some of the earlier listed WUA's because of the growing expenditures and decreasing amount of available funds. The list of WUA's selected for rehabilitation was narrowed down to 63. A total of USD 6.7 million has been disbursed under the Project in 2005.			
<i>Progress in Implementation: Satisfactory</i>			
<b>C. Critical Issues</b>			
<ul style="list-style-type: none"> <li>• It appears preliminary now to integrate support units into financial structure of the DWR. It is recommended to keep the existing structure of the WUA support units for the next eighteen months.</li> <li>• Weak capacity of contractors and wide spread of objects under rehabilitation and short period for construction due to seasonal irrigation specifics.</li> <li>• A number of legal issues remain unresolved, with respect to transfer of ownership of irrigation infrastructure and WUA taxation.</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>• Success of the project and high demand for WUA's support, which are an obvious evidence of the benefit reaped by farmers from the project, provide serious grounds for the Government to look forward to further financial donor support.</li> <li>• The project needs to be extended for fourteen months (since March 31, 2007 to May 31, 2008), yet the final decision will be made during the next Supervision Mission in May 2006.</li> <li>• New training materials need to be developed to meet the rapidly changing needs of WUAs. It is necessary to draft water use materials and deliver the training course.</li> <li>• Review ten poorly implementing contracts and decide on their accomplishment.</li> <li>• Place more emphasis on the project M&amp;E and impact assessment.</li> <li>• Conduct a study in more detail to assess impact of rehabilitation and modernization of irrigation infrastructure.</li> </ul>			

<b>KYRGYZ REPUBLIC: IRRIGATION REHABILITATION PROJECT (IRP) (CR.30630)</b>			
Credit Amount as of 12.31.2005	\$ 35.00 million (IDA) \$ 6.6 million (GOV) Total: \$ 41.6 million	Approved	7-May-1998
		Signed	22-June-1998
Disbursements:	\$34.6 million (IDA) (\$0.7 million undisbursed)	Effective	18-September-1998
In per cent to the credit amount	98.8 %	Closing Date	31-May 2006
Implementation Agency	MAWRPI, Department of Water Resources		
Senior Supervising Official	Jenishbeck Bekbolotov, DWR Director-General		
Task Team Leader in the World Bank	Joop Stoutjesdijk		
Government Project Manager	Asirardin Kichibaev	PIU Director	
<b>A. Project Objectives:</b>			
<p>The development objective of the project is to increase the productivity of irrigated agriculture in the project area through improved water supply and safety and reliability of operation of the rehabilitated dams and flood protection works. Progress towards this objective would be measured by guaranteed water supply to the irrigated area of more than 700.0 thousand hectares, safety of millions of residents in the water storage basin command areas based on: (i) the increase in volumes of water delivered to the boundary of farms, individual farmers and WUAs upon completion of rehabilitation work; (ii) improved reliability of operation of water storage basins; and (iii) protection of the population of the village of Suzak from floods.</p> <p>(3) The project is in an advanced stage of completion and is expected to meet its development objectives. The project closing date has been extended to May 31, 2006, to allow for completion of two large dam sub-projects. Since the start of the project, twenty-one irrigation and three dam sub-projects, thirty-five maintenance sub-projects and six flood-related sub-projects have been completed at a total cost of USD 28.3 million. The completed works benefit over 700,000 ha, and cleaner and increased water suppliers guarantee sustainable yields of agricultural crops.</p>			
<b>Achieving of development objectives: Satisfactory</b>			
<b>B. Current Status of Implementation:</b>			
<p>The Irrigation Rehabilitation Project is expected to close on May 31, 2006. Three dam sub-projects, technically sophisticated works on Papan and Karabura Dams, as well as twenty-one irrigation, thirty-five maintenance, and six flood-related sub-projects have been completed. Works are still ongoing on two irrigation schemes (Myrza and Besh-Batman) to eliminate defects revealed by working commissions; remaining land improvement works are being completed on two dams (Papan and Karabura), piezometers are installed on Papan dam, and open pits are under reclamation on Karabura dam – these are expected to be accomplished by May 2006.</p> <p>There has been quite a good progress in implementation of two dam contracts over the past two months. Thanks to efforts of the PIU and contractor, and good weather conditions, all works on installation of cutoff wall on Papan dam, and drainage fill and concrete works on Karabura dam have been completed by December 31, 2005.</p> <p>The Independent Expert Panel has favorably appreciated the accomplished antifiltration activities on Papan dam and ascertained efficiency of the watertight curtain walls. The depression curve in the downstream face of the dam has decreased considerably; no local water penetration points have been observed so far in the downstream face of the dam; total volume of seepage flows through the dam and edge abutments has decreased several times.</p> <p>Meetings with participation of the President of the Kyrgyz Republic have been held on the Papan and Karabura dams to celebrate successful completion of the works.</p>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>• <i>Completion of all works; installation of telecommunication facilities.</i></li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>• The PIU to review the budget and purchase computers for all rayon offices if sufficient funds are available.</li> </ul>			

<b>2. KYRGYZ REPUBLIC: LAND AND REAL ESTATE REGISTRATION PROJECT (CR.33700)</b>			
Credit Amount	\$9.42 million	Signed	29-June-2000
Disbursements:	\$7.33 million (as of February 20, 2006) (\$2.84 million is undisbursed)	Effective	14-September-2000
In per cent to the credit amount	77.81 %	Closing Date	31-December-2007
Implementation Agency	State Agency for Registration of Rights in Immovable Property (Gosregister)		
Senior Supervising Official	Mr. Adamjan Joldoshev, Director of Gosregister		
Task Team Leader in the World Bank	Ms. Jessica Mott		
Government Project Manager	Ms. Junus Kalberdiev, Director of PIU		
<b>A. Project objectives:</b>			
<p>The primary objective of the Project is to support development of markets for land and real estate and the more intensive and effective use of land and real estate through the introduction of a reliable and well-functioning system for registration of rights in immovable property. An additional objective of the Project is to improve the quality and reliability of the information required for the country's fiscal cadastre and other land management activity. This is attained through providing base mapping and a complete record of properties and their owners.</p>			
<i>(1) Achieving of development objectives: Highly Satisfactory</i>			
<b>B. Current Status of Implementation:</b>			
<p>The outputs originally expected of this project are already achieved. The level of sporadic registration continues to grow, and as of February 15, 2006 reached 537,304, of which 257,237 were secondary transactions. The cumulative number of mortgages registered since the opening of the registration system amounted to 128,905. The program of systematic registration in urban areas and settlements is completed.</p> <p>Under the program of systematic registration of land shares (rural systematic registration) as of February 15, 2006 additional 371,009 properties have been surveyed and 339,225 of them were prepared for registration. Recent events on land seizure- that the Bishkek office of Gosregister handled with exemplary effectiveness in terms of information support- have highlighted the issue of land distribution and land titling. The project team is aimed at completing the systematic registration of rural land across the country by the end of the project in 2007.</p> <p>Work on development of the financial sustainability strategy for Gosregister is coming to its completion. SwedeSurvey technical assistance team together with a team from the PIU and Gosregister has developed draft strategy. The strategy is being finalized by Gosregister and IDA.</p> <p>The implementation of the Automated Registration System (ARS) initiated in 2002 has been completed in the first 7 offices. Installation of the ARS has progressed furthest in the Bishkek city office, where it has already made a significant impact on productivity. During 2006 it is planned to expand the ARS in its second phase to additional 10 registration offices. These will be: Jalal-Abad, Jaiyl, Moskovski, Kara-Suu, Suzak, Uzgen, Naryn city, Talas city, Kochkor, and Issyk-Kul rayon. Introduction of the KLIS is dependent on progress in implementation of the ARS and also needs to be coordinated with the financial sustainability plan for Gosregister that is currently being developed.</p>			
<i>b) Progress in implementation: Satisfactory</i>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>• The main issue for the Project as it moves into its final two years of implementation is development of a long-term business plan for Gosregister that incorporates a coherent and sustainable plan for automation and introduction of improved information systems along with the broader economic development goal of simplifying procedures associated with registration and reducing the costs of transactions in immovable property. This is a complex task, but with the appropriate focus and resources it can be solved.</li> <li>• Problems related to registration of land rights relate to the fact that in some cases, primarily in Chui Oblast, the land shares have not been delineated on the ground, but rather allocated to larger fields that are farmed in common. In those cases, the systematic registration program identifies the land share to the field. However, ail okmotu have reallocated these land shares to different fields and may continue to do so in the future. In this case there is a danger that the registry of rights will not be updated and discrepancies will develop between the registry and the situation on the ground. The rural systematic registration program is utilizing the principle of approximate boundaries. That is, the precise location of the boundaries is not fixed. Fixing the boundaries would be prohibitively expensive and time consuming given the available funds and the objective of the Government to complete the registration of land shares within a reasonable time frame.</li> <li>• To assist in resolving the issues in particularly problematic areas of Chui and Issyk-Kul oblasts, the ASSP project has allocated funds for cadastral works that needs to be carried out in close coordination with Gosregister and LRERP staff.</li> </ul>			

**D. Next Steps and Recommendations:**

- Although the original project objectives have been met, the remaining funds, time and team effort should be devoted to completion of the rural systematic registration, to implement the automated system and to develop a sustainable customer friendly registration system.
- Maintain good coordination with ASSP for successful completion of cadstral works and subsequent registration of land shares.

<b>KYRGYZ REPUBLIC : AGRIBUSINESS AND MARKETING PROJECT (IDA 40150-KG AND TF 053554)</b>			
Project Amount	IDA: US\$ 8.10 million PHRD: 4.75 million Gov. KR: US\$ 0.125 million Total: 12.975 million	Signing date	03 -Feb –2005
Disbursements:	\$ 0. 85 million (including IDA US\$0.26 million, PHRD US\$0.58 million, Government of KR US\$0.012 million)		
In per cent to total of IDA, PHRD, GOK	6.55 %		
		Effective Date	2-May-2005
		Closing Date	31-Dec-2010
Implementation Agency	Not applicable		
Senior Supervising Official	Mr. Azamat Dikambaev, Acting State Secretary of the Ministry of Economy and Finance		
Task Team Leader in the World Bank	Mr. Eustacius N. Betubiza		
Government Project Manager	Ms. Bernmet Musakojoeva, Director, CLMU		
<b>A. Project Objectives:</b>			
<p>The Project objectives are to expand the level of activity of processing, marketing, and trade enterprises, to increase the number and economic importance of producer organizations, and to improve the functioning of markets and trade linkages between producers, and primary and secondary level trade organizations. This will be achieved through:</p> <ul style="list-style-type: none"> <li>i) Providing capacity building assistance to identified private sector clients in areas such as business planning, sales and marketing</li> <li>ii) Providing stronger linkages between Kyrgyz suppliers and both domestic and foreign markets</li> <li>iii) Addressing identified bottlenecks in public sector infrastructure and Government policy associated with marketing of agricultural and food commodities</li> <li>iv) Providing investment and working capital funds via participating financial institutions (PFIs)</li> <li>v) Providing technical assistance to PFIs concerning lending to the agro-processing and marketing sectors</li> </ul> <p>The Project directly addresses the number one priority identified in the CAS – promotion of private sector-led growth – through better utilization of business opportunities in agriculture and agro-processing industry.</p>			
<i>(1) Achieving of development objectives: -</i>			
<b>B. Current Status of Implementation:</b>			
<p><b>Market Development Component</b>, after long delays related to a nomination of the ABCC Director, is picking up on implementation work. The ABCC and MDS have now been staffed with core personnel, including the Director of ABCC, Deputy Director, Assistant Director, Procurement specialist, Accountant, Manager of local consultants, Lawyer, Office-manager, Director of MDS, Analyst, 3 SPOs, and cleaner. An international adviser has been hired and is helping in start-up and strengthening of ABCC operations. The Center was given adequate office space of 267 sq. meters on 102 Bokonbaeva street, which have been fully renovated. Procurement of office equipment, furniture, and vehicles for the central office are completed. Activities have been launched on opening of the Southern Office of ABCC in Osh.</p> <p><b>Access to Credit Component.</b> Plan of trainings in investment lending for commercial banks has been agreed and approved. An international consulting firm and two local individual consultants for delivery of such trainings are selected and hired. The first two of week-long training sessions were conducted in January 2006 with participation of 31 credit specialists from Ineximbank, Kyrgyz Agricultural Finance Corporation (KAFC) and Kyrgyz Investment and Credit Bank (KICB). Four more such training sessions and two weeks of practical assistance to PFIs are planned for 2006. Overall, under the investment lending training a total of 150 loan officers is expected to be trained, both in the PFIs and other interested commercial banks.</p> <p><b>Project Monitoring and Advisory Office Component</b> A Project Monitoring and Advisory Office (PMAO) has to be established in the MAWRPI consisting of three staff: director, monitoring specialist and assistant. The primary function of the PMAO is to serve as liaison between the MAWRPI and the MEDIT on implementation of the Market Development Component, and in particular ensure information flow between the ABCC and the MAWRPI. This has not been done yet pending the operation of the Market Development Component. With the start of ABCC activities, PMAO can now be staffed with appropriate personnel.</p>			
<i>(2) Progress in implementation: Not yet applicable</i>			

**C. Critical Issues:**

- 1) The Supervisory Board of ABCC was not staffed in strict conformance with the minutes of the project negotiations. The last mission pointed this out again and the Chairman of the Board has agreed to make appropriate corrections to the Board's the membership.
- 2) ABCC needs to carry out diagnostics of its potential clients for technical assistance with the help of an international firm. The diagnostic work should result in packages of required TA services, which will be tendered among qualified international consultants. The IDA has given its no objection to TORs on diagnostics and management consultancy and training work. ABCC has now to proceed swiftly with contracting the consultants and start the diagnostics work.
- 3) Opening of the Osh office requires some legal paper work, including the passage of the Government's resolution. ABCC has drafted already the necessary documents and sent for no objection to IDA. Upon receipt of IDA's no objection, government should adopt the respective resolution.
- 4) Due to recent management changes in KAFC, which has been undertaken in a manner not acceptable to IDA under the Second Rural Finance agreement terms, the IDA has excluded KAFC from participation in the credit line under the ABMP. This can be rectified upon resolution of the management issue at KAFC to IDA's satisfaction.
- 5) The MAWRPI has proposed new TOR for PMAO with expansion of its personnel from 3 to 5 people. The proposed changes both in the number of personnel and in the TOR are not acceptable to IDA. A letter in this respect was sent to MAWRPI but the latter has requested for further discussions.

**D. Next Steps and Recommendations:**

- i) Government to change the membership of ABCC Supervisory Board in accordance with the minutes of the negotiations
- ii) ABCC to hire international consultancy firm for diagnostics work.
- iii) IDA to issue no objection for opening of Osh office of ABCC; ABCC to proceed with next steps.
- iv) IDA and MAWRPI to agree on PMAO TOR and staffing.

**Infrastructure, Energy and Industry**

<b>KYRGYZ REPUBLIC: POWER AND DISTRICT HEATING REHABILITATION (CR.28680, 28681)</b>			
Credit Amount	\$35.78 million	Approved	23-May-1996
		Signed	03-July-1996
Disbursements:	\$28.66 million	Effective	18-March-1997
In per cent to the credit amount	80.10%	Closing Date	31-December-2007
Implementation Agency	JSC "Power Plants", JSC "Severelectro", JSC "Vostokelectro", JSC "Oshelectro", JSC "Jalal-Abadelectro"		
Senior Supervising Official	Akylbek Japarov, Minister of Finance		
Task Team Leader in the World Bank	Raghuveer Y. Sharma		
Government Project Manager	S. Balkibekov, S. Osmonov, T. Tursunbaev, A. Attokurov, A. Tynaev	General Directors of the implementing companies	
<b>A. Project Objectives:</b>			
<ul style="list-style-type: none"> <li>• to restructure the electricity utility along commercial lines and introduce appropriate financial and commercial management;</li> <li>• to reduce power and heat losses and improve the power and district heating system efficiency and reliability;</li> <li>• to reduce the adverse environmental impact of the power and heat facilities.</li> </ul>			
<i>Achieving of development objectives: Satisfactory</i>			
<b>B. Current Status of Implementation:</b>			
<p><b>The Project Closing Date was extended by two years from December 31, 2005 to December 31, 2007. The extension was requested by the Borrower and the Bank agreed with this request due to rationale described below.</b></p> <p><b>The country is facing a crisis in its energy security. The extension enables the use of more coal in the thermal power plant including installation of coal handling equipment and systems and therefore be able to manage the energy crisis better. Bishkek thermal power plant is a strategic asset in the country's power/energy system as it supplies electricity and space heat in the winter. Efficient operation of this thermal plant is also critical for regional water resource use. Without the operation of this plant, the option would be to use hydroelectricity which means water releases in quantities much more than designed optimum that would result in flooding in neighboring countries, especially Kazakhstan.</b></p> <p><b>A second component of the project that the extension enables the completion of is the Loss Reduction in Distribution. The system is experiencing high level of losses, ranging from 40% to 50% over the last five years, and in recognition of this the Project was restructured to finance this program on a pilot basis. Reduction in losses also means meeting energy needs at lower resource use and thus an additional way to manage the energy crisis that the country faces. Moreover, loss reduction would enable the power sector to become more sustainable, and also have macro benefits (by contributing to the reduction of Quasi Fiscal Deficits).</b></p> <p><b>Borrower and the Implementing Companies (ICs) cannot finance the critical investment under the Project themselves and require firm commitment for continued World Bank financing.</b></p> <p><i>The generation component</i> comprises: (a) rehabilitation of boilers; (b) rehabilitation of coal handling equipment; (c) upgrading the instrumentation; (d) installing emission monitoring equipment; and (e) technical assistance for project engineering and financial management.</p> <p><i>The distribution component</i> comprises: (a) installation of meters on the secondary 10/6kV feeder side (at 400 V) of the secondary distribution transformers, to be able to measure the amount of power delivered to consumers; (b) re-metering at the retail (individual consumer) level, to enable successful commercial operations; (c) installation of computerized billing systems, including purchase and installation of computer hardware and necessary software as well as training for each of the distribution companies; and (d) technical assistance for project engineering and management, and financial management, including auditing.</p>			
<p><i>Financial Aspects:</i> For 2004 and 2005, the financial situation of the Kyrgyz electricity supply industry continued to be difficult due to high system losses, poor billing and collection practices, and inadequate tariffs. Tariff adjustments that were agreed under the CSAC program and included in the Medium Term Tariff Policy have not been made since March 2002. Cash collections did improve slightly, however, overall billings and collections are still low.</p>			
<i>Progress in implementation: Satisfactory</i>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>• It is necessary to design and implement a program on reduction of losses and improvement of collections in line with the Quasi-Fiscal Deficit (QFD) targets agreed with the IMF.</li> <li>• There is a need to build in capacity building measures (including Financial Management Improvement Program) for the Implementing Companies under the Project.</li> <li>• There is a need for the ICs to urgently submit audit reports for the years 2004 and 2003</li> </ul>			

**D. Next Steps and Recommendations:**

- Distribution Companies to design and implement a program to reduce losses and improve collections. Government to closely monitor implementation of the program to ensure compliance with the QFD targets.
- IDA and Implementing Companies to design and introduce capacity building measures (including Financial Management Improvement Program) for the implementing companies.
- The Implementing Companies need to work with the auditors in order to get the audit reports for 2003-04 completed.

<b>KYRGYZ REPUBLIC: TECHNICAL ASSISTANCE CREDIT (CR.3389)</b>			
Credit Amount	\$5.44 million	Approved	22-June-2000
		Signed	23-June-2000
Disbursements:	\$2.56 million	Effective	13-Sept-2000
In per cent to the credit amount	47.06%	Closing Date	31-December-2007
Implementation Agency		State Committee for Management of State Property (SCMSP)	
Senior Supervising Official		Tursun Turdumambetov, Chairman, SCMSP	
Task Team Leader in the World Bank		Raghuvveer Y. Sharma	
Government Project Manager		Suerkul Bakirov	
<b>A. Project Objective:</b>			
to strengthen the Borrower's institutional capacity to implement the measures under the CSAC program through (1) improvement of business environment, (2) improvement of revenue mobilization, and (3) support of energy sector reforms.			
<b>Achieving of development objectives: Satisfactory</b>			
<b>B. Current Status of Implementation:</b>			
<p>The new government continues to place high priority on energy sector development and has asked the help of the international financial community to re-start the reform process. The Bank is taking the lead in helping the government in this regard and has already sent new proposed energy sector development strategy to the government. It is expected the government will contribute to the strategy document to make it "its own" and will hold discussions on it among key stakeholders including the donor community at the proposed "energy summit" to be held early this year. Moreover, the new government has managed to gain internal consensus on the need to implement concession of Severelectro (the largest electricity distribution company which covers the capital area). The Credit when originally designed included recruitment of legal and financial advisors to do due diligence and prepare the concession tender package for Severelectro as the key activity. This could not be achieved for reasons outlined above (lack of commitment to go forward with the concession). However, now that the concession idea has regained momentum, there is a good opportunity to assist the government in its preparation through the extended Credit. It should also be noted that currently no other donors are providing or planning to provide any technical assistance to the energy sector in the country – the DFID supported Utility Reform Project was completed this year, USAID supported Project to strengthen the regulatory agency was also completed this year. The government does not have resources for proper legal and financial due diligence/preparation of the concession tender package. So, the need for extension of this credit was apparent.</p> <p>In addition to the legal and financial advisors to prepare the concession tender, it is planned that the following activities will be implemented under the extended credit:</p> <ol style="list-style-type: none"> <li>Feasibility Study on rehabilitation of Bishkek TETS-1 to, inter alia, use more coal (estimated cost: USD 500,000) and Feasibility Study on rehabilitation of Uch-Kurgan HPP (estimated cost: USD 250,000). The Power Plants Company will be the beneficiary for this component.</li> <li>Feasibility Study on transmission system upgrade (strengthening of existing lines and construction of new transmission links and substations) in order to ensure energy security of the Kyrgyz Republic and to export power in the southern direction. (estimated cost: to be determined by the National Grid Company). The National Grid Company will be the beneficiary of this component.</li> <li>Audit of Power Plants and four distribution companies for 2006-2007 (estimated cost: USD 450,000).</li> <li>Financing of works to install about 10,000 gas meters for Kyrgyzgas Company (estimated costs: USD 75,000); installation of these meters was envisaged in the original contract with the current works contractor. In addition, Kyrgyzgas has requested purchase of small amounts of carbide and oxygen (also envisaged by the previous agreements), (estimated cost: about USD 20,000).</li> <li>Strengthening capacity of the State Committee in monitoring performance and improving corporate governance functions in the energy sector. Further details and cost estimates for this need to be determined.</li> <li>Assistance to the electricity and gas distribution companies in preparation of the new Energy Loss Reduction Project (estimated cost needs to be determined).</li> <li>Continued assistance to the National Agency on Antimonopoly Policy and Competition Promotion (NAAPCP) by extending the contract of one consultant on electricity financial issues and adding one more consultant on gas financial issues. The NAAPCP needs to provide cost estimates for this assignment.</li> </ol>			
<b>Progress in implementation: Satisfactory</b>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>There are unresolved issues regarding project implementation and management.</li> <li>There is a need to prepare a detailed plan for implementation of the remainder of the Project.</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>The State Committee needs to resolve organizational issues around management of the project in coordination with the World Bank.</li> </ul> <ol style="list-style-type: none"> <li>The State Committee needs to prepare a detailed work plan, timetable and budget for implementation of the above activities. The State Committee shall then agree on the work plan and budget with the Ministry of Finance, Prime Ministers Office, and energy companies.</li> </ol>			

<b>KYRGYZ REPUBLIC: RURAL WATER SUPPLY AND SANITATION (CR.35790)</b>			
Credit Amount	XDR 12.00 million US\$ 17.32 million*	Approved	04-December-2001
		Signed	12-February-2002
Disbursements:	XDR 6.43 million US\$ 9.41 million	Effective	26-April-2002
In per cent to the credit amount	54%	Closing Date	31-October-2007
Implementation Agency	Ministry of Agriculture, Water Resources and Processing Industry (MAWRPI)		
Senior Supervising Official	Mr. Nurmamat Mullakeldiev, Director of DRWS		
Task Team Leader in the World Bank	Mr. Jonathan S. Kamkwala		
Government Project Manager	Mr. Marat Sarymsakov, PMU Director		
<b>A. Project Objectives:</b>			
The objectives of this project are:			
(i) to improve access to potable water from water supply systems which the communities own, operate maintain and manage in a sustainable manner; in the villages of Issyk Kul, Naryn and Talas Oblasts, and			
(ii) to improve hygiene, sanitation and water-related practices at individual, family and institutional levels in the rural areas.			
<i>Achieving of development objectives: Satisfactory</i>			
<b>B. Current Status of Implementation:</b>			
Implementation progress continues to be satisfactory.			
<p>The number of sub-projects currently in the program has risen to 156, covering a total 194 villages (a population of 327,442). The total Credit amount that would be committed is estimated to be US\$ 13.3 million. Based on these achievements and observed community commitment, the project is expected to meet its development objectives.</p> <p>To improve the sustainability of the investments under the project, a complete analysis of the institutional structure for the support of the communities will be carried out as part of the rural water sector strategy work proposed under the project. It is also important to consider how the project fits into the longer-term strategy for rural water supply in Kyrgyz Republic. Now that the physical implementation of sub-projects is well underway, DRWS, assisted by the PMC, are increasing the focus on developing a long-term strategy, with to clarify the roles of DRWS and the communities. Development of this strategy will be undertaken in consultation with other stakeholders in the sector and include discussion with the RHSP project, SES and other donors.</p>			
<i>Progress in implementation: Satisfactory</i>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>• Expediting the work on design preparation for 2006 sub-projects to in time for the construction season March 2006</li> <li>• Strengthening 5% collection mobilization by the project team, Implementing Agency and local state administrations</li> <li>• Start activities to develop rural water sector strategy</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
* - This is actual USD amount of the credit using current XDR/USD exchange rate. Original exchange rate amount was US\$ 15.00 million.			

<b>KYRGYZ REPUBLIC: SMALL TOWN INFRASTRUCTURE AND CAPACITY BUILDING PROJECT CR.H1390</b>			
Project Financing Amount	SDR 8,200,000 (Credit) \$ 11,890,000 (Credit)* SDR 2,100,000 (Grant) \$ 3,030,000 (Grant)*	Approved	14-December-2004
Disbursements:	SDR 420,000 (Credit) \$ 600,000 (Credit) SDR 330,000 (Grant) \$ 490,000 (Grant)	Signed	3-February-2005
In percent to the financing amount	5.12% (Credit) 15.71% (Grant)	Effective Date	2-May-2005
		Closing Date	31-March-2010
Implementation Agency	Community Development and Investment Agency (ARIS) 164a Chui Ave. Bishkek 720001 Kyrgyz Republic		
Senior Supervising Official	Mr. Kurmanbek Temirbaev, Chairman of Supervisory Board		
Task Team Leader in the World Bank	Mr. Jonathan Kamkwala		
Government Project Manager	Ms. Elmira Ibraimova, Executive Director	+996-312-611-306	
<b>A. Project Objectives:</b>			
The development objective of the project is to improve the availability, quality and efficiency of the delivery of local infrastructure services to the population of participating small towns.			
<i>Achieving of development objectives: Satisfactory</i>			
<b>B. Current Status of Implementation:</b>			
The implementation of STICBP is progressing satisfactorily. The activity program for the first year of STICBP implementation is slightly behind schedule primarily because of delays in the procurement process for the seven participating towns, though the political events of spring and summer 2005 also played a certain role. Tenders for works in six towns have been completed and bid evaluation is in progress. Most civil works contracts for the first year program are likely to be signed by the end of the current calendar year. A complementary technical feasibility study for Cholpon Ata, the seventh town included in the first year's program, is about to be completed. A detailed investment program for the second year has been prepared by ARIS and submitted to the Bank for review. The program would cover five towns, which not only meet formal eligibility criteria including utilities business plans but also have formally applied for financing to ARIS. Upon reviewing the proposed program, the mission recommended that it be given a second look to ensure that the priorities of both the local authorities and the local populations are adequately reflected. The firm SEYAS has started its activities as Project Management Consultants (PMC) and has stationed a permanent representative in Bishkek. A contract with the consultant 'Urban Institute' for the preparation of Performance Improvement Action Plans (PIAPs) in eleven towns has been tendered and is signed.			
<i>Progress in implementation: Satisfactory</i>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>• Finalize procurement process for the first-year investment program</li> <li>• Start procurement process for the second-year investment program</li> <li>• Strengthen the activities on monitoring of PIAP implementation progress</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>• Finalize UII investment program for second year;</li> <li>• Prepare detailed proposal for possible spare part sub-component to be included in the UII investment component;</li> </ul>			

\* - This is actual USD amount of the credit using current XDR/USD exchange rate.

**Human Development**

<b>KYRGYZ REPUBLIC: SECOND HEALTH SECTOR REFORM PROJECT (CR.3506)</b>			
Credit Amount	\$15.00 million	Approved	08-May-2001
		Signed	17-July-2001
Disbursements:	\$ 13.80 million	Effective	01-October-2001
In per cent to the credit amount	81.71 %	Closing Date	31-December-2005 (extended till 30-June-06)
Implementation Agency	Ministry of Health (MOH)		
Senior Supervising Official	Mr. Shailobek Nijazov, Minister of Health		
Task Team Leader in the World Bank	Ms. Sarbani Chakraborty		
Government Project Manager	Mr. Bolot Sarbanov	Ms. Chinara Seitalieva	
<b>A. Project objectives:</b>			
(i) improve performance and long term financial viability of the health system by adjusting the delivery system to available means and focusing on important health risks and diseases; (ii) improve access through better distribution of services and offering financial protection for the population against potentially impoverishing levels of out-of-pocket health spending; (iii) and improve the responsiveness of the health system to the expectations of the population.			
<b>Achieving of development objectives: Satisfactory</b>			
<b>B. Current Status of Implementation:</b> The project closing date was extended until June 30 2006, in order to allow the completion of key project inputs, largely related to the Center for Health Systems Development.. The project generated savings of approximately US\$1.3 million. This was due to parallel financing of technical assistance activities for health care financing (USAID funded ZdravPlus project) and the devaluation of the US dollar. Approximately 400,000 or 30 percent of these savings have been allocated for the purchase of ambulances to support the strengthening of emergency care, especially in rural and high mountain areas. The remaining saved funds have been cancelled. The project is on track for achieving its development objectives and the implementation experience and lessons learned from Health II have already been documented. Health II evaluations were a key input into the design of the Maanas Taalimi Program, that will be supported through the Health/SP SWAp. The main results/outcomes of Health II include: (i) enhanced access of the population to a strengthened primary health care system, (ii) improvement in financial protection of the population, (iii) improvement in financial sustainability in the health sector through enhanced allocative and technical efficiency. For example, allocations for primary health care have progressively improved throughout the time frame of project implementation and there has been 30 percent reduction in excess staff and bed capacity. The key lessons learned from Health II are: (i) adequate and timely allocation of budget financing is critical for successful implementation of health reforms, (ii) the implementation of the Single-payer system and the associated payment mechanisms are critical for supporting rightsizing of the health sector and strengthening financial protection of the population, (iii) capacity-building in the health sector is key for successful implementation of health reforms. Financial and institutional sustainability of Health II is not a concern – the Maanas Taalimi Program will continue and further strengthen the reforms supported under Health II. The Sector Wide Approach (SWAp) that will support the implementation of Maanas Taalimi includes donor oversight over budget formulation and execution – thereby contributing to fiscal sustainability of the reforms under Health II.			
<b>Progress in implementation: Satisfactory</b>			
<b>Critical Issues:</b>			
<ul style="list-style-type: none"> <li>✚ <b>Need for a continuous adequate and timely allocation of budget financing.</b></li> <li>✚ Timely completion and operationalization of the National Medical Library/EBM Center and ensuring that adequate recurrent and investment financing is available for the NML/EBM center and the other functions under the Center for Health Systems Development (evaluation, health systems capacity building).</li> <li>✚ Financial and Institutional Sustainability of investments under Health-II (development of information systems for new financing mechanisms, promotion of clinical protocols, management training, health policy and evaluation)</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>• Ministry of Finance to ensure an adequate budget execution for the health sector.</li> <li>• Ministry of Finance and Ministry of Health to resolve outstanding issues related to the sustainability of the health reforms and health financing reforms (health providers/MHIF as extra budgetary funds and integration into the Treasury Single Account, flow of funds through the treasury system under the new centralized health financing arrangements)</li> <li>• Ministry of Health has to ensure financial and institutional sustainability of investments supported under Health-II (Health Management Course, Evidence based Medicine Center, Health Policy, Monitoring and Evaluation, National Medical Library) and institutionalize health information systems, EBM and health management training before the closing of the Health 2 Project.</li> <li>• Ministry of Health to submit Government's part of the ICR to the Bank.</li> </ul>			

<b>KYRGYZ REPUBLIC: RURAL EDUCATION PROJECT (P078976)</b>			
Grant Amount	\$15 million	Approved	14-Dec-2004
		Signed	03-Feb-2005
		Effective	02-May-2005
		Closing Date	31-Mar-2010
Implementation Agency		Ministry of Education, Science and Youth Policy (MESYP)	
Senior Supervising Official		Minister of Education, Science and Youth Policy	
Task Team Leader in the World Bank		Dina Abu-Ghaida	
Government Project Manager		Rashid Shirinov, Acting Director, PIU, MESYP	
<b>A. Project Objectives:</b>			
<p>The objective of the Rural Education Project is to improve learning and learning conditions in primary and secondary schools, with priority attention to rural areas. To promote this objective, the Project would support:</p> <ol style="list-style-type: none"> <li>Development of an improved performance management system for teachers and principals and a related revised salary scale, the application of the revised salary scale in Issyk-kul and Talas oblasts, and the development and implementation of a targeted, nationwide teacher incentive scheme to help attract and retain teachers in rural schools in subjects with particular teacher shortages;</li> <li>Development and implementation of Learning Improvement Plans by school Boards of trustees in schools in Issyk-kul and Talas oblasts;</li> <li>Introduction of an improved process of textbook authorship, selection, and production, the introduction of an improved textbook rental scheme, and the provision of textbooks and learning materials to primary and secondary schools throughout the country; and</li> <li>Strengthening of student assessment, strategic planning, and project management capacities by the Ministry of Education.</li> </ol>			
<b>Achieving of development objectives: Satisfactory</b>			
<b>B. Current Status of Implementation:</b>			
<p>To date, US\$2.5 million (16 percent) of project funds are disbursed and an additional US\$4.8 million (31 percent) of project funds remain to be paid against a signed contract. Together, these figures amount to close to half of total project funds, leaving the remaining half to be contracted. Overall, it could be stated that many positive developments have occurred during the last six months of 2006.</p> <p>While several positive developments have occurred during last six months, no progress was made on two important issues. One concerns the establishment of the Textbook Approval Board and the improved functioning of the Textbook Rental Scheme, which are both included as dated covenants in the Development Grant Agreement, with a deadline of December 31, 2006. The Textbook Approval Board (TAB) is not yet established and the Textbook Rental Scheme (TRS) was cancelled in March 2006. The World Bank was officially notified of the cancellation of the Textbook Rental Scheme and the status of the Textbook Approval Board on January 10, 2007. There might be a need of revising the grant agreement due to the fact that the TRS and TAB being dated covenants in GA.</p> <p>The second issue concerns the merger of the PIUs of the World Bank and Asian Development Bank (ADB). At the time of the May-June 2006 supervision mission, it was agreed with the ADB that steps would be undertaken to begin to bring about this merger, but no progress has been made on the issue. During the December 2006 mission, the World Bank and ADB committed to make use of the services of a consultant who would design an action plan and follow up with any necessary training to accomplish this merger.</p> <p>Finally, a third issue has emerged during the December 2006 mission that requires immediate resolution: in order for the Kyrgyz Republic to be able to participate in the 2009 PISA, it must sign up as soon as possible and no later than the end of the year. However, the MESYP is showing reluctance and wants to await the results of the 2006 PISA first, which are not expected until end-2007. The World Bank has therefore urged the MESYP to reconsider this approach, sign up for the 2009 PISA, and rely on REP funds to implement it.</p>			
<b>Progress in implementation: Satisfactory</b>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>ADB and WB PIUs proposed merger needs to be postponed until the results of the feasibility study are available from the recruited international consultant. This also needs to be considered in light of the upcoming FTI grant.</li> <li>Revival of the Textbook Rental Scheme and establishment of the Textbook Approval Board.</li> <li>Absence of the unified strategy to ensure proper monitoring of project indicators and outcomes.</li> <li>Results framework requires revision.</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>Develop TOR for international consultancy preparing action plan for merger of PIUs sent to World Bank and ADB.</li> <li>Develop TOR for international and local consultant on M&amp; E.</li> <li>Decision made regarding participation in 2009 PISA</li> <li>The organizational structure and functions for the TAB developed and sent to the WB for review and comments.</li> <li>Develop a list of suggested policy studies for the next cycle.</li> </ul>			

<b>KYRGYZ REPUBLIC : HEALTH AND SOCIAL PROTECTION PROJECT (IN THE CONTEXT OF SWAP) PROJECT (#34079)</b>			
Grant Amount	\$ 15 000,000.00	Expected Signing	March, 2006
Disbursements:	N/A	Expected Effectiveness	April 1, 2005
In per cent to the grant amount		Expected Closing Date	June 30, 2011
Implementation Agency	Ministry of Health		
Senior Supervising Official	Shailobek Nijazov, Minister of Health		
Task Team Leader in the World Bank	Peyvand Khaleghian		
Government Project Manager	N/A		
<b>A. Project Objective:</b>			
The objective of the Project is to improve health status in the Kyrgyz Republic by improving access, financial protection, efficiency, equity and fiduciary performance in the Kyrgyz health sector; to ensure sufficient and reliable financing for the health sector; and to strengthen the targeting of social benefits by developing effective administration and information management systems to improve access to social services in general.			
<i>Achieving of development objectives: N/A</i>			
<b>B. Current Status of Implementation:</b>			
The PHRD Grant Agreement for the preparation of Health-Social Protection Project was signed on April 29, 2005. The original closing date was Dec 31, 2005 which has been extended to March 31, 2006 (the Grant amount was 750, 000 USD).			
Health-Social Protection Project was successfully negotiated on November 8-11, 2005 and approved by the Board on December 15, 2005. It will support the Manas Taalimi Health Program, and will provide financing through the Kyrgyz Budget for implementation of that Program in conjunction with similar funds from KfW, DfID, Sida and SDC. Funds from DfID, Sida and SDC are expected to flow through the Bank; Trust Funds are currently being set up for this purpose and are expected to be active in early March.			
Final Draft of the MoH's Manas Taalimi Comprehensive Health Strategy, which will be implemented through a SWAp, reviewed and highly assessed by donors, has been approved by the Government on Feb 16 2006. Detailed Year 1 Work Program and Procurement Plan (prepared by the MoH) were reviewed and found to be satisfactory.			
The Draft Project Operations Manual has been reviewed and commented by the Joint Financiers. Adoption of the POM acceptable to the Joint Financiers, through MOEF and MOH is a condition of effectiveness.			
The Lists of Conditions of Negotiations and Dated Covenants have been met in principle and timely.			
According to the present schedule:			
<ul style="list-style-type: none"> <li>• The signing of DGA is scheduled for beginning of March and the Expected Date of Effectiveness is April 1, 2006.</li> <li>• Funds from DfID are expected to become available by April 2006, and signature of the KfW Financing Agreement and related Diplomatic Note are expected in April-May 2006. The exact amount and timing of financing decisions by SDC and Sida to be clear by the end of 1st quarter 2006.</li> </ul>			
To date the total confirmed donor contributions to the Manas Taalimi program has totaled US\$ 45 million (—€16 million from KfW, US\$15 million from the World Bank and GBP£7 million from DfID) of which a total of around US\$3 million will be allocated for Technical Assistance. This leaves a total “pool” of US\$42 million. Investment spending based on the current procurement plan totals US\$10 million over five years; the balance of US\$32 million is tentatively allocated to recurrent cost financing. To this Sida has tentatively confirmed its intention to provide a further US\$10 million in financing.			
The allocation for CY2006 is US\$7.5 million, of which US\$1 million would be for investments and US\$6.5 million for recurrent costs. The total World Bank commitments under the Health - Social Protection Project for 2006 equal to \$3 million, of which \$2.5 million will go for the support of the Manas Taalimi Health Reform Program and \$0.5 million will be used to finance the reforms in the area of social protection.			
Additional funds from Sida and SDC would, if confirmed, be added to the above, in amounts and proportions to be agreed between Joint Financiers and the Government.			
<b>C. Critical Issues:</b>			
As mentioned above Negotiations Conditions and Dated Covenants have been met in principle. Meeting of these conditions have been confirmed either in the Letter of Development Policy or in the consequent Orders/Prikazes of the MoEF and MoH. However some specifics of certain agreements and covenants to be followed up such as:			
<ul style="list-style-type: none"> <li>• agreement on acceptable external financial audit arrangements, i.e. to the “twinning” arrangement, including formal acceptance of the “twinning” arrangement for annual financial audits;</li> <li>• submission of a staffing plan for fiduciary units related to the establishment of them in MOH and MHIF, including one for an internal audit unit in MOH;</li> </ul>			
<b>D. Next Steps:</b>			
<ul style="list-style-type: none"> <li>• GOK: Adoption of a Program Operations Manual satisfactory to the Joint Financiers, by the Recipient through the MoEF and MOH.</li> <li>• MOEF and Chamber of Accounts: Formal acceptance of the “twinning” arrangement for annual financial audits.</li> <li>• GOK: To ensure that all Implementation covenants are timely and fully met by the relevant stakeholders and monitored by the GOK.</li> <li>• MoEF: To ensure that the budget targets for 2006/2007 are met (both health spending as a percentage of government spending and full budget execution).</li> <li>• MoH: To organize the biannual health summits, at which key sectoral indicators will be discussed and presented, ensuring that participants</li> </ul>			

review implementation of the Manas Taalimi Program.

- MoH: To ensure that the performance monitoring measures are in place, including all the routine fiduciary monitoring activities (e.g. quarterly consolidated reports by program), and the various audits to which they have committed (procurement, financial and operational).
- MOH: Submission of a staffing plan for established fiduciary units in MOH and MHIF, including an Internal audit unit in MOH;
- MOLSP: Reports via MOH expenditure vs. agreement in the Procurement Plan.

**I. Macroeconomic/ Governance**

<b>1. KYRGYZ REPUBLIC: GOVERNANCE STRUCTURAL ADJUSTMENT CREDIT (Cr.3756 KG)</b>			
Credit Amount	SDR 14.7 million (\$ 20.00 mln. equivalent)	Approved	15-May-2003
		Signed	28-May-2003
		Effective	30-July -2003
		Closing Date	30-December-2006
Disbursements:	SDR 3.675 million (\$ 5.00 mln. equivalent)		
In per cent to the loan amount	25%		
Implementation Agency	Ministry of Economy and Finance of the Kyrgyz Republic		
Senior Supervising Official	Deputy head of the Presidential administration, chairman of GSAC/GTAC Coordinating Council		
Task Team Leader in the World Bank	Mr. Roland Clarke		
Project Manager	Mr. Sanjar Mukanbetov, IPD Director, MoEF		
<b>A. Project Objectives:</b>			
<p>The Governance Structural Adjustment Credit (GSAC) supports the Government's program to strengthen the effectiveness of the State. It has two complementary objectives: (a) to improve the transparency and responsiveness of the public sector and enhance the ability of external stakeholders to hold it accountable; and (b) to increase efficiency, effectiveness and accountability within the public sector. The GSAC program is accompanied by the Governance Technical Assistance Credit (GTAC) of SDR 5.80 million (US\$7.77 million equivalent) that provides TA to support implementation of some of the reforms covered by the GSAC, besides funding investments to modernize the Kyrgyz Treasury.</p>			
<b>B. Current Status of Implementation:</b>			
<p>The first tranche (\$5 million) has been released based on satisfactory implementation of Board conditions. A decision on second tranche release has been suspended for already a year and half because of difficulties with implementation of the conditionalities by the government. On the positive side, several important legal acts, including law on the Chamber of Accounts, law on Income and assets declaration for high state officials, and law on Civil Service were adopted, though the latter was significantly weakened during the discussions in the Parliament. All of them aim at increasing accountability and transparency in the government. Besides that, the government undertook several measures towards further strengthening the management of public finances, improvement the private sector business environment and procedures for public procurement, as well as increase public access to information.</p> <p>At the same time, the overall commitment to the governance reform is weak. The new institutions that were supposed to play a fundamental role in the civil service reform, including Civil Service Agency and institution of the State Secretaries, lack support from the top level and thus have failed to implement their functions in full. In particular, a widespread practice of arbitrary appointments and dismissals throughout the civil service continues, and reporting discipline to the Civil Service Agency on new appointments is poor. Despite the law on income and assets declaration for political appointees requires publication of the declarations, so far not a single declaration has been published, which undermines the rule of law and good governance principles.</p> <p>In November 2005, the GSAC mission and the government have agreed that it would be problematic to introduce amendments to the Civil Service law (which was the major condition for second tranche release), given likely insufficient support for the amendments in the Jogorku Kenesh, partly due to a lack of full understanding of the reforms. Because of that, it was agreed that the authorities would demonstrate their continuing commitment to improved governance by ending all appointments in the Civil Service outside due process, to be proved by establishing and implementing an effective monitoring process; and bringing forward the enactment of a Freedom of Information Law, which was to have been enacted as part of the third tranche of the GSAC program.</p> <p>While the process of drafting and discussing the Freedom of Information law has been already initiated and moves forward, though although more slowly than expected, the law on State Secrets has been not published yet, and thus the authorities have not complied with the program agreed in November 2005.</p>			
<b>Progress in implementation: Unsatisfactory</b>			
<b>C. Critical Issues:</b>			
<p>1. <b>Civil service reform</b> (conditions for disbursement of the second tranche):</p> <ul style="list-style-type: none"> <li>• the Government has publicly committed itself to ending all appointments in the Civil Service outside due process;</li> <li>• an effective process for monitoring of appointments and dismissals is established and seen to be working;</li> <li>• a new Law on Freedom of Information, consistent with international best practice and acceptable to IDA, has been approved, together with any necessary changes in related legislation such as the Law on State Secrets;</li> </ul> <p>2. <b>Low compliance of State Officials with the Law on Declaration of income and assets.</b> Although the Law was approved in 2004, and about 80 percent of political appointees have submitted the declarations, none of them have been published, as it is required by the law. The publication of these declarations is a fundamental measure to increase the accountability of public officials and to combat corruption in public life. Failure to publish these declarations undermines the rule of law, good governance and will almost certainly cast doubt on the Government's commitment to fighting corruption.</p> <p>3. <b>Public Expenditure Management:</b></p> <p>✓ <b>Special means:</b> While government's decree on closing special means accounts for regulatory agencies (legal condition) was issued in the beginning of 2005, the Ministry of Finance has failed to provide adequate appropriations for all regulatory agencies from the republican</p>			

budget to compensate lost special means and ensure funding of regular operating costs. Besides that, execution of the already approved budgets for these agencies is not always satisfactory for many regulatory agencies, especially with regard to non-protected items. Successful implementation of the abolishing of the special means accounts and the provision of adequate replacement funding to the agencies concerned is a core third tranche condition. If it is to be fulfilled, it is essential that agencies which have had their special means accounts closed should be provided with their full budget appropriation during 2005, and that adequate budgetary provision made for these agencies in 2006 budget.

- ✓ *Budget execution.* Fiscal discipline at the aggregated level has not been translated into improvements at the sectoral and spending agencies' levels. Approved annual budgets are hardly respected during budget execution and substantial changes to the budget are made during the fiscal year. This seriously undermines the value of the budgeting process as a tool for effective resource allocation and predictable service delivery. Fully realizing this problem, the Ministry of Economy and Finance has recently introduced the principles of strengthened approach to PFM reform and began developing a detailed action plan focusing on resolving the basics problems. This will require both more realistic budgeting and improvements in financial planning and cash management. When the action plan is ready, some activities may be adopted as revised third tranche conditions.

#### **D. Next Steps and Recommendations:**

*(only main measures are listed)*

**Civil service reform:** Given the number of appointments made outside due process in recent months, it is essential that a transparent mechanism be established both to monitor new appointments and dismissals within the Civil Service, and to begin to establish public confidence and credibility in the reforms. It was therefore proposed that the Civil Service Agency expands and strengthens its efforts to monitor compliance with the CSL and to continue to produce reports on all appointments in the civil service. As a minimum the following information needs to be gathered about all appointments at the level of State Secretary, Head of Departments and Head of Unit in all ministries and agencies:

- In cases of resignation or dismissal, name and date of resignation or dismissal, and new posting, if any
- All vacancies should be publicly advertised as required by the Law on the Civil Service and the regulations on competitions for Civil Service posts.
- For new appointments, the following information should be recorded:
  - date the competition was held;
  - number of candidates that participated;
  - name and data of candidate with highest score in the competition;
  - name and data of candidate appointed.
- The CSA should continue to compile a record of all posts filled without conducting a proper competition.

To ensure transparency, the above data should be available publicly on the internet, and at least in a summary format in a recognized newspaper. In addition the World Bank would request copies of the monthly reports from the CSA based on the monitoring of compliance with the CSL.

2. A Freedom of Information Law, consistent with international best practice and acceptable for IDA is approved by the Jogorku Kenesh. It is fundamental that a strategic document is developed to outline how the law will be implemented.

#### **Improving access to information:**

- To ensure full operationalization of Public information center, adequate financing of its operating costs and efficiency of its performance, as well as improve public awareness of the Center.

#### **Improvement of regulatory environment:**

- To ensure proper implementation of the Government's decree on special means;
- To review the decree's implementation arrangements with the concerned agencies to ensure that they could be implemented in a reasonable form, and where difficulties arise to examine options for greater flexibility in the instructions, still preserving the principles underlying the abolition of the special means accounts.

#### **Strengthening external audit:**

- To support training needs of CA on international standards to increase its capacity in implementation of newly adopted CA law.

#### **Strengthening Public Expenditure Management:**

- To develop short-term action oriented work-plan for PFM reforms based on the findings of the two PPER technical notes and reflecting the outcomes of the PEFA assessment. It is critical that this short-term action plan takes into account on-going measures/activities and is aimed at strengthening their implementation and reform impact, rather than substitutes the on-going reform or proposing yet another overall reform strategy. The work plan should also review the existing TA and attempt to identify the gaps and propose ways of re-focusing the on-going assistance to fill these gaps.
- To integrate President's and Prime Minister's office extra-budgetary accounts into the Treasury and Budgetary system.

<b>KYRGYZ REPUBLIC: GOVERNANCE TECHNICAL ASSISTANCE CREDIT (CR.3757 KG)</b>			
Credit Amount	USD 7.77 million	Approved	15-May-2003
		Signed	28-May-2003
		Effective	28-August -2003
		Closing Date	31-December-2007
Disbursements:	USD 1.163 million		
In per cent to the loan amount	15%		
Implementation Agency	Ministry of Economy and Finance of the Kyrgyz Republic		
Senior Supervising Official	Deputy head of the Presidential Administration, chairman of GSAC/GTAC Coordinating Council		
Task Team Leader in the World Bank	Mr. Roland Clarke		
Project Manager	Mr. Sanjar Mukanbetov, IPD Director, MoEF		
<b>A. Project Objectives:</b>			
<p>The Governance Technical Assistance Credit (GTAC) supports the Government's program to strengthen the effectiveness of the State by providing the technical assistance in implementation of some of the reforms covered by the GSAC, such as (i) strengthening of voice and participation; (ii) improvement of transparency and value for money in public procurement; (iii) improvement of service delivery in health, education and social protection; (iv) improvement of the effectiveness of civil service; (v) refining the NPRS and M&amp;E progress, and (vi) Modernization of the Treasury (this component takes the majority of total resources – more than 80%).</p>			
<b>Achieving of development objectives: Moderately satisfactory</b>			
<b>B. Current Status of Implementation:</b>			
<p>So far, the majority of the concluded contracts have been related to consultancy for public procurement, civil service, improvement of social services delivery, and operationalization project management. Among the largest contracts, the selection process of a company for specification of the Treasury modernization and the HRMIS has been completed and the contractor is supposed to complete the process by the end of the current year. Currently, the Project budget is being revised to be more focused on the capacity building within Civil Service.</p>			
<b>Progress in implementation: Moderately Satisfactory</b>			
<b>C. Critical Issues:</b>			
<p>1. <i>Strengthening of the government's ownership in the project implementation.</i> To improve efficiency of the provided technical assistance, greater involvement of the agencies in drafting TORs and monitoring of consultant's work (including feedbacks providing during the contract implementation) is required. The greater involvement of the MOEF in the project management and strengthening the role of Technical committees in decision-making process are required. Thus, timely and effective implementation of the project will depend a lot on their performance and level of coordination. In particular, thorough revision of project budget, setting up realistic deadlines of Project Implementation Plan and monitoring of its implementation have to be considered as the major functions of the Technical committees. It will be very important to make sure that all Technical Committees (as well as their chairmen) are in place and meet regularly to allow GTAC to go on in a scheduled manner.</p> <p>2. <i>Given the importance of Treasury Modernization component,</i> it is necessary to finalize reorganization of the Treasury (16 district offices, instead of 8 oblasts + 57 rayons) since this will affect the project plan and technical requirements. The "quick wins" component should be completed by the end of first quarter of 2006. All TMIS and HRMIS procurement activities and establishment of a secure countrywide network infrastructure should be finalized by the end of 2006. In parallel to these, new IT specialists should be recruited for Treasury, MoF and CSA IT Departments to strengthen technical capacity before the implementation of project components, and their funding from the regular budget is ensured..</p> <p>3. <i>Government co-financing.</i> Timely and sufficient funding of the contracts is essential.</p>			
<b>D. Next Steps and Recommendations:</b>			
<p>1. To finalize revision of the Project budget aimed at re-focusing activities towards capacity building in civil service area and establishment of realistic deadlines for technical assistance and strictly follow them;</p> <p>2. For ministries and agencies involved, to ensure greater participation in relevant TORs drafting, implementation monitoring, and following up the consultant recommendations.</p>			

**Private/Finance Sector**

<b>KYRGYZ REPUBLIC: PAYMENTS AND BANKING SYSTEM MODERNIZATION PROJECT (CR 3871-KG)</b>			
Credit Amount	USD 9,000,000 Or SDR 6,100,000	Approved	16-March-2004
		Signed	9-June-2004
Disbursement:	USD 1,390,662.87	Effective	23-September-2004
As % of credit amount	15.4 %	Closing Date	10/31/2008
Implementation Agency	DITAC, National Bank of Kyrgyz Republic (NBKR)		
Senior Supervising Official	Shamshibek Moldokanov, Deputy Chairman, NBKR		
Task Team Leader in the World Bank	Alexandra Drees-Gross		
Project Manager	Jenish Mamatov		
<b>A. Project objectives:</b>			
<p>The main objective of the project is to develop a modern, integrated national payments system that is accepted and used by the commercial banks and their clients. This will provide basic infrastructure that is essential for the development of a modern banking system that will increase the efficiency of payment services and facilitate the growth of financial intermediation. The project has the following four components:</p> <p>Component 1) Payments System Infrastructure, which will comprise technical assistance and investment costs for the following subcomponents, together with project management support:</p> <p>a) Bulk-clearing system (BCS): establishment of a modern, fully automated bulk-clearing system;</p> <p>b) Inter-bank card system: establishment of a national inter-bank card arrangement supported by a shared processing center; and</p> <p>c) Real-time gross settlement system (RTGS): establishment of an RTGS to provide timely settlement of large-value or urgent inter-bank transactions.</p> <p>Component 2) General ledger of NBKR: feasibility study, advisory services and investment costs to enhance and strengthen NBKR's General Ledger (GL) so that it is fully compatible and consistent with the requirements of the improved payments system.</p> <p>Component 3) Banking sector reform: support for the strengthening of the SSC, to improve its efficiency in delivering banking and payment services and thus better fulfill the banking needs of its customers.</p> <p>Component 4) Project implementation and administration.</p>			
<i>Achieving of development objectives. At this stage, the project is expected to achieve main objectives.</i>			
<b>B. Current Status of Implementation:</b>			
<p>Payment System Component: Procurement of several bidding packages is at an advanced stage. The BCP equipment delivered and Supplier installed and set up all delivered equipment. Vendor is going to complete a system customization soon. On CPC the contract has been signed and the application software delivered. Currently the vendor and NBKR project group agree the draft action plan according to the contract. The evaluation report of bidding proposals is under finalization. The contract for consultants' services and feasibility study and preparation of bidding documents on General Ledger component has been signed and at this time the performed work is estimated as about 30 %. The NBKR is also procuring the services of a Project Manager to provide technical and advisory services for marketing and project management and the respective contract was signed in December, 2005.</p> <p>Banking Sector Reform. The audit company Deloitte&amp;Touch has been chosen to audit SSC's accounts for 2004-2006. The FIRST Initiative has agreed to finance the advisory services for the SSC on grant bases. As SSC management refused the grant and the MOF requested to cancel this part of the project, the grant facility has been stopped.</p>			
<i>Progress in implementation: mainly satisfactory, except banking sector reform component</i>			
<b>C. Critical Issues:</b> On the payments system, there are some technical delays in the procurement of the CPC and the RTGS, mainly due to the complexity of these components. The TA for the Project Manager was under-budgeted, and the TORs were reduced to adjust to available funding. The Bank will seek grant financing, probably a PHRD for project implementation, to cover the tasks dropped from the original TORs. The application to a PHRD implementation grant has been prepared recently and sent for consideration.			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>The Bank will proceed with the cancellation of SSC from the Project. The NBKR will finalize the final design of the General Ledger.</li> </ul>			

**PIPELINE PROJECTS**

<b>KYRGYZ REPUBLIC: WATER MANAGEMENT IMPROVEMENT PROJECT JAPANESE GRANT FOR PREPARATION OF WMIP NO. TF 054599.</b>			
IDA Grant Amount	\$ 19 million		
Grant of the Government of Japan	\$ 4.4 million		
Contribution of the GKR	\$ 4.7 million		
		Under preparation	Will be submitted to the Board of Directors on March 30, 2006
Disbursements:	1. 0		
Implementation Agency	Department of Water Resources, MAWRPI		
Senior Supervising Official	J.B. Bekbolotov, Director General, DWR		
Task Team Leader in the World Bank	Joop Stoutjesdijk		
Government Project Manager	Vacant position		
<p><b>A. Project Objectives:</b> (i) will 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.</p> <p>The project will have four components: (i) Rehabilitation and Modernization of Irrigation Infrastructure; (ii) Management of Resources; (iii) Organization of Beneficiaries; and (iv) Project Management. It is expected to have a five-year duration, starting around July 2006.</p> <p><b>Achieving of development objectives:</b> N/A</p>			
<p><b>B. Rehabilitation and Modernization of Irrigation Infrastructure.</b> The proposed works on construction and repair of the irrigation schemes that have not been covered under the IRP and OIP will result in provision of a more reliable water supply to irrigators and other water users.</p> <p><b>Management of Resources.</b> This component will assist the Kyrgyz Government in achievement of sustainable and efficient water resources management, including support in implementation of the Water Code, leading to a more productive use of water resources, while protecting the water-related environment. The main tasks to be accomplished under the project include; (i) establishment and strengthening capacity of various new institutions, such as the National Water Council (NWC) and the State Water Administration (SWA); (ii) implementing the Water Code; (iii) reforming DWR's technical and financial performance, turning it into an efficient and client-orientated bulk water supply and management organization; (iv) supporting further WUA development; (v) adequate financing of water resources management; (vi) strengthening regulatory control; (vii) information and dissemination programs; and (viii) training and capacity building.</p> <p><b>Organization of Beneficiaries.</b> To safeguard the investment already made under OIP in forming sustainable WUAs the project would support the formation of 4-5 pilot Federations of WUAs with a view to understanding the processes and ascertaining the viability of this next phase in irrigation management transfer. Transfer of Minor Irrigation Systems to WUAs should be made.</p> <p><b>Project Management.</b> MAWRPI would have overall responsibility for project implementation. After discussions with management of DWR and the World Bank's country office, it is proposed that a small PIU within the DWR would be responsible for the daily management, administration, and coordination of the project, including procurement and financial management. In order to aim at cost-effectiveness, it is proposed to use under the WMIP as much as possible qualified existing staff within the PIU for the ongoing OIP.</p>			
<p><b>Status of Implementation:</b></p> <p>Tremendous efforts have been made over the preparation period since February 2005. International and local consultants have been contracted under the grant (USD 352.4 thousand), provided by the Government of Japan for the project preparation. 87% of this grant has been disbursed so far.</p> <p>The PHRD grant of the Government of Japan (USD 4.4 million) has been approved in February 2006.</p> <p>The National Water Council has been established under this component by the Prime Minister's Resolution in accordance with the Water Code.</p> <p>In close cooperation with the DWR and the Prime Minister's Office, the IDA's task team has prepared the Project Appraisal Document, which has been discussed during the Appraisal Mission in February 2006 and coordinated with the Kyrgyz delegation during negotiations held on February 15-17, 2006.</p> <p>The negotiations have been successful; the minutes of negotiations have been signed by the Kyrgyz delegation and the IDA.</p>			
<p><b>C. Critical Issues:</b></p> <ul style="list-style-type: none"> <li>New institutions have to be set up during implementation of the project, including the State Water Administration, River Basin Councils and River Basin Administrations in compliance with the Water Code.</li> </ul>			

**D. Next Steps and Recommendations:**

- By February 28, 2006, the Government of the Kyrgyz Republic should submit a letter to the IDA to confirm that the Development Grant Agreement and accompanying documents have been discussed and agreed upon during negotiations, and approved by the recipient.
- The Recipient should issue Resolution on authorization of a representative of the Kyrgyz Republic to sign the Development Grant Agreement.
- The IDA should be assured by the Recipient that the Development Grant Agreement has been signed and ratified by the Kyrgyz Republic.
- Legal opinion must be signed on behalf of Recipient and submitted to the IDA.
- The PIU to be created by the order of the Direct-General, DWR, within one month upon presentation to the Board of Directors on March 30, 2006.
- The process of financial management software update must be completed by March 31, 2006.
- Eliminate the practice of permanent biddings committees and create ad hoc biddings committees with the composition reflecting individual procurement needs.

<b>KYRGYZ REPUBLIC: REDUCING TECHNICAL BARRIERS FOR ENTERPRENEURSHIP AND TRADE PROJECT – former EBEP (under Board consideration)</b>			
Grant Amount	US \$5 mln.	Approved	N/A
		Signed	
Disbursement:	N/A	Effective	
As % of grant amount	N/A	Closing Date	August 31, 2010
Implementation Agency	Ministry of Industry, Trade and Tourism		
Senior Supervising Official	Janyl Tumenbaeva, Deputy Minister		
Task Team Leader in the World Bank	Sylvie Bossoutrot		
Project Manager	N/a		
<p>A. Project objectives:</p> <p>The Project objective is to assist the Recipient to streamline the national technical regulation and standards framework for business, develop systems to enhance quality and safety of products and increase enterprise competitiveness in pilot areas. It would seek to support the implementation of a business-friendly standards policy and to increase the stability, consistency and predictability of legislation impacting business activity. The project would help alleviate the regulatory burden on businesses, particularly SMEs. In turn, this would improve their competitiveness on both domestic and international markets and stimulate private sector growth.</p> <p>The Project would focus on the development of a business-friendly technical regulation framework and embryo MSTQ infrastructure and would provide basic infrastructure and capacity building to enable MITT and NISM to carry out their functions. Project activities would be grouped under four components: (i) a Technical Regulation component to streamline and align the national technical regulation framework with international standards and develop a WTO compliant Enquiry Point; (ii) a Metrology and Standards component to enhance the capacity of the National Standards and Metrology Institute (NISM) to develop voluntary standards and meet the basic measurement needs of the industry; (iii) an Accreditation and Quality Enhancement component to develop an internationally recognized accreditation scheme, prepare selected testing laboratories and certifying bodies for international accreditation and promote quality at enterprise level; and (iv) a Project Management component to support coordination and implementation of Project activities.</p> <p>While RTBET is expected to have a longer term qualitative impact on the economy and society at large, given the small size of the Project, in order to maximize shorter term measurable benefits to the economy, it was agreed that the Project should have a sectoral focus. Based on the Government export promotion priorities, prior economic analysis and ongoing Donor activities, emphasis will thus be placed on the agrobusiness/food processing sector in view of its high contribution to GDP and identified export potential. The metrological equipment, testing and certification bodies as well as enterprises which will benefit from direct Project support on a pilot basis are thus expected to be engaged in this sector which may include such commodities as fruit and vegetable, dairy products, meat, etc.</p> <p>Primary beneficiaries of the project would be the business sector. The MITT and the NISM are also expected to be major beneficiaries. The total investment cost of these activities would be about \$5 million. Additional support from other donors can be expected.</p> <p>In order to enable the MITT to set up a well equipped PIU with qualified staff and adequate expertise the PPF Advance has been released and it is now under implementation.</p>			
Achieving of development objectives: Not applicable - The project has not started yet			
B. Current Status of Implementation: Not applicable – the project has not started yet.			
<p>C. Critical Issues:</p> <p>Negotiations were held on February 8-9, 2006. The Project objectives and description were agreed. The MOEF shall send a letter by March 30, 2006, confirming that the RTBET Development Grant Agreement and related documents, as negotiated, have been agreed by the Government.</p>			

<b>KYRGYZ REPUBLIC: POVERTY REDUCTION SUPPORT GRANT</b>			
Grant Amount	tentatively US\$10 million <sup>3</sup>	Approved	N/A under preparation
		Signed	N/A
Disbursement:	<b>2. \$</b>	Effective	N/A
In percent of the credit amount	%	Closing Date	N/A
Implementation Agency	Ministry of Finance		
Senior Supervising Official	Emirlan Toromyrzaev, First Deputy Minister		
Task Team Leader in the World Bank	Roland Clarke		
Government Project Manager	Chinara Ibraimova	Ministry of Finance	
<b>A. Project objectives:</b>			
Broad areas of focus for the first series of PRSCs:			
1. Public Finance Management (PFM) reforms to improve public expenditure management. Intergovernmental fiscal reform, as a part of PFM reforms, with a focus on clarifying service responsibilities and resource base of the local self-governments to promote effectiveness, transparency and accountability across both central and local governments – these reforms will both be integrated with ongoing reforms and facilitate further reform in budgetary, social, infrastructure policies as well as in state administration.			
2. The Social Protection covering social assistance and pension system to assist government in consolidating benefit structure for social assistance, refining and broadening eligibility conditions and building a more efficient administrative system for implementing associated benefits.			
3. Investment climate/governance reforms, with a focus on assisting the authorities to improve the environment of business regulation by closing the implementation gap and improving the quality of governance in business regulation, streamlining registration and liquidation procedures and simplifying and rationalizing the license system. It would also support the reforming of the inspection agencies. and consolidate regulatory reforms and strengthen financial discipline in the energy sector.			
<i>(1) Achieving of development objectives: Not applicable yet.</i>			
<b>B. Current Status of Implementation:</b>			
The Government of Japan provided PHRD Grant (TF053123) at the amount of \$ 705,346 to assist the Government of the Kyrgyz Republic in the preparation of PRSG. In particular, the Grant's activities are focused on diagnostic work and elaboration of recommendations on next steps in social protection and intergovernmental finance areas. It is also supporting technical assistance in economic sector work. Project Concept Note of PRSG was reviewed in April 2005. The MoF has developed the action for implementation of new IGF mechanisms from 2007. The pre-appraisal mission has not taken place as the government has not indicated commitment for implementation of declared reforms. It may be necessary to refocus some aspects of the program in the light of priorities of the new government			
<b>Progress in Implementation:</b> <i>Not applicable yet.</i>			
<b>C. Critical Issues</b>			
<ul style="list-style-type: none"> <li>• The 2007 budget has to be prepared under new intergovernmental finance system, there is very short time left for the MoF to implement the action plan of IGF and make policy decisions, based on quantity simulations, ensure preparation of balanced local budgets of all ail-okmotus and republican budget, which should include financing of oblast and rayon administrations.</li> <li>• Enforcement of the legislation to roll back retirement ages will have the highly negative impact and considered to be counterproductive and financially non-viable, and inconsistent with any possible reform program which the PRSG could support</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>• Agree with the World Bank, DFID, and SECO on the conditionalities for the first PRSG;</li> <li>• Indicate commitment to the agreed reforms by accomplishing steps identified in the MEF action plan on IGF and PRSG proposed matrices of key tasks;</li> <li>• Revoke the decision to roll back pension retirement age;</li> <li>• Facilitate effective implementation of TA provided through the PHRD Grant;</li> <li>• Resolve coordination issues within the Government on LSGs training activities.</li> </ul>			

<sup>3</sup> This is only IDA but other donors are planning to contribute.

**REGIONAL PROJECTS**

CENTRAL ASIAN TRANSBOUNDARY BIODIVERSITY PROJECT (KYRGYZ REPUBLIC, KAZAKHSTAN AND UZBEKISTAN) GEF GRANT (22498)			
GEF Grant Amount:	\$ 10,150,000	Signed	30-November-1999
Disbursements:	\$ 9.91 million	Effective	08-May-2000
In per cent to the Grant amount	97.63 %	Closing Date	30-June-2006
Implementation Agency	State Agency on Environment Protection and Forestry		
Senior Supervising Official	Mr. A. Davletkeldiev, Director		
Task Team Leader in the World Bank	Mr. Maurizio Guadagni		
Government Project Manager	Mr. Kanat Moldokulov, RPIU Director		
<b>I. A. Project Objectives:</b>			
<p>The primary objectives of the West Tian Shan Inter-State Biodiversity project are to support the protection of vulnerable and unique biological communities located within the West Tian Shan and to assist the Recipients to strengthen and coordinate their national policies, laws and regulations, and institutional arrangements in the area of biodiversity protection. The project assists stakeholders at the local and national levels to: develop and harmonize legal and institutional instruments for regional cooperation of the transboundary West Tien Shan ecosystem, improve management of existing protected areas through investments in professional development and infrastructure, and promote livelihoods in local populations that are consistent with sustainable development of the region.</p>			
<b>(1) Achieving of development objectives: Satisfactory</b>			
<b>B. Current Status of Implementation:</b>			
<p>The project implementation is now on track with good progress on improving the management of the project protected areas and assisting local communities with small grants. Several protected areas have been expanded or newly created, in keeping with regional conservation priorities as outlined in a Bioregional Plan (BRP) which was developed with strong regional cooperation. Revision and drafting of national level legislation and regional harmonization of legislation for biodiversity has made good progress although there remains a considerable agenda of legislative work to be completed. A draft legal instrument for creation of the transboundary West Tien Shan Biosphere Reserve has been completed and is being discussed at the national level prior to adoption by the three countries.</p> <p>Management plans for the protected areas were completed and they include managed visitor use and a more targeted role of protected areas in promoting environmental education. Ecotourism plans have been developed for some reserves and some tourism trails developed. These activities extend the role and social and economic importance of the nature reserves beyond strict protection and will contribute to their sustainability. Reserve Management of the 220,000 hectares of protected area included within the project has improved and major infrastructure works completed or underway in several reserves.</p> <p>Implementation of the Small Grants program (SGP) is satisfactory and is consistent with its original intention of supporting environmentally sustainable economic activities in communities surrounding high conservation value lands. However, it has been noted that the linkage with biodiversity conservation objectives has not always been as strong as would be desirable. With the completion of the BRP, the SGP is being re-focused to support community participation in implementation of the BRP in priority sites outside the protected areas. Arrangements and criteria for evaluation and selection of SGP proposals have been revised accordingly and \$150,000 has been reallocated to the SGP from other categories to undertake a third round of small grants. Recently completed assessment of the SGP by an independent consulting firm has shown that overall SGP has been a successful component that produced some good results.</p>			
<p>A mid-term review (MTR) of the project was carried out in August, 2003. Based on the recommendations of the MTR, the project closing date has been extended by two more years to June 30, 2006. Also, at the Recipients' request, an agreement has been made to reallocate the funds between the categories and introduce some amendments to the Grant agreement. These agreements have not been formalized yet pending the completion of an ongoing process of converting SDR-denominated GEF funds into US dollars. When this conversion is complete, all the amendments will be introduced at once. However, for the interim period, it has been agreed that some concurred changes can immediately be put into practice without waiting for the legalization of amendments.</p> <p>Recently the Government of Kyrgyz Republic has sent a letter to the Bank with a request to consider the possibility of the second phase for the project to implement the Bioregional Plan. The Bank is in the process of review of this request.</p>			

**(2) Progress in implementation: Satisfactory**

**C. Critical Issues:**

The preliminary assessment of the ongoing project has shown that overall it produced important and useful results. However, sustainability of the achievements is not assured yet. Therefore, the project team is looking for ways of reducing the risks, particularly associated with reduced financing after the project end. The Government of Kyrgyzstan has requested for a follow-up project and the Bank team is looking at this option as a way of addressing the sustainability issue. In this respect, the follow-up project could combine the biodiversity protection activities with innovative and environmentally friendly ways of generating revenues that would allow fulfilling the first task on a perpetual basis. Revenues could be generated through development and marketing of eco-tourism, medicinal herbs, use of special types of trees and shrubs for animal feeding, etc. Reforestation is also a revenue generating option, even though it requires a very long period of time – in terms of decades – to become financially sustainable. Thus eventual reforestation should look for other financial options, such as CDM.

Preparation of the follow-up project and whether it will be a regional operation will depend on expression of interests from the governments of Kazakhstan and Uzbekistan. Unlike the Kyrgyz republic, they have not formally expressed their positions yet although the project's Transnational Steering Committee has supported the idea and proposed to expand the project area to include the Issyk-Kul region because of its high tourism potential.

(3)

**D. Next Steps and Recommendations:**

- The PIUs and the project team has started working on Implementation Completion Reports to document the achievements of the current project. The lessons should be drawn from this exercise for the possible follow up operation.
- Analyze the pros and cons of the follow up project
- Propose the structure of the new project and institutional arrangements for its implementation
- Carry out cost-benefit analysis for the new project and search for sources of financing and co-financing.

<b>KYRGYZ REPUBLIC: CENTRAL ASIA REGIONAL AIDS CONTROL PROJECT</b>			
Proposed Project Amount	\$ 26,9 mln IDA and DFID grants	Proposed Signing	May 12-13, 2005
		Board Date	15-March-2005
		Proposed Effectiveness	25-July-2005
		Effectiveness Date	4- November- 2005
		Proposed Closing Date	2010
Responsible Agency	CACO Regional Project Management Unit (RPMU)		
Senior Supervising Official	N/A		
Task Team Leader in the World Bank	Patricio Marquez		
Project Manager	Tilek Meimanaliev, RPMU Director		
<b>A. Project Objectives:</b>			
<p>The proposed Regional AIDS Fund Project would contribute to minimize the potential negative human and economic impact of a generalized HIV/AIDS epidemic. The Regional project would complement country-specific programs and projects financed by Governments, the Bank and other partner organizations (UNAIDS, GFATM, UNODCP, DFID, USAID and the Soros Foundation, among others). The proposed project has the following development objectives:</p> <ol style="list-style-type: none"> <li>1. Reduce the growth rate of the HIV/AIDS epidemic in Central Asia in the period 2005-2010.</li> <li>2. Establish a sustainable mechanism in Central Asia – the Regional AIDS Fund - that will serve as a vehicle for financing HIV/AIDS prevention and control activities in the Region beyond the end of the project</li> <li>3. Contribute to better regional cooperation in Central Asia, and effective intersectoral collaboration between public sector, non-governmental organizations (NGOs) and private sector on HIV/AIDS control in this region.</li> </ol>			
<i>(4) Achieving of development objectives: Non Applicable</i>			
<b>B. Current Status of Preparation:</b>			
<p>CA AIDS project was negotiated on January 24-28, 2005; and approved by the Bank Board on March 15, 2004. The GA was signed on May and became effective on Nov 4, 2006 after a Decision of CACO's Heads of States.</p> <p>The core staff for the Regional Project Management Unit (RPMU) was selected. The established Regional Project Management Unit has initiated activities in Bishkek and supposed to be relocated to Almaty as soon as the project will be declared effective and RPMU premises will be ready.</p> <p>However over 3 months after its effectiveness the project has neither been able to register its RPMU nor open the Project Special Account in Almaty due to both a special regional nature of implementation arrangements and a corresponding lack of appropriate legal framework in the Republic of Kazakhstan. The RPMU Team has therefore not been able to access funds and start project implementation as envisaged.</p>			
<b>Progress in implementation: Non Applicable</b>			
<b>C. Critical Issues:</b>			
<ul style="list-style-type: none"> <li>• The delayed actual effectiveness of the project due to delayed registration and opening of the Project Special Account.</li> <li>• Potential risk of loosing the RPMU staff due to a delayed effectiveness of the project and absence of funds to finance functioning of the RPMU.</li> </ul>			
<b>D. Next Steps and Recommendations:</b>			
<ul style="list-style-type: none"> <li>• The Government of the Republic of Kazakhstan to proceed speedily with registration of the RPMU in Almaty.</li> <li>• The Bank in consultations with authorities of all participating countries should consider an alternative country location for the RPMU to avoid further delays in implementation of the project.</li> <li>• The Governments of four participating countries (Ministries of Health, Foreign Affairs, Justice, and Economy and Finance) to work out all details needed for making an informed decision by the Project Regional Steering Committee on relocation of the RPMU ( if necessary).</li> <li>• Identification of the agencies for fiduciary support to project implementation at the country level in each participating country.</li> </ul>			