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May 2022

Kyrgyz Republic: Project Readiness for the Issyk-Kul Environmental Management and Sustainable Tourism Development

Multisector Activities Support Facility

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Asian Development Bank

ACTIVITY REPORT

1. Basic Data		Project Number: 52256-008	
Facility Name	Multisector Activities Support Facility	Department/Division	CWRD/CWUW
Activity Name	Project Readiness for the Issyk-Kul Environmental Management and Sustainable Tourism Development	Executing Agency	State Agency for Architecture, Construction, Housing and Communal Services under the Cabinet of Ministers of the Kyrgyz Republic (Gosstroy)
Country	Kyrgyz Republic	Implementation Period	May 2022–December 2024
Recipient	Kyrgyz Republic	Subgrant Closing	30 June 2025
2. Sector(s)		Subsector(s)	ADB Financing (\$ million)
✓ Water and other urban infrastructure and services		Other Urban Services, Urban Sanitation, Urban Sewerage	1.50
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		CO ₂ reduction (tons per year)	0.00
✓ Accelerating progress in gender equality		Climate change impact on the activity	(Low)
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ Making cities more livable			
✓ Strengthening governances and institutional capacity		ADB Financing Adaptation (\$ million)	0.00
✓ Fostering regional cooperation and integration		Mitigation (\$ million)	0.00
4. Poverty Targeting	General Targeting: ✓ Geographical Targeting: Household Targeting:		
5. Sustainable Development Goals	SDG1.4b, SDG 3.9, SDG5.c, SDG 6.3, SDG8.9, SDG9.3, SDG10.2, SDG11.4, 11.6, 11.7, SDG 12.2, 12.8, SDG 13a		
6. Risk Categorization	Low		
7. Safeguards	Environment: N/A Involuntary Resettlement: N/A Indigenous Peoples: N/A		
8. Status of the Facility and Previous Activities			
On 16 September 2019, the Asian Development Bank (ADB) approved the Multisector Activities Support Facility (the facility), a small expenditure financing facility (SEFF) modality. ^a The facility agreement was signed on 25 December 2019, and the facility became effective on 24 June 2020. The availability period is for 5 years from effectiveness. The first subgrant, Activity 1 for Osh-Plotina Water Treatment Plant Chlorine Neutralization Unit was approved on 17 August 2020 for \$0.5 million and made effective on 17 November 2020. The second subgrant, Activity 2, for Naryn Rural Water Supply and Sanitation Development Program, was approved on 11 December 2020 and made effective on 6 January 2021. The fourth activity, Almaty-Bishkek Economic Corridor Regional Improvement of Border Services Project Readiness, is under preparation by CWTC and expected to be approved in 2022. The status of total net commitments under the facility is \$3 million (Activity 1 and Activity 2) and remaining \$7 million are available for future activities.			
9. Activity Description			
Summary. SEFF Activity 3 for <i>Project Readiness for the Issyk-Kul Environmental Management and Sustainable Tourism Development</i> will finance project preparation activities for the Issyk-Kul Environmental Management and Sustainable Tourism Development Project (the Issyk-Kul project), namely: (i) the consulting services (firm) for the preparation of preliminary design and detailed engineering design (DED) for the Issyk-Kul project, and (ii) the consulting services (individual consultants) to support the project management unit (PMU) for the implementation of Activity 3 and the start-up activities of Issyk-Kul project (implementation support consultants).			

Linked ADB-financed projects. The project will: (i) improve public and environmental health conditions of the Issyk-Kul Lake area by supporting sanitation and environmental services in Cholpon-Ata; (ii) enhance livability and tourism by developing green, climate-resilient, safe, and inclusive spaces, including universal access for people with disabilities and the elderly; and (iii) boost economic recovery post coronavirus disease (COVID-19) pandemic through promotion of inclusive and sustainable tourism development. The project will also contribute to increasing women's access to work, with positive spillover to the overall Issyk-Kul Lake area and the Almaty-Bishkek Economic Corridor (ABEC) region. The project is estimated to cost \$44.0 million, including \$4.0 million to be financed by the Government of the Kyrgyz Republic.

Activity 3 will finance the cost of consulting services. The DED consultants will (i) prepare preliminary design, DED, and bidding documents for: (a) rehabilitation of existing wastewater treatment plant and part of sewerage system including main pumping stations; (b) improvements to urban environmental facilities and public services at the lake shore area that are climate-resilient; and (c) construction of tourism infrastructure facilities. Implementation support consultants' recruitment will be phased. Individual consultants to assist the PMU with Activity 3 implementation will be engaged first. Additional individual consultants will be recruited in early 2023 to support on PMU's start-up activities of the Issyk-Kul project.

Activity outputs:

Output 1: Project implementation readiness for ensuing projects improved. Activity 3 will help the Issyk-Kul project achieve (i) high project readiness; and (ii) functional and capable executing agency and its PMU, to timely implement and sustain the project.

The Activity 3 design and monitoring framework is in Appendix 1.

Value added by ADB assistance. Activity 3 will improve quality at entry and procurement readiness, by complementing the ongoing TA6819-assisted due diligence activities of the Issyk-Kul project through DED preparation. Activity 3 will further contribute to firming up project design and scope and identifying key implementation bottlenecks and solutions, while increasing opportunities for innovation, gender, governance and institutional strengthening, and private sector participation and public-private partnership to be integrated into the Issyk-Kul project.

10. Implementation Arrangements

Executing agency. State Agency of Architecture, Construction, Housing and Communal Services under the Cabinet of Ministers of the Kyrgyz Republic (Gosstroy)

The implementation arrangements are described in detail in the activity administration manual (AAM).

Project readiness status. The terms of reference for the DED consulting firm and individual implementation support consultants have been agreed by Gosstroy. Advertisement of the DED assignment has been posted in CSRN on 15 December 2021. Estimated contract signing for the DED consulting firm is June 2022. The executing agency has requested the delegation of the selection of DED consulting firm to ADB under Activity 3.¹ Individual national implementation support consultants—including one procurement specialist, one financial specialist, and one project manager and engineer (technical specialist)—will be recruited in May-June 2022 by Gosstroy. Additional individual consultants (environmental specialist, gender and social development specialist, resettlement specialist, and monitoring and evaluation specialist) will be recruited as required for the start-up activities in 2023. ADB's TA6819-financed experts involved in the project preparation and loan processing may also provide support for the start-up activities in 2023.

11. Summary Cost Estimates

Activity 3 is estimated to cost \$1.67 million (Table 1). The expenditure items to be financed by the Activity 3 are consulting services. All activity expenditure items are eligible for financing under the facility. The costs for the consulting services related to the DED consulting firm are estimated at \$1.31 million (exclusive of taxes and duties). Funds allocated for engagement of individual consultants are \$165,000 (exclusive of taxes and duties). Activity 3 will also finance the consulting services of an independent external auditor to carry out the activity audit. Detailed cost estimates are in the AAM.

¹ Aide memoire confirmed by Ministry of Finance (14 December 2021)

Table 1: Summary Cost Estimates

(\$ million)

Item	Amount ^a (\$ million)
A. Base Cost^b	
1. Output 1: Project efficiency and sustainability enhanced	1.50
B. Contingencies	0.17
Total (A+B)	1.67

^a Includes taxes and duties of \$0.161 million. Such amount does not represent an excessive share of the project cost. The government will finance taxes and duties through cash contribution.

^b Consulting services under Activity 3 include:

- 1) DED consulting services are estimated at \$1.26 million (including contingencies of \$114,750 allocated in the item B. Contingencies but excluding taxes and duties). Considering the cost of surveys (\$50,000), the total DED costs are \$1.31 million.
- 2) Consulting services for PMU and start-up implementation support are initially estimated at \$165,000 (including contingencies of \$15,000 allocated in the item B. Contingencies but excluding taxes and duties. Funds from the contingencies (item B) will be used incrementally to provide additional support for project implementation during the period 2022-2024.
- 3) Audit firm for the Activity 3 grant is estimated at \$25,000 including contingencies.

Source: Asian Development Bank.

12. Financing

Activity 3 will be financed by a subgrant not exceeding \$1.50 million from ADB's Special Funds resources (Asian Development Fund). ADB will finance consulting services, and the government will provide counterpart financing of up to \$0.17 million, including taxes and duties.

Table 2: Summary Financing Plan

Sources	Amount (\$ million)	Share of Total (%)
ADB: Special Funds resources (ADF grant)	1.50	90.1
Counterpart: Government	0.17	9.9
Total	1.67	100.0

ADF = Asian Development Fund.

Source: Asian Development Bank estimates.

13. Due Diligence Summary

Development benefits. Development benefits are deemed *substantial*. Activity 3, through the provision of DED and implementation support consultants, will contribute to achieving the outputs and outcome of the ensuing Issyk-Kul project. Activity 3 will expedite improving health and living conditions of poor residents in Cholpon-Ata. Development of tourism infrastructure facilities will provide improved employment opportunities for poor residents, women, and ethnic groups.

Governance. The financial management risk rating for Gosstroy is considered *substantial*. Financial Management weaknesses identified are planning and budgeting, staffing and capacity, accounting systems and internal control, internal audit, and external audit. Mitigation measures have been indicated in the financial management action plan described in the financial management assessment report and will be reflected in the project design.

Safeguards. Activity 3 is not categorized for safeguards. Activity 3 is categorized as B for procurement risk.

14. Key Risks

The overall risk for the SEFF Activity 3 is *low* because of the nature and limited size of the activities to be supported. Although, the executing agency's limited knowledge on ADB's recruitment and disbursement procedures and its weak capacity in project management and implementation would weigh on the project's risk. A procurement risk assessment has been conducted and mitigation measures have been proposed to reduce the risks described in the procurement risk

assessment report. Mitigation measures, that are proposed to reduce the risks related to procurement activities under Activity 3, include: (i) delegation of the recruitment of the most significant consulting package to ADB; (ii) assistance to the executing agency during the process of selection of individual consultants; and (iii) provision of training and hands-on assistance for selection of consultants prior and during the selection process.

15. List of Linked Documents

1. Activity Sub-Grant Agreement
2. Activity Administration Manual
3. Summary Poverty Reduction and Social Strategy
4. Risk Assessment and Management Plan
5. Procurement Risk Assessment
6. Financial Management Assessment

AAM = activity administration manual, ADB = Asian Development Bank, CWRD = Central and West Asia Department, CWUW = Central and West Asia Urban Development and Water Division, DED = detailed engineering design, GOSSTROY = State Agency of Architecture, Construction, Housing and Communal Services, RFP = request for proposals, SEFF = small expenditure financing facility

^a ADB. 2019. [*Report and Recommendation of the President to the Board of Directors: Proposed Small Expenditure Financing Facility to the Kyrgyz Republic for the Multisector Activities Support Facility*](#). Manila.

APPENDIX 1 - DESIGN AND MONITORING FRAMEWORK

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outputs 1. Project implementation readiness for ensuing projects improved	1a. DED and bidding documents for WWTS completed 1b. DED and bidding documents for UEF and TIF completed 1c. Capacity of PMU (at least the 3 initial staff) and EA staff (at least 15 staff of which 30% are female) strengthened	1a–1b. quarterly progress reports 1c. quarterly training reports	Delays caused by government approval procedures Delays due to EA lack of knowledge and familiarity with ADB's disbursement procedures. Delays due to national budget allocations including government's financing contribution.
Key Activities with Milestones 1. Project efficiency and sustainability 1.1 Design Consultants recruited (June 2022) 1.2 Preparation of DED and bidding documents for the WWTS (June 2022–November 2022) 1.3 Preparation of DED and bidding documents for the UEF and TIF (November 2022–May 2023)			
Project Management Activities Mobilize DED consultants (Q2 2022) Complete DED and bidding documents for WWTS (Q3-Q4 2022) Complete DED and bidding documents for UEF and TIF (Q2 2023) Project implementation support activities (Q1 2022–Q2 2023) Start-up activities for Issyk-Kul Project (Q1 2023–Q1 2024) Monitoring and evaluation (Q2 2022–Q4 2024)			
Inputs ADB: \$1.50 million (grant) Government: \$0.17 million			
Assumptions for Partner Financing Not Applicable			

ADB = Asian Development Bank, DED = detailed engineering design, PMU = project management unit, Q = quarter, TIF = tourist infrastructure facilities, UEF = urban environment facilities, WWTS = wastewater treatment system
 Source: Asian Development Bank.