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The World Bank

Report No:

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
UTTAR PRADESH WATER SECTOR RESTRUCTURING PROJECT
CREDIT NO. 3602-IN
February 19, 2002

TO THE

REPUBLIC OF INDIA

OCTOBER 13, 2011

Public Disclosure Authorized

INDIA: UTTAR PRADESH WATER SECTOR RESTRUCTURING PROJECT RESTRUCTURING PAPER

A. SUMMARY

1. The proposed changes will support a requested cancellation of an amount of INR 250 million (SDR 3.2 million or US$ 5.1 million equivalent as of October 12, 2011) from the Uttar Pradesh Water Sector Restructuring Project (Credit No. 3602-IN). The project will close October 31, 2011.

B. PROJECT STATUS

2. The project is scheduled to close October 31, 2011. As of October 12, 2011, of the IDA Credit of SDR 90.47 million, approximately SDR 76.5 million (85%) has been disbursed (as of October 12, 2011). The key project data are:

Project Data		Performance Rating	
Board Approval	February 19, 2002	*Summary Ratings*	
Effectiveness Date	March 27, 2002	Project Development Objective	MS
Original Closing Date of IDA Credit	October 31, 2007	Implementation Progress	MS
Revised Closing Date of IDA Credit	October 31, 2011	Procurement	MS
Mid-Term Review (MTR) Date	None	Financial Management	MS
Original IDA Amount	SDR 117 million		
Revised IDA Amount	SDR 90.47 million		
Total Amount Disbursed (as of October 12, 2011)	SDR 76.5 million		

3. The Project Development Objectives are to (i) to set up an enabling institutional and policy framework for water sector reform in the State for integrated water resources management; and (ii) to initiate irrigation and drainage sub-sector reforms in the State to increase and sustain water and agricultural productivity.

4. Of the remaining project resources, several withdrawal applications are in the claims pipeline (see table below). This includes claims that were i) earlier rejected due to insufficient resources in the civil works category, ii) earlier deducted due to audit disallowances, iii) rejected for other reasons and iv) claims to be submitted for the period August 2011 to October 2011. After these claims are resolved, it is estimated that Rs. 30.96 crores will remain (about SDR 4 million). The proposed cancellation before the project closure is necessary to relinquish these funds to the India program.

Table: Remaining Claims Assessment	**Rs. crores**
Remaining credit as per World Bank Client Connection dated Sep 17, 2011	102.39
A. Rejected due to insufficient credit in civil works category	29.36
B. Deducted due to audit disallowances	2.72
C. Rejected due to other reasons	9.21
D. Claims to be submitted (Aug 2011 to Oct 2011)	30.14
Total (A + B + C + D)	71.43
Expected Savings	**30.96** (about SDR 4 million)

C. PROPOSED CHANGES

3. Due to project closure scheduled for October 31, 2011, a portion of the remaining credit will be cancelled. The remainder un-cancelled amounts are preserved to allow for the outstanding payments mentioned above. IDA has received a request from the Government of Uttar Pradesh through the Government of India, Ministry of Finance, Department of Economic Affairs (DEA) requesting cancellation of INR 25 crore. Accordingly, the revised allocation is given below.

Category of Expenditure	**Allocation (Expressed in SDR Equivalent)**		**% of Financing**	
Current	Current	Revised	Current	Revise
(1) Works	53,990,000	52,690,000	90%	Unchanged
(2) Goods, equipment, machinery and materials	9,276,000	8,676,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally	Unchanged
(3) Consultants' services and Training	19,303,000	18,003,000	100%	Unchanged
(4) Incremental operating costs and incremental salaries	7,902,000	Unchanged	85% until March 31, 2004; 75% until March 31, 2005; 60% until March 31,2006; and 30% thereafter	Unchanged
(5) Unallocated	0	0		
Cancellation as on October 12, 2011		3,200,000		
Total	90,471,000	90,471,000		