



The World Bank

PK-Balochistan Integrated Water Resources Management & Development Project (P154255)

REPORT NO.: RES50722

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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

PK-BALUCHISTAN INTEGRATED WATER RESOURCES MANAGEMENT & DEVELOPMENT PROJECT

APPROVED ON JUNE 28, 2016

TO

ISLAMIC REPUBLIC OF PAKISTAN

WATER

SOUTH ASIA

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I. BASIC DATA

Product Information

Project ID P154255	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 28-Jun-2016	Current Closing Date 31-Oct-2022

Organizations

Borrower Islamic Republic of Pakistan	Responsible Agency Balochistan Irrigation Department, Government of Balochistan
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Project Development Objective (PDO)

Original PDO

To strengthen provincial government capacity for water resources monitoring and management and to improve community-based water management for targeted irrigation schemes in Balochistan.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-58850	28-Jun-2016	31-Aug-2016	28-Nov-2016	31-Oct-2022	110.09	38.05	69.67

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A. Background

1. The World Bank's Board of Directors approved an IDA credit (Credit No 58850) of US\$200 million equivalent for the Balochistan Integrated Water Resources Management and Development Project on June 28, 2016. The project became effective on November 28, 2016. The project aims to improve water management and agricultural productivity through the following key interventions: 1. Strengthen water information systems, support institutional restructuring of the water resources management sector, foster professional development, 2. Rehabilitate irrigation schemes, improve on-farm water management, improve flood protection, increase potable water supply and promote better watershed and rangeland management.
2. On June 26, 2019, after years of unsatisfactory progress, the World Bank and the Government of Balochistan (GoB) agreed to restructure the project to reduce its scope and partially cancel US\$90 million. Delays in the procurement of major contracts, insecurity in Balochistan, and the need for extensive community consultations hindered project implementation. Consequently, the Bank and GoB agreed to reduce the project scope by canceling Yetabad irrigation scheme rehabilitation, dropping matching grants scheme and limiting watershed management and rangeland management activities across several areas of the two target river basins to pilot-scale activities in the direct watersheds of the new irrigation schemes. The Sehan and Sheb-Medan irrigation schemes were added to the project. This restructuring entailed a partial cancellation of US\$90 million equivalent of IDA financing from the project.
3. The project went through a second restructuring on November 12, 2021. The Result Framework of the project was adjusted to improve the measurability of indicators and to reflect adequacy and equity in irrigation water delivery.

B. Current Status

4. The project has recovered from the initial start-up challenges and is now starting to deliver results for beneficiaries. Project investments directly benefited around 123,400 farmers through the rehabilitation of irrigation schemes with a command area of 10,000 ha, 40 water supply schemes, and the reforestation of an estimated 60 acres of degraded land. About 20 percent of the beneficiaries are women.
5. Major infrastructure activities have also picked up pace. Procurement on all project components and subcomponents has been accelerated including the agricultural subcomponent that experienced severe delays. All irrigation activities have now been awarded. Contracts for more than 86 percent of water supply and watershed activities have been awarded and nearly 70 percent of agricultural activities have been awarded. Overall, the project funding is about 81 percent committed. Irrigation schemes have well progressed at several sites (for example Nurg-Hingri Irrigation Scheme and Mushkaf schemes nearly completed). However, some other schemes experienced delays due mainly to security challenges, Covid-19 pandemic and the need to accommodate communities' demand pertaining to scheme design.
6. The project has also made progress on its institutional strengthening objectives. The Project Management Unit (PMU) has recruited Food and Agricultural Organization (FAO) as a technical assistant to support the development of the new Balochistan water policy and the preparation of the new Balochistan Water Act. Several rounds of stakeholder consultations have been conducted and FAO is expected to present draft policy document by June 2022 to the Project Steering Committee that is also overseeing the reform process.



7. The project has disbursed US\$38.05 million (35.3 percent) of the revised IDA credit. The task team projects disbursements will increase to US\$50 million (45.4 percent) by June 2022. Commitments (in the form of signed contracts) currently stand at US\$89 million (81 percent) and are projected to increase to US\$99 million (90 percent) by December 2022.

8. Project management, fiduciary, and safeguards performance are all rated moderately satisfactory. A well-staffed PMU under the irrigation department manages the project. The PMU is supported by a Project Supervision and Implementation Assistance (PSIA) and by FAO. The PMU has recently engaged additional expertise, including a security expert who is developing a project security management plan. The project complies with key loan covenants, including audit and financial management reporting requirements, and there are no outstanding or unsatisfactory project audits. The project compliance with safeguard policies is moderately satisfactory. The existing environmental and social (E&S) safeguards instruments are adequate and the project's grievance redress mechanism (GRM) is functional.

9. The overall project risk rating remains High (after mitigation). The risk assessment done at appraisal is still relevant. Some of the project risks identified at appraisal (e.g., governance, capacity and security risks) have materialized and contributed to delays in the implementation of project activities. Learning from project implementation, mitigation measures have been put in place to reduce the probability and the impact of the risks identified. A security specialist has been recruited to manage security risks and to develop a full-fledged security plan for all the project sites and offices. In addition, stringent ad hoc security measures are being implemented by various security forces in Balochistan at project sites. Multiple trainings improved the capacity of the PMU in areas pertaining to project implementation and various fiduciary safeguards have been implemented to reduce project governance risks.

10. Overall, project performance is rated MS on both the IP and DO. However, due to the delays experienced at the beginning, the project cannot fully achieve its revised targets in the remaining time. For this reason, the Government of Pakistan, in its letter dated, February 11, 2022 requested the World Bank to extend the project by 18 months, from October 31, 2022 to April 30, 2024.

C. Rationale for Project Restructuring

11. The project is being extended to account for the delays experienced in initial implementation. Implementation suffered from capacity constraints, challenges of governance and insecurity in the province and most recently from the COVID-19 pandemic. Although the project has shown considerable progress in implementation and challenges have been largely addressed through capacity strengthening, enhanced implementation support and new security measures such as hiring of a security specialist, the project objectives cannot be achieved fully with the current closing date. An in-depth assessment conducted by the project team demonstrates that an extension of the project closing date by 18 months is justified to complete the works initiated and to complete the water resources and irrigation sector reforms. Accordingly, a detailed revised project implementation action plan has been developed and agreed with the borrower. The additional time will also be utilized to conduct feasibility studies of additional flood protection and irrigation schemes to ensure the readiness of a potential next phase operation.

III. DETAILED CHANGES



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-58850	Effective	31-Oct-2022		30-Apr-2024	30-Aug-2024