



The World Bank

SOUTH KARAKALPAKSTAN WATER RESOURCES MGMT IMPROVEMENT (P127764)

REPORT NO.: RES46172

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SOUTH KARAKALPAKSTAN WATER RESOURCES MGMT IMPROVEMENT
APPROVED ON JUNE 12, 2014
TO
MINISTRY OF FINANCE

WATER

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

CD: Country Director

IDA: International Development Association

ILO: International Labor Organization

IRI: Intermediate results Indicator

M&E: Monitoring and Evaluation

MoW: Ministry of Water Resources of Uzbekistan

RAP: Resettlement Action Plan

PIU Project Implementation Union

PDO: Project Development Objective

SKWRIMP: South Karakalpakstan Water Resources Management Improvement Project

SDR: Special Drawing Rights



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BASIC DATA

Product Information

Project ID P127764	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 12-Jun-2014	Current Closing Date 30-Sep-2021

Organizations

Borrower Ministry of Finance	Responsible Agency Ministry of Water Resources
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Project Development Objective (PDO)

Original PDO

The project development objective (PDO) of South Karakalpakstan Water Resources Management Improvement Project (SKWRMIP) is to restore irrigation and improve water management in the project area in a sustainable and financially efficient manner.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-83890	12-Jun-2014	29-Oct-2014	07-Apr-2015	30-Sep-2021	.05	.05	0
IDA-54900	12-Jun-2014	29-Oct-2014	07-Apr-2015	30-Sep-2021	214.21	96.94	97.28



Policy Waiver(s)

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

No

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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring paper seeks a 15-month closing date extension for the South Karakalpakstan Water Resources Management Improvement Project (SKWRMIP) to complete critical contracts needed to achieve the Project Development Objective (PDO). This will be the project’s first closing date extension.

A. Project Status

2. The PDO of SKWRMIP, to restore irrigation and improve water management in the project area in a sustainable and financially efficient manner, will be partially achieved by the current closing date of September 30, 2021 (see table below) as only six of 14 active civil works contracts will be completed by this time. The remaining eight will only be about 50 percent complete, so that four out of six PDO indicators will not be met at the current closing date. Per original project design, completion of all physical works is required to fully reach the PDO target indicators.

Table: Status of PDO indicators until December 30, 2022

PDO Indicator	Target	Progress of April 25, 2021	Achievement Status Likelihood Sept 30, 2021	Achievement Status Likelihood 15-month extension
Improved irrigation water delivery service	2.50 (number)	1.60	Low	High
Reduction in annual public and WCA expenditures for pumping	80 (percent)	0	Low	High
Increased collection rate by WCAs to cover O&M costs	50 (percent)	51.4	Achieved	High
Water users provided with new/improved irrigation and drainage services	56,000 (number)	29,941	Low	High
- Female	27,440 (number)	14,671	Low	High
Operational WCAs created and/or strengthened	40 (number)	34	Substantial	High
Area provided with new/improved irrigation or drainage services	89,000 (ha)	39,471	Low	High

3. Pre-existing delays in project implementation were exacerbated by the COVID-19 pandemic. Restrictions on inter-city mobility, lockdowns, and social distancing measures reduced the available labor force and slowed the pace of civil works under contracts that had been substantially underway. The suspension of international flights also



impacted the availability of both international staff and contractors. Factors that led to delayed implementation prior to the pandemic included a 10-month effectiveness delay caused by the initiation of Government required feasibility studies after Bank approval, slow Government decision to sign the project financing agreement, and the slow fulfillment of effectiveness conditions. The first two years of implementation were used primarily for preparing detailed designs and bidding documents, and once works were ready to start, several instances of unsuccessful tendering of civil works contracts coupled with cost escalations and rebidding of contracts meant that project implementation took a long time to get fully underway. In addition, a series of institutional reforms (split of the Ministry of Agriculture and Water Resources into two ministries, establishment of a Sectoral Procurement Commission) further delayed implementation and procurement processes. The cumulative delay from all these factors have contributed to the project lagging original plans by 15 months.

4. The current disbursement is at 49.5%, and given SDR fluctuations, current commitments have effectively reached 85 percent of the credit. The remaining uncommitted balance is mainly savings from lower bids and uncommitted funds from the two loan categories (1) compensation to project-affected persons and (2) the project's incremental operating costs. These uncommitted funds from the loan categories will however be disbursed during the remaining implementation period of the project, mainly because of SDR exchange rate fluctuations. According to recent estimates, current value of the SDR allocations to the project is less by US\$21 million in USD terms. Thus, commitment has de-facto reached 85% of total available project proceeds.
5. **Component 1 – Modernization of the Irrigation Network.** The physical progress of the two large civil works contracts (US\$80 million) for the construction of the Bustan main canal has reached 74 percent (Eastern section, credit-financed) and 23 percent (Western section, government-financed). Government funding has been adequate and timely. Physical progress on the Right Bank Canal contract (the main source of irrigation water) is completed. All eight secondary canal contracts (total amount US\$68 million) are under implementation and the physical progress is satisfactory with major reprofiling works to be carried out during the current canal closure period.
6. **Component 2 – Modernization of Agriculture.** This component includes on-farm improvement of 12,000 ha through three contracts (total US\$7.8 million) for laser land leveling and deep ripping, and the physical progress is about 68 percent. The project has been improving the efficiency of cotton production and mitigating the risk of child and forced labor.¹ Ginning equipment has been provided to ginneries of the project area. This has resulted in an improvement of the quality of the cotton. The project's target of reducing cotton and wheat production on an area of 8,000 ha (including a reduction of 4,300 ha under one of the legal covenants) has been achieved already with a reported 23,000 ha now cultivating other crops.
7. **Project Management and M&E.** Procurement, Environmental and Social Safeguards compliance are all rated Moderately Satisfactory. The PIU regularly submits quarterly progress reports. Steps are being taken to implement COVID-19 Pandemic related precautions and measures to ensure the safety of workers. An environmental safeguards specialist in the supervision consultant team and M&E team regularly visits the project area. Financial management is satisfactory with the documentation of advances to the designated account completed up to date and audited IFRs are timely submitted. A Gender-Based Violence (GBV) sensitization workshop has been conducted. For the fatal accident that occurred last year, a root-cause analysis was finalized, and the After-Action Memo was submitted. As remedial actions, regular Occupational Health Safety trainings are conducted.
8. **Social Safeguards.** The project has established an operational Grievance Redress Mechanism (GRM). All complaints are carefully analyzed and resolved collaboratively by the PIU, consultants and local government authorities.

¹ A recent ILO Report (2020) indicates that child labor is eliminated, and that there is no systematic forced labor in the project area.



Resettlement action plans (RAPs) for the Bustan Canal have been publicly disclosed and payments to affected people have been made. Households have received land-for-land exchanges from the hokimiyat on which to build replacement homes. Construction of all replacement homes was completed in November of 2020. Of the RAPs for the secondary canals, so far one has been submitted to Bank for clearance and is now being finalized by the M&E consultant.

9. This is the third restructuring for the Project. The first restructuring was done on April 7, 2015 including changes in one of effectiveness conditions; a second restructuring was processed on June 28, 2019 and included changes in institutional arrangements, disbursement projections, and results framework.

B. Rationale for Restructuring

10. On February 3, 2021, the Ministry of Finance of the Republic of Uzbekistan submitted a request to extend the project until December 30, 2022. The 15-month extension of closing date until December 31, 2022 will allow the Borrower to complete planned project activities and fully meet PDO indicators as well as IRI targets.
11. The requested closing date extension will be complemented by a course of tailored actions included in the comprehensive action plan for completion that was agreed with the Ministry of Water Resources (MoW), the PIU, local water management organizations and consultants to ensure timely conclusion of project activities within the extended closing date. These actions include vigilant supervision and contract management to ensure timely completion of on-going civil works. MoW and PCU will hold weekly meetings with the contractor and supervision consultants/engineer with frequent visits from representatives of the MoW supported by regular monthly consultation meetings by the project's Task Team of the World Bank.

II. DESCRIPTION OF PROPOSED CHANGES

A. Closing Date Extension

12. The project closing date will be extended to December 31, 2022 (as the last day of the month/year).

B. Adjustment of Results Framework

13. The achievement dates of delayed targets will be adjusted from September 30, 2021 to December 31, 2022. The results framework remains relevant and no change will be introduced to the definition, wording or target values of any indicator. Only, IR indicator, number of demonstrations will be changed from original (end target) 245 to 25 because, the most demonstrations were designed to agricultural practices. Yet in 2018, The Ministry of Agriculture and Water Resources was split into two separate ministries. As a result, only irrigated related demonstrations are to be implemented with fewer on agricultural without compromising to PDO achievement. The borrower has agreed to provide own budget for demonstrations and due to agricultural reforms, farmers already in active phase of modernization.

C. Adjustment of Disbursement Estimates

14. The disbursement estimates will be adjusted to reflect the extended implementation period and actual project progress to date. The project approved amount is XDR 136.5 million (US\$ 214.21 million equivalent). However, due



to the depreciation of the XDR against the US\$, the current value depreciated to US\$193.80 million as of May 15, 2021.

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III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓



Environmental Analysis		✓
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IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-83890	Effective	30-Sep-2021		30-Sep-2021	31-Jan-2022
IDA-54900	Effective	30-Sep-2021		31-Dec-2022	30-Apr-2023

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2014	0.00	0.00
2015	0.00	0.00
2016	9,753,304.07	9,753,304.07
2017	5,562,117.89	5,562,117.89
2018	2,692,569.83	2,692,569.83
2019	20,000,000.00	18,156,543.44
2020	23,000,000.00	25,854,784.59
2021	23,000,000.00	33,740,602.61
2022	129,000,000.00	98,036,081.00



Results framework

COUNTRY: Uzbekistan

SOUTH KARAKALPAKSTAN WATER RESOURCES MGMT IMPROVEMENT

Project Development Objectives(s)

The project development objective (PDO) of South Karakalpakstan Water Resources Management Improvement Project (SKWRMIP) is to restore irrigation and improve water management in the project area in a sustainable and financially efficient manner.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets							End Target	
			1	2	3	4	5	6	7		
The PDO is to restore irrigation and improve water management in the project											
Improved irrigation water delivery service (Number)		1.60									2.50
Action: This indicator has been Revised	Rationale: to move the end target date by one year										
Reduction in annual public and WCA expenditures for pumping (percentage) (Percentage)		0.00							80.00		80.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year										

**The World Bank**

SOUTH KARAKALPAKSTAN WATER RESOURCES MGMT IMPROVEMENT (P127764)

Indicator Name	PBC	Baseline	Intermediate Targets							End Target	
			1	2	3	4	5	6	7		
Increased collection rate by WCAs to cover O&M costs (percentage) (Percentage)		0.00								50.00	50.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year										
Water users provided with new/improved irrigation and drainage services (number) (Number)		0.00	0.00	337.00	337.00	23,274.00	46,374.00	56,000.00			56,000.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year										
Water users provided with irrigation and drainage services - female (number) (Number)		0.00	0.00	165.00	165.00	11,404.00	22,723.00	22,723.00	22,723.00		27,440.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year										
Operational WCAs created and/or		0.00	0.00	8.00	16.00	24.00	32.00	32.00	32.00	32.00	40.00



Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
strengthened (number) (Number)										
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Area provided with new/improved irrigation or drainage services (CRI, Hectare(Ha))		0.00	0.00	350.00	350.00	37,000.00		39,471.00	74,000.00	89,000.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Area provided with improved irrigation or drainage services (CRI, Hectare(Ha))		0.00	0.00	350.00	37,000.00		39,471.00	74,000.00		89,000.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Modernization of Agriculture										
Number of BVO, PAN-ISA, and LABAIS staffs trained (Number)		0.00	0.00	0.00	10.00	20.00	30.00	30.00	40.00	50.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Percentage of BVO, LABAIS and PAN-ISA staff satisfied with training (Percentage)		0.00	50.00	60.00	65.00	70.00	75.00	80.00	80.00	80.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Area producing non-cotton/non-wheat crop (ha) (Hectare(Ha))		6,500.00	6,500.00	6,500.00	6,500.00	7,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Percentage of cotton area harvested mechanically (Percentage)		0.00	1.00	1.00	1.00	3.00	3.00	3.00	3.00	3.00

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SOUTH KARAKALPAKSTAN WATER RESOURCES MGMT IMPROVEMENT (P127764)

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Number of demonstrations established (Number)		0.00	0.00	0.00	0.00	10.00	15.00	25.00	25.00	25.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year. The original (end target indicator) is proposed to be changed from 245 to 25 because the most demonstrations were designed to agricultural practices. Yet in 2018, the Ministry of Agriculture and Water Resources was split into two separate ministries. As a result, only irrigation related demonstrations are to be implemented under the Ministry of Water Resources mandate with fewer on agriculture without compromising to PDO achievements. The borrower has agreed to provide its own budget for demonstrations due to agricultural reforms and farmers are already taking their own measures for agricultural modernization.									
Area of laser land leveling/deep ripping (Hectare(Ha))		0.00	0.00	0.00	0.00	0.00	12,000.00	12,000.00	12,000.00	12,000.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Percentage of female staff in WCAs (Percentage)		1.00								5.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									



Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Irrigation water distribution schedule prepared (Yes/No) (Yes/No)		No								Yes
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Client days of training provided (Number) (Number)		0.00								600.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Client days of training provided - Female (Number) (Number)		0.00								120.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Project Management, Monitoring and Evaluation										
Dam safety plan for Tuyamuyun dam prepared and submitted to the government (Yes/No)		No	No	No	No	Yes	Yes	Yes	Yes	Yes



Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Number of project monitoring reports submitted on time annually (Number)		0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Availability of Grievance redress mechanism (GRM) (Yes/No)		Yes								Yes
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Modernization of the Irrigation Network										
Reduction of energy consumption (Megawatt)		0.00	0.00	0.00	0.00	0.00	0.00	30,000.00	30,000.00	60,000.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									



Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Length of main canals rehabilitated (including reprofiling and water control structures) (Kilometers)		0.00	0.00	0.00	1.00	15.00	30.00	30.00	30.00	109.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Length of secondary canals rehabilitated (including reprofiling and water control structures) (Kilometers)		0.00	0.00	5.00	14.00	50.00	110.00	110.00	110.00	550.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									
Number of civil works contracts awarded (Number)		0.00	1.00	1.00	1.00	2.00	5.00	5.00	5.00	6.00
Action: This indicator has been Revised	Rationale: to move the end target date by one year									



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