



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
SECOND IRRIGATION AND DRAINAGE IMPROVEMENT PROJECT  
APPROVED ON JUNE 27, 2013  
TO  
MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN  
May 7, 2019  
WATER  
EUROPE AND CENTRAL ASIA

|                                  |                                  |
|----------------------------------|----------------------------------|
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**ABBREVIATIONS AND ACRONYMS**

- Akimat – Local Government
- Atameken – Atameken Kazakhstan National Chamber of Entrepreneurs
- CWR – Committee of Water Resources
- CY – Calendar Year
- FY – Fiscal Year
- FS – Feasibility Study
- I&D System – Irrigation and Drainage System
- Kazvodkhoz – Kazvodkhoz State Water Company
- LA – Loan Agreement
- MOM – Management, Operation and Maintenance
- MTR – Midterm Review
- O&M – Operation and Maintenance
- PPP – Public, Private Partnership
- RCCs – Rural Consumer Cooperatives of Water Users
- SPA – Sub-project area
- WMO – Water Management Organization
- WUA – Water Users Association

**BASIC DATA**

**Product Information**

|  |  |
|--|--|
| Project ID<br>P086592                          | Financing Instrument<br>Investment Project Financing |
| Original EA Category<br>Partial Assessment (B) | Current EA Category<br>Partial Assessment (B)        |
| Approval Date<br>27-Jun-2013                   | Current Closing Date<br>31-Dec-2021                  |

**Organizations**

|                                 |   |
|---------------------------------|---|
| Borrower<br>Ministry of Finance | Responsible Agency<br>Ministry of Agriculture |
|---------------------------------|---|



**Project Development Objective (PDO)**

Original PDO

The Project development objective is to improve irrigation and drainage service delivery to support farmers in the Project areas. This will be achieved through rehabilitation and modernization of irrigation and drainage systems; improved management, operation and maintenance of these systems; and more efficient use of associated irrigated lands; all with improved participation of users in developing and managing the rehabilitated / modernized systems.

**Summary Status of Financing**

| Ln/Cr/Tf   | Approval    | Signing     | Effectiveness | Closing     | Net        |           |             |
|------------|-------------|-------------|---------------|-------------|------------|-----------|-------------|
|            |             |             |               |             | Commitment | Disbursed | Undisbursed |
| IBRD-82770 | 27-Jun-2013 | 29-Apr-2014 | 29-Jan-2015   | 31-Dec-2021 | 102.90     | 6.93      | 95.97       |

**Policy Waiver(s)**

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

No

**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

1. The project was approved by the Board on June 27, 2013, (US\$102.9 million, IBRD loan) supporting four components: (A) Rehabilitation and Modernization of Irrigation and Drainage Systems Infrastructure; (B) Sustainable Management, Operation and Maintenance of Irrigation and Drainage Systems; (C) Agricultural Development; and (D) Project Management, Technical Assistance and Training. The project became effective on January 29, 2015, 19 months after approval due to lengthy internal Government procedures for signing and parliamentary ratification.

2. Almost six years after approval, the overall disbursement ratio is less than 7 percent, with project implementation progress rated unsatisfactory. The project was originally designed to be implemented within seven years and cover 11 sub-project areas (SPAs). The first two years of implementation were planned for preparing detailed designs, with associated limited disbursements in this period. However, contracting a design consultant (including implementation support and supervision) took more than a year than originally envisaged due to conflict of interest in the tendering process, followed by Bank Procurement Panel (OPRC) review and resolution.

3. Delays were further compounded by Government budget procedures, which require a project feasibility study (FS) to determine budget allocations for investments. Since the project's FS denominated Government's 70 percent project co-financing in Kazakhstani tenge, the currency's considerable depreciation over recent years triggered the need to update the FS. This process took more than a year, causing delays in project financing in CY2018 and failure to secure budget for works in early CY2019. The FS has now been updated, allowing the Committee for Water Resources to secure budget for the remainder of 2019. Currently, around 40 percent of the project financing is committed, with the procurement of another six civil works packages in progress to commit most of the remaining funds. Provided there is no delay in ongoing tendering processes, these works contracts can be completed within the remaining project implementation period and, hence, no extension to project closing date is proposed.



4. Progress towards achievement of the project development objectives (PDOs) is currently rated moderately unsatisfactory. While PDO indicators are expected to be substantially achieved, intermediate results indicators require adjustments as detailed below. Given the project’s long-standing challenges an in-depth mid-term review (MTR) was held in October 2018 leading to an agreement with the Government on a two-step project restructuring approach, and this restructuring is the first of two with potential for loan cancellation depending on the results of the ongoing tendering processes. Once restructuring is completed, loan funds are committed, and works contracts get underway, it is expected that project ratings can be upgraded.

5. The implementing agency has no any outstanding safeguards issue nor overdue audit reports for 2017. The audited financial statements for the year ending December 31, 2018 are to be submitted by the second half of 2019.

**II. DESCRIPTION OF PROPOSED CHANGES**

6. Government requested, through a letter from the Ministry of Finance dated March 12, 2019, to adjust activities supported by the loan given changes in the external environment, and corresponding adjustments to the results framework--so long as these changes do not require countersignature of an amendment to the loan agreement. This latter request was made due to the excessive time required to process such amendments, including parliamentary ratification, and in anticipation of the second step in the agreed two-step restructuring which is expected to involve more substantive changes to the loan agreement, and thus require amendment. This first restructuring proposes to address only changes to the results framework, with reduction of the area under one SPA (Kyzylkum) and adjustments to components 2 and 3 proposed to be addressed during the second restructuring in line with the Government’s request. The second request is expected when the outcomes of ongoing tendering processes are completed and thus the extent of needed changes are known.

7. Intermediate result indicators are being adjusted to reflect revisions to intermediate targets due to delays in implementation as well as adjustments to end targets given the availability of additional information since project appraisal. For example, the end target value for female beneficiaries of I&D services is increased in light of the results of a survey of beneficiaries in project areas. A new indicator to track the introduction of a grievance redress mechanism is introduced, and in line with the changes to the implementation schedule, disbursement projections are revised.

**I. SUMMARY OF CHANGES**

|                                  | Changed | Not Changed |
|----------------------------------|---------|-------------|
| Results Framework                | ✓       |             |
| Disbursement Estimates           | ✓       |             |
| Implementation Schedule          | ✓       |             |
| Implementing Agency              |         | ✓           |
| DDO Status                       |         | ✓           |
| Project's Development Objectives |         | ✓           |
| Components and Cost              |         | ✓           |
| Loan Closing Date(s)             |         | ✓           |



|  |  |   |
|--|--|---|
| Cancellations Proposed                       |  | ✓ |
| Reallocation between Disbursement Categories |  | ✓ |
| Disbursements Arrangements                   |  | ✓ |
| Overall Risk Rating                          |  | ✓ |
| Safeguard Policies Triggered                 |  | ✓ |
| EA category                                  |  | ✓ |
| Legal Covenants                              |  | ✓ |
| Institutional Arrangements                   |  | ✓ |
| Financial Management                         |  | ✓ |
| Procurement                                  |  | ✓ |
| Other Change(s)                              |  | ✓ |
| Economic and Financial Analysis              |  | ✓ |
| Technical Analysis                           |  | ✓ |
| Social Analysis                              |  | ✓ |
| Environmental Analysis                       |  | ✓ |

**IV. DETAILED CHANGE(S)**

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

| Year | Current       | Proposed      |
|------|---------------|---------------|
| 2013 | 0.00          | 0.00          |
| 2014 | 0.00          | 0.00          |
| 2015 | 1,770,000.00  | 800,000.00    |
| 2016 | 2,570,000.00  | 850,000.00    |
| 2017 | 12,870,000.00 | 800,000.00    |
| 2018 | 29,170,000.00 | 4,452,440.00  |
| 2019 | 29,150,000.00 | 28,000,000.00 |



## The World Bank

Second Irrigation and Drainage Improvement Project (P086592)

|      |               |               |
|------|---------------|---------------|
| 2020 | 18,720,000.00 | 36,000,000.00 |
| 2021 | 8,650,000.00  | 32,000,000.00 |
| 2022 | 0.00          | 0.00          |



Results framework

COUNTRY: Kazakhstan

Second Irrigation and Drainage Improvement Project

Project Development Objectives(s)

The Project development objective is to improve irrigation and drainage service delivery to support farmers in the Project areas. This will be achieved through rehabilitation and modernization of irrigation and drainage systems; improved management, operation and maintenance of these systems; and more efficient use of associated irrigated lands; all with improved participation of users in developing and managing the rehabilitated / modernized systems.

Project Development Objective Indicators by Objectives/ Outcomes

| Indicator Name  | DLI   | Baseline | Intermediate Targets |      |      |      |      |      | End Target |            |
|---|---|----------|----------------------|------|------|------|------|------|------------|------------|
|   |   |          | 1                    | 2    | 3    | 4    | 5    | 6    |            |            |
| <b>Improve irrigation and drainage (I&amp;D) service delivery to support farmers in the Project areas</b> |   |          |                      |      |      |      |      |      |            |            |
| Water users provided with new/improved irrigation and drainage services (number) (Number)                 |   | 0.00     | 0.00                 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 25,000.00  | 120,000.00 |
| <b>Action: This indicator has been Revised</b>  | <b>Rationale: The values of Intermediate Targets were adjusted by years to reflect initial delays in implementation of the project activities</b> |          |                      |      |      |      |      |      |            |            |
| Water users provided with irrigation and drainage services - female (number) (Number)                     |   | 0.00     | 0.00                 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,000.00  | 60,000.00  |



| Indicator Name   | DLI  | Baseline | Intermediate Targets |      |      |      |      |           | End Target |
|--|--|----------|----------------------|------|------|------|------|-----------|------------|
|  |  |          | 1                    | 2    | 3    | 4    | 5    | 6         |            |
| <b>Action: This indicator has been Revised</b>   | <b>Rationale:</b><br><i>The end target has been changed from initial 40,000 to 60,000 females based on the recent statistics from local administrations.</i> |          |                      |      |      |      |      |           |            |
| Area provided with irrigation and drainage services (ha) (CRI, Hectare(Ha))            | 0.00   | 0.00     | 0.00                 | 0.00 | 0.00 | 0.00 | 0.00 | 15,000.00 | 100,000.00 |
| <b>Action: This indicator has been Revised</b>   | <b>Rationale:</b><br><i>The values of Intermediate Targets were adjusted by years to reflect initial delays in implementation of the project activities</i>  |          |                      |      |      |      |      |           |            |
| Area provided with irrigation and drainage services - Improved (ha) (CRI, Hectare(Ha)) | 0.00   | 0.00     | 0.00                 | 0.00 | 0.00 | 0.00 | 0.00 | 15,000.00 | 100,000.00 |
| <b>Action: This indicator has been Revised</b>   | <b>Rationale:</b><br><i>The values of Intermediate Targets were adjusted by years to reflect initial delays in implementation of the project activities</i>  |          |                      |      |      |      |      |           |            |

**Intermediate Results Indicators by Components**

| Indicator Name  | DLI | Baseline | Intermediate Targets |   |   |   |   |   | End Target |
|---|-----|----------|----------------------|---|---|---|---|---|------------|
|   |     |          | 1                    | 2 | 3 | 4 | 5 | 6 |            |
| <b>Rehabilitation and Modernization of I&amp;D Systems Infrastructure</b> |     |          |                      |   |   |   |   |   |            |





| Indicator Name   | DLI   | Baseline | Intermediate Targets |               |                |                |                |                | End Target     |
|--|---|----------|----------------------|---------------|----------------|----------------|----------------|----------------|----------------|
|  |   |          | 1                    | 2             | 3              | 4              | 5              | 6              |                |
| Incremental irrigation-water added (Component 1) (Cubic Meter(m3))   |   | 0.00     | 0.00                 | 30,000,000.00 | 150,000,000.00 | 330,000,000.00 | 570,000,000.00 | 870,000,000.00 | 870,000,000.00 |
| <b>Action: This indicator has been Marked for Deletion</b>           | <p><b>Rationale:</b><br/> <i>In previous crop structures, a gradual increase in water supply to the field could have reached 870 million m3 per year due to increase in the efficiency of canals at the beginning of the post-project period. However, diversification of crop structures, i.e. reduction of “water-retaining” varieties, has begun in the last 3-4 years in the country based on the State Program for Development of Agro-Industrial Complex of the Republic of Kazakhstan. Therefore, the overall need for irrigation water in the project areas decreases. In this regard, the most significant measurable indicator of the Project’s positive impact would be the length of the lined canals, leading to the reduction of irrigation water losses and water use efficiency. (see the next indicator)</i></p> |          |                      |               |                |                |                |                |                |
| Length of the lined canals (Component 1) (Kilometers)                |   | 0.00     | 0.00                 | 0.00          | 0.00           | 0.00           | 0.00           | 150.00         | 800.00         |
| <b>Action: This indicator is New</b>                                 | <p><b>Rationale:</b><br/> <i>In previous crop structures, a gradual increase in water supply to the field could have reached 870 million m3 per year due to increase in the efficiency of canals at the beginning of the post-project period. However, diversification of crop structures, i.e. reduction of “water-retaining” varieties, has begun in the last 3-4 years in the country based on the State Program for Development of Agro-Industrial Complex of the Republic of Kazakhstan. Therefore, the overall need for irrigation water in the project areas decreases. In this regard, the most significant measurable indicator of the Project’s positive impact would be the length of the lined canals, leading to the reduction of irrigation water losses and water use efficiency.</i></p>                          |          |                      |               |                |                |                |                |                |
| Grievance Redress Mechanism established and operationalized (Yes/No) |   | No       | Yes                  | Yes           | Yes            | Yes            | Yes            | Yes            | Yes            |
| <b>Action: This indicator is New</b>                                 | <p><b>Rationale:</b><br/> <i>Introduced to provide timely and effective Grievance Redress Mechanism for any complaints submitted by stakeholders in the Project areas. (the Bank safeguards policy requirement)</i></p>   |          |                      |               |                |                |                |                |                |



| Indicator Name   | DLI   | Baseline | Intermediate Targets |       |       |       |           |           | End Target |
|--|---|----------|----------------------|-------|-------|-------|-----------|-----------|------------|
|  |   |          | 1                    | 2     | 3     | 4     | 5         | 6         |            |
| <b>Sustainable Management, Operation and Maintenance of I&amp;D Systems</b>  |   |          |                      |       |       |       |           |           |            |
| Operational water user associations created and/or strengthened (number) (Number)  |   | 0.00     | 0.00                 | 10.00 | 20.00 | 30.00 | 35.00     | 35.00     | 35.00      |
| Number of sub-projects with automated canal flow and groundwater table monitoring and control technology is developed to help modernize sub-project performance (Components 2). (Number) |   | 0.00     | 0.00                 | 0.00  | 0.00  | 0.00  | 0.00      | 3.00      | 10.00      |
| <b>Action: This indicator has been Revised</b>   | <b>Rationale:</b><br><i>The designs preparation process, involving participatory approach, revealed this type/level of automation needed.</i>   |          |                      |       |       |       |           |           |            |
| Secondary canal system Management, Operation and Maintenance plans developed and operationalized (Hectare(Ha))   |   | 0.00     | 0.00                 | 0.00  | 0.00  | 0.00  | 30,000.00 | 60,000.00 | 80,000.00  |
| <b>Action: This indicator is New</b>   | <b>Rationale:</b><br><i>According to the Law RK "On agricultural cooperatives" dated October 29, 2016, RCCs (WUAs) were reorganized, and I&amp;D Systems in sub-project areas were transferred to the republican property and are currently operated by state water organization (Kazvodkhoz). The Project will develop and operationalize Management, Operation and Maintenance plans for these organizations and command areas.</i> |          |                      |       |       |       |           |           |            |



| Indicator Name  | DLI  | Baseline | Intermediate Targets |       |       |       |       |          | End Target |           |
|---|--|----------|----------------------|-------|-------|-------|-------|----------|------------|-----------|
|   |  |          | 1                    | 2     | 3     | 4     | 5     | 6        |            |           |
| <b>Agricultural Development</b>   |  |          |                      |       |       |       |       |          |            |           |
| Client days of training provided (Number)   |  | 0.00     | 0.00                 | 0.00  | 0.00  | 0.00  | 0.00  | 7,000.00 | 14,000.00  | 20,000.00 |
| <b>Action: This indicator has been Revised</b>  | <p><b>Rationale:</b><br/> <i>The target has been reduced from the initially envisaged 24,000 client days to current 20,000 due to the fact that most of training programs envisaged by the project design are being provided by Government’s new PPP arrangement – the National Chamber of Entrepreneurs “Atameken”, and associated scientific institutions.</i></p> |          |                      |       |       |       |       |          |            |           |
| Client days of training provided - Female (Number)  |  | 0.00     | 0.00                 | 0.00  | 0.00  | 0.00  | 0.00  | 1,000.00 | 2,000.00   | 3,000.00  |
| <b>Action: This indicator has been Revised</b>  | <p><b>Rationale:</b><br/> <i>The target has been reduced from the initially envisaged 8,000 client days to current 3,000 due to the fact that most of training programs envisaged by the project design are being provided by Government’s new PPP arrangement – the National Chamber of Entrepreneurs “Atameken”, and associated scientific institutions.</i></p>   |          |                      |       |       |       |       |          |            |           |
| Local government units strengthened (via establishing Rural Support Units and Farmer Support Centers) to provide irrigation and agronomic advisory services (Components 2 and 3) (Number) |  | 0.00     | 5.00                 | 15.00 | 20.00 | 20.00 | 20.00 | 20.00    | 20.00      | 20.00     |
| <b>Project Management, Technical Assistance, and Training</b>   |  |          |                      |       |       |       |       |          |            |           |



| Indicator Name   | DLI   | Baseline | Intermediate Targets |      |      |       |       |       | End Target |
|--|---|----------|----------------------|------|------|-------|-------|-------|------------|
|  |   |          | 1                    | 2    | 3    | 4     | 5     | 6     |            |
| Number of Subprojects where detailed designs and EAs/EMPs are prepared (Component 1, supported by Components 2 and 3) (Number) |   | 0.00     | 0.00                 | 4.00 | 7.00 | 10.00 | 10.00 | 10.00 | 10.00      |
| Users satisfied by quality of irrigation services provided (Percentage)  |   | 0.00     | 0.00                 | 0.00 | 0.00 | 0.00  | 0.00  | 0.00  | 90.00      |
| <b>Action: This indicator is New</b>   | <b>Rationale:</b><br><b>New indicator mapped to Citizen Engagement.</b>   |          |                      |      |      |       |       |       |            |
| Preparation of Monitoring and Evaluation reports (Number)  |   | 0.00     | 0.00                 | 0.00 | 0.00 | 0.00  | 1.00  | 1.00  | 2.00       |
| <b>Action: This indicator is New</b>   | <b>Rationale:</b><br><b>M&amp;E report is critical document and it was missed in the project original design.</b> |          |                      |      |      |       |       |       |            |



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