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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

KYRGYZ REPUBLIC

Village Investment Project and Second Village Investment Project

Report No. 123089

FEBRUARY 16, 2018

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PROJECT PERFORMANCE ASSESSMENT REPORT

Kyrgyz Republic

VILLAGE INVESTMENT PROJECT
(GRANT NO. H070-KG)

SECOND VILLAGE INVESTMENT PROJECT
(IDA-46570 IDA-51980 IDA-H2500 IDA-H5190 IDA-H8240 TF-90072)

February 16, 2018

Financial, Private Sector, and Sustainable Development
Independent Evaluation Group

Currency Equivalents (annual averages)

2003	$1.00	som 43.65
2004	$1.00	som 42.65
2005	$1.00	som 41.01
2006	$1.00	som 40.15
2007	$1.00	som 37.32
2008	$1.00	som 36.57
2009	$1.00	som 42.90
2010	$1.00	som 45.96
2011	$1.00	som 46.14
2012	$1.00	som 47.00
2013	$1.00	som 48.44
2014	$1.00	som 53.65

All dollar amounts are U.S. dollars unless otherwise indicated

Abbreviations and Acronyms

ARIS	Agentstvo Razvitiya Investirovaniya Soobschestv	JSDF	Japanese Social Development Fund NGO nongovernmental organization
BIA	Beneficiary Impact Assessment	NPRS	National Poverty Reduction Strategy
CAS	country assistance strategy	OP	operational policy
CDD	community-driven development	PAD	project appraisal document
CPS	country partnership strategy	PDO	project development objective
DFID	U.K. Department for International Development	PMEG	Participatory Monitoring and Evaluation Groups
FY	fiscal year	PPAR	Project Performance Assessment Report
ICR	Implementation Completion and Results Report	PRSP	Poverty Reduction Strategy Paper
IDA	International Development Association	UNDP	United Nations Development Programme
IEG	Independent Evaluation Group	VIP 1	Village Investment Project
IRR	internal rate of return	VIP 2	Second Village Investment Project
ISR	Implementation Status and Results Report	VIP 3	Third Village Investment Project

Fiscal Year

Government: January 1 – December 31

Director-General, Independent Evaluation	Ms. Caroline Heider
Director, Financial, Private Sector, and Sustainable Development	Mr. José C. Carbajo Martínez
Manager, Sustainable Development	Ms. Midori Makino
Task Manager	Mr. Christopher Nelson

Contents

This report was prepared by Kathryn Steingraber who assessed the project in May 2017. The report was peer reviewed by Victor Vergara and panel reviewed by Lauren Kelly. Richard Kraus provided administrative support.

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Principal Ratings

Village Investment Project

	ICR*	ICR Review*	PPAR
Outcome	Highly Satisfactory	Highly Satisfactory	Satisfactory
Risk to Development Outcome	Moderate	Significant	Moderate
World Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion and Results (ICR) report is a self-evaluation by the responsible global practice. The ICR Review is an intermediate IEG product that seeks to independently validate the findings of the ICR.

Second Village Investment Project

	ICR	ICR Review	PPAR
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
World Bank Performance	Moderately Satisfactory	Moderately Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

Key Staff Responsible

Village Investment Project

Project	Task Manager / Leader	Division Chief/ Sector Director	Country Director
Appraisal	Gotz A. Schreiber	Joseph R. Goldberg	Dennis de Tray
Completion	Keith McLean	Dina Umali-Deininger	Motoo Konishi

Second Village Investment Project

Project	Task Manager / Leader	Division Chief/ Sector Director	Country Director
Appraisal	Gotz A. Schreiber	Jurgen Vogele	Annette Dixon
Completion	Aly Rahim	Elisabeth Huybens	Jean-Michel Happi

IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank country management unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the World Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, and Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This is a Project Performance Assessment Report (PPAR) of the first and second Village Investment Projects (VIP 1 and VIP 2) in the Kyrgyz Republic. VIP 1 was approved in December 2003 and closed in March 2008. Total costs were $21.85 million, including an IDA grant of $15.1 million. VIP 2 was approved in August 2006, while the first phase was still under implementation, and closed in October 2014. Total costs were $54.1 million, including two additional financings (paid for by KfW and the U.K. Department for International Development to bridge a financing gap).

The projects shared the same objective of improving governance and capacity at the local level, strengthening provision of and access to essential infrastructure services, and supporting private small-scale enterprise development.

This report was prepared by Kathryn Steingraber under the guidance of Christopher Nelson, senior evaluation officer, Independent Evaluation Group (IEG) Sustainable Development Unit. Sama Khan provided support for primary data collection in the project areas. The team undertook a mission to Kyrgyz Republic in April and May of 2017.

Methodology. This assessment used a mixed-methods approach that included a desk review of documentation (appraisal, supervision, and completion reports, midterm review, an institutional assessment, and external project assessments), interviews with key stakeholders, including World Bank and project staff and other donor partners, and group and individual interviews with microproject recipients and local government officials (see appendix B for methodology). This evaluation was informed by and used a collaborative-based evaluation approach, benefitting from planning sessions with J. Bradley Cousins. Following this approach, IEG consulted extensively with the implementing agency and leveraged their experience and expertise to revise evaluation questions in an iterative manner.

IEG thanks the Government of the Kyrgyz Republic, World Bank country staff, and the implementing agency for facilitating a high level of access to the project and its associated sites. IEG also thanks the many local government officials and local Community Development Support Officers for the generous amount of time and attention that was given to this review. IEG received excellent administrative and coordination support from the World Bank Country Office in Bishkek.

Following standard IEG procedures, a copy of the draft PPAR was sent to the relevant government officials and its agencies for their review and feedback.

Summary

This is a Project Performance Assessment Report (PPAR) of the Village Investment Project (VIP 1) and the Second Village Investment Project (VIP 2), implemented from 2003 to 2014. The World Bank's Board of Executive Directors approved these projects in December 2003 and August 2006, respectively.

Both VIP projects were designed against a backdrop of persistent rural poverty, a vacuum in the supply of local infrastructure services, a lack of economic opportunities, and a nascent decentralization agenda.

- In the postindependence period, conditions in rural areas declined due to a vacuum in the supply of rural economic and social services previously provided by collectivist structures. Consequently, there was a need for provision of water, sanitation, health, transportation, and education services and corresponding infrastructure at the local level.

- The rural population was heavily dependent on agriculture but at the same time faced severe constraints, including a scarcity of arable land. A critical need for rural nonfarm employment opportunities arose. Challenges to finding employment off the farm stemmed from the disintegration of supply, service, and marketing channels.

- Bureaucratic constraints, lack of start-up capital, and unviable market size constrained individuals with trade or technical skills when they attempted to enter the market. Rural poverty was pervasive, with the rural population accounting for a large share of the incidence of poverty and extreme poverty.

- The Kyrgyz Republic was the first former Soviet country to embrace decentralization initiatives, and in the decade following independence, the government passed a series of important laws and strategies crystallizing the decentralization agenda. During this time local councils were given increasing authority including control of state property and some financial autonomy.

Project design incorporated lessons from implementing a community-based pilot financed by the Japanese Social Development Fund (JSDF) and information from extensive consultations conducted as part of the thorough project preparation. High capacity and excellent support from the implementing agency created by the project were crucial factors in their successful and rapid implementation of the projects. VIP 2 was a follow-on repeater project with the same design and objectives as VIP 1 and began implementation before completion of VIP 1, scaling up activities leading to nationwide coverage. VIP 2 had two additional financings: one in 2009 to cover a financing gap and to allocate funds retrofitting structurally deficient infrastructure, and one in 2012, providing additional resources to complete the retrofitting.

A third project, VIP 3, was approved in March 2015 and provides $12 million in financing. It targets the four northern provinces and incorporates learning from VIP 1 and VIP 2. VIP 3 focuses on improving local governance and capacity, placing more

responsibility for implementation with local government institutions. VIP 3 also includes learning about the importance of technical oversight to ensure the quality of project-financed infrastructure and allocates larger grants on a competitive basis, a shift away from the VIP 1VIP 2previous two VIP projects, in which all communities received village grants on a per capita basis.

VIPs 1 and 2 had three objectives: "(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." This set of objectives was and remains **highly relevant** in the Kyrgyz Republic context. Government and World Bank strategies continue to focus on mechanisms to address rural poverty and strengthen service provision while increasing the efficiency of public administration and public services.

Project design used a community-driven development (CDD) approach reflecting both World Bank and government strategies. The World Bank strategy identified CDD as a mechanism for helping communities identify and address their own priorities, giving them the choice between implementing small-scale community infrastructure or supporting local small enterprise development while also supporting the decentralization vision of the government's National Poverty Reduction Strategy. The choice of CDD was highly relevant for building capacity of communities and local governments and for stimulating the demand for transparency and accountability at the local level. Village investment grants were provided in four annual allocations, a key design feature that allowed villages to go through local development planning cycles four times with smaller grants instead of receiving one large grant. This approach reinforced and strengthened participatory planning over time. The design of VIP 1 is rated **highly relevant,** while the design of VIP 2 is rated **substantially relevant** due to insufficient financing caused by delays related to retrofitting structurally deficient infrastructure. This weakness in design required additional financing to ensure that project activities were fully implemented in all villages nationwide.

The efficacy of the first objective of improving governance and capacity at the local level is rated **high** for both projects. The extensive social mobilization process and capacity building and training activities conducted by the project supported an inclusive approach and provided skills used by recipients. The Beneficiary Impact Assessment reflects that communities perceive improved relationships and increased responsiveness of local governments as a result of project activities.

The projects made **substantial** progress toward achieving the second objective of strengthening the provision of, and access to, essential infrastructure services. Through the village investment grants, the projects cumulatively financed construction of 8,425 social, economic, and environmental infrastructure microprojects. There is ample evidence on the provision of infrastructure; however, the project did not track access to and use of project-financed infrastructure in a robust manner, limiting the ability to assess use. IEG noted during fieldwork that in the sampled villages, the infrastructure is well used and maintained by communities and local governments.

Efforts to support private small-scale enterprise development are rated **substantial** for both projects. VIP 1 and 2 provided limited business development training and grants to support 2,324 small-scale enterprises. However, because the project did not track success or viability of these enterprises there is minimal information on sustainability and impact. The approach used for this component was not comprehensive and did not include market analysis, value chain analysis, or an assessment of capacity and constraints for enterprises.

Efficiency is assessed as **substantial** for both projects. Traditional rate of return calculations were carried out on community infrastructures during the implementation of both projects and yielded acceptable rates for most investments. The community infrastructure accounted for the majority of project financing; however, there was no attempt to use efficiency analysis such as value for money on the training and capacity building activities. In addition, significant delays occurred during retrofitting of deficient infrastructure, weakening overall project efficiency.

World Bank performance was generally **satisfactory** for both projects, with moderate shortcomings. It is evident that the World Bank undertook extensive consultations, and reflected lessons learned from global and regional CDD projects and the JSDF pilot project in design. The World Bank team also provided excellent implementation support, which allowed for minimal interruption of project activities during the two internal conflicts (see Background and Context for more details) that occurred during implementation. In addition, the World Bank team took the necessary steps to rectify the structurally deficient infrastructure. Weaknesses in World Bank performance were insufficient attention paid to quality of infrastructure during the initial phases of implementation (VIP 1) and a three-year delay in completing the deficient infrastructure retrofitting activities (VIP 2).

Borrower performance was **satisfactory,** with shortcomings. Government performance was slightly marred by delays in providing political and financial support to the project. The implementing agency, Agentstvo Razvitiya Investirovaniya Soobschestv (Community Development and Investment Agency; ARIS), provided excellent support, which is commendable given the high levels of corruption in Kyrgyz Republic and the corruption issues faced by other local development projects implemented just prior to VIP 1. ARIS was created by the VIP project and quickly gained an excellent reputation as an implementing agency for rural development projects, resulting in an expanded portfolio that included additional World Bank Group projects and other donor -financed projects. A 2014 independent institutional assessment found that among donors and local/national stakeholders, ARIS had the reputation of being a successful implementing agency with high levels of standing at the community level where it is seen as providing reliable and impartial support to community development. The creation of ARIS is one of the success outcomes of the projects.

Risk to development outcome is rated **moderate** for both projects. Infrastructure has been well maintained and support from local governments helped ensure the sustainability of project-financed social and economic infrastructure services. Communities report continued relevance and use of skills acquired through the project's training and capacity building activities and continue to use participatory development processes, albeit most for other donor-financed projects. Although there is a risk that the benefits of VIP will be difficult to maintain following the completion of the current series of projects, the government support to the approach and the cooperation of regional governments to the CDD model are likely to ensure that the benefits will last beyond the project-supported period.

Lessons

- **Multiple tranches of village-level financing in CDD projects can reinforce and strengthen participatory planning over time. This approach can also lower the risk of elite capture.** In the Kyrgyz Republic, the four phases of financing in each village allowed for multiple opportunities for local government and communities to use the local development planning skills imparted by the project. It also helped villagers prioritize and minimize elite capture, as multiple project cycles benefited more villagers, not just those who were involved during the first year of the project.

- **CDD programs implemented nationally can enhance political legitimacy, especially in countries with ethnic or regional tensions. Although a move to consolidate project activities can magnify local economic gains, these consolidations carry the risk of perceptions of favoritism of one group over another.** VIP 1 and VIP 2 activities covered 100 percent of rural villages, which prevented the perception of favoritism or capture. This model is not replicated in VIP 3, where microprojects and subprojects are allocated on a competitive basis. Fieldwork revealed some perceptions of favoritism along ethnic lines in southern villages, and more outreach may be necessary beyond publicizing selection criteria.

- **In rapidly scaled out CDD programs there is a need to pay simultaneous attention to social outreach and infrastructure quality. Poor infrastructure can undermine program legitimacy and create a public safety risk.** In the Kyrgyz Republic, a lack of initial attention to infrastructure contributed to additional costs and implementation delays. However, when the project teams learned of issues with the quality and safety of project-financed infrastructure, they took the proper steps to ensure a complete accounting of deficient infrastructure and retrofitting of infrastructure that caused a public safety hazard. These corrective actions mitigated reputational risk to the World Bank and bolstered the legitimacy and creditability of both the project and the implementing agency.

- **Investments in small-scale enterprises require an upstream diagnosis of capacity and constraints and the interventions should be targeted to address known binding constraints.** Interviews with project teams revealed that the small-scale enterprise development grants in VIP 1 and VIP 2 used a “light touch” approach. There was minimal consideration of the constraints faced by small-scale enterprises (that is, access to market, value chain analysis, enterprise development training, access to finance, market analysis, access to inputs, and so on). Because of the limited data collected on these investments, little is known about their viability. If the World Bank is going to invest in small-scale enterprise development, it should be a primary focus, not an add-on. This lesson aligns with the IEG evaluation of the rural nonfarm economy, which recommended more systematic diagnostics (on constraints and performance) for micro, small, and medium enterprises in countries where the rural economy is a key part of the solution to ending poverty.

José Carbajo Martínez
Director, Financial, Private Sector, and
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1. Background and Context

1.1 The World Bank approved the first Village Investment Project (VIP 1) in the Kyrgyz Republic in 2003, 12 years after the country declared independence from the Soviet Union. Following independence, rural economic and social services (infrastructure maintenance, potable water, sanitation, health and child care, and so on) formerly provided by centralized government structures and through collectivist farms collapsed. Income-generating and employment opportunities shrank, and technical capacity in the form of skilled trades diminished.

1.2 VIP 1 and VIP 2 were designed to improve capacity for local governance, strengthen local service provision, and support small-scale enterprise development in the post-independence period within the wider decentralization framework. The Kyrgyz Republic was one of the first former Soviet countries to set forth a decentralization initiative. In 1992, the parliament adopted the Law on Local Self-Government and Local State Administration that gave local councils (*keneshes*) the authority to oversee local executive bodies. In 1996, the government adopted a decree establishing *aiyl okmotus* (local governments), and in 1999 a decree gave the local self-governments authority to hold budget hearings. In 2002, the government adopted the National Strategy on Decentralization (2002–10), and the parliament adopted a law allowing transfer of control over state property to local self-governments. In 2003, when VIP 1I was prepared, the parliament adopted the Law on the Financial and Economic Basis for Local Self-Governments to strengthen financial autonomy of local self-governments.

1.3 This program of World Bank support was highly attenuated to the country context and the needs of the poor during a time of transition. At the time of preparation, rural poverty was pervasive, with about 65 percent of the five million inhabitants living in rural areas (World Development Indicator data). In 2001, the rural population accounted for 75 percent of the poor and about 80 percent of the extremely poor. Furthermore, 62 percent of rural households had consumption levels below the absolute poverty line and 28 percent were in extreme poverty (World Bank 2003d).

1.4 The Kyrgyz Republic's rural population was extremely dependent on agriculture but faced severe access constraints. As of 2003, about 40 percent of gross domestic product, almost half of total employment, and 17 percent of exports were derived from the agricultural sector (World Bank 2003d). Arable land suitable for agriculture was and remains scarce, however, comprising only 7 percent of total land mass, of which almost half is used for pasture and grazing land. Because of the limited natural resource endowment, it was critical for many in rural areas to find rural nonfarm employment. However, finding employment off-farm proved challenging due to the disintegration of previous supply, service, and marketing channels. Individuals with trade or technical skills faced multiple hurdles when attempting to capitalize on their skills such as bureaucratic hassles, lack of start-up capital, and unviable market size.

1.5 Two internal conflicts occurred during the implementation period of the projects. President Askar Akaev was elected by the parliament after independence in 1991. Dissatisfaction with Akaev's regime is generally attributed to underlying tensions between the north and south and a struggle for power between tribes. Nationwide demonstrations in the spring of 2005 resulted in a change of power, in what was named the Tulip Revolution. Opposition leader Kurmanbek Bakiyev was elected in 2005 but failed to satisfy public demands for reform. In early 2010, amidst reports of corruption and suppression of rival forces, more than 80 people died and 1,000 were injured during protests and clashes with police. President Bakiyev fled in April 2010. A provisional government was formed and June 2010 saw the adoption of a new constitution. Competitive parliamentary and presidential elections were held and the constitution "contrary to widespread misgivings, became the pillar of consistent pluralist political stabilization and democratization" (BTI 2016).

1.6 Against this backdrop of persistent rural poverty, a vacuum in local infrastructure services, a lack of economic opportunities, and a growing decentralization agenda, the VIP 1I and VIP 2II projects were designed and implemented.

2. Village Investment ProjectVIP 1

2.1 **Project dates, cost, and financing**. The World Bank approved its contribution to the VIP in December 2003 with an International Development Association (IDA) grant of $15.1 million. The U.K. Department for International Development (DFID) expected to contribute $0.87 million, the government made a commitment of $0.44 million, and beneficiaries were expected to contribute $2.88 million. Hence, the total original cost of the project was appraised at $19.33 million. The project closed on March 1, 2008. The actual total cost of the project was $21.85 million, due mainly to greater than anticipated contributions from beneficiary communities.

Objectives, Design, and Relevance

RELEVANCE OF OBJECTIVES

2.2 **Project development objectives (PDOs).** The PDO for VIP 1 as stated in the development grant agreement are "assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services; and (c) supporting private small-scale enterprise development" (World Bank 2003b, 13). The PDO in the PAD includes the broader overarching aim of contributing to the alleviation of rural poverty *through* the objectives described in the grant agreement (World Bank 2003d, 2).[1] The PDO objectives for VIP 1 were not revised.

2.3 Relevance of the PDO is rated **high.** Relevance of the PDO was and remains high. At the approval of VIP 1, the 2003 country assistance strategy (CAS) emphasized the high levels and widespread extent of poverty and its rural predominance. The CAS highlighted the use of community-driven development (CDD) approaches as a way to create conditions for local entrepreneurs to grow and for the economy to diversify. It included reference to the need to empower communities to identify their own priorities, to help realize the decentralization vision of the National Poverty Reduction Strategy (NPRS), and to encourage decentralization through support to local capacity development.

2.4 VIP 1 was in line with all three of the 2003 CAS pillars, which were closely linked to the NPRS at the time. These pillars were supporting private sector–led growth, providing essential services, and strengthening the governance framework. Additionally, the project's emphasis on social mobilization aligns with the NPRS, which introduces a "social mobilization approach to poverty reduction" (Kyrgyz Republic 2002).

2.5 At the close of VIP 1 in 2008, the objectives remained aligned with the government's Poverty Reduction Strategy Paper—Country Development Strategy (2007–10). Specifically, the project addressed three of the four development priorities in the country development strategy: (i) economic potential enhancement (development of agriculture and processing and small and medium business); combating corruption (capacity building of public and municipal servants); and human and social development (education, accessible and quality health care and the broadening of population participation in cultural life). The 2007–10 joint country partnership strategy pillars mirror those set forth in the country development strategy and are also supported by the project along the same dimensions (economic management, governance, effective public administration and reducing corruption, and building sustainable human and social capital).

2.6 The current government development strategy reflects the continued relevance of the VIP projects. After an interim strategy note was authored in 2011 because of political turmoil,[2] the government formulated its current Poverty Reduction Strategy Paper, The Kyrgyz Republic Sustainable Development Program, 2013–17, which continues to highlight the persistent challenge of rural poverty. The five-year development plan includes priorities that directly align with the VIP projects, namely "provision of quality services to the population by government, and human development and human capital." It also features governance and reduced corruption as unifying themes, recognizing the role that corruption, nepotism, and the misuse of public assets played in a 2010 conflict.

2.7 The 2014–17 country partnership strategy (CPS) places accountability to citizens at the forefront stating that "the [World] Bank Group will partner with the Kyrgyz authorities' commitment to make the state more accountable to its citizens and, at the same time, strengthen citizens' voice in the activities of the state" (World Bank 2013). The VIP projects align with all three current strategic engagement areas. The first, more efficient public administration and public services (especially those relating to lowering poverty and improving accountability), directly reflects the objectives of VIP 1. The second, relating to improved business environment and business climate, describes an emphasis on growth potential in sectors supported by the project such as agroprocessing, textiles, and cross-border commerce. The third strategic area includes a provision for better management of physical infrastructure, recognizing the importance of these as public goods—the project explicitly focused on improving community, social, and economic public infrastructure. Furthermore, the government requested continued support in the form of a third VIP project, further attesting to the relevance of objectives.

Relevance of Design

2.8 **Project components.** VIP 1 comprised three components: (i) Capacity Building and Empowerment; (ii) Village Investments; and (iii) Project Management. There were no formal revisions of the project components, but changes occurred during the course of implementation, including the addition of activities, reallocation of funds, and changes to the operational manual.[3]

2.9 **Component 1: Capacity Building and Empowerment** (Actual $1.99 million, 70 percent of estimate). Major activities under this component were targeted at stakeholder groups including communities, local self-governments, and community-based organizations. It financed social mobilization; local development planning; microproject preparation, implementation and, management; and public accountability and governance.

2.10 **Component 2: Village Investments** (Actual $18.15 million, 136 percent of estimate). This component supported a facility and mechanisms for delivery of financial and technical support for community-based initiatives, which were the result of collaborative and participatory development planning processes conducted by communities and local officials. Eligible and participating communities received community grants, phased over four one-year cycles, to implement their agreed and approved community investment plans in two main categories: (i) economic and social infrastructure and (ii) group-based small business ventures. The communities were required to contribute at minimum the equivalent of 20 percent (including at least 3.75 percent in cash) of the community grant allocation to the cost of their community investment plans.

2.11 **Component 3: Project Management** ($1.7 million, 104 percent of estimate). This component provided support to the implementing agency for overall project management. It financed staff, consultants, operating costs, technical assistance, training, essential equipment, and office facilities. Funding was also provided for information dissemination, monitoring and evaluation activities, audits, and operational reviews.

2.12 **Implementation arrangements.** Three key institutions were involved in project implementation: (i) the Agentstvo Razvitiya Investirovaniya Soobschestv (Community Development and Investment Agency; ARIS); (ii) communities, community-based organizations, and community groups; and (iii) local self-government councils and administrations (aiyl keneshes and aiyl okmotus). The project also worked with partner organizations and nongovernmental organizations (NGOs) with experience in social mobilization and capacity building at the grassroots level. The institutions are briefly described below.

2.13 **ARIS.** Established in October 2003, ARIS is a legally and operationally autonomous institution, governed by a supervisory board, which provides oversight and guidance and approves its policies and procedures, budget and work plans, and annual and quarterly reports.[4] Since its inception, ARIS has grown and in 2017 includes three regional offices and 10 small oblast-level offices. According to NGOs, World Bank staff, and project beneficiaries interviewed by the Independent Evaluation Group (IEG) mission, the VIP project and ARIS are synonymous in rural Kyrgyz Republic.

2.14 **Communities and community groups.** Rural communities, community organizations, and community groups played a key role in the village planning and investment process. They were tasked with determining their own priority needs, organizing themselves, developing and submitting investment proposals, implementing the investments, managing project resources, and operation and maintenance of infrastructure.

2.15 **Local self-governments (aiyl keneshes and aiyl okmotus).** In line with the 2002 Law on Local Self-Government and Local State Administration, the project sought to enable and encourage local government officials to work closely with community-based organizations. Local administrations were targeted for capacity building activities in strategic planning and fiscal management as well as methods for accountability and transparency.

2.16 Relevance of design is rated **high.** The project's activities and components are well aligned with the project objectives. Overall, the results chain was clear and convincing, (that is, it can be plausibly argued that the project activities could achieve the stated objectives).

2.17 The project appraisal document outlines a clear theory of change and the design of activities and outputs was consistent with the stated objectives of improving governance and capacity at the local level, improving access to infrastructure services and supporting small-scale enterprise development. The training and capacity building activities focused on imparting skills required to implement and monitor the small enterprise and community infrastructure microprojects and also provided training on elements important for improving local governance including participatory planning processes, and transparency and accountability.[5] The village investment grants provided opportunities for recipients to use the planning, implementation, and oversight skills they learned in training. The monitoring and evaluation framework was solid overall, with a few shortcomings. The framework lacked indicators or supplementary analysis to collect robust data on access to community infrastructure and the viability of the small-scale enterprises supported by the project.

2.18 Given the country context at design, the CDD approach was relevant. At design, there was a decentralization agenda that was notably gaining momentum, as well as a dearth of local services and infrastructure, especially in rural communities. Current guidance on when to use CDD indicates that CDD is most successful when "public services or markets are absent or nonfunctional... and when there is nascent decentralization" (World Bank 2017). By including both the local government officials and communities in participatory development planning, the design of the project intended to promote transparency and accountability between these two entities. The training and capacity building activities conducted increased skills, knowledge, and (on the part of communities) demand for good governance at the local level. On the supply side, the training and capacity building taught participatory processes and measures for transparency to local government officials.

2.19 The financing cycle was relevantly designed to support a sustained focus on local development planning by spreading project grants across four cycles as opposed to providing one lump sum. Each aiyl okmotu was to receive som 600 (about $15 at the time) per capita for the village investment grant program. The community members were aware of their total budget during the planning process and knew they would receive financing over four tranches. During implementation, the initial division of financing between the tranches was revised, and the final allocations were 100, 150, 200, and som 150 per capita over the four years. This explicit design feature encouraged the communities to take a longer-term view of local development planning, compared with doing one community budget cycle.

Additionally, it allowed different groups a chance to have their priorities addressed through project financing and provided more opportunities for communities to practice the local development planning skills obtained through trainings provided by the project.

2.20 Recent World Bank analysis has confirmed the value of CDD models for delivering public services, confirming that "in many of the World Bank CDD infrastructure related programs, there remains little doubt that CDD programs have been able to provide much-needed village infrastructure, particularly in less developed areas. Several studies have shown that infrastructure are built at comparatively lower costs than other forms of service delivery" (Guggenheim and Wong 2015).

Implementation

2.21 The implementation of VIP 1 was characterized by rapid disbursement and greater coverage than anticipated. The project benefited at preparation from earlier lessons from both national and international community-based programs and the experience from a JSDF-funded pilot.6 Communities gave a high level of demand for project activities. Midway through implementation (in 2006), a decision was taken to scale up the project activities nationwide and a repeater project, VIP 2 was approved and became effective. Because of the rapid expansion in coverage and disbursement of VIP 1, it became clear to the project teams that additional financing would be necessary to implement the intended four rounds of village investments in all eligible communities in the country. Two developing operational partnerships crystallized in 2004: (i) DFID support to the VIP, which included training, capacity building and technical assistance; and (ii) KfW parallel financing in Osh and Jalal Abad (later incorporated into VIP 2). Early during the implementation of VIP 1, the World Bank team highlighted the need for the government to consider approaching external donors to provide additional funding for VIP 2. Between VIP 1 activities and VIP 2 (with the support of DFID and KfW), the program achieved nationwide coverage more quickly than anticipated.7

2.22 **High community demand and selection criteria.** Public demand for additional aiyl okmotus to be included in program activities was high. During supervision, it was noted that ARIS faced pressure to include certain communities in the project. The project team recognized the importance of clear selection criteria and initially adhered strictly to the poverty ranking of communities as derived from July 2003 Social Passport data.[8] The World Bank team and ARIS made a solid effort to ensure that this policy was publicly disseminated; these efforts included a press conference and advertisements in the media. However, during the initial supervision mission, the World Bank team reported "awareness that the poorest communities are to be included first appears to have caused some deliberate corrections' in poverty reporting, casting serious doubt on the future utility of the social Passport data for this purpose" (World Bank 2004). The World Bank team pivoted and worked with National Statistical Committee of the Kyrgyz Republic to develop a "poverty map" using alternative data sources. This new tool, combined with activities undertaken by ARIS, including preparation of an inventory of communities to better understand which had received support from external sources, helped guide community selection moving forward. Ultimately, pressure for inclusion became less of a concern as the project was implemented nationwide.

2.23 **Rapid expansion.** The JSDF-funded grant became effective in mid-2003, covering 28 villages, and was fully disbursed by December 2004. VIP 1 became effective in March 2004, and by September of 2004, 79 aiyl okmotus were included in the project. By the end of 2004, that number increased to a cumulative total of 105 aiyl okmotus, far exceeding the 2004 target of 60–65. It became clear that the goals set at preparation were too modest, and the number of covered aiyl okmotus increased to a total of 226 by mid-2005.[9] In 2006, 121 additional communities were added, bringing the total coverage to 347 of the country's 473 aiyl okmotus.[10] Accordingly, the project disbursed much more rapidly than projected, and ARIS was able to hire additional staff and manage the quick disbursements well. As a result, appraisal estimates were substantially exceeded by the end of 2006. Community contributions exceeded the required 20 percent, further facilitating the rapid expansion of project activities—in some communities, up to 85 percent of microproject cost was provided by community members; average community contributions were between 20 and 38 percent.

2.24 **Civil unrest.** Following the 2005 parliamentary elections, allegations of corruption and authoritarianism led to protests and the eventual resignation of President Akaev. The Tulip Revolution resulted in a regime change with the opposition party taking power. During this time, World Bank and ARIS leadership agreed to pull field staff so that ARIS would not be drawn into the upheaval and to mitigate the risk of the project being misused by political interests. During this time, more staff training was conducted, and after a few months until operations resumed as normal. According to interviews and aide-mémoire, implementation was paused for approximately three months, but otherwise implementation was not materially impacted by the civil unrest.

2.25 As implementation began in earnest, the management and information system (MIS) was in place and effectively used. However, according to the first Implementation Status and Results Report (ISR), initial access was limited to key officials in the head office. Access was later expanded to field offices, and a decentralized process was used to track project indicators.

FINANCIAL MANAGEMENT AND PROCUREMENT

2.26 ARIS employs dedicated financial management and procurement staff and has benefited from the retention of key staff in these areas since the agency formed in 2003. The number of employees in these roles has grown over time as ARIS takes on implementation of additional donor-financed projects. World Bank financial management and procurement specialists were available in the country office in Bishkek, allowing for consistent contact with ARIS. ARIS staff reported receiving adequate procurement and financial management support throughout the project.

2.27 Some challenges with procurement came up during the implementation of VIP 1, especially during the early phases of the project. Initially, community capacity was low and it took some time to build an understanding of the procurement protocols. With support of World Bank procurement staff, ARIS prepared special training modules on procurement and adapted and simplified the procurement requirements. Another challenge was a shortage of suppliers, especially in remote areas. To address this, a Standard Unit Price list, created and maintained by ARIS, was circulated to communities to guide community-based procurement.

This served to “determine the extent to which local prices deviate from regional averages and... guide decisions concerning the possible need to extend geographic range of procurement for microprojects beyond the immediate local area” (World Bank 2005).

2.28 No major issues with financial management were reported under VIP 1, which is noteworthy given the high levels of corruption in Kyrgyz Republic at the time of implementation. According to project documents and conversations with various stakeholders, this high corruption risk was mitigated through the inclusion of highly experienced staff, monitoring at the community level, which included cross-checking and “peer auditing,” and the small size of the grants (allocated over four years), which made them less susceptible to leakage.

SAFEGUARDS COMPLIANCE

2.29 VIP 1 was classified as environmental category F (financial intermediary assessment), and an environmental review was carried out in compliance with operational policy (OP) 4.01. Because of the demand-driven nature of the project, it was not known ex ante which microprojects would be selected, but the anticipated environmental impact was estimated to be unlikely to have a significant negative impact (either individually or collectively) due to their small size. Provisions were made for training and capacity building to ensure alignment with environmental guidelines in the operational manual and each microproject required a visit prior to completion to assess compliance with the environmental management plan. Environmental safeguards were monitored in the ISRs, and safeguards compliance was confirmed in the Implementation Completion and Results Report (ICR; World Bank 2009). IEG interviewed key project staff and found no other reports of issues related to safeguards.

MONITORING AND EVALUATION

2.30 **Monitoring and evaluation design.** The monitoring and evaluation system designed for VIP 1 was thorough and extensive. During preparation, the project team articulated the critical role of monitoring and evaluation given the large number of microprojects anticipated. At preparation, the project team clearly defined its aims for the monitoring and evaluation system: (i) provide information for decision making; (ii) effective project management; (iii) validation of project results through evaluation; and (iv) strengthening and empowering communities and local governments.

2.31 There were three complementary monitoring and evaluation mechanisms, all managed by ARIS. These were performance indicators tracked through a MIS; a participatory monitoring and evaluation system; and supplemental assessments. These mechanisms were used to triangulate data on outputs and impact of the project.

2.32 Performance indicators or MIS. Monitoring of performance indicators was supported through a decentralized MIS. Data were collected at the local level and aggregated at the regional and national level and included five modules: (i) framework agreements or microprojects; (ii) social mobilization; (iii) training; (iv) village profiles; and (v) financial transactions. Despite a strong MIS system, a weakness in design for VIP 1 is the indicators selected to track progress toward achievement of the PDOs. The results framework was partially adequate but notably lacked an indicator to accurately measure the access to (beyond provision of) project-financed infrastructure and there was no indicator to track quality of infrastructure. In spite of a detailed social inclusion plan, the results framework did not track disaggregated access to infrastructure for women, youth, or other disadvantaged groups. Furthermore, the results framework only partially tracked the project's contribution toward the development of viable, sustainable, small-scale enterprises.11

2.33 *Participatory monitoring and evaluation system.* This system trained and engaged local communities to monitor and report on microproject progress. Participatory Monitoring and Evaluation Groups (PMEGs; PMEGs were formed and tasked with validating and reporting status of microprojects under construction). These groups were tasked with conducting assessments at the start of construction and at 50 percent and 80 percent of completion. This information was useful for the project teams as it allowed them to provide additional support in response to any issues raised by these assessments.

2.34 *Periodic assessments.* Periodic assessments were designed to supplement data collected in the MIS and by the PMEGs including a BIA survey (2007/2011), annual evaluations for 5 percent of completed microprojects covering technical project aspects, impact, quality, and sustainability of the infrastructure or income-generating activity.

2.35 **Monitoring and evaluation implementation.** The main shortcoming identified in implementation relates to the failure of the Beneficiary Impact Assessment (BIA) to capture data from a control group, representing a missed opportunity for more rigorous data collection on project impact. Otherwise, the monitoring and evaluation and MIS systems functioned well. Oblast offices were equipped with a data entry module, and the module was reportedly kept up to date by field support officers, overseen by MIS specialists in Bishkek. Data were aggregated and analyzed by the regional and national offices. The IEG mission found the current and former monitoring and evaluation staff to be highly proficient, and the mission was able to obtain most of the requested information from the MIS and monitoring and evaluation reports, with the exception of data that had been archived.

2.36 The PMEG exercise was difficult for community members at first, and the project teams adjusted accordingly, reducing the amount of data required by the groups. The IEG mission interviewed members of the PMEGs and feedback about the experience was positive. Unfortunately, the PMEG members reported that they have not been using these skills since the project closed.

2.37 ARIS commissioned a local research institute to conduct an independent BIA. This BIA provides evidence on the impact of the project, going beyond the outputs measured in the results framework. The objectives of the 2007 report include analysis of the following:

- skills and capacity of communities to realized improved access to services
- how community members use skills to deliver investments or projects outside the VIP framework
- how much benefit aiyl okmotus see in engaging communities in transparent decision making and planning

- the level of access to improved infrastructure services for all groups, including the poor
- the level of engagement and influence various social groups (women, youth, men, and the elderly people) have in decision-making processes
- risk of capture of resources and services by the elite or other groups

2.38 The methodology employed by this assessment was sound and validated by IEG through a review of documents and an interview with the author. The first round of data was collected in 2007 (three years after project implementation and after the bulk of VIP 1 funds had been disbursed), this was later followed by a second round in 2011, after most of the VIP 2 village infrastructure grants had been disbursed. Both assessments used household surveys (2,800 respondents), focus groups discussions, and key information interviews, and employed a stratified random sampling methodology to select villages. Unfortunately, the 2007 baseline analysis did not collect data from comparator villages that had not yet received the project intervention,[12] IEG finds this to be a weakness in the design and a missed opportunity to make more robust assertions about project impact based on comparison with a counterfactual.

2.39 In addition, a citizen scorecard assessment was conducted in late 2005 for 342 microprojects completed by the end of 2004. This assessment measured four indicators: results (physical outcome of microproject investment); benefits (benefits of using the microproject); operation and maintenance (effectiveness in microprojects); and operation and maintenance costs (costs of postimplementation microproject operation and maintenance.

2.40 **Monitoring and evaluation use.** The ISRs and ICRs consistent use of MIS data to inform project decision making, and that scanned copies of documents relating to microprojects was used by ARIS and local governments as a reference point when questions or concerns about microprojects were raised. This was validated during interviews with ARIS project staff that reported extensive reliance on the MIS system for daily project management activities. The MIS system was adapted and is now used to manage other donor-funded projects.

2.41 The overall rating for monitoring and evaluation for VIP 1 is **substantial**.

Achievement of the Objectives

2.42 **PDOs and indicators.** The PDOs for VIP 1 as stated in the development grant agreement (pg. 13) are “assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services; and (c) supporting private small-scale enterprise development.” This assessment assesses and rates each objective.

2.43 The five PDO indicators for VIP 1 included (i) employment and income generated by microprojects (workplaces were created—no target set due to the demand-driven nature of the microprojects, baseline value of zero); (ii) access to improved infrastructure services (target of 2,000 completed microprojects); (iii) broad participation in strategic planning, microproject prioritization, and implementation, at both aiyl and aiyl okmotu level (village participants and aiyl okmotu meetings; baseline of zero, no target set); (iv) adoption of mechanism for accountability and of community managed funds, including publicized minute of decision meetings, and publicize microproject progress reports (number of information boards - target of 1,000 set); and (v) capacity of targeted communities to prioritize, plan, design, implement, operate and maintain microprojects (number of plans based on participatory process; target of 200, one in each of the initially targeted aiyl okmotus).

2.44 IEG assessed the PDO indicators and found they were partially sufficient to measure the achievement of the three subindicators. PDO indicators (iii), (iv), and (v) were partially sufficient to gauge improvement of governance and capacity at the local level, and supplemental evidence from field visits and the BIA was used to gain a more complete picture of achievement beyond outputs (creation of information boards, creation of plans, and participation in meetings). Provision of improved infrastructure is reflected in PDO indicator (ii); however, this indicator is too broad and the project lacks more service and outcome–related indicators, such as use of infrastructure and an indicator tracking inclusion. PDO indicator (i) was insufficient to measure support to private small-scale enterprise development. The data collected on number of workplaces created did not differentiate between jobs created through support to local enterprises and jobs generated from construction or rehabilitation of village infrastructure.

2.45 This Project Performance Assessment Report (PPAR) uses four sources of information to assess the achievement of the PDO: the ICR assessment (World Bank 2009); the ICR Review (World Bank 2010); the first BIA (CTC and EPCPOS 2008); and the IEG PPAR fieldwork (May 2017). The IEG PPAR fieldwork applied several methodological tools including site visits, semistructured interviews, focus group discussions, and community infrastructure and microenterprise verification (see appendix B on fieldwork methodology).

SUBOBJECTIVE 1: IMPROVING GOVERNANCE AND CAPACITY AT THE LOCAL LEVEL

2.46 The efficacy of this subobjective was rated **high.**

2.47 VIP 1 financed social mobilization and training and capacity building activities in all 475 aiyl okmotus in the Kyrgyz Republic, bypassing the original target of 200 aiyl okmotus. The results framework captured outputs from the social mobilization and capacity building activities and from the participatory development processes, and in all instances where targets were set, actual achievements bypassed the target. Evidence on outputs and outcomes are provided below, disaggregated by improved governance at the local level and improved capacity.[13]

Improved Capacity at the Local Level

2.48 **Activities and outputs.**

- A total of 580 Vision/Strategy and Local Development Planning training events and workshops were held for 10,431 trainees.

- Training in good governance was received by 4,147 aiyl okmotu officials and 4,045 aiyl kenesh.
- Training in budgeting and planning principles and procedures was received by 7,554 community members (against a target of 5,000) and 930 NGO members.

2.49 Coverage of training was validated in the BIA, which found that between 15 percent and 19 percent of household survey respondents participated in trainings, with an average of two trainings per participant. Coverage was slightly lower for youth (aged 18–25). Capacity is also reflected in the high percentage of projects completed in a timely manner within the original budget, an indicator tracked in the results framework. The average on-time completion rate was 94 percent (this had improved over time, starting with 83 percent in 2004 and ending with 95.2 percent in 2007).

2.50 **Outcome: Use of skills from training and capacity building activities.** Initial evidence on how much beneficiaries are using the skills from the training and capacity building activities comes from the first BIA.[14] On the topic of use of skills, the BIA found the following:

- Participation in VIP trainings created new skills and knowledge among both villagers and local governments. Compared with those who did not attend trainings, self-reported assessments of "good" skill levels were higher for those who attended trainings.[15]
- Training activities had the biggest impact for microproject group members and local investment committee members. These groups are described as the active core of the community and recognized as the most important factor of sustainability of project investments.
- Between 11 percent (newer cohort) and 18 percent (older cohort) of respondents who received training report using their skills frequently.
- The most reported practical application (outside of the project framework) of skills received from training was not related to village planning activities but to the receipt of a loan—reported about equally between men (34.5 percent) and women (31.6 percent).[16]

2.51 IEG fieldwork yielded additional information. Focus group discussions and key informant interviews revealed widespread agreement that the skills obtained by communities through project training activities were still of use, although citizens mostly report using the skills to seek funds from other donor- or NGO-funded projects. Evidence of the perceived value of the training and capacity building activities is reflected in the current demand for additional training activities for youths who were too young to participate at the time of project implementation.

Improved Governance at the Local Level

2.52 **Activities and outputs.** Details of community activities and microproject progress were displayed on 1,776 information boards (target was 1,000).

- At the village level, 395,527 village participants attended 5,929 meetings.

- The microproject planning process had 76,776 community participants. Communities proposed 17,000 microprojects, and at least 6,000 were approved.

2.53 **Outcome: Increased community engagement, and influence of community groups in decision making and planning.** The first BIA looked at beneficiary perceptions of changes in community participation, inclusivity of planning processes, and accountability via the information boards supported by the project.

2.54 On participation and inclusivity, the BIA found the following:

- Overall increased community engagement, and influence of groups in decision making and planning.
- Half of household survey respondents (53.8 percent) indicated that village residents participated actively in VIP activities on joint decision making in the village.[17]
- Participation was not uniform across all groups.[18]
- Local government officials were considered by 51 percent of respondents to be open to partnering with the local population to address village programs, up from 17.7 percent four years prior.[19]
- The final word in village decision making belongs to ordinary villagers, followed by local government officials.[20]
- Women, youth, and NGOs were perceived as having the largest increases in impact on decision making.

2.55 On accountability, the BIA found that despite passing the target for village information boards, about 50 percent of household survey respondents in both the new and old cohorts were not aware of ARIS information boards; however, for those who were, they were considered a mechanism for ensuring public control over ARIS funds. Between 29 percent and 35 percent (depending on cohort) thought they “fully ensure” public control and between 57 percent and 60 percent thought they “partially ensure” public control.

2.56 IEG fieldwork interviews with key stakeholders, including ARIS project staff, local government officials, and village residents, yielded additional information about community perception on improvements in local governance. ARIS staff reported that numerous microproject group leaders were elected to serve as representatives in the local self-governance structures following their participation in the project. According to ARIS, these officials carried forward the training they received on participatory planning and mechanisms to promote transparency and accountability at the local government level.

2.57 ARIS was unable to provide a formal accounting of the number of microproject group leaders later elected into local government. However, IEG met with several of these officials during site visits, and the officials reported that project activities played an important part in their election and they continued use of the participatory processes and focus on transparency and accountability after being elected. Village residents also reported continued use of the participatory processes they learned under VIP, most recently through other donor- or NGO-financed activities.

2.58 The few sites visited by the field mission are well maintained. Village residents consistently reported that the local government maintains facilities. Either local or federal governments cover staffing and recurring costs. It was also noted that in some instances (for example, a large club), local governments supplied a significant amount of cofinancing for the infrastructure when the total value exceeded the ceiling allocated by the project. IEG interprets this as another indicator that the local authorities responded well to village infrastructure financing and are providing continued support.

2.59 Finally, IEG assessed how much the selected projects reflected community priorities rather than those of elites, looking at whether the process led to investments effective at meeting villagers' self-identified development needs. For each site visited, IEG asked the focus group participants which group selected the infrastructure. In many cases, the group being interviewed had not proposed the infrastructure selected, but when asked, they were able to articulate the decision-making process and agreed with the rationale for selecting the chosen infrastructure. Furthermore, the four cycles of financing helped ensure that most groups could select an infrastructure for financing. The general perception was that microprojects were selected in a fair manner, not systematically favoring one group over another, and thus there was evidence that the CDD model used in VIP was effective in ensuring that different groups had their expressed needs met through the project.

Subobjective 2: Strengthening the Provision of, and Access to, Essential Infrastructure Services

2.60 This subobjective was rated **substantial.**

2.61 This subobjective was linked with the village investment grants (component 2), which financed the 3,478 microprojects selected by villages during VIP 1.[21] There were four microproject types: small-scale enterprise, economic infrastructure, ecological infrastructure, and social infrastructure. The distribution of projects across these categories for VIP 1 is provided in table 2.1. The project financed 2,856 community infrastructure microprojects (economic, ecological, and social infrastructure) exceeding the target of 2,000 by 42 percent. Geographical coverage included 1,661 villages, or 87 percent of the country. Forty types of public infrastructure microprojects were financed – the most frequently occurring examples are included in the table 2.1.

Table 2.1. VIP 1 Microproject Distribution by Type

Microproject Type	*Frequency*	*Percentage*	*Examples*
Small-scale enterprise	622	18	Sewing shop, mill, carpentry shop, other services, veterinary centers, sawmill, agroprocessing
Economic infrastructure	1,035	30	Substations, water pipes, irrigation networks, bridges, roads
Ecological infrastructure	1,50	4	Bathhouses, drainage systems, sewerage systems
Social infrastructure	1,671	48	Schools, resource centers, club or gym, first aid post
Total	3,478		

Source: Management and information system data provided by Agentstvo Razvitiya Investirovaniya Soobschestv.

2.62 The results framework focused on outputs (number of microprojects completed), tracked by the project's MIS as reflected in table 2.1 and provides strong evidence that the project increased provision of infrastructure services, surpassing targets. However, evidence on access to and use of the community infrastructures financed by the projects is weak. Two sources of data on use informed this evaluation: beneficiary perception on access to infrastructure from the household survey conducted as part of the BIA and IEG fieldwork. Evidence on sustainability of the investments, an important component of access to improved services, comes from the BIA, an independent audit of ARIS, and IEG fieldwork.

2.63 According to the BIA, respondents reported small to moderate increases in access to infrastructure, with larger increases seen in the older cohort.[22] Respondents were asked to recall changes (pre- and post-VIP) in access to various infrastructure services (drinking water, irrigation, power supply, roads, public transportation, schools, rural clinics, kindergartens) and reported increases of up to 11.6 percentage points.[23] Table 2.2 provides the reported increases in access for the older cohort for nine microproject types. Data on access from an inclusion standpoint is limited. The BIA asked respondents to rank "who receives primary benefits from ARIS-completed microprojects." This exercise revealed that communities perceive that "all villagers" receive the most benefits, followed by village management. Women and youth ranked the lowest.

Table 2.2. VIP 1 Reported Increase in Access, Older Cohort

Microproject type	Increase in Access (percentage)
Drinking water supply	11
Irrigation water supply	4.8
Power supply	3
Roads	7.9
Public transportation	1.4
Schools	1.3
Kindergartens	2.7
Rural health clinics	11.6
Veterinary drugstores	10.2

2.64 Given the lack of evidence on the use of project-financed infrastructure, IEG fieldwork explored whether the community infrastructure visited by the mission was used by village residents. Though this work does not comprise a representative sample, IEG made an effort to ensure that the selected sites included the types of infrastructure most frequently selected by communities (see appendix B for methodology). Table 2.3 displays the reported use rates of infrastructure visited by the IEG field mission and qualitative information about how the project-financed infrastructure is used by communities. The infrastructure visited by the mission was functional, used by community members, and maintained by communities and local governments.

Table 2.3. Use of Community Infrastructure

<table>
<tr><th>Infrastructure Type</th><th>Number of Users/Access</th><th>Notes on Use</th></tr>
<tr><td>Multipurpose Youth Center</td><td></td><td rowspan="8">The center is used for a variety of purposes, and the library is well equipped. Youth present during the visit reported using the library to supplement materials available at school. Youth can access a variety of classes (wrestling, gym, computer, language). Staff are paid through fees collected for classes, and some of the teachers are volunteers.</td></tr>
<tr><td>Computer class</td><td>About 40 students per year</td></tr>
<tr><td>Language lab</td><td>20–25 language students per year</td></tr>
<tr><td></td><td>120 crafting students per week</td></tr>
<tr><td>Meeting room</td><td></td></tr>
<tr><td>Wrestling room</td><td>30 wrestling students per week</td></tr>
<tr><td>Gym</td><td>40 gym users per month</td></tr>
<tr><td>Library</td><td>30 users per week</td></tr>
<tr><td>Kindergarten (two sites visited)</td><td>110–140 children</td><td>In both instances, village grants were used to finance critical repairs to infrastructure that allowed for increased enrollment.</td></tr>
</table>

		Parents pay a small fee, which is subsidized by the local government. Scholarships are available for lower-income families. Staff salaries are paid by the Ministry of Education.
Bridge	Provided access to 2,000 hectares of grazing land for cattle	Initial bridge constructed through a village grant was deficient and washed away during the rainy season. Current bridge was provided as part of the infrastructure retrofitting. Users pay a small toll and use that money for repairs. The bridge greatly facilitates access to previously inaccessible, unused grazing land.
Transmission line	Provided electrical connections to 240 households	Before the village grant, these 240 households did not have access to electricity because they had been recently constructed. Now these houses have uninterrupted electricity, which means they have light, can run washing machines, have access to the Internet, and so on, which translates into time savings, better ability to work inside the house, and more time studying for children.
First Aid Post: Health Center (three small sites and one large site visited)	Between 100–1,200 patients seen in a month	The village grants used for health centers typically went for upgrading existing facilities. In one case, villagers combined financing from various sources (including the Village Investment Project) to construct a large health center with multiple doctors and nurses and a dentist. In smaller villages, village grants provided heat or a roof, allowing for improved conditions inside the

	treatment facility, and year-round access. Beneficiaries reported using the facilities extensively, and all health centers visited were well stocked with medication and staffed by medical professionals financed by the government.

Note: Secondary Health Center was a multilevel facility that housed four doctors and one dentist as well as multiple nurses.

2.65 A final consideration when evaluating access to infrastructure is the sustainability and upkeep of the community infrastructure. Numerous sources of evidence indicate that the project-financed community infrastructure continues to function. The project designed featured mechanisms to monitor sustainability. The PMEGs conducted annual monitoring activities for 15 percent of completed microprojects and rated them on a 100-point scale using provided criteria against four indicators and found that national scores averaged 83 percent for sustainability and 81.4 percent for current operation condition (microprojects were rated 0 if the facility was not functional). The BIA reported that in 2007 84.6 percent of respondents in the cohort that received the intervention in the earliest years of the project (2004/2005) reported that the infrastructure was in good condition and used by the population. Ten years later, IEG fieldwork found that all sites visited (a mix of infrastructure constructed between 2003 and 2012) were being maintained with support of the local government, relying on a mix of budget resources and user fees to maintain investments. IEG reviewed raw data provided by the project team from the MIS. These data reflected analysis completed in 2009 and 2010 of 291 randomly sampled microprojects constructed between 2005 and 2009. One element of this analysis looked at the question, “Have the (local governments) fulfilled their operational and maintenance obligations after the completion of the VIP?” Responses to this indicator varied by region and by year of construction, from a low of 48.3 percent (microprojects constructed in 2005, monitored in 2009 in Chui region) to a high of 96 percent (microprojects constructed in 2006, monitoring in 2009 in Talas region). The attention paid to monitoring the operating status of infrastructure on the part of the project is a positive indication that adequate focus is put on the sustainability of the village investments.

SUBOBJECTIVE 3: SUPPORTING PRIVATE SMALL-SCALE ENTERPRISE DEVELOPMENT

2.66 This subobjective is rated **substantial.**

2.67 Support to small-scale enterprise was provided in the form of training on business development activities followed by a grant (maximum of $1,000). Evidence on this support is found in the project outputs: training activities and small enterprises that received grant support. As reported in the ICR and validated through interviews with key project staff, there was less demand for the income-generating microprojects during the initial years of implementation and an uptick in later years. This was attributed to the initial perceived need for community infrastructure being greater than the need for group-owned small-scale business ventures. In the first year of implementation, only 11 of the 151 financed microprojects (7 percent) generated income. At completion, there were 622 income-generating microprojects (17 percent of the total microprojects financed in VIP 1).[24] Examples of financed income-generating projects included bakeries, flour mills, and sewing shops. The BIA reported that the microprojects generated from 1.7 to 4.4 jobs on average.

2.68 One PDO indicator, "employment and income generated by microprojects," estimated the number of workplaces created (but, notably, did not track income generation). This indicator tracked the creation of 4,662 "places of work," but the data are not disaggregated by job type for VIP 1. Therefore, is difficult to identify which jobs were created by the small enterprise microprojects from temporary construction jobs or jobs staffing community infrastructure (such as kindergartens). IEG obtained the verified final VIP 1 data from ARIS, which shows that the 622 small enterprises supported under VIP 1 generated 1,826 jobs—an average of three jobs per small enterprise. The average number of reported jobs per small enterprise aligns with the findings reported in the BIA. Beyond this it is difficult to determine the actual contribution of small-scale enterprises to employment generation and impossible to determine actual increase in income, though it is reasonable to assume (based on IEG field visits and the BIA) that both the community infrastructure and small-scale enterprises provided some employment opportunities.

2.69 A household survey from the BIA asked about the primary benefits from the microprojects. "Increased employment during microproject implementation" ranked second with between 9 percent and 14.7 percent of respondents listing this category. "New jobs created" and "new business start-ups" ranked a bit lower, with around 6.5 percent and 4 percent, respectively. The IEG field mission was only able to visit a few examples of successful small enterprises, but interviews with these business owners provided an additional reference point. These business owners reported receiving training and support from ARIS, and IEG observed at least some employment generation associated with the successful small enterprises. Unfortunately, data on the viability of the small enterprises supported by the project is limited and no additional evidence on the systematic creation of jobs and support to small enterprises could be obtained by IEG.

2.70 The provision of local services was reported in the ICR but not tracked by the results framework. Project documents and interviews with project staff indicated local economic benefits, including consumption benefits through the provision of services offered by the project, supported small enterprises (tailoring, food processing, barber shops, and so on). For example, during a site visit to one of the most remote regions, Naryn, the IEG mission heard about the benefits of the provision of local barber and veterinary services and the associated cost savings for villagers who previously had to travel 70 km round trip to access those services.

2.71 Beyond the data on outputs for this component and perceptions around improvements in availability of local services, the overall support provided to small-scale enterprise was not comprehensive. No indication is given that the project undertook a comprehensive analysis of constraints—little to no description of important factors for successful small enterprises, such as value chain analysis, in-depth market analysis, assessment of business acumen, financial literacy, access to finance, assessment of infrastructure, and so on, is provided. It is difficult to establish the success level of small-scale enterprises supported under the project in the medium and long term because the project was not tracking this data. Efficiency data calculated on a randomly selected sample of 133 projects provides some indication that these enterprises generated positive rates of return (ranging from 20 percent to greater than 100 percent), but these data are reported with the caveat that "book-keeping is not a common practice in Kyrgyz Republic and data might not be precise" (World Bank 2015a). In spite of the limited approach, the project completion reported that more than 80 percent of small-scale enterprises supported by the project were still in operational in 2015; however, it is unclear if this figure reflected recently financed enterprises or those that had been ongoing for years.

2.72 Finally, some evidence indicates the overarching objective of rural poverty reduction, but it must be interpreted with caution. During the project period, the rural poverty rate declined by almost 14 percent (from 55.5 percent in 2004 to 41.7 percent in 2007). The ICR reflects the challenges with attribution, noting that "attribution of macroeconomic events to small investment projects such as the VIP, even only in part, is risky at best, but it is worth noting . . . (the decline)" (World Bank 2009).

Efficiency

2.73 Efficiency for VIP 1 is rated **substantial**. A main shortcoming was the lack of an assessment of the efficiency of the training and capacity building activities.[25] The substantial rating is based on the traditional measures of efficiency calculated for a subset of the village investment microprojects (including community infrastructure microprojects, and microenterprise grants), which account for a large portion (83 percent) of project financing. The participatory processes incorporated in project design, the low ratio of project management costs, and the expanded project coverage with a less than proportional increase in project costs due to greater than expected beneficiary contributions are also reflected in the rating.

2.74 Traditional efficiency measures, including internal rates of return (IRR) calculations were estimated ex ante for the VIP 1 project on eight infrastructure models and four microenterprise models.[26] Projected IRR for community infrastructure ranged from 20 percent (field track or road rehabilitation) to 54 percent (rehabilitation of a deep well). Projected IRR for microenterprise models ranged from 36 percent (sun-dried fruit production) to 85 percent (beekeeping). According to the PAD, "A sound analytical methodology was used to estimate the net benefits" (World Bank 2003d, 54), but IEG was unable to review the underlying data and calculations. The ICR for VIP 1 reports much higher rates of return, based on postfinancial appraisal of a sample of 185 microprojects undertaken during 2005–07. The analysis reported in the ICR covers 15 different types of infrastructure microprojects and 10 types of income-generating microprojects and reports weighted average IRRs for four different microproject types: economic infrastructure (186 percent); sanitary and ecological infrastructure (131 percent); social infrastructure (90 percent); and income-generating (70 percent); overall weighted average IRR was reported at 164 percent. The ICR Review examined the underlying data spreadsheet and reported that "IEG has some queries about the efficiency analysis in the ICR... It is apparent that 43 of the sample 185 projects had insufficient data to enable financial rate of return calculation. IEG deems that this is more a reflection on the appropriateness of the type of analysis employed than it is on the efficiency with which project resources were deployed" (World Bank 2010, 3).

2.75 Given the unavailability of underlying data and calculations, and questions about the methods used to calculate the IRRs at the completion of VIP 1, IEG reviewed the additional efficiency analysis conducted for the preparation and completion of VIP 2 and the preparation of VIP 3 because similar IRR calculations were completed at these points, albeit not consistently across microproject typologies. This assessment reviewed the underlying data and calculations used at preparation of VIP 3 and found these to be rigorous, including adequate details on expenditures, impact (comparing with and without project scenarios), quantifiable benefits and assumptions about the sustainability of the infrastructure. Therefore, IEG considers the IRRs reported under VIP 3 to be the most accurate, and extrapolates these rates as the most relevant for assessing the efficiency of VIP 1 microprojects (of which many were health centers and schools).[27] Table 2.4 presents a comparison of the FRR for selected microprojects, any notes about assumptions made while compiling the table are explained in footnotes.

2.76 Additional efficiency considerations included elements of design and implementation. The participatory processes used to select microprojects for financing over four different rounds of financing could conceivably have contributed to allocative efficiency, at least in selection of infrastructure that addressed the most pressing needs. IEG inquired about alignment of selected investments with true community needs and found that in each site visit, community members confirmed the need for infrastructure and that the additional rounds of financing allowed for multiple groups (men, women, youth, elderly) to receive financing for their preferred investment. Additionally, because of the greater than required financing from communities ($5.75 million instead of expected $2.88 million), more than planned investment in community infrastructure was possible—allowing for expansion into 100 percent of the country, instead of the 200 aiyl okmotus estimated at appraisal.[28] Finally, project management costs were kept to a minimum. Results framework indicator 11 tracked the ratio of ARIS operating expenses to expenditures on village investments and capacity building, and the overall achievement was 6.2 percent over VIP 1.[29] Efficiency analysis for VIP 1 lacked a comparison to rates of return for infrastructure constructed by other donors, the government, or NGOs and a thorough analysis of the income-generating activities.

Table 2.4. Reported Internal Rates of Return for Selected Microprojects across VIP 1VIPs 1, 2, and 3 (percent)

			Source		
Microproject type	***VIP 1 PAD***	***VIP 1 ICR***	***VIP 2 PAD***	***VIP 2 ICR***	***VIP 3 PAD***
Community infrastructure					
Power supply	34.5	57	34.5	68	83.5
School		82[a]	46[b]		19.1[c]
Roof/Repair	26		52	19.5	19.5
Heating	25		91		
Drinking water	54[d]		>100	29.8	198.7
Club or hall		6	4.8		23.8
Local roads	20	132	>100		
Bridges		231	>100		
Gasification		65	45.5	28	
Health centers		124	32		31.1[e]
Small-scale enterprise					
Fruit processing	36[f]	133	18.5[g]		
Bee keeping	85	119[h]	>100		
Sewing shop		36	20		
Sawmill/Carpentry			17.3	59	
Veterinary service		45	29	74	

Note: ICR = Implementation Completion and Results Report; PAD = project appraisal document; VIP = Village Investment Project.
a. Reported as "Schools" with no differentiation for roof repair, heating, etc.
b. Reported as "Construction of a new school."
c. Reported as "School construction."
d. Reported as "Deep well and water supply."
e. Reported as "Medical post."
f. Reported as "Sun-dried fruit production."
g. Reported as "Agricultural Product Processing Shop (oil-press included)."
h. Reported as "Agricultural Production (barley, improved potato variety, honey, etc.).

Ratings

OUTCOME

2.77 VIP 1 is rated **satisfactory.** The relevance of the project's objective to the World Bank's CAS and CPS and the government's development strategy was **high.** The relevance of project's design in terms of the CDD approach and provision of social and economic infrastructure and support to local governance capacity was rated **high.** Efficacy is rated **substantial** given the extensive evidence (derived from the MIS and the supplemental studies, including a BIA) on project outputs demonstrating the provision of sustainable community infrastructure and extensive training and capacity building. Training activities created new skills for both local government officials and ordinary villagers. Participation in planning and decision making at the local level increased after the project. VIP 1 provided social and economic infrastructure for 87 percent of villages in the Kyrgyz Republic, much more than planned. In terms of increases in access, evidence is limited, but what is available shows small to moderate increases. Evidence indicates that minimal support to small enterprises was provided, outputs included training (but lacked thorough market analysis, regional approaches, and so on), provision of grants, and the project tracked jobs created by both the community infrastructure and small-scale enterprises. However, the project fell short through the lack of robust data collected on the viability of the small-scale enterprise support. Efficiency is rated **substantial** based on acceptable values for traditional measures of efficiency conducted on village infrastructure, which accounts for 83 percent of project financing.

Risk to Development Outcome

2.78 Risk to development outcome is rated **moderate.** This assessment identified three main risks to development outcome: (i) improvements in local governance including continued use of participatory processes and incorporation of principles of transparency and accountability, (ii) sustainability of the microproject investments, and (iii) sustainability of ARIS, considered here as an output of the project.

2.79 **Local governance and participatory processes.** The ICR correctly points out that "in the longer term, the main thrust toward sustainability . . . will have to come from a transfer of not just works, but also participatory processes . . . from VIP and ARIS to the regular organs of local government, starting with aiyl okmotus, only then will the ultimate goal of ARIS (have) been reached" (World Bank 2009b, 14). VIP 3 works to continue this transfer of participatory processes to the local governments, but IEG interviews revealed the perception among development partners that local governments still have essentially an "unfunded mandate."

2.80 **Village investments.** IEG finds that the sustainability of the majority of the village investments constructed under VIP 1 is likely, given the triangulated finding that both communities and local governments are maintaining the infrastructure using a combination of user fees and limited resources from local government budgets. Local or national governments cover staffing costs. In addition, village residents reportedly use the participatory processes taught by the project for other donor- or NGO-funded projects, and in some cases, for local development planning with local governments.

Sustainability of ARIS. ARIS relies entirely on donor financing, and has a portfolio of clients that includes major development partners in the country. Because of the reliance on donor funding, sustainability of the institution created through VIP 1 is not guaranteed. Interviews with ARIS staff reveal an awareness of the precariousness of relying solely on donor funding, and they have indicated a desire to explore other options for institutional viability.

WORLD BANK PERFORMANCE

Quality at Entry

2.81 World Bank performance in ensuring quality at entry is rated **satisfactory.** The World Bank developed an adequate technical design of the VIP project, reflecting consultations and learning from similar operations. Lessons from other donor-financed projects in the Kyrgyz Republic were taken on board, including from World Bank and Asian Development Bank initiatives that featured drinking water user groups, irrigation groups, and other community-based approaches. World Bank staff attended a CDD practitioner's forum and beyond that participated in a World Bank initiative on networking and sharing lessons from CDD operations. Study tours were conducted to CDD programs in Albania and Indonesia and to the Social Investment Fund in Armenia. Interviews with World Bank and ARIS staff confirmed an intentional, research-driven approach to project preparation. Key stakeholders recalled an extensive, months-long community consultation process. The project benefited from incorporations of lessons learned from the pilot, and the project team waited for the formulation of lesson learning from the pilot phase before scaling up.

2.82 Two additional factors point to extensive preparation. The first is a thorough Social and Institutional Assessment, concluding the potential for successful implementation of village-based investments ranged from moderate to good. The second was support from most key stakeholders, including community members, community-based organizations, local government officials, NGOs, other donors, and the national government. An interview with the former task team leader at design highlighted the importance of maintaining an excellent working relationship with the former president, Askar Akaev. This was key in moving the project forward and ensuring that the design of the project remained intact (that is, that investment decision making happened at the village level).

2.83 One of the most notable outputs of the project is not captured in the results framework but is a direct result of the design of the project. ARIS is now considered a valued implementing partner, not only for the World Bank, but also for other donors, and this shift seems to have happened organically.[30] The value and importance of ARIS in the implementation story of VIP, and in the rural development space in the Kyrgyz Republic, cannot be understated: the creation and oversight of the organization was intentional and designed in such a way that external influence and mission drift has been avoided for the most part.

2.84 Given the extensive preparation activities, it follows that the strategic relevance and approach, as well as the technical and financial aspects of the project were sound. The technical design of the components, including provision of demand responsive grants over four budget cycles supported the decentralization agenda, promoted good governance, and provided communities with an opportunity to exercise the skill set acquired through training activities, all while expanding access to much-needed community infrastructure. The components were reasonable in relation to achieving project objectives and reflective of the project management capacity of ARIS.

2.85 The project paid adequate attention to poverty, gender, and social development aspects. Project design incorporated a multistep social mobilization process, with explicit focus on inclusion of vulnerable and marginalized groups. The PAD includes a social mobilization strategy, a review of prior work on social mobilization in the Kyrgyz Republic, and an inclusion strategy.

Quality of Supervision

2.86 World Bank performance in quality of supervision is rated **satisfactory.** During interviews with the implementing agency, IEG noted that ARIS staff still recall the positive and productive working relationship they enjoyed with World Bank staff during the implementation of VIP 1. There was one task team leader for five years of VIP 1, and the project clearly benefited from this continuity. Supervision intensity was adequate. For example, the first supervision mission visited 40 field sites across all seven oblasts. The ISRs are candid in reporting performance issues, and the World Bank managed to effectively continue supervision efforts during the political upheaval in 2005.

2.87 In spite of the positive working relationship and responsiveness during implementation, an acknowledged shortcoming was that the World Bank could have paid more attention to the quality of the infrastructure constructed under the project alongside emphasizing capacity development, good governance, and participatory processes. Interviews with former project staff confirmed that during implementation of VIP 1, the focus of the project was more on showing community members their capacity to develop local plans and implement microprojects and less on creating sustainable infrastructure. This approach, combined with low levels of community capacity to implement complex infrastructure, led to the need to retrofit less than 1 percent of total infrastructure (approximately 30 of the technically complex infrastructure; that is, bridges, roofs, and so on) constructed during VIP 1.[31]

2.88 From IEG's perspective, the explicit focus on capacity building and fostering participatory approaches over infrastructure quality is understood, but it cannot be ignored that some structurally deficient infrastructures posed a public safety risk. However, it should be noted that during implementation of VIP 2, the World Bank supervision team and ARIS took measures to ensure improvements in the technological design and supervision of complex projects and ensured that deficient infrastructure was retrofitted using additional financings for VIP 2.

2.89 World Bank performance is rated **satisfactory.**

BORROWER PERFORMANCE

Government Performance

2.90 Government performance is rated **moderately satisfactory.** As previously discussed, VIP 1 was prepared at a time when there was momentum behind a decentralization agenda in the Kyrgyz Republic, including government support at the highest levels, which facilitated the rapid implementation of the project. However, this initial support did not translate to the provision of meaningful financial transfers from the government. After the political turmoil and change of government in 2005, support for the decentralization agenda waned. “Since 2005... Government policy has turned sharply toward centralized administration, and delays in Government funding and replication have become more glaring... True impact of a program like this would require an effort by government to replicate its approaches in its own funded programs” (World Bank 2009).VIP 1

Implementing Agency Performance

2.91 Implementing agency performance is rated **highly satisfactory.** Ample evidence shows that ARIS provided excellent support throughout implementation of VIP 1. ARIS has an excellent reputation nationwide for employing dedicated, high-capacity community development professionals. The project staff spends a large amount of time in the field, reflected in the 2005 aide-mémoire, which reports the ARIS Community Development Specialist Officers averaged 281 individual visits to their respective communities during 2004. Senior staff also reportedly participated in extended field visits, providing support to field staff. Additionally, ARIS was commended for not buckling to political pressure and attempts by outsiders to influence community inclusion. As reported in the financial management and procurement sections, the project’s fiduciary systems were well implemented during the project. Finally, IEG heard time after time during interviews with communities and other NGOs that the reputation enjoyed by ARIS is well deserved. They are considered the premiere implementing agency for community-focused projects following the success of VIP 1, and this is reflected in their large portfolio of donor-financed projects. ARIS is an organization that has learned in an iterative manner, improved its performance along key dimensions, and demonstrated discipline in its approach to attracting new donors while maintaining quality implementation support.

2.92 Borrower performance is rated **satisfactory**.

3. Second Village Investment Program VIP 2

3.1 **Project cost and financing.** At appraisal, estimated project costs were $36.12 million ($7.5 million from borrower, $13.62 million from DFID through a bank-managed trust fund, and $15 million from IDA). The actual project cost was $43.10 million, 151 percent of appraisal. Two additional financings occurred: the first provided $14.2 million ($3.6 million from borrower, $2.6 million from DFID, and $8 million from IDA) and the second provided $4.2 million from IDA. KfW provided parallel financing for the project, including initial support of €8.0 million, additional parallel financing of €4.0 million, technical assistance worth €0.3 million, and two debt swap agreements for €.075 million.

3.2 **Dates.** This project began implementation before VIP 1 closed in March 2008. The World Bank Board of Executive Directors approved VIP 2 in August 2006, and it became effective in December 2006. Three restructurings took place: November 2009, June 2011, and December 2012. The planned project closing date was June 2011, and the actual project closing date was October 2014.

Objectives, Design, and Relevance

3.3 Due to the similarity between project objectives and design between VIP 1 and VIP 2, much of the commentary from the previous section applies to the analysis of VIP 2. Areas where there are notable differences or additional evidence are emphasized.

Relevance of Objectives

3.4 **PDOs.** VIP 2 was a repeater project of VIP 1VIP 2and has an identical PDO of VIP 1, as reflected in the financing agreement (pg. 5), "assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services; and (c) supporting private group-owned small-scale enterprise development". The objectives were not revised, however the first additional financing clarified that the only PDO was the one in the financing agreement.

3.5 Relevance of the PDO is rated **high.** Relevance of the PDO was and remains high, as with VIP 1. To summarize, at approval of VIP 2, the 2003–06 CAS proposed to address high levels of rural poverty through CDD approaches. The PDO aligned with the 2003 CAS key priorities and the NPRS at the time. These were support to private sector–led growth (by providing support to small enterprise development); providing essential services (the project aimed to increased access to social and economic infrastructure); and strengthening the governance framework (by improving capacity for good governance).

3.6 During implementation, the objectives remained in alignment with government's Poverty Reduction Strategy Paper—Country Development Strategy (2007–10). Specifically, the project addressed the following three (of four) development priorities: economic potential enhancement (development of agriculture and processing and development of small and medium business); combating corruption (capacity building of public and municipal servants); and human and social development (education, accessible and quality health care, and broadening of population participation in cultural life).

3.7 The current government development strategy reflects the continued relevance of the VIP projects. The Poverty Reduction Strategy Paper *The Kyrgyz Republic Sustainable Development Program 2013–2017* still emphasizes the persistent challenge of rural poverty. The five-year development plan includes priorities that directly align with the VIP, namely "provision of quality services to the population by government, and human development and human capital." The sustainable development strategy adopts improved governance and reduced corruption as unifying themes, recognizing the role that corruption, nepotism, and misuse of public assets played in the 2010 conflict. The 2014–17 CPS places accountability to citizens at the forefront, stating that "the [World] Bank Group will partner the Kyrgyz authorities' commitment to make the state more accountable to its citizens and, at the same time, strengthen citizens' voice in the activities of the state" (World Bank 2013, 2). Additional evidence of continued relevance is the government's request for VIP 3, which became effective in 2015.

RELEVANCE OF DESIGN

3.8 **Project components.** VIP 2 had the same three components as VIP 1: (i) Capacity Building and Empowerment; (ii) Village Investments; and (iii) Project Management. These components are described in detail under the Relevance of Design section for VIP 1, and the VIP 2 financing for each component is provided in this section.VIP 2

3.9 **Component 1: Capacity Building and Empowerment (**VIP 2Actual $2.00 million, 133 percent of estimate).

3.10 **Component 2: Village Investments** (VIP 2Actual $50.00 million, 154 percent of estimate).

3.11 **Component 3: Project Management** VIP 2(Actual $1.9 million, 119 percent of estimate).

3.12 **Implementation arrangements.** The same three groups were involved in project implementation: (i) ARIS, (ii) communities, community-based organizations, and community groups, and (iii) local self-government councils and administrations (aiyl keneshes and aiyl okmotus). These institutions are described in detail in the Relevance of Design section for VIP 1.

3.13 Relevance of design is rated **substantial.** As a repeater project, the design of VIP 2 is identical to that of VIP 1, with activities and components that are squarely aligned with the project objectives. The four rounds of financing allowed communities and local governments multiple opportunities to go through a participatory local development planning process. The CDD approach employed by the project is highly relevant for supporting the decentralization agenda, building capacity of communities and local governments for participatory planning, and providing infrastructure services. A more in-depth explanation of the relevance of the CDD approach is explored in the relevance of design section for VIP 1.

3.14 The results framework for VIP 2 had some notable weaknesses. At design, the results framework for VIP 2 focused on PDO subobjective 2: strengthening provision of, and access to, essential infrastructure services. The sole PDO indicator tracks villages with access to improved infrastructure.[32] Training and capacity building outputs are tracked as intermediate results, and subobjective 3: supporting small-scale enterprises, is not mentioned. The comprehensive MIS (already in place from VIP 1) was used monitor project outputs and key indicators as part of a larger monitoring and evaluation framework. An analysis of the design, implementation, and use of monitoring and evaluation is described in a later section.

3.15 Another weakness at design is reflected in “the fact that significant Additional Financing was needed to allow all the participating communities and villages to complete the full four-year village investments cycle, may suggest that the project was under-funded. According to the project team, the project had been designed in such a way that the project objectives, as reflected in the target values in the results framework, would be achievable without completing all four investment cycles in all villages and without Additional Financing” (World Bank 2015). After successful roll out, and after all villages prepared four-year financing plans (per project design), it became clear that it would be necessary to fund all four cycles. Given that the design of the project emphasized the importance of four-year cycles, IEG finds the insufficient financing for four full cycles to be a weakness of design of VIP 2.

Implementation

3.16 Implementation of VIP 2 is divided into two phases: the first phase (2007–11) included project activities as designed (social mobilization, capacity building, and village investments), and the second phase (2011–14) covered the retrofitting of structurally deficient infrastructure. There were three restructurings and two additional financings during implementation.

PHASE 1 (2007–11)

3.17 **Rapid disbursements.** Similar to the implementation experience of VIP 1, the first phase of VIP 2 was characterized by rapid implementation. The IDA grant was spent well ahead of estimated disbursements, with 95 percent of project financing disbursed by September 30, 2009, 21 months ahead of the scheduled closing date (June 2011). This can be attributed to a well-established and efficient system in place from the previous experience implementing VIP 1. The project continued to benefit from the preparation efforts described for implementation of VIP 1, including the reflection of learning from other World Bank–financed CDD operations and learning from the JSDF-funded pilot.

3.18 **Continuation of excellent implementation support.** As reflected in the ICR and validated during IEG fieldwork, ARIS continued to provide excellent project implementation support, especially through their Community Development Support Officers, who had established high levels of trust from communities (World Bank 2015). ARIS also refined their training and capacity building activities and improved handbooks and guidelines for communities.

3.19 **Recognition of structurally deficient infrastructure.** In June 2008, the World Bank supervision team noted technical issues with a small number of microprojects. As a result, in October 2008 a detailed review of engineering and technical aspects of microproject design and implementation was conducted. The project thereafter made changes to the operational manual and implemented a three-tiered system to add additional layers of quality assurance to civil works. A technical review was conducted for all microprojects constructed up until that point, and of the 9,883 infrastructure microprojects, 105 (1 percent) were deemed to have a structural deficiency, and 45 of these were considered a public safety risk. Table 3.1 displays the results of the technical review, disaggregated by financing source.

3.20 **First additional financing and restructuring.** The first additional financing was approved in 2009 and provided $14.2 million to “help finance the costs associated with an unanticipated financing gap as a result of a cost overrun in the completion of village investment microprojects and retrofit technically complex microprojects where needed” (World Bank 2009a).[33] The project paper acknowledges that a financing gap of approximately $8.45 million was anticipated at appraisal, to cover project activities in fiscal year (FY)10 and FY11. However, due to higher than expected inflation, the financing gap increased and required $14.2 million. The additional financing ensured that four full cycles of village grants were provided to all communities, nationwide. The restructuring did the following: (i) trigger OP 4.12, Involuntary Resettlement; (ii) harmonize the formulation of the PDO between the financing agreement and the PAD;[34] (iii) include a new results indictor to capture increased employment and a new set of core IDA indicators; and (iv) extend the closing date by six months to December 31, 2011.

PHASE 2 (2011–14)

Additional financing and retrofitting. In November 2012, $4.2 million in additional financing was approved and used to retrofit 40 deficient infrastructures designated as a public safety risk. Table 3.1 provides further information about the distribution of deficient infrastructure across projects and the source of financing used to retrofit the infrastructure. As indicated in the footnotes, some of the infrastructure was retrofitted by other donors. The table below provides detailed information about the structures which required retrofitting, the majority were those completed under VIP 1 (World Bank 2015).[35]

Table 3.1. Retrofitting of Structurally Deficient Infrastructure (number of structures)

		Reason for Retrofitting		*Rehabilitation Funding Source*			
Funding Source	***Microprojects Implemented***	***Technical Deficiencies***	***Public Safety Risks***	***VIP2 AF1***	***VIP2 AF2***	***Other Funding***	***No Retrofit Needed***
VIP	3,323	47	26	11	14	1	21
VIP 2	4,619	30	10	8	2	0	20
KfW	1,712	22	6	0	2	4	16
Others	229	6	3	3	0	0	3
Total	9,883	105	45	22	18	5	60

Note: AF = additional financing; VIP = Village Investment Project.
a. Retrofitted by the Ministry of Emergency.
b. Retrofitted by KfW.
c. These include all microprojects implemented through operational arrangements of VIP 1 and VIP 2 between 2004 and 2014.

3.21 Retrofitting lasted about three years. Reasons for this length of time included (i) that technical studies revealed that the original financing amount was insufficient, leading to the preparation of the second additional financing; (ii) the World Bank approved the second additional financing in December 2012, but due to a portfolio-wide delay in government ratification of financings, effectiveness was delayed until August 2013; and (iii) construction delays resulting from the need to construct bridges during dry seasons.

3.22 **Civil unrest in 2010.** The 2010 political upheaval that resulted in a change in government administration presented some challenges. The regime change significantly delayed the effectiveness of the first additional financing, which lead to a delay in the flow of funds that had been promised to communities to complete all four cycles of community investments. The upheaval caused a pause in project activities, but after project activities resumed the World Bank team and ARIS innovated to expedite delivery of financing to communities and make up for the gap in project activities. The project teams allowed for integration of up to two cycles in one framework agreement (previously, all subprojects were required to be completed before the next framework agreement could be signed). This allowed beneficiary communities to catch up on implementation and recapture the momentum lost as a result of the civil unrest.

3.23 The MIS continued to play a central role in monitoring project outputs. Access was expanded to field offices, and reports were issued to support project implementation decisions. The follow-up BIA was conducted in 2011 and provided additional evidence on impact beyond the outputs captured in the indicators. Monitoring and evaluation design, implementation, and use is discussed in detail in the Monitoring and Evaluation section.

FINANCIAL MANAGEMENT AND PROCUREMENT

3.24 No major issues arose with financial management and procurement during VIP 2. The procurement and financial management arrangements for VIP 2 were the same as for VIP 1, with some additional measures added to mitigate the risk inherent in operating in an environment characterized by high levels of corruption. These measures included the establishment of an internal audit mechanism and supplemental grants to communities (10 percent of the estimated cost of microprojects) to contract an appropriately qualified engineer or architect for technically demanding microprojects.

3.25 A Country Fiduciary Portfolio Review that reviewed VIP 2 microprojects was conducted in 2008VIP 2. This analysis concluded that ARIS's procurement capacity was "adequate and satisfactory" (World Bank 2015). Financial statements went through external audits annually from 2007–13 with no major issues identified, and in 2009 an Internal Audit Unit was created within ARIS. The operationalization of this unit was notably delayed, taking until 2011 to revise regulations to assure its independence. Interviews with financial management officers at ARIS confirmed that the Internal Audit Unit is still operational. Additional evidence on the capacity of ARIS in financial management and procurement comes from an independent institutional assessment of ARIS, conducted in 2014 at the request of the World Bank.[36] This assessment found that "ARIS makes use of up-to-date tools... (including) an independent internal 'Audit' system, reporting directly to the Supervisory Board; strict reporting procedures; and a transparent accounting system, though only at project level. Overall the operational procedures and control tools result in the recognized efficiency and impartiality of ARIS" (Bribosia and Lapidaire 2014).

SAFEGUARDS COMPLIANCE

3.26 At preparation of VIP 2, OP 4.01, Environmental Assessment, was triggered due to the potential for minor environmental effects related to microproject construction or residue and management of waste material from small-scale agroprocessing facilities and village-level primary health care centers. Investments that carried environmental risks unlikely to be managed at the village level were not eligible for financing under the project. During supervision, it was brought to the attention of the World Bank team that six projects had emerged for which there was a lack of clarity around land titles for privately owned land donated to the project or for which planned use of municipal land for microprojects was restricted by third party use. Because of these issues, OP 4.12, Involuntary Resettlement, was triggered under the first additional financing. There was one instance where a microproject triggered the land acquisition policy, resulting in preparation of a land acquisition plan and compensation to the affected person. It was noted that ARIS showed a high level of understanding of the environmental screening process and followed it diligently, and no unresolved safeguards issues were reported at project close (World Bank 2015).

MONITORING AND EVALUATION

3.27 The results framework for VIP 2 is similar to that used in VIP 1. An extensive discussion of the merits and weakness of the three-tiered system employed by the project is discussed under VIP 1. What follows is an analysis of differences between VIP 1 and VIP 2.

3.28 The results framework indicators for VIP 2 at preparation lacked an indicator tracking data on the subobjective on small-scale enterprise activities; however, this was added at the first restructuring with the inclusion of an indicator tracking number of jobs created in beneficiary communities. The indicator was an improvement but was still insufficient to capture information on support to and viability of the small-scale enterprises supported by the project.[37] Also lacking was an indicator tracking access to and use of the infrastructure. The inclusion of indicators tracking number of households with piped water connections and kilometers of roads rehabilitated improved this. Further data on use of different types of infrastructure could have been tracked by the project and provided robust information on actual use of community infrastructure.

3.29 The final BIA was completed during the implementation of VIP 2 and followed a similar methodology to the first and visited the same communities, but added a module looking specifically at the participation of women. This allowed for supplementary data on project impact based on beneficiary perception. In addition, VIP 2 placed a higher emphasis on infrastructure quality relative to VIP 1. This shift during the second project reflected the need for more data and monitoring on structural integrity and sustainability. PMEGs and community members collected some data, but there were also assessments by project staff gauging the technical quality of the infrastructure.

Achievement of the Objectives

3.30 The PDO is divided into three subobjectives: (i) improving governance and capacity at the local level; (ii) strengthening provision of, and access to, essential infrastructure services; and (iii) supporting private small-scale enterprise development.

3.31 The PDO indicator for this project, “villages with access to improved social and economic infrastructure services” used a baseline value of 1,000 and a target of 1,500 villages. Key intermediate indicators included the number of local government officials trained; local communities adopting transparency mechanisms; local councils conducting open community planning meetings; microprojects completed; beneficiaries with improved infrastructure services; and the ratio of ARIS operating expenses to expenditures on village investment and capacity building.

3.32 This PPAR uses five sources of evidence to assess the achievement of the PDO for VIP 2: the ICR assessment (World Bank 2015a); the ICR Review (World Bank 2016a); the final BIA (CTC and EPCPOS 2011); supplemental data requested from the MIS; findings from an independent institutional assessment (Bribosia and Lapidaire 2014); and the IEG PPAR fieldwork (May 2017). The IEG PPAR fieldwork applied several methodological tools including site visits, semistructured interviews, focus group discussions, and community infrastructure and microenterprise verification (see appendix B for more information).

SUBOBJECTIVE 1: IMPROVING GOVERNANCE AND CAPACITY AT THE LOCAL LEVEL

3.33 The efficacy of this subobjective was rated **high.**

3.34 The interpretation of improved governance is based on the theory of change presented in the PAD for VIP 1 as the strengthening of local governments to make them more inclusive, accountable, and effective at meeting villagers' self-identified development needs. Evidence on achievement of capacity building and improved governance at the local level is found in outputs from the results framework and supplemented by the BIA and by IEG fieldwork. In all instances where output targets were set in the results framework, actual achievements bypassed the target.

Improved Capacity at the Local Level

3.35 **Activities and outputs.** There were 70,936 aiyl okmotu officials and community members (original target 70,000 and baseline of 20,000) trained in budgeting and planning principles and procedures (cumulative). The final BIA (conducted in 2011) found that coverage of training had increased since 2007, more than doubling with 54 percent of respondents reporting participation in training activities (up from 15–19 percent during the first assessment). Slightly more women than men participated and the number of trainings attended by participants increased almost five-fold from 2007.

3.36 **Outcome: Use of skills from training and capacity building activities.** The second BIA found the following:

- The share of villagers believing they have the skills to identify and prioritize social and economic issues in their communities increased from 45 percent in 2007 to 70 percent in 2011.
- The quality of trainings seems to have improved between 2007 and 2011.[38]
- In daily life, the skills and knowledge gained from the project training is used by 44 percent of all villagers (46 percent among men and 37 percent among women).
- 68 percent of villagers think the trainings helped them access funds from other organizations for new projects.
- However, the change of power in the country in 2010 and subsequent turnover of village leaders led to a decline in the coverage of local leaders with training.

3.37 IEG selected field visit sites from VIP 1 and VIP 2 (see appendix B for complete fieldwork methodology), and the findings from VIP 1 and 2 sites were very similar.

Beneficiaries reported that skills obtained through project training were still considered useful, especially for seeking funds from other donor- or NGO-funded projects.

Improved Governance at the Local Level

3.38 **Activities and outputs.**

- The target of 250 aiyl okmotus and 460 local investment committees publicizing community budgets and adopting mechanisms for financial transparency was achieved (increasing from a baseline of 35 aiyl okmotus and 340 local investment committees).
- The number of aiyl keneshes, village investment committees, and territorial investment committees conducting open public budgeting and planning meanings met the target by November 2011. For aiyl keneshes, the baseline was 35 and the target was 300; for local investment committees the baseline was 340 and the target was 460; and for village investment committees, the baseline was 1200 the target was 1700.
- Participation in consultation activities included 892,932 people, of whom 431,918 (48 percent) were women.

3.39 **Outcome: Increased community engagement, and influence of community groups in decision making and planning.** The second BIA, when disaggregated by participation and inclusivity, found the following:

- Improved relations between villagers and aiyl okmotu management were reported by 64 percent of respondents.
- Reduced social tension between villagers and aiyl okmotus administration was reported by 59 percent of villagers.
- The share of villagers participating in local planning and decision making has increased from 47 percent to 66 percent.
- Only 20 percent of respondents receive insufficient or no information about ARIS activities.[39]
- The number of respondents who think that population actively participates in VIP activities increased from 54 percent to 81 percent between 2007 and 2011, while the share of respondents who think that locals taking passive stand in VIP activities declined almost three-fold, from 34 percent to 13 percent.
- Overall, women appear to be active in all microproject types.[40]
- Women made up 26 percent of microproject group leaders and 20 percent of village investment committee chairs.

3.40 When disaggregated by accountability, the second BIA, found the following:

- Increased information about activities of local authorities was reported by 59 percent of respondents.
- Over 2007–11, the number of household respondents satisfied by how ARIS managed its funds through microproject groups and local investment committees increased significantly, on average from 61 percent to 82 percent.

3.41 The findings from the IEG fieldwork for VIP 1 and 2 were the same. Key informants and community members reported improved relations with local government officials and that the processes promoted by project activities are still used, especially with other donor- and NGO-funded activities. The local governments are supporting communities in providing upkeep and staffing of project infrastructure.

Subobjective 2: Strengthening the Provision of, and Access to, Essential Infrastructure Services

3.42 This subobjective was rated **substantial.**

3.43 VIP 2 financed 6,405 microprojects selected by villages. Table 3.2 shows the total cumulative distribution of microprojects for VIP 1 and VIP 2. Compared with VIP 1, a larger portion of the microprojects (1,164, or 18 percent) included income-generating activities, while the remainder was community infrastructure microprojects. Geographical coverage spanned 1,698 villages, including all rural villages in the Kyrgyz Republic (exceeding the target of 1,500 villages). The estimated number of beneficiaries is 2,294,788 people, exceeding the target of 1,850,000. Similar to VIP 1, data on provision of infrastructure is extensive, and multiple types of public infrastructure microprojects were financed; examples include schools, resource centers, first aid points, roads, and public bathhouses.[41] The indicators were revised at the first restructuring, allowing for more precise measurement of the provision of infrastructure.

Table 3.2. Cumulative Distribution of Microprojects (VIP 1 and VIP 2)

Microproject Type	VIP 1 (2004–07)	VIP 2 (2007–12)[a]	Total
Income generating	622	1,160	1,782
Economic	1,035	1,577	2,612
Ecological	150	214	364
Social	1,671	3,454	5,125
Total	3,478	6,405	9,883

Source: ARIS MIS system.
Note: VIP = Village Investment Project
a. This includes the total number of microprojects implemented through ARIS' VIP framework during 2007–12, funded by VIP, VIP 2, the Japanese Social Development Fund, KfW, and the United Nations Children's Fund, among others (World Bank 2015a, 34).

3.44 Evidence on outcomes is found in the BIA. Full accessibility of clean drinking water increased from 40 percent to 57 percent, irrigation water from 47 percent to 62 percent, electricity from 66 percent to 79 percent, schools from 65 percent to 75 percent, kindergartens from 38 percent to 53 percent, and local health clinics from 55 percent to 69 percent during the project period. In addition, more than 70 percent of rural residents believe the project contributed to the improvement of local social infrastructure, with an increase in accessibility most noted among the low-income population. Over 80 percent of surveyed household respondents perceived that men and women benefited equally from the project.

3.45 The institutional audit of ARIS also looked at the sustainability of the infrastructure and found that sustainability "looks quite promising. This is thanks especially to the commitment of the communities and maybe even more to the strong ownership and commitment of the (local governments)" (Bribosia and Lapidaire 2014). IEG fieldwork visited 17 microproject sites and found all to be in good condition, well maintained (both by communities and local government officials), and frequently used. Communities appreciated both the participatory processes and the infrastructure. Reported benefits varied based in type of infrastructure but included ease of access to school, access to water and electricity (and corresponding time savings), easier transportation, and better access to health care.

SUBOBJECTIVE 3: SUPPORTING PRIVATE SMALL-SCALE ENTERPRISE DEVELOPMENT

3.46 This subobjective is rated **substantial.**

3.47 According to MIS data obtained during the IEG mission, VIP 2 financed 1,160 income-generating microprojects and the cumulative total for both projects was 1,782. At design, the project lacked an indicator to measure this subobjective;, but one was added at the time of the first additional financing (number of jobs created in beneficiary communities). There was no target, but the project reported creating 4,782 jobs (not including temporary civil works jobs). Of these, 2,319 were permanent jobs from the small-scale enterprises. Further detail is provided about employment related to small-scale enterprise: 146 sewing shops (539 jobs), 115 auto repair shops (257 jobs), 94 carpenter shops (230 jobs), 65 veterinary stations (125 jobs), 39 beauty salons (92 jobs), and 439 other small businesses (1,077 jobs). A large majority of jobs created by sewing shops and beauty salons are held by women.

3.48 As reported for VIP 1, consumption benefits for local communities were linked to the small-scale enterprises that offered local services not previously available, leading to reduction in travel time and cost. The project activities supporting small-scale enterprises for VIP 2 had the same shortcomings as reported for VIP 1—the support was not comprehensive and lacked full consideration, including market analysis, assessment of capacity, financial literacy, and so on.

Efficiency

3.49 Efficiency for VIP 2 is rated **substantial**. No assessment of the efficiency of the capacity building and training activities was made, which is disappointing given that VIP 2 provided an additional opportunity to measure the efficiency of activities that continue to be a central tenet of CDD projects. The substantial rating is based on the traditional measures of efficiency calculated for a subset of the village investment microprojects (including community infrastructure microprojects, and microenterprise grants), which account for a large portion (92 percent) of project financing. The participatory processes incorporated in project design, low ratio of project management costs, and expanded project coverage with a less than proportional increase in project costs due to greater than expected beneficiary contributions are also reflected in the rating. The significant delays in implementing the retrofitting and the associated additional financings led to a decrease in efficiency.

3.50 The efficiency analysis including IRR for community infrastructure is the same as those presented in the efficiency section for VIP 1. Another measure of efficiency was tracked by the project results framework. The ratio of ARIS operating expenses to expenditures on village investments and capacity building averaged 4.1 percent over the project, bypassing the target of 9.5 percent.

Ratings

OUTCOME

3.51 The outcome of the VIP 2 is rated **satisfactory.** The relevance of the project's objective to the World Bank's CAS and CPS and government's development strategy was **high.** The relevance of project design was rated **substantial.** The CDD approach was relevant for supporting the decentralization agenda, and the training and capacity building activities were complemented with multiple rounds of financing, allowing local governments and communities opportunities to use participatory development processes. A shortcoming was the lack of provision for adequate financing, leading to the need for additional financing to ensure that all communities had access to the full intervention. Efficacy is rated **substantial** given the evidence on the improved capacity at the local level, improved local governance, and provision of services. Minimal evidence on access to and use of services and the viability of the small-scale enterprises supported under the project was found. Efficiency is rated **substantial** based on acceptable values for traditional measures of efficiency conducted on village infrastructure, which accounts for 92 percent of project financing.

RISK TO DEVELOPMENT OUTCOME

3.52 Risk to development outcome is rated **moderate.** The risks to development outcome for VIP 12 are identical to those of VIP 21. A more detailed description is provided in the Risk to Development Outcome section for VIP 1; the elements behind the rating are summarized here. The three risks to development outcome are (i) sustainability of improvements to local governance and adoption of participatory processes; (ii) sustainability of the infrastructure financed under the village investment grants; (iii) sustainability of ARIS, given its complete reliance on donor funding.

WORLD BANK PERFORMANCE

Quality at Entry

3.53 Quality at entry is rated **satisfactory.** The project was highly strategically relevant to both the government's development priorities and the CPS. The design was technically sound and included adequate measures to mitigate safeguards, procurement, and fiduciary risks. VIP 2 benefited from experience and learning from both the JSDF-funded pilot project and the implementation of VIP 1. The project especially benefited from ARIS already being in place (this provided access to community networks and existing operations manuals and operational processes). Because the design of VIP 2 was materially similar to that of VIP 1, it also included a very detailed social mobilization strategy, a social inclusion strategy, and an anticorruption strategy.

3.54 Both the ICR and the ICR Review highlight the insufficient attention given to financial viability and technical quality of construction works funded by microproject as a shortcoming in quality at entry (World Bank 2015, 2016a). This assessment agrees to a limited extent, especially regarding concerns for sustainability and public safety. However, given the rapid scale-up of activities, it is not clear that the quality issues were revealed in time for adjustment at preparation of VIP 2. What is clear from a review of supervision documents is that the World Bank and ARIS took an incremental approach to remedying technical quality issues,[42] and that by mid-2008 concerns over technical quality had continued to build. These concerns were addressed by the World Bank team during supervision, as discussed in the next section.

Quality of Supervision

3.55 Quality of supervision is rated **satisfactory.** Supervision missions were conducted bi-annually and included a thorough review of project management, procurement, financial management, monitoring and evaluation, and technical quality. The technical quality and safeguards issues were identified during supervision missions and thoroughly addressed. In spite of having three task team leaders over the course of a nine-year project, changes in leadership went smoothly, and IEG interviews pointed to a good working relationship between the World Bank team and ARIS.

3.56 During a supervision mission in 2008, issues were noticed with the technical quality of a small number of microprojects (World Bank 2015). The World Bank team responded accordingly. A three-tiered approach was instituted to improve the technical quality of microprojects, including checks by a regional ARIS engineer, on-site supervision by a local engineer, and private construction supervision engineers contracted by ARIS for each site. The operational manual was also updated and the national architecture agency performed additional inspections. To ensure viability and safety of the deficient infrastructure, the World Bank financed a technical review for all microprojects previously constructed (including those financed by KfW and the JSDF trust fund). The ICR highlights that “no structural deficiencies were identified for the microprojects initiated after the midterm review and enhancement of the technical supervision process (World Bank 2015).

3.57 IEG commends the World Bank team for not only recognizing the technical problems but also for learning and taking corrective action through ensuring that processes for future microprojects were improved and deficient infrastructure was appropriately retrofitted.

3.58 World Bank performance is rated **satisfactory.**

BORROWER PERFORMANCE

Government Performance

3.59 Government performance is rated **satisfactory**. The government provided the full cofinancing amount as planned “demonstrating ownership of and commitment to the project” (World Bank 2015). However, some weakness in government performance stemmed from delays in parliamentary ratification, which according to the project team had no significant adverse implications on project implementation.

Implementing Agency Performance

3.60 Implementing agency performance is rated **satisfactory.** ARIS is a very strong implementing agency with an appreciated and established role in local communities. Additional strong points include the ability to oversee procurement and financial management in a high-risk environment, extensive attention paid to social mobilization activities, commitment to participatory development approaches, and ability to withstand political pressure. The public perception of ARIS is summarized in the institutional assessment: "Among donors and national / local stakeholders, ARIS is widely recognized as being a successful PIU, having implemented thousands of well-accepted and much-needed micro- and other projects nationwide. Its standing at community level is very high, where it is seen as providing reliable and impartial support to community development. Its experienced and committed staff is part of ARIS' strength" (Bribosia and Lapidaire 2014).

3.61 Implementing agency performance did show some weaknesses. These included (i) insufficient application of the 10 percent supplemental grant to all projects, resulting in 30 structurally deficient projects (less than 1 percent of VIP 2 microprojects); delays in preparing cost estimates during the retrofitting process; delays in operationalizing the Internal Audit Unit (it took from 2009 to 2011 to revise regulations to ensure independence of the unit); and the failure to add an additional data collection module to track use of infrastructure and data on viability of small-scale enterprises.

3.62 Borrower performance is rated **satisfactory.**

4. Lessons

- **Multiple tranches of village-level financing in CDD projects can reinforce and strengthen participatory planning over time. This approach can also lower the risk of elite capture.** In the Kyrgyz Republic, the four phases of financing in each village allowed for multiple opportunities for local government and communities to use the local development planning skills imparted by the project. It also helped villagers prioritize and minimize elite capture, as multiple project cycles benefited more villagers, not just those who were involved during the first year of the project.

- **CDD programs implemented nationally can enhance political legitimacy, especially in countries with ethnic or regional tensions. Although a move to consolidate project activities can magnify local economic gains, these consolidations carry the risk of perceptions of favoritism of one group over another.** VIP 1 and VIP 2 activities covered 100 percent of rural villages, which prevented the perception of favoritism or capture. This model is not replicated in VIP 3, where microprojects and subprojects are allocated on a competitive basis. Fieldwork revealed some perceptions of favoritism along ethnic lines in southern villages, and more outreach may be necessary beyond publicizing selection criteria.

- **In rapidly scaled out CDD programs there is a need to pay simultaneous attention to social outreach and infrastructure quality. Poor infrastructure can undermine**

program legitimacy and also create a public safety risk. In the Kyrgyz Republic, a lack of initial attention to infrastructure contributed to additional costs and implementation delays. However, when the project teams learned of issues with the quality and safety of project-financed infrastructure, they took the proper steps to ensure a complete accounting of deficient infrastructure and retrofitting of infrastructure that caused a public safety hazard. These corrective actions mitigated reputational risk to the World Bank and bolstered the legitimacy and creditability of both the project and the implementing agency.

- **Investments in small-scale enterprises require an upstream diagnosis of capacity and constraints and the interventions should be targeted to address known binding constraints.** Interviews with project teams revealed that the small-scale enterprise development grants in VIP 1 and VIP 2 used a "light touch" approach. There was minimal consideration of the constraints faced by small-scale enterprises (that is, access to market, value chain analysis, enterprise development training, access to finance, market analysis, access to inputs, and so on). Because of the limited data collected on these investments, little is known about their viability. If the World Bank is going to invest in small-scale enterprise development, it should be a primary focus, not an add-on. This lesson aligns with the IEG evaluation of the rural nonfarm economy, which recommended more systematic diagnostics (on constraints and performance) for micro, small, and medium enterprises in countries where the rural economy is a key part of the solution to ending poverty.

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[1] The Project Performance Assessment Report assesses the project against the development objectives as stated in the grant agreement but also includes evidence on the broader aim of the project where available and relevant.

[2] After the political turmoil and violence in April and June of 2010 the Bank issued an Interim Strategy Note to concentrate on emergency post-conflict needs. This Strategy recognized the role the corruption, nepotism, and misuse of public funds played in the conflict and focused on three themes: governance, economic adjustment, and social stabilization, especially in the south.

[3] The ICR describes the following significant changes: Acceleration of national coverage, in part due to popularity of the project and demand from communities. There was also a shift away from using NGOs and CSOs as providers of social mobilization and training, these activities were provided by ARIS directly.

[4] The initial Japanese Social Development Fund pilot for the Village Investment Project was prepared by a Project Preparation Unit which became part of Agentstvo Razvitiya Investirovaniya Soobschestv when it was formed in 2003.

[5] A review of project documents including the operations manual and management and information system reports reflects training in project protocols in addition to general training to improve local development planning. Of the 2,692 trainings given, the top five topics were development of microprojects (642); business planning and marketing (447); joint monitoring and evaluation (324); vision or strategy and investment plan for local development (307); and strategic planning (143).

[6] "The pilot stage of the [Village Investment Project] provided the opportunity to fine-tune the design of the project and its arrangements, [and] establish mechanisms to prevent and mitigate possible risks" (World Bank 2009).

[7] Per the Implementation Completion and Results Report, the first Village Investment Project (VIP 1) covered the entire country (475 aiyl okmotus) with social mobilization activities. As a repeater project, VIP 2 continued project activities in the existing communities and expanded coverage into the remaining communities, ensuring

nationwide coverage and continuation of activities in VIP 1 communities that had not yet received the four rounds of financing.

[8] Compiled by the National Statistical Committee of the Kyrgyz Republic (http://www.stat.kg/en/).

[9] According to the project appraisal document for the first Village Investment ProjectVIP 1, initial estimates of project coverage for the first year were 60–65 communities, expanding by 50–55 additional communities each year.

[10] The number of aiyl okmotus increased from 473 to 475 during project implementation.

[11] The indicator related to this objective was "employment and income generated by microprojects," but it did not collect any data on income.

[12] This assessment did compare the "old cohort" with the "new cohort," reflecting length of time villages had participated in the project.

[13] Based on the theory of change and results framework presented in the project appraisal document, the Independent Evaluation Group interprets "improved governance at the local level" as the strengthening of local governments to make them more inclusive, accountable, and effective at meeting villagers' self-identified development needs (World Bank 2003d, 40).

[14] The first Beneficiary Impact Assessment covered project activities from 2004–07 and gauged "the depth of use of new skills by communities, level of participation, and degree of satisfaction" (4). Overall, the study showed that the impact of participation directly depended on the duration of the intervention, comparing newer and older cohorts. The Beneficiary Impact Assessment included several indicators for assessing how well the project achieved the subobjective, such as skills and capacity of communities to realize improved access to services; use of skills to deliver investments and projects outside the Village Investment Project framework' engagement and influence of various social groups in decision making; and extent to which local governments recognize the benefits of engaging communities in transparent decision making and planning.

[15] Training topics included local development plans, needs assessment, presentations, planning and implementing microprojects, business plans, procurement and financial management, community awareness, monitoring and evaluation, microproject maintenance, service improvement, and grant proposal writing.

[16] Loans were reportedly obtained from banks, microcredit associations, microcredit agencies, and grants came from international organizations such as the United Nations Development Programme and Mercy Corps.

[17] An additional 33.9 percent thought that residents participated passively.

[18] Low-income respondents were less likely to participate in Village Investment Project activities. The nonparticipation rate was 26.7 percent, compared with 1 percent for middle- and high-income groups. (Wealth categories were based on self-assessments; for example, respondents in the "poor" category were those that indicated they "do not have enough money to buy basic food items"). Youth also self-reported participating in lower numbers – 46 percent of those aged 18–25 "participate passively."

[19] Based on recall.

[20] When asked to recall and estimate the change in the extent to which various groups (family clans, rich, poor, youth, elderly, women and men) influenced decision making, all groups were perceived to have increased their influence relative to before the project.

[21] The VIP 1Village Investment Project (VIP) I Implementation Completion and Results Report lists 4,344 completed microprojects. The Independent Evaluation Group reviewed management and information system data with Agentstvo Razvitiya Investirovaniya Soobschestv project teams, who provided updated information indicating the total number of microprojects under VIP 1 was 3,478. This report uses the numbers from the management and information system. Confusion likely stemmed from the comingling of VIP 1 and VIP 2 funds used for village grants during the time when the projects overlapped (2006–07).

[22] Curiously, a decrease in access to kindergartens of 1.4 percentage points for the newer cohort was reported, which was not well explained in the BIA.

[23] Data are reported as change in percentage of respondents who indicate that the infrastructure service is completely accessible and partially accessible.

[24] Here the Independent Evaluation Group again uses the numbers from the management and information system, received from the project team during mission. The Implementation Completion and Results Report cites a much larger number—1,164 (World Bank 2009b, 24). According to interviews with project teams, some of the reporting of project outputs for VIP 1 and VIP 2 were combined during implementation.

[25] At appraisal, VIP 1the Village Investment Project 1 described anticipated benefits reflecting the explicit focus of the project on improved capacity for local governance. Specifically, because of both the training and capacity building activities (component 1) and the participatory village investment grant process (component 2), some benefits were expected, including enhanced capacity for local development planning, better and more transparent

government, and increased empowerment and social capital. These benefits were deemed not quantifiable and therefore no attempt was made to measure them.

[26] According to the project appraisal document the selected microprojects “are representative of what communities have been implementing under ongoing small [community-driven development] operations and have, during project preparation village visits, indicated as being high on their priority list” (World Bank 2003d, 54).

[27] VIP 1Village Investment Project 1 included 235 power supply microprojects (8 percent), 744 schools (24 percent), 186 clubs (6 percent), and 191 health centers (6 percent).

[28] The Independent Evaluation Group’s understanding is that the 100 percent coverage at the close of Village Investment Project (VIP 1VIP) 1 meant that at the very least, social mobilization activities were carried out in all aiyl okmotus. It is difficult to disentangle exact financing from VIP 1VIPs 1 and 2, as interviews with World Bank staff confirmed that the project funds for VIP 1 and 2 were comingled. However, some expansion of project activities without a proportional increase in cost was confirmed.

[29] For comparison, the Implementation Completion and Results Report highlights a similar indicator on administrative costs relative to community investments for a comparator project in Albania. “The same results may be compared with the very successful Albania Community works project which … end(ed) with 6.5 percent in its last full year” (World Bank 2009b, 17).

[30] The Implementation and Completion Results Report for the Village Investment Project describes “shock to the [International Development Association] task team and sector management when requests were made from another sector unit, backed by the country management unit, that ARIS [Agentstvo Razvitiya Investirovaniya Soobschestv] become the implementing unit for another project (Small Towns Infrastructure and Capacity Building Project, with a much different approach… “ (World Bank 2009b, 7). The Independent Evaluation Group learned during interviews with country office staff that ARIS implements roughly 50 percent of the World Bank’s portfolio in the Kyrgyz Republic.

[31] Financed by the International Development Association, KfW, or the Japanese Social Development Fund pilot.

[32] The project development objective (PDO) language in the project appraisal document (PAD) for the Second Village Investment Project VIP 2differs from that found in the financing agreement. The PDO in the PAD (including the results framework) is, “Alleviate rural poverty by empowering communities to improve access to social and economic infrastructure services”. The first restricting clarified that the true PDO was that reflected in the financing agreement.

[33] The first additional financing was $14.2 million ($3.6 million by borrower, $8 million by the International Development Association, and $2.6 million by the U.K. Department for International Development).

[34] The Independent Evaluation Group evaluates the project against the project development objective as stated in the financing agreement. This change does not impact the rating.

[35] The costs of retrofitting 10 Second Village Investment Project civil works were as follows: Average $23,590 each for four school buildings; $344,572 for a first aid post; $83,964 for a family health care center; $97,100 for a kindergarten; $23,059 for a rehabilitation center; $114,604 for a bridge; and $99,994 for a water intake structure ($834,063 in total).

[36] The assessment was requested by the World Bank and led by two independent consultants. The objective was to “review the structure and organization of ARIS and formulate recommendations for increasing the development impact of the ARIS programs, in particular regarding the implementation of VIP 3” (Bribosia and Lapidaire 2014, 4).

[37] The results framework would have been improved in this regard through inclusion of enterprise surveys and studies, analytical work mapping the needs of small-scale enterprise and showing that the project was addressing these needs, and general follow-up looking at the short- and medium-term viability rates of these enterprises.

[38] The greatest improvements were reported for “formulating village investment plans” (increase of 160 percent more respondents indicating they have a ‘good’ level of skill possession relative to responses in 2007). Increases were also seen for “assess needs and prioritize problems” (78 percent), “make public presentations” (67 percent), “conduct tenders and procurement” (85 percent), and “financial accounting skills” (74 percent).

[39] A more nuanced explanation continues that information is provided about ARIS in general, but little about concrete and practical things such as information for agribusiness and local entrepreneurs, youth, and access to microcredit.

[40] For instance, according to household respondents women account for more than 40 percent of participants in 43.6 percent of microprojects; the level is the lowest in infrastructure projects (33.2 percent) and highest in social microprojects (48 percent).

[41] According to the Implementation Completion and Results Report, the categorization of the 6,405 public infrastructure microprojects financed was as follows: "communal and economic infrastructure"—24.6 percent (1,577); "sanitary and ecological infrastructure"—3 percent (214); and "social infrastructure"—54 percent (3,454).

[42] For example, there was recognition and agreement in May 2006 that an additional grant in the amount of 10 percent would be made available for technically complex microprojects to fund an appropriately qualified engineer, architect, or other necessary expert (2007 aide-mémoire).

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Appendix A. Basic Data Sheet

VILLAGE INVESTMENT PROJECT (GRANT NO. H070-KG)

Key Project Data (amounts in $ million)

	Appraisal estimate	*Actual or current estimate*	*Actual as percent of appraisal estimate*
Total project costs	19.33	21.85	113 percent
Loan amount	15.10	15.65	103 percent
Cofinancing	0.87	1.00	114 percent
Cancellation			

Cumulative Estimated and Actual Disbursements

	FY04	*FY05*	*FY06*	*FY07*	*FY08*
Appraisal estimate ($M)	1	3.2	7.1	11.9	15.1
Actual ($M)	.48	3.37	8.04	13.1	15.65
Actual as percent of appraisal	48 percent	105 percent	113 percent	110 percent	103 percent
Date of final disbursement:					01/31/2008

Project Dates

	Original	*Actual*
Concept Review		9/22/2003
Negotiations		
Board approval		12/16/2003
Signing		12/22/2003
Effectiveness	1/1/2004	3/1/2004
Midterm Review		9/23/2005
Closing date	8/31/2008	3/1/2008

Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (World Bank budget only)	
	Staff Weeks (number)	*$ 000s (including travel and consultant costs)*
Lending		
FY02	42	175.581
FY03	42	209.425
FY04	22	138.693
FY05		0.00
FY06		0.00
FY07		0.00
Total:	**106**	**523.699**
Supervision/ICR		
FY03		
FY04	9	50.588
FY05	19	111.215
FY06	20	83.920
FY07	20	86.058
FY08	11	44.109
FY09	2	36.814
Total:	**81**	**412.704**

Task Team Members

Name	*Title (at time of appraisal and closure, respectively)*	*Unit*	*Responsibility/Specialty*
Lending			
Gotz Schreiber	Task Team Leader	ECSSD	
Joseph Goldberg	Sector Manager	ECSSD	
Stan Peabody	Lead Social Scientist	ECSSD	
Asyl Undeland	Operations Officer	ECSSD	
Shane Rosenthal	Consultant, CDD Specialist/Economist	ECSSD	
Sandra Schnellert	Junior Professional Associate	ECSSD	
Naushad Khan	Lead Procurement Specialist	ECSSD	
John Ogallo	Sr. Financial Mgt. Specialist	ECSPS	
Jana Orac	Consultant, Local Government Specialist	ECSPS	

Irina Sarchenko	Team Assistant	CAGDR	
Sandra Broka	Consultant, Rural Credit Specialist	ECSSD	
Arusyak Alaverdyan	Consultant, Financial Analyst	ECSSD	
Michael Nelson	Operations Analyst	ECSSD	
Nikolai Soubbotin	Senior Counsel	LEGEM	
Hannah Koilpillai	Senior Finance Officer	LOAFC	
Scott Guggenheim	Peer Reviewer-Lead Social Dev. Spec.	DSF	
Concepcion del Castillo DSF	Peer Reviewer-Senior Social Scientist	DSF	
Ainura Kupueva	Operations Officer	ECSSD	
Rohit Mehta	Senior Finance Officer	LOAFC	
Anarkan Akerova	Counsel	LEGEM	
Talaibek Koshmatov	Operations Officer	ECSSD	
Nurbek Kurmanaliev	Procurement Analyst	ECSPS	
Supervision/ICR			
Juergen Voegele	Sector Manager	ECSSD	
Eustacius Betubiza	Lead Rural Development Specialist	ECSSD	
Keith McLean	Sr. Social Development Economist	ECSSD	TTL (since 5/15/2007)
Gotz A. Schreiber	Consultant	ECSSD	(Former TTL)
Stanley Peabody	Consultant	ECSSD	
Ainura Kupueva	Operations Officer	ECSSD	
Peter Zara ECSSD	Junior Professional Associate	ECSSD	
Shane Rosenthal Consultant,	Consultant, CDD Specialist/Economist	ECSSD	
Asyl Undeland	Consultant	ECSSD	
Talaibek Koshmatov	Operations Officer	ECSSD	
Nataliya Cherevatova	Operations Analyst	ECSSD	
Aditi Sen	Consultant	ECSSD	
Nurjamal Asanova	Team Assistant	ECSSD	
Joseph Goldberg	Consultant	ECSSD	
Kenneth Mwenda	Sr. Counsel	LEGEM	
John Ogallo	Sr. Financial Mgt. Specialist	ECSPS	
Fasliddin Rakhimov ECSPS	Procurement Specialist	ECSPS	
Nurbek Kurmanaliev ECSPS	Procurement Specialist	ECSPS	

Irina Goncharova ECSPS	Procurement Analyst	ECSPS
Sandra Schnellert	Env. & Social Dev. Specialist	CES12
Serdar Yilmaz SDV	Sr. Social Development Economist	SDV
Nurbek Kurmanaliev ECSPS	Procurement Specialist	ECSPS

SECOND VILLAGE INVESTMENT PROJECT
(IDA-46570 IDA-51980 IDA-H2500 IDA-H5190 IDA-H8240 TF-90072)

Key Project Data (amounts in $ million)

	Appraisal estimate	*Actual or current estimate*	*Actual as percent of appraisal estimate*
Total project costs	35.70	54.10	151 percent
Loan amount	15.00	27.20	182 percent
Cofinancing	13.20	15.80	119 percent
Cancellation			

Cumulative Estimated and Actual Disbursements

	FY07	*FY08*	*FY09*	*FY10*	*FY11*	*FY12*	*FY13*	*FY14*
Appraisal estimate ($M)	0	4.5	10.5	13.5	15	15	15	15
Actual ($M)	.43	13.71	15.07	22.54	23.23	24.05	27.08	28.33
Actual as percent of appraisal	0	304%	143 %	166 %	154 %	160 %	180 %	188 %
Date of final disbursement:								12/5/2014

Project Dates

	Original	*Actual*
Initiating memorandum		
Negotiations		
Board approval	5/31/2006	8/03/2006
Signing		10/03/2006
Effectiveness	12/05/2006	12/05/2006
Closing date	6/30/2011	10/31/2014

Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (World Bank budget only)	
	Staff Weeks (number)	*$ 000s (including travel and consultant costs)*
Lending		
FY06		83.23
FY07		3.59
Total:		**86.82**
Supervision/ICR		
FY06		0.0
FY07		52.60
FY08		92.41
FY09		107.87
FY10		75.85
FY11		137.63
FY12		107.85
FY13		67.49
FY14		117.78
FY15		82.12
Total:		**841.60**

Other Project Data

Borrower/Executing Agency: ARIS

Follow-on Operations

Operation	*Credit no.*	*Amount ($ million)*	*Board date*
Third Village Investment Project	IDA-5601	12	March 27, 2015

Task Team Members

Name	*Title (at time of appraisal and closure, respectively)*	*Unit*	*Responsibility/Specialty*
Lending			
Galina Alagardova	Financial Management Specialist	GGODR	Financial Management Specialist
Natalia Cherevatova	Operations Officer	GEDDR	Operations Officer
Kevin W. Casey	Lead Procurement Specialist	ECSPS	Lead Procurement Specialist
Nicholay Chistyakov	Senior Finance Officer	LAOG1	Senior Finance Officer
Talaibek Torokulovich	Senior Rural Development Specialist	GFADR	Senior Rural Development Specialist

Koshmatov			
Nurbek Kurmanaliev	Procurement Specialist	GGODR	Procurement Specialist
Anarkan Lilly	Counsel	LEGCF	Counsel
John Otieno Ogallo	Senior Financial Management Specialist	OPSOR	Senior Financial Management Specialist
Norval Stanley Peabody	Lead Social Scientist	GEEDR	Lead Social Scientist
Sandra Schnellert	Rural & Community Development Specialist	ECSSD	Rural & Community Development Specialist
Gotz A. Schreiber	Lead Economist	ECSSD	Task Team Leader
Siew Chai Ting	Lead Financial Management Specialist	ECSPS	Lead Financial Management Specialist
Supervision/ICR			
Galina Alagardova	Financial Management Specialist	GGODR	Financial Management Specialist
Kosuke Anan	Senior Social Development Specialist	GSURR	Senior Social Development Specialist
Saltanat Asan			Team Member
Nurjamal Asanova	Team Assistant	ECCKG	Team Assistant
Eustacius N. Betubiza	Consultant	GTCDR	Consultant
Natalia Cherevatova	Operations Officer	GEDDR	Operations Officer
Blaga Djourdjin	Procurement Specialist	GGODR	Procurement Specialist
Irina Goncharova	Procurement Specialist	GGODR	Procurement Specialist
Asli Gurkan	Social Development Specialist	GSURR	Social Development Specialist
Lidia Hvan	Team Assistant	ECCKG	Team Assistant
Lola Ibragimova	Senior Social Development Specialist	GSURR	Senior Social Development Specialist
Sharifa Kalala			Team Member
Aliya Kim	Financial Management Specialist	GGODR	Financial Management Specialist
Talaibek Torokulovich Koshmatov	Senior Rural Development Specialist	GFADR	Senior Rural Development Specialist
Geoffrey Kurgan	ET Consultant	GTIDR	ET Consultant

Nurbek Kurmanaliev	Procurement Specialist	GGODR	Procurement Specialist
Anarkan Lilly	Counsel	LEGCF	Counsel
Keith McLean	Lead Social Development Specialist	GGODR	Task Team Leader
Rahat Mederbekova			Team Member
Pieter David Meerbach	Senior Water Resources Specialist	GWADR	
Nodar Mosashvili	Consultant	GGODR	Financial Management Specialist
Kenneth K. Mwenda	Program Manager	HRDVA	Program Manager
John Otieno Ogallo	Senior Financial Management Specialist	OPSOR	Senior Financial Management Specialist
Aly Rahim	Senior Social Development Specialist	GSURR	Task Team Leader
Norval Stanley Peabody	Consultant	GEEDR	Consultant
Fasliddin Rakhimov	Procurement Specialist	GGODR	Procurement Specialist
Janna Ryssakova	Social Development Specialist	ECSSO	Social Development Specialist
Gotz A. Schreiber	Lead Economist	ECSSD	Task Team Leader
Aditi Sen	E T Consultant	SDV	E T Consultant
Maurizia Tovo	Lead Social Development Specialist	GSPDR	Task Team Leader
Asyl Undeland	Consultant	GENDR	Consultant
Serdar Yilmaz	Senior Economist	GGODR	Senior Economist

Appendix B. Fieldwork Methodology

IEG conducted a mission to the Kyrgyz Republic for two and a half weeks during May 2017 including five days in the field. The IEG assessment was developed to gather beneficiary and stakeholder perceptions about participation, inclusion, and local decision making. Recent work by White and Philips (2012) on using small n data discusses how such methods can draw on the implicit theory of change to assess whether theoretically predicted changes occurred as expected, or whether the causes and assumptions set out in the theory of change varied or whether the observed outcomes were a result, in part or whole, of external factors. The field mission focused on understanding the theory of change and testing project assumptions through qualitative discussions around perceptions of project impact, sustainability up to ten years after capacity building activities and infrastructure construction or microenterprise creation, and visits to project infrastructure.

Sampling of field visit sites. VIP 1 and VIP 2 projects were implemented nationwide with every village in the country receiving some form of project financing. The VIP 3 project is currently under implementation nationwide. The project focused on implementation at the village level, project staff provided capacity building activities to village groups as well as locally elected self-governments, funds were provided based on village population, and community infrastructure and microenterprise activities were selected by village groups, therefore the unit of analysis for the evaluation is the village. IEG selected a sample of villages (see map below), taking into consideration logistical constraints and the following criteria:

Criteria 1: Equal representation of VIP 1 (2003–2008) and VIP 2 (2006–2014) villages. The bulk of project funds were dispersed to villages between 2004 and 2011. Approximately equal representation of VIP 1 and VIP 2 villages ensured even coverage of villages that received microproject financing up to 13 years prior, and as recently as six years prior. This allowed for some comparison between older and newer project sites and also an examination of the extent to which both the processes and infrastructure supported through the project have been sustained over varying amounts of time.

Criteria 2: Broad geographical coverage. IEG visited five of the seven oblasts in Kyrgyz Republic. Sites were selected in three oblasts in the north (Chui, Issykkul, Naryn) and two in the south (Jalal Abad, Osh). It was particularly important to ensure broad geographical coverage for reasons including the following: conflict in 2010 tied to ethnic tension and a perceived north/south divide; differing levels of accessibility and connectedness (Naryn is considered a remote oblast while both Chui and Osh are close to the two major cities in the country); and variance in poverty levels between oblasts[xliii]. In addition, the project implementation unit was decentralized. Broad geographical coverage of the sample allowed IEG to determine whether there were any major differences in implementation between regions.

Criteria 3: Type of microproject. VIP 1 and 2 provided financing for a total of 9,883 microprojects falling into two broad categories—income-generating microprojects, and community infrastructure (further divided into municipal and economic, sanitary and environmental and social). The total distribution of community selected microprojects for both VIP 1 and 2 are presented in the table below. IEG purposively selected and visited infrastructure in each village to cover a broad spread of microproject types[xliv]. The mission intentionally over sampled small enterprise microprojects because there was relatively less information on this project typology in project documentation.

Based on these criteria, IEG visited 15 villages and 17 microproject sites during five field visit days covering the following microproject models:

Micro Project Distribution and IEG Sample

Micro project type	***VIP1 (2004–2007) N = 3478***	***VIP2 (2007–2012) N = 6405***	***IEG Sample N = 17***	***Micro project models visited***
Income Generation	622 MPs (18 percent)	1160 MPs (18 percent)	4 MPs (24 percent)	Sewing shops (2), Beekeeping, Carpentry shop
Economic Infrastructure	1035 MPs (30 percent)	1577 MPs (25 percent)	4 MPs (24 percent)	Bridge, transformer substation, gasification
Environmental Infrastructure	150 MPs (4 percent)	214 MPs (3 percent)	0 percent	-
Social Infrastructure	1671 MPs (48 percent)	3454 MPs (54 percent)	9 MPs (53 percent)	Youth center, Kindergarten, Primary health center (2), women's health center, drinking water supply, information and education center, village center (2)

Source: Data on microprojects for VIP 1 and 2 retrieved from ICRs, updated to reflect final data retrieved from MIS

In preparation for the field visits, IEG requested village profile data from ARIS. Prior to arriving in each village IEG reviewed the selected microprojects and associated costs (including total financing, and donor and community contributions), as well as basic information about the village. IEG verified the per capita financing allocations in each village and found them to be as described in project documentation.

Figure B.1. Map of IEG field mission sites

IEG employed the following tools at each field visit site:

Focus Group Discussions with community groups: Focus groups were convened with various community groups including women, elderly, youth, and general villagers, and the IEG mission ensured inclusion of members of the Participatory Monitoring and Evaluation Groups (PMEGs). A protocol was followed whereby groups were separated in some villages, for example there would be simultaneous women's focus groups and men's focus groups. Focus Group Questions are presented in appendix C.

Semistructured Interviews with local self-government officials: The level of the officials varied at each site but included mayors, and Aiyl Okmotu and Aiyl Kenesh officials both current and former. These officials were interviewed separately from community groups. Semistructured Interview questions are presented in appendix C.

Semistructured Interviews with Small-Scale Enterprise Grant Recipients: IEG administered questions specific to small-scale enterprise investments, these are presented in appendix C.

Enterprise/Infrastructure Verification: The IEG mission physically verified the existence of the selected infrastructure or enterprise and made a general assessment of the status of the investment. A summary of the investments verified is found in appendix C.

[xliii] According recent, the welfare disparities in Kyrgyz are more pronounced between rather than within regions, with the largest gap in welfare ratio (compared with Bishkek) seen in Naryn, Osh, and Jalalabad Oblasts (Atamanaov, World Bank 2013). Analysis of 2008 poverty data adds another layer to the regional poverty analysis, showing that relative to proportion of national population, certain oblasts are home to a disproportionate share of the poor. This is evident in Isskyul (14 percent of the poor and 8 percent of the population), Jalal – Abad (24 percent of the country's poor, 19 percent of the population), and Osh (30 percent of the country's poor and 25 percent of the population).

[xliv] Most villages have more than one microproject type, usually at least four microprojects were selected per village but sometimes there were more—villages could choose to spread their financing over more, smaller investments or concentrate the financing on larger investments.

Appendix C. Interview Questions

Preface: Inform participants of the role of IEG, and emphasize that this work relates to an evaluation of VIP 1 and 2 (not VIP 3), therefore we ask that they try to remember their experiences from a few years ago. Inform participants that the team has met with government, NGOs, ARIS and now we are seeking the perspective of community members, this information is very important to our evaluation. We appreciate their time and input, and we will use their responses to improve the work in do in Kyrgyz and in other countries. Their responses will be confidential, nothing they saw will be directly attributed to them. Include information about how to access the final report.

Focus Group Questions (Youth, Elderly, Men, Women)

Awareness of program – information campaigns, social mobilization process
- How many social mobilization processes have they gone through? How many for VIP?
- When was the last time they went through social mobilization?

Participatory needs identification and village development planning process

Think back to the planning process under VIP 1/VIP 2...

- When did you create your village plan (list all years provided)
- What activities did you undertake? (Look for mapping/PRA)
- When is the last time the village plan was updated?
- Is the village plan used as the basis for village investments?
- If YES, have any other priority areas been selected for financing?
- If YES, what was funded and who provided financing?
- Do you remember which groups missed out (did not have their proposal selected for financing)?
- Do they think the AO or AK officials use their village plan to make investment decisions?

Training and Capacity Building

- Who received the training activities for VIP? (Ask total number but then also ask for show of hands, record number of people present that received training)
- Where did the VIP training activities take place? (In village or at ARIS office?)
- What type of training was received through VIP?
- When was the last time they attended a VIP training with ARIS?
- Was the VIP training aligned with what you most needed or would another type of training have been more useful?
- Have they received training through any other project or NGO?
- What was the most significant impact of the VIP training and capacity building?

Transparency and Accountability

- How do local governments behave differently after the VIP project?

Village Investments

- In your opinion, what is the biggest impact related to infrastructure name? (Record individual responses)
- Who looks after the infrastructure?
- Who pays for any repairs or upkeep?
- Have there been any problems with the infrastructure financed by the project?

Relationship with AOs/AKs

- Has their relationship with local elected government changed since VIP?
- Questions for Local Government Officials
- Did they receive training and capacity building?
- When the project was presented to them what did they understand their role to be (specify that the question relates to VIP 1 and 2)?
- What ensured sustainability and adoption of the approaches advocated by the program?
- What was the vision for next steps regarding role of LSG?
- What was the CSO/NGO role function in the program and did it change over time?

Questions for Participatory Monitoring and Evaluation Groups (PMEG):

- What sort of skills and training did you receive from the project?
- Were they adequate to prepare you for the monitoring activities?
- Did you uncover any abnormalities during project monitoring?

Are you currently undertaking any monitoring related activities (VIP or non-VIP)

Appendix D. List of Persons Met

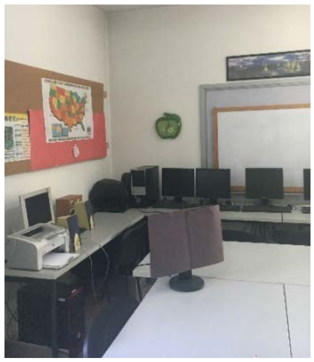
Name	Role	Organization
World Bank Group		
Janelle Plummer	TTL, VIP 3	World Bank Almaty Office
Keith Mclean	Former TTL	World Bank Group – Washington, DC
Asli Gurkan	Social Development Specialist	World Bank Group – Washington, DC
Talaibek Koshmatov	Sr. Agricultural Specialist	World Bank Bishkek Office
Jean-Michel Happi	Country Manager	World Bank Bishkek Office
Aly Rufahim		World Bank Group – Washington, DC
Asyl Undeland	Consultant	World Bank Group – Washington, DC
Gotz Scrieber	Former TTL	World Bank, ret.
Implementing Agency		
Arstan Muktarov	Executive Director	ARIS
Abykeev Almazbek Keneshovich	Village Investment Project Coordinator	ARIS
Asel Mambetkulova	Deputy Executive Director, Former Procurement Specialist	ARIS
Olga Gorovenko	Deputy Director	KfW
Erkinai Derkenbaeva	Specialist	GiZ
Turakieva Aka	Assistant	ARIS
Bagaliev Satar	Sr. Engineer	ARIS
Kurmanaliev Beken	Engineer	ARIS
Beishenalieva Mayer	M and E Specialist	ARIS
Emir Kudaybergen	Assistant	ARIS
Medet Sultahbaev	Former M & E Director	ARIS
Aimagul Makitaeva	Financial Management	ARIS
Rahat Jumusheva	Financial Management	ARIS
Gumailova Munake	Manager	ARIS
Asel Mambetkulova	Procurement Specialist	ARIS
Batyr Seidyladaev	Procurement Director	ARIS
Kubanychbek Ismailov	Ex-Director	ARIS
Government of Kyrgyz Republic		
Mairambek Tairov	Director	International Relations Department

Akylbek Usupbekor	Senior Specialist	International Relations Department
Yeynoenol Augubek	Specialist	International Relations Department
Mihail Halitov	Deputy Director	GAMSUMO
AImura Keijekasava	Coordinator	Donor Coordination Council
NGOs, CSOs, Other Donors		
Asybek Chekirov		Development Policy Institute
Gulnara Bataeva		Small Business Development Consultant
Ainura Djunushalieva	Project Management	Development Policy Institute
Chinara Bayalieva		Local NGO
Cory Johnston		USAID
Robert Bodo	Chief of Party	DAI
Gulkaiyr Tentieva	Senior Economist	Asian Development Bank
Karypbay Uulu Erlan	Project Coordinator	Rural Development Fund
Elvira Ilibezova	Director	El-Pikir
Aida Akmatalieva	Head of Programmes	DFID
Elena Zakirova	National Program Officer, Local Development	Swiss Development Agency

Appendix E. Fieldwork Summary

Youth Center (Novoprokna): Chui Oblast, Issykata Raion, Novopokrovka Village – unsubsidized AO (less than 30 minutes from Bishkek, fairly prosperous most residents work in Bishkek. More suburban or peri-urban than rural. A woman who has since moved to the Russian Federation proposed the multipurpose youth center. The total budget for the two-story center was 9M (2.4 mil from ARIS and the rest from the AO).


Kids wrestling- a facility provided to children at the youth center at a fee of 300 som/month per child


A computer lab equipped with computers. There were no computer classes being conducted due to unavailablity of a teacher. The facility is being used for English classes.


Students participating in a discussion on the use of the village center library

Participants: Oblast coordinator, 2 ARIS CDSOs (female), AO, Deputy AO, Ex-head of AO (now MP), head of youth center, trainers, English volunteer. **Mobilization:** the groups remember being mobilized into groups and learning about the project**. Trainings**: Received trainings during VIP 2 and I and continue to receive trainings from ARIS and other donors including UNICEF and USAID in public financial management and so on

Kindergarten (Kegety): Chui Oblast, Chui Raion, Kegety Village (Rural, subsidized, smaller and remote, population 900). It received financing for rehabilitation and additional financing to fix the roof. Started in 2009 with 60 kids, it has since grown to 140 kids ages 1.5 to 6. Parents pay 1000 som/month per child, AO subsidizes with 18 som/day per child and sponsors two children in the village under 100 percent scholarship and 50 percent to five children. It is maintained by the AO and employs 22 people. The Ministry of Education pays their salaries.



Participants: A mixed group of 20 individuals but mostly women. **Social Mobilization**: only a few of the members remembered the mobilizaion activities including focus groups, they recalled forming a village investment committee with four member out of which three were women. **Trainings:** Leaders of projects received training but none of those present recalled receiving any training. They claimed they did have a village plan, which they updated annualy and is miantained by the AO office and was recently used for VIP **Benefits**: structure in children's lives; some but not all of the mothers work

Carpentry Shop (Kegety)



Bridge (Shamshy): Chui Oblast, Chui Raion, Shamshy Village (More remote, bridge located off the main road on gravel road. Bridge was constructed by the villagers and then washed away with the rise in the water level. A high quality bridge was reconstructed with additional financing with approx. ($ 222,000). Due to lack of capacity most of the bridge was prefabricated in Bishkek. The pasture association comprising of 11 members collects a toll of 250 som for use of the bridge. The AO and the pasture committee maintain the bridge.

Road leading to the bridge frequented by local community members to cross over to lands for grazing their animals	Bridge retrofitted at a cost of $222,000 and is used by shepherds, crops farmers and tourists.

Participants: 13 community members were present, all of them men. Social Mobilization: During VIP 1 and II they formed a village investment committee with 11 members, out of which 5 were recalled to be women. The committee was no long functioning. **Trainings:** 10–20 individuals received trainings, conducted in nearby towns. They also attended trainings organized by Mercy Corps and UNDP. As a result of these training, AO are now able to conduct community hearings and make initiative groups**. Benefits:** Access to land for grazing animals and growing hay, which has resulted in an estimated 50 percent increase in income.

Transmission line (Ornok) Issykkul Oblast, Issykkul Raion **–** unsubsidized AO most likely due to the presence of large resorts and income generated from tourism during summer. The transmission line was put in place in 2011 and is being maintained by the AO.

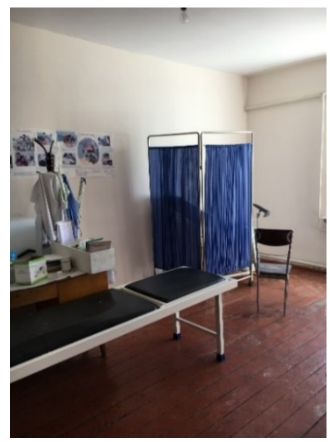
Tranmision line built that serves 240 HHs, with upto 1000 Kwh at 70 som and above 2.16 som

Participants: a mixed group of project beneficiaries, most of them were not present during project implementation. Social Mobilization: they remember going through the mobilization activities at least three times, they recalled engaging in group discussions and receiving support in the development of a strategic plan and formation of micro-group projects. Training: received training under VIP 2I for a water project but had limited information regarding VIP 1 and II. The recall 20–25 people participating in training organized in a distant village. As a result, they now have regular meetings to discuss budget and priority needs. They also reported increased responsiveness of the AO. In addition, they also developed a village plan but could not recall if it was being updated and it was unclear how the local councils were using it. Benefits: they have electricity all the time, their HHs: able to run washing machines, watch TV, use Internet to help their children with their homework and stay connected.

Health Center (Kashat) Issykkul Oblast, Issykkul Raion (Subsidized Aiyl Okmotu, receive assistance from territorial development foundation, minimal donor activity). Initiated by a female doctor at the time of the project implementation that has since moved to Russia. It is being maintained by the AO and the local development fund All treatments and essential drugs are free while special drugs come with a fee. It employs 5 people and Is visited by approx. 300 patients a month.

Member of the AO standing infront of the Health center information board

The health center undergoing replacement of windows to allow for more light to enter



Participants: group of 12 women. Social Mobilization: some of the members could recall being organized into different groups (youth, women, elders and so on) and participating in focus group discussion to identify village needs. They had formed a village investment committee including six members, three of whom were women. They had developed a village plan and to their best of knowledge was still being used and updated by the AO. As a result of the project the AO has been more responsive to the needs of the community. Training: most of the members recalled trainings being organized in the neighboring villages with equal representation of both men and women but could not remember more detailed information regarding the type and frequency of trainings. It has helped them identify and prioritize challenges and they are now able to draft proposals. Benefits: access to a larger and cleaner facility, access to monthly medical examination and maternity services and access to a laboratory.

Tribal Bee Apiary (Ortu-Oruktu) Issykkul Oblast, Issykkul Raion, Ortu-Oruktu Village (subsidized AO): his business was selected over the others because there were no other applications for bee projects. The owner had prior experience of working with bees and knew how to access the necessary support. He had previously worked with bees for five years after he was trained under his teacher. The owner was able to match USD1000; money that he was able to generate from the orchard his previous business, to a grant of $2000 received from ARIS under VIP, He had committed to give back to the community by training members in beekeeping and continues to do so.

Owner of the bee apriary and members of the AO offering honey produced from the apiary

Honey produce from the apiary

Participation: 4 including business owner and members of AO including former head of village investment committee. **Social Mobilization:** they were able to recall being gathered together, mobilized into groups and receiving support in identifying and prioritizing needs. **Trainings**: received trainings on developing proposals and strategic plans, budgeting and procurement. The trainings are being used by the AO members in their engagement with other donors. They have an elaborate information board; a practice encouraged during VIP and continues.
The owner recalled receiving three different training sessions including: business planning, financial management and enterprise development and marketing. He had also received trainings from other organizations. Benefits: positive impact from cross pollination with

Water Scheme (Chyrak) Issykkul Oblast, Issykkul Raion, Chyrak Village (Nonsubsidized, receive financing from Gold Mine). The village benefited from the Taza Suu project, which provided piped water to village HHs. Under the VIP program, funds were used to expand the network in 2011 and continued to expand by mobilizing their own resources. They used funds from UNHabitat to bring water connection indoors. The village water user association is responsible for maintenance. They use metered tariffs, 13 som per cubic meter a month. In the summer it can go up to 6 cubic meters a month.

	
Microproject leader explaining the water network and the project financed by VIP	A layout of the water network supplying water to HHs in the village

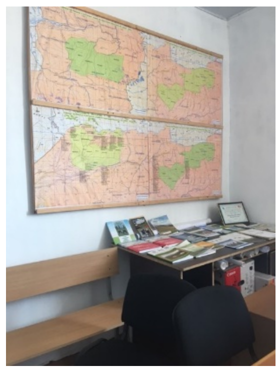
Participation: a mixed group of 7 individuals including both men and women. **Social Mobilization:** they remember focus groups being organized in which problems identified and the water issue was supported by the entire community. They had formed the village investment committee of 5 members including 2 women. They developed a village plan in 2011 for ARIS and it is currently being used by the AO. **Training: 20–**30 people from the village attended trainings organized under VIP and are no able to draft proposals. Benefit: the project has benefited women the most since they now have time saved from previously carrying water which is being used to generate income.

Information and Education Center (Barskoon): Issykkul Oblast, Jety-Oguz Raion (unsubsidized, receive money from Gold Company). The information center has four computers, a printer, camera, photo printer, video and set up for Skype. The charge fee for 1 hour of Internet is 40 som, printing and scanning is 15 som/ page, getting photos taken is 25 som. The AO is responsible for the maintenance and the building was recently renovated in 2011.

The information center building from the outside

Participation: a total of 10 participants, all women were present. **Social Mobilization:** ARIS approached the village in 2006, they recall a general meeting with two members selected as mobilizers, one of them was the initiator of the microproject. According to the participants, there was a lack of understanding at the beginning but soon they were on board. They had formed a village investment committee of 7 member including 5 women. They had created a village plan in 2006 for the project, which was updated last year. The AO uses the plan to make investment decisions and have received funding from at least ten other donors. **Training:** both members of the community and local government attended training events organized as part of the project. They were able to use the trainings provided to them to disseminate information throughout the community and increased participation from the community members. Benefit: community members enjoyed the facility because without it they would have to travel to go to another village, the services were thought to be of excellent quality.

Village Center (Kyzyl-Tuu) Naryn Oblast, At-Bashy Raion (Remote village, subsidized). Building used for multiple purposes with cultural meetings and performances every 20 days. The local government is responsible for its maintenance. It has five staff members whose salaries are taken care of by the local government with the taxes collected from the community.



A mixed group of individuals in discussion regarding the benefits of the village center and its use

Participants: mixed group of 15 individuals both men and women. **Social Mobilization:** remembered gathering and creating separate focus groups including women, elderly and youth. They formed the village investment committee with 11 members out of which six were women. They put together the village plan in 2005 and it is being updated annually. According to the community members, it is being by the local government to make investment decisions. The community members feel their relationship with the local government has improved as a result of the project **Training: eight** of those present at the time had attended training organized under VIP. They recalled having equal representation of both men and women at the trainings. The most common memory of the training was that it helped them identify and present problems.

Village Center (Kara-Suu) Naryn Oblast, At-Bashy Raion . The village center was chosen over a kindergarten because at they were concerned about the youth and the foundation for the building already existed. The AO is responsible for small-scale maintenance and is staffed by three individuals**.**

Participation: 15 members of the community, all women were present at the time**. Social Mobilization**: remembered participating in a general meeting and later being organized into focus groups. They had formed the village investment committee with six people, one of them was a woman. They received training in developing a plan and created one for the project, which is updated annually, which they thought was being used by the AO for development planning. **Training**: despite with limited recollection of the trainings, they estimated that more men received training than women and that they were conducted in the village. They received training on public procurement under VIP 2I. They thought the trainings benefited them by providing them with ideas about gender equality and had an impact of the self-worth of women. Women's participation had increase after VIP; they were interested in receiving more training and were more engaged in the development process of their village. Benefit: the center serves as a source of entertainment and recreation for the women; it is used as a venue for trainings and meetings

Health Center Kyzyl-Tuu) Naryn Oblast, At-Bashy Raion, 34 km from district center, very remote. It is used to treat most health issues, except acute problems. Previously village residents had to travel 40 km for health care and did not have access to a pharmacy, which they did now. They are visited by 300–250 patients including those seeking preventive care; health care is free of charge. The facility is staffed by 5 individuals and are paid by the AO.

Women participating in a discussion over the construction of the FAP and trainings they received through VIP

Participation: 15 women were present during the interview**. Social Mobilization**: they underwent social mobilization for VIP and continue to be engaged in mobilization activities for other projects. They do not see it as a burden but as an opportunity for support to other projects. They had formed a village investment committee, with at least three women. Prior to VIP, they did have a village plan but through ARIS they were able to improve it. It is being updated after every five years, with the last being updated two years ago and is being used by the local government for development planning. **Trainings:** 30–40 people in the village received training through VIP, with more women receiving training than men. They recalled receiving training in problem identification but were unable to remember the last time they had received training. It was felt that the biggest impact of the trainings was in their ability to develop projects, learn to save money and solve their own problems and it was beneficial for both men and women.

Gasification Project: Osh Oblast, Narinan Raion, Nurdar Village (Mostly Uzbek, not subsidized, close to the Osh airport, "too much infrastructure to compete for VIP 2I). The village was part of the pilot. The city utility takes care of the gas meter; all houses have a meter their estimated monthly fee is 500–600 Som.

Label	Label	Label

Two interviews were conducted, one with the community members and the other with the local government officials. These were conducted separately.

Group 1:31 participants including students and older women. **Social Mobilization**: they remembered going through the mobilization process in 2004 and being separated into different focus groups (men, women and youth. They created the village plan in 2003 and was updated in 2016 and is being used for the development of the village. **Training**: 20 women in the village received training from ARIS, which took place in the AO office, out of which four were present at the time of the interview. They had trouble recalling the types of training they received but a man present offered topics such as business planning, needs identification and so on. According to them, the training enabled them to identify problems and find projects in addition to applying the skills in the household as such as accounting skills. **Benefit:** women felt they benefited the most: they are able to cook food faster and hygienic manner reducing illnesses and improving health; able to devote more time to their families and work in the cotton field.

Groups 2: 11 members comprising of local government officials were present. Both the Aiyl Okmotus and Aiyl Kenesh received training. ARIS in partnership with the AO helped provide training on M and E. They adopted transparency and accountability measures including organizing general assemblies and keeping the information board updated.

Sewing Shop owner: Osh Oblast Kara-Suu Rayon Teleiken Okmotu Ozgur Village: shop was now located in a mall and not in the village. A teacher before the project, the owner picked up sewing as her business because it was her hobby and there was a high demand for a sewing shop. Her women's group got 40,000 from ARIS and 14,700 from her husband for the start-up. She and her group were able to repay ARIS within the first three years. She pays 10,000 Som/month in rent and has up to 23 employees mostly young women from the village and pays each one of them 12, 000 som/ month.

The owner of the shop along with her co-workers gathered around some of her work

She received training from ARIS in business development, procurement, accounting along with other women in the village. Since the start-up she has been able to increase her income by 50–60 percent with a net profit of 30 percent.

Osh Oblast, Karool, Sheraly Village (mostly Kyrgyz, subsidized 40 percent): construction started in 2008, it was halted because of price changes and was eventually finished by combining funds from all villages. The villagers paid 1/3 of the cost in kind. After completion, the building was handed over to the AO and is responsible for the maintenance. There is no fee for using the center for the local villagers but there is a 15 percent fee for member's outsides of the village. The center is used by four surrounding villages and is being headed by a female community member. Staff salaries are supported by AO.

A groups of children performing at the cultural center to a crowd of local community members

Local communtiy members gathered at the cultural center to watch the

Participation: a mixed group of 13 members including elders and women were in attendance. Social Mobilization: all of them recall going through the process and had mixed groups instead of being divided into different focus groups. They differentiated the process undertaken by the ARIS from those of other donors by highlighting its emphasis on the grassroots level including financial management and procurement. They had formed a village investment committee of 15 individuals and but was no longer in existence. Before ARIS they had the social and economic development plan that they have continued to use planning and is updated every year. Training: four people from each MPG received training in procurement, financial management, business development and strategic planning. 20–25 percent of the recipients of the training were women.

Health Center: Jalal Abad Oblast Barpy AO, Barpy village (45 percent subsidized, all Kyrgyz, limited donor presence: Original infrastructure financed by the ministry of finance and was meant to be a one story building but members of village decided to extend it to two stories and applied for funding under VIP. It is visited by approx. 1, 200 patients a month. Staffed by 5 individuals: 4 doctors and a dentist. The AO is responsible for its maintenance.

		
Health center building that was used before the new building was constructed	New building rehabilitated under VIP	Health center staff members standing in front of the health center

Participants: 9 including heath center staff and local government members. Social Mobilization: remember going through the various activities under social mobilization including meetings in which all members of community were invited to participate and divided into 5 groups (women, men, youth, elders and so on) They had formed a village investment committee which comprised of 20 people including 8 women and 4 youth. They remembered developing a village plan but could not recall when it was updated. According to some of the village leaders present, it was updated in 2017 and is being used by the AO for development planning. Training: About 30 people in the village received training including four women who were present at the meeting. Most of the members had difficulty recalling the types of training provided to them. However, some recalled being given trainings in business planning and technical skills.

Social Enterprise: Failed Sewing shop Jalal Abad Oblast Barpy AO, Barpy village; the business was not functional for 5 years while they moved it to a newer and larger shop. The business started under VIP, when the owner was given a grant in 2006. She was given 41, 000 Som from ARIS and was able to contribute 8000 Som of her own.

She was able to purchase two sewing machines and has since been able to expand it to four.

Sewing machines that she was able to purchase in addition to those she bought with the funds she got from VIP	A handmade carpet woven at the shop at display	Certificates from all the trainings that the owner received. They were a total of 30 certificates on count.

Social Mobiization: remembers being part of the activities. At the time of the mobilication she was offered a suit of options for small enterprises to choose from uncluding cotton processing, carpentry, bakery and sewing. The owner received a number of trainings from ARIS and other donors. In addition, she also attended a study tour program to the United States financed by ARIS. Despite receiving a myriad of trainings, she felt lack of capital constrained her ability to expand her business. She expressed interest in receiving additional grants but was wary of taking a loan since she thought it was a risky.

Appendix E. Fieldwork Summary

Methodology

Twenty-eight *aiyl kneneshes* (AKs) were selected from among all in the country using random stratified sampling method. Secondly, within each of the AKs that were randomly selected during the step one, the evaluation team randomly drew 5 villages. Twenty households were then randomly sampled in each village.

Households for the survey were selected using the regular step method with a random first step. In each household, an interviewer survey has done person: head of the household, a spouse of the head of the household, or a person acting as a head of the household.

The semistructured survey of key informants was intended on getting maximum information from key informants about VIP project, challenges, and successes, as well as ways of improving performance. The semistructured questionnaire combined both closed questions that helped to draw comparisons with other target groups, as well as open-ended questions that helped to explore reasons for successes and failures.

The questionnaire consisted of questions on: awareness of ARIS activities, participation in discussion and development of microprojects; participation of various ethnic and gender/age groups in implementation of microprojects; VIP trainings and use of new skills; partnership; benefits from microprojects and influence of various social groups on local decision-making process; sources of information about ARIS; transparent use of resource under VIP activities; access to social and infrastructure services and to microproject results; household profile; and respondent demographics.

As during the baseline study, the 2011 impact evaluation study covered the following number of respondents: 2800 respondents - household questionnaire, of whom: - 2600 respondents during main fieldworks. 448 respondents surveyed with semistructured key informant questionnaire, of whom: - 416 key informants were surveyed during main fieldworks; - 32 respondents were surveyed during the pilot; A total of 70 FGD were conducted, including: - 60 FGD during main fieldworks; and - 10 during the pilot phase.

Comparison of answers provided by household respondents in the baseline phase and the 2011 phase of the evaluation showed that the number of respondents who think that population actively participates in VIP activities increased from 54 percent to 81 percent, while the share of respondents who think that locals taking passive stand in VIP activities declined almost three-fold from 34 percent to 13 percent. Regionally, the lowest level of awareness was reported in Naryn oblast 42 percent of respondents; representatives of Chui oblast appear to be the most uninformed key informants 66 percent. Among households, information availability about community contribution is much higher than information on the use of *aiyl okmotu* (AO) funds and ARIS funds.

VIP-ARIS' success in working with AOs is shown by the scores given by focus group participants for such indicators as the extent to which aiyl okmotus recognize the benefits of engaging communities in transparent decision making and planning and the level of access to improved infrastructure services for all groups, including the poor. The risk of capture of resources by the local elite is the most complicated indicator for the ARIS; it is currently rated the lowest 3.94 points. Over the 2007–2011 period, greatest improvements were noted in ‘participation of women in microprojects’. The increase in this indicator was 1.43 points from 2.83 to 4.26, out of possible 5 points (best score).

Population coverage with VIP training over the period covered by the study participation of villagers in training offered by Village Investment Project had more than doubled.

VIP trainings generally cover the lowest and middle-income groups of the local population. There is a declining pattern of participation in training of older age groups and of 18–25-year-old youth, with simultaneous increase in participation of the lowest and middle-income groups. The smallest gain was reported for such skill as how to write business plans for the development of small businesses. There was a reduction in good level of possessing such skills as keeping villagers informed about microproject implementation, maintaining microproject results after project completion, improve the quality of services created by microprojects.

The number of key informants who think that skills received at VIP training helped a lot and significantly in receipt of new projects from other organizations, increased from 50 percent in 2007 to 68 percent in 2011.

Male key informants tend to use skills and knowledge received at VIP training in daily life more often than female key informants. Key informants see the receipt of credits/grants as the main use of skills and knowledge received at VIP training.

Over the reporting period, VIP has contributed to triple reduction in social tensions among villagers, and the improved relation between villagers and local authorities.

The share of residents who think that villagers learned to independently identify and prioritize social and economic problems of the village increased from 46 percentto 70 percent, increased transparency of local decision making from 38 percent to 64 percent, improved relations between villagers and AO from 20 percentto 63 percent, local authorities became more accountable to villagers from 32 percent to 57 percent.

Involvement in the implementation of VIP-ARIS microprojects increased over the past four years both among men and women, as well as among respondents of various age groups. Over the past four years’ involvement of women and youth in the decision-making process has increased substantially, thus the three main social groups that have the most influence on decision making are men, women, and youth.

Project activities continue to improve the accessibility of services for the population. Over the past four years, VIP activities helped to improve public accessibility to almost all types of services. Access to kindergartens remains the most problematic service in terms of accessibility. The main reason for low accessibility to various public services is usually the physical absence of that service or facility.

Key informants appear to be more fully informed about the use of ARIS funds than about aiyl okmotu funds; households appear to be informed about the use of ARIS and AO funds; key informants seem to be better informed about community contributions. Over the past four years, the interest in the use of funds allocated for implementation of ARIS-supported microprojects has increased significantly among key informants and ordinary villagers. Over the reporting period, it appears that key informants access to information on funds that were spent on ARIS microprojects declined from 98 percent to 88 percent, with an increase in access to such information among households.

Appendix G. Summary of Institutional Audit

The aims of the review were to evaluate the structure and organization of ARIS and communicate recommendations, and to propose the suggestions for increasing the development impact of the ARIS programs, in particular with regard to the implementation of VIP3. During a workshop in Issyk Kul on 27 June 2014, the staff was invited to list challenges, difficulties, problems and constraints faced by ARIS. Firstly, each group discussed internally ARIS operations and independently identified challenges, difficulties and constraints faced by ARIS. Individually identified challenges were recorded on paper cards in each group by a "Group secretary".

Social mobilization employed by ARIS in the communities is well structured and effective for training local stakeholders to identify their priority needs, to prepare local ‘Strategy Development Plans’, to prepare project proposals and to submit them to potential funding sources. For the training of the stakeholders at community level standard, ARIS "Training books/manuals" are used to deal with the various topics. ARIS, which offers nationwide coverage, is seen by the communities as the main contact point for getting support, even after projects have been realized.

A training book has been distributed on six thematic topics, in collaboration with the ‘Academy of Management’: 1) formulation &implementation of local budgets; 2) manual for municipal property; 3) legal framework of LSGBs; 4) public hearings; 5) public procurement; and 6) economic forecasting at AO level. The manual itself is a handbook for trainers, spelling out in detail what and how the training is to be given. ARIS is now undertaking a Training Needs Assessment, focused on the training specialists themselves.

It was observed that training is restricted to three or four-day sessions, without any real follow ups and secondly, the community was very much interested in learning more about business development and various aspects of the market economy.

Two recent projects where competition for access to fund microprojects was introduced are DEBT SWAP and JSDF. Under these, one project is selected by the community for development and an application for ARIS funding is made through an ARIS-led competitive process for access to microprojects. At the community level, there is an extensive deliberation process in each Ayl Aymak, where prospective projects are recognized and ordered according to their significance, as expressed through focus groups.

A significant part of the funds made available by the World Bank are used for infrastructure. Under VIP3, larger and more complex infrastructure projects are foreseen. The IRT observed these characteristics with the intention of contributing to the identification and clarification of the key arrangements for infrastructure projects in the preparation of VIP3. ARIS at present perceives itself as an implementing agency committed to community development projects than to infrastructure projects. For projects implemented by the Government PIUs, including ARIS, the SNIP standards are recommended but not really imposed by law. For more multifaceted infrastructural projects, such as the new rural water supply schemes, it is claimed that ARIS has an insufficient technical capacity for project design/budgeting and for project supervision stages.

In terms of the projects that it executes, ARIS thrives in creating and enhancing collaborations between the ventures. The problem is an amalgamation of the large fluctuations in the volume of donor-funded projects under implementation by ARIS.

An observation was made that ARIS does not give enough advantage to former or existing ARIS staff in the recruitment of new consultants within new projects, to intensify competition and possibly to call on new people. As far as the financial aspect is concerned, there is no 'ARIS budget', but only a series of Project budgets and financial reports.

Within ARIS HQ, the M&E/MIS unit is staffed with: an M&E/MIS general manager; an IT specialist overall; an M&E specialist overall; an IT specialist bookkeeping; a specialist of M&E for BOUIP; a specialist of M&E for LMPP; a JSDF project manager; and a water supply specialist. The M&E and not the project team is mainly in charge for project reporting. The project coordinators and corresponding HQ specialists are accountable for monitoring of the project and for checking the reports before their submission to the respective donors.

The autonomous ARIS "Audit" unit, directly reports to the Supervisory Board and the Executive Director. The unit carries out random examinations of implemented projects to highlight the risks in the internal control system.

On the subject of staff recruitment, great attention is given to enlisting candidates who can work well as part of a team within the "ARIS" family. Existing staff members are generally given priority to be assigned new positions rather than hiring new staff, even when the new vacancy requires a higher level of specific skills.

Priority on training and capacity building results in an impactful capacity of all communities and LSGBs to recognize, fund and manage other projects, freely from ARIS. Donors also envision other actors, both governmental and nongovernmental, to execute their projects. ARIS is already widening its Project and donor portfolio; where donors may consider funding for maintaining minimum levels of key staff and improving capacity. Clearly agreed indicators in line with development goals are needed to avoid misunderstandings and support project management, also under VIP3.

Within VIP3 at the project level, ARIS will deal with training, project selection, support to and monitoring of project implementation. Moreover, ARIS recommends a quality-oriented selection committee encompassing about 9 people: 1/3 would be representatives of NGOs active in the Oblast, to be selected by the NGOs and nominated by the ARIS ED; 1/3 would be representatives of the State / Prime Minister's office and/or Oblast authorities, and 1/3 would be representatives of ARIS.

The training manuals established for the JSDF project act as a good reference for VIP3, though there is a need to adapt these to the needs and requirements of VIP3. Designing and organizing a more advanced program for those stakeholders who no longer need the basic program, and more generally a system for continuously adapting the training options to evolving training requirements.

ARIS is mindful of the need to carrying on ensuring the sustainability of the projects, and of the community development process, in the new framework of VIP3, within which the community development process will be sought and strengthened through the AO/AK. A variety of activities is vital for realizing projects and ensuring that projects are well deliberated, designed and used in a viable way. Well-agreed indicators will also help to avoid future discussions with stakeholders, initially donors, on Project goals and obligations. Together with the finalization of the Project design, the respective Project documents will have to be prepared.

With respect to project management, in the World Banks Independent Evaluator Groups, follow-up of the M&E references and activities is tracked and conveyed on for compliance. Nonetheless, donors have their own M&E systems and they could request for data to report in line with their systems which could have an impact on the ARIS M&E/MIS. Overall, ARIS would profit from merging all its Project budgets into an overall yearly budget and monthly planning of its financial resources and foreseen expenses.

A more proactive strategy to identify new skills needed by ARIS and to ensure that these skills are included in the selection criteria of new staff, to the extent authorized by the respective donor. To battle the adverse side effect of staff turnover, staff manuals and standard procedures could be established and documented. Starting with PCM training, which aids the staff in using similar language and approach as donors while ensuring all staff aims to reach development goals past the activities that are directed.

In conclusion, ARIS' transparent and resourceful projects implementation is still ahead of most other PIUs in Kyrgyz Republic. The establishment of PCM / LFA methods, at both Project and subprojects levels, may well increase the development influence of ARIS projects. In addition to community training and infrastructure projects, extra focus could be put on dynamic projects and local economic development initiatives.

Appendix G. Borrower Comments

From: Arstan Muktarov

Subject: RE: Kyrgyz Republic: Village Investment Project and Second Village Investment Project - Project Performance Assessment Report prepared by IEG (Independent Evaluation Group)

Dear Sirs/Madams,

First of all, we would like to thank your team for the conducted assessment. Despite of the huge scope of work the team managed to perform work on general performance evaluation of 2 projects implemented by our agency during more than 11 years. We should also note the impartiality and quality of your work.

The outputs of Independent Evaluation Unit allow the implementing agency to see all our achievements during the project implementation years, as well as possible risks and omissions made in the document which covers 11-year period of work, and as we assume this document may become a basis for taking measures to improve further activities performed by the agency. The only point which drew our attention, and as it seems to us wrong information was provided on the project, probably because the project was completed long time ago, is a memory of one woman owing a sawing workshop in Ozgur v., Teleiken AO, Kara-Suu raion, Osh oblast. She said that the funds (40 000 KGS) received from ARIS for the project implementation were returned to ARIS within 3 years. But this is absolutely wrong because it should be reminded that VIP-1 design provides the following.

VIP-1 design was providing grants from 1000 USD (or 40 000 KGS) for initiative groups (IG) for income-generating micro-projects such as sawing and carpentry workshops, pastries, workshop units, service stations etc. The conditions to receive a grant were the following:

- It should be a group of people (jamaat) with at least 5 people.
- IG contribution is 3,75% of grant amount in cash, 25% as labor, materials, buildings.
- Provide services to the population for the next 3 years, provide discounts to the vulnerable people.
- After expiration of 3 years return grant amount in the sum of 1000 USD to the account of AO Regional Investment Association (RIA).
- Based on the results of annual conferences RIA should reallocate received funds for resolution of social issues.

We would like the Independent Evaluation Unit to take this inconsistency into consideration in its report.

We once again express our deep appreciation for your work.

Best regards,

Arstan Muktarov