

**On Transfer of the Irrigation and Drainage Infrastructure Systems
into the State Ownership for the Implementation of the Second Irrigation and
Drainage Improvement Project (IDIP-2)**

Based on a Budget Investment Project Design

Irrigation and drainage systems (I&D) on at least 95 % of the IDIP-2 project area were utilized by the water users under the “ownerless” status. An ultimate prerequisite for financing the reconstruction of I&D systems under the State budget investment program (BIP) was to accept them into the state property. This was not contradicting either the Water Code or the Land Code of the Republic of Kazakhstan.

Farmers who use irrigation lands under the long-term lease conditions perfectly understood the need for early reconstruction of I&D systems, as up to 40-45 % of water intake on irrigation canals is wasted due to excessive wear, and drainage systems are completely inactive. Water supply of sowing is being reduced to 35%, the area of lands with elevated levels of ground water and salinized soils are expanding. With such a poor amelioration and environmental degradation the efficiency of the machinery use is being lowered and crop yields are being reduced.

In this regard, farmers are highly interested in the soonest improvement of the technical condition of the irrigation network, with raising its efficiency factor from 0.55 to 0.95, as well as in the restoration of inactive drainage system. In accordance with the Land Code, farmers shall meet the requirements for the land protection and carry out responsibilities as land users. However, farmers do not have sufficient funds for the reconstruction of I&D systems.

Therefore, farmers and water user cooperatives (associations) applied to the akimats at region and oblast level for the need to remove the mentioned defects, and agreed to transfer the project I&D systems into the state ownership. Some irrigation canals serving up to 5% of the project area and owned by farms were transferred into the state ownership on the basis of farmers’ application to the authorities. Also, there is an agreement of the Committee of State Property of the Ministry of Finance of the Republic of Kazakhstan. In addition, akimats arranged for the inventory, certification and state registration at the expense of the local budget (not at the expense of farmers and cooperatives), performed other procedures in accordance with the laws of the Republic of Kazakhstan, without which it would be practically impossible to finance the amelioration of farmlands.

In accordance with the budget legislation of the Republic of Kazakhstan, the transfer of I&D systems into the state ownership will allow for the implementation of the project under the republican/state BIP. While the investments into the reconstruction are not paid by farmers as the project I&D systems are transferred into the state ownership, these I&D systems shall still serve the same irrigated lands. Farms will cover the operating costs by paying water supply tariffs. The Feasibility Study of the IDIP-2 states that the irrigation canals transferred into the state ownership shall be further transferred to the trust management of water user cooperatives arranged according to the hydraulic principle (or principle of linking lands to canals) by farmers, users of lands covered by the IDIP-2. This is not inconsistent with the experience of countries with developed irrigated farming and will ensure the participation of farmers in water management and irrigation systems maintenance.

This Document is an Addendum to the Environmental Management Plan (EMP) as of December 1, 2007 and Published Information as of May 22, 2013 “On Transfer of Irrigation and Drainage Systems into State Ownership for the Implementation of the Second Irrigation and Drainage Improvement Project (IDIP-2) Based on a Budget Investment Project Design

The process of transferring the infrastructure of irrigation and drainage (I&D) systems to state ownership was completed by mid- 2012, through a participatory process involving public meetings with farmers. Farmers and WUA members had the option not to transfer the I&D systems to the State. In other words, farmers had the option to object and refuse during the implementation of actions on the transfer of I&D systems into the state ownership. This, however, meant that they would not benefit from public funding under the republican budget investment program (RBIP) to rehabilitate, modernize and maintain such infrastructure/I&D systems. Water user cooperatives/associations or large farms could obtain the budget funds on I&D systems remaining in their (private) ownership only through credit lines, i.e. farmers would have to refund 100% of invested funds to the republican budget with interest.

According to the legislation of the Republic of Kazakhstan, it is possible to finance the reconstruction and modernization of facilities (including the I&D systems infrastructure), which are owned by the state, free of charges via the implementation of the republican budget investment program. It should be noted that in case of I&D systems, which will be financed through the implementation of IDIP-2, decisions on I&D systems were taken by Akimats on the basis of voluntary consent of farmers and water user cooperatives/associations, as farmers need the I&D systems with efficient technical and operational performance characteristics. It is determined in the IDIP 2 Feasibility Study that farmers participate in selecting technical solutions. All preliminary and final versions of design and estimate documents are agreed with farmers. All agreements with farmers are documented in protocols and consent letters. Thus, the Feasibility Study provides the possibility

to take the farmers' wishes into account and contains the mechanisms to review and handle requests and complaints. Implementing these measures, it will be possible to identify and resolve issues regarding the current ownership or management of I&D systems after the project is completed.

In this regard, the provisions of the World Bank's Operational Policy 4.12 "Involuntary Resettlement" do not apply. In addition to the "opt-out" option during the transfer process, the Project Operational Manual will provide specific screening criteria and a grievance redress mechanism to identify and exclude any sites where there is evidence of involuntary transfer or where there are any unresolved issues relating to current ownership or transfer of the infrastructure back to Government.