



Report No: RES00279

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF

Ferghana Valley Water Resources Management - Phase II

APPROVED ON 30-Jun-2017

TO

Republic of Uzbekistan

Water  
Europe And Central Asia

Regional Vice President:	Antonella Bassani
Regional Director:	Sameh Naguib Wahba Tadros
Country Director:	Tatiana A. Proskuryakova
Practice Manager:	Winston Yu
Task Team Leader(s):	Bakyt Arystanov, Shavkat Rakhmatullaev



## **ABBREVIATIONS AND ACRONYMS**

CD: Country Director

IDA: International Development Association

IRI: Intermediate results Indicator

M&E: Monitoring and Evaluation

MoWR: Ministry of Water Resources of Uzbekistan

RAP: Resettlement Action Plan

PIU: Project Implementation Unit

PDO: Project Development Objective

FV2 Project: Ferghana Valley Water Resources Management – Phase II



**BASIC DATA**

**Product Information**

Operation ID P149610	Operation Name Ferghana Valley Water Resources Management - Phase II
Product/Financing Instrument Investment Project Financing (IPF)	Geographical Identifier Uzbekistan
Approval Date 30-Jun-2017	Current Closing Date 31-Aug-2024
Original EA Category Partial Assessment (B) (PAD Approval Package-30 Jun 2017)	

**Organizations**

Borrower Republic of Uzbekistan	Responsible Agency Project Implementation Unit under the Ministry of Water of Uzbekistan
------------------------------------	---

**OPERATION STATUS**

**Project Development Objective (DO)**

Original Development Objective

The project development objective is to improve the quality of irrigation and drainage service delivery to agricultural users within the project area.

**Disbursement Summary (in USD million)**

Source of Funds	Net Commitment	Disbursed	Balance	% Disbursed
IBRD	--	--	--	0



IDA	144.90	79.57	65.33	54.91
Grants	11.33	9.33	2.00	82.37

**Policy Waivers**

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

No



**TABLE OF CONTENTS**

**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING .....1**

**II. DESCRIPTION OF PROPOSED CHANGES .....4**

**III. PROPOSED CHANGES .....4**

**IV. DETAILED CHANGE(S) .....5**

---



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring paper seeks to extend the closing date of the IDA credit (6083-UZ) that finances the Ferghana Valley Water Resources Management Project - Phase II (FV-2) by twenty-two months from August 31, 2024, to June 30, 2026, to complete critical contracts needed to achieve the Project Development Objective (PDO). This will be the first extension of the project closing date. The target dates for all indicators in the RF, along with implementation and disbursement schedules will also be revised to reflect the extended implementation period.
2. IDA credit of US\$144.9 million for FV-2 was approved on June 30, 2017 with a closing date established as August 31, 2024. The project development objective (PDO) is to improve the quality of irrigation and drainage service delivery to agricultural users within the project area.
3. There is also an European Union (EU) TF (TF073228) under the European Commission–World Bank Partnership Program Part III for Europe and Central Asia (EEPP III) that co-finances the FV-2 through supporting technical assistance activities on (i) capacity-building activities for sustainable crop intensification and diversification; (ii) strengthening the capacity of local Water Consumer Associations; (iii) pilots and scale-ups for technical assistance (TA) activities on volumetric payments for operation and maintenance (O&M) fees and use of solar energy for irrigation/drainage pumps; (iv) strengthening the Implementing Agency’s capacity for Project financial and procurement management, and (v) monitoring and evaluation (M&E) (FV-2 Component 2). The overall envelope of the EU funds provided from this TF and committed to Uzbekistan under the ACA/2017/039-929 is EUR15 million (including the administration costs), and it was divided into two tranches of EUR11 million and EUR3.5 million. A Grant Agreement for the 1<sup>st</sup> tranche of EUR11 million for the Receipt Executed TF was signed on April 13, 2019 between the World Bank (the grant administrator) and the Republic of Uzbekistan (the Recipient) and had a closing date of February 29, 2024. At the same time, the End Disbursement Date for the Administrative Agreement between the World Bank and EU was extended from August 31, 2024 to June 30, 2026 via the World Bank Regional Director’s approval on August 8, 2024 and is being attached to this package.

### A. Project Status

4. The total disbursement of the IDA credit to date reached US\$79.5 million (55 percent of the total IDA funds). The majority of procurement activities under FV-2 have been completed, and all key contracts are currently under implementation, bringing the commitments of IDA credit funds to 90 percent. One package with two lots for civil works (est. US\$16 million) is at the evaluation stage and will be submitted to the World Bank for review before the end of August 2024, and it would result in 100 percent of IDA credit committed under the Project. The disbursement under the EU grant – i.e., 1<sup>st</sup> tranche - has reached 87 percent, while 90 percent of EU funds were committed.
5. The overall Project results achieved to date include the improvement in the quality of irrigation service delivery in 48,410 ha (covering 47 percent of the Project area), benefiting 33,689 farmers (50 percent of the planned number of the Project beneficiaries). As a result of the Project, overall irrigation scheme efficiency is expected to increase from 60 to 80 percent. Also, energy consumption in irrigation schemes will be reduced due to the modernization of numerous pumping stations. The status of the implementation of activities under individual Project components is presented below.
6. **Component 1 – Modernization of the Irrigation Network.** There are 13 total civil works (CW) contracts (US\$131.5 million including US\$17 million as co-financing from the government) envisaged for implementation as part of Component 1. Three of these 13 CW contracts are financed by the government, and ten contracts are financed under IDA credit and cover in total of 143 km of irrigation canals, 578 irrigation water distribution structures, 494 irrigation



wells, and 13 pumping stations. Three out of ten contracts have been satisfactorily completed and handed over to the local irrigation administrations (total amount US\$27.6 million), while seven are at the implementation stage with physical progress advancing: one contract is progressing according to its work schedule and will be completed by current IDA credit closing date of end August 2024, while six contracts - which include pumping station works - demonstrate slower progress (mainly caused by the impact of disruptions in the manufacturing and supply of pumps and equipment from China due to COVID-19 pandemic) and will not be completed by the current project closing date of August 31, 2024. Under the original contracts' schedules, it was expected that the majority of materials and goods for the pumping stations (worth US\$40 million) would be delivered to the sites by the end of December 2022. However, due to disruptions mentioned above in manufacturing and supply of equipment due to COVID-19, they were only started to be delivered by the end of July 2024 and onwards. Concerning the two remaining contracts on irrigation wells financed from IDA funds, these packages were awarded at the end of August and October 2023 only. While the works under these contracts have been started, their completion will require at least another 18 months. As for the CWs under government financing, three civil works contracts are being implemented for the modernization of 139 km of irrigation canals and 571 hydraulic structures and 18 km of riverbank protection works. However, only one contract will be completed by the current Project closing date of the end of August 2024, and completion of two contracts will fall beyond the current project closing date. In summary, six contracts under IDA credit financing and two contracts under Government co-financing need the Project extension for 18-20 months to enable financing the completion of the civil works and fully achieve the PDO and associated end targets of the PDO indicators.

7. **Component 2: Support for Agricultural Modernization** (financed by the EU grant TF0A9862 of EUR9.95 million)<sup>1</sup>. Disbursement has reached EUR 8.5 million, or 87 percent. Still, EUR 1.4 million (the remaining balance from the 1<sup>st</sup> tranche) and the 2<sup>nd</sup> tranche of EUR 3.5 million are to be paid by the EU. This component aims at maximizing and sustaining returns of investments in irrigation through capacity-building activities in support of water management, infrastructure maintenance, and agricultural productivity increase and diversification. To date, about 10,500 people have received quality rural advisory services through training and learning events on various topics, including climate-smart agriculture, intensification of agricultural production, and efficient irrigation technologies, of which about 3,000 (or 30 percent of all people trained) were female. The extension of this RE Grant will be processed at RVP level after approval of IDA project.
8. **Project Management and M&E.** Procurement, and Environmental Safeguards compliance are all rated Moderately Satisfactory. An environmental safeguards specialist in the supervision consultant team and M&E team regularly visits the project area. Financial Management (FM) performance is Satisfactory with the documentation of advances to the designated account completed up to date and audit- reports are timely submitted. The latest financial statements for 2022 were submitted timely and found to be acceptable. The auditor issued an unmodified (clean) opinion on the financial statements and neither weaknesses nor errors were communicated by the auditor. The project is not under suspension of disbursement.
9. **Social Safeguards.** The social performance rating of the project has been recently downgraded to Moderately Unsatisfactory due to delays in compensation payments to the affected people. World Bank team had agreed with the Implementing Agency/Project Implementation Unit (PIU) on the time-bound action plan to bring the social performance in compliance with World Bank Environmental & Social Framework regulations.
10. In the last Implementation Status Report (July 2024) the PDO rating was downgraded from Satisfactory to Moderately Satisfactory and the implementation progress (IP) rating was downgraded from Moderately Satisfactory to Moderately Unsatisfactory given the above mentioned social safeguard issues, high undisbursed balance (45 percent),

---

<sup>1</sup> This is only indicates costs related to the Receipt Executed costs. The total of EUR 11 million includes Bank Executed of EU Grant.



and inability for the Project to fully meet its declared objectives and end-targets of PDO indicators during the remaining Project period, as the project closing date coming in a month.

**B. Rational for Restructuring**

11. Given that the remaining six (of ten) CW contracts financed from the IDA credit fund will only be completed at 50 percent by the end of August 2024 two of three PDO indicators will not be achieved by the current closing date of August 31, 2024. Specifically, as indicated in the Table below, there are three PDO indicators on: (i) improved quality irrigation and drainage service delivery; (ii) relative irrigation deficit (water deficit/water demand); and (iii) irrigation efficiency (water withdrawal used for crop production). The target value of the last indicator has already been achieved, while the target values set under two other PDO indicators cannot be achieved by the current closing date of August 31 2024, but are expected to be achieved by the proposed extended closing date of June 30, 2026. In addition, out of three CWs contracts financed by the Government, only one will be completed by August 31, 2024, and completion of the remaining two will fall beyond the current Project closing date. Out of 11 Project’s Intermediate Result indicators (IRI), five IRIs will fall beyond the current Project closing date and are directly linked to the completion of civil works.

**Table. Status of PDO indicators as of August 1, 2024**

<b>PDO Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Progress To-date</b>	<b>Achievement Status Likelihood with a closing date in August 2024</b>	<b>Achievement Status Likelihood with 22-month extension</b>
PDO Indicator 1: improved quality irrigation and drainage service delivery (Number)	1.5	2.5	2.2	Low	High
PDO Indicator 2: relative irrigation deficit (water deficit/water demand) (%)	30	20	25	Low	High
PDO Indicator 3: irrigation efficiency (water withdrawn used for crop production) (%)	30	35	35	Achieved	Maintained as achieved

12. Factors that led to delays in the Project implementation included a six-month effectiveness delay caused by the preparation of government-required feasibility studies after the Bank approval, slow pace of the obtaining Government decision to sign the financing agreement, and the slow fulfillment of effectiveness conditions. The first two years of the Project implementation were used primarily to prepare detailed designs for CWs and bidding documents. In addition, in 2018/2019 a series of institutional reforms (the split of the Ministry of Agriculture and Water Resources into two ministries, the establishment of a Sectoral Procurement Commission) further affected Project implementation and procurement progress. These were also further exacerbated by the COVID-19 pandemic impact that affected the supply chain and delivery of the needed materials and equipment to the project sites. The cumulative delay from all these factors has contributed to the Project lagging behind original plans by 20-24 months. While all issues delaying the Project implementation have been resolved, with all CW contracts signed and being at the implementation stage, the accumulated delays would not allow the completion of all ongoing activities by the current closing date of August 31, 2024.

13. On August 13, 2024, the Ministry of Economy and Finance/Recipient submitted a request (No. 08/45-3-16840-son) to extend the closing date of the IDA Credit Financing Agreement for 22 months, from August 31, 2024 to June 30, 2026.

14. The proposed extension of the closing date will allow the Implementing Agency to compensate for the previously accumulated delays and complete all planned project activities and fully achieve the PDO. The proposed extension of the implementation period is based on the joint – the Client and the Bank task team – assessment and accounts for



the seasonality of works, where most of the infrastructure modernization activities must be performed on the existing and operational irrigation schemes without any disruptions to the irrigation season. Lastly, a feasibility study for the proposed new National Irrigation and Energy Efficiency Improvement Project (IDA US\$200 million) pipelined for FY25-Q3 delivery is being financed under this project and the extended closing date of the FV-2 will allow to complete this important consultancy.

- 15. The retroactive extension of the closing date of the Grant Agreement of Recipient-Executed TF for 27 months will be sought for approval by the World Bank Regional Vice-President separately with the support of the World Bank Operational Policy Country Services waiver team. Amendment of the Grant Agreement will accommodate the 2<sup>nd</sup> tranche of the EU grant to support the water reform agenda such as digitalization, capacity building, water accounting and climate-smart activities for sustainable operation and maintenance of modernized irrigation infrastructure.
- 16. The World Bank team has agreed with the Ministry of Water Resources (MoWR) a course of tailored actions included in the comprehensive action plan to ensure a timely completion of the Project activities within the extended implementation period. These actions include vigilant supervision and contract management to ensure timely completion of ongoing CWs. MoWR and PIU will hold weekly meetings with the contractor and supervision consultants/engineer with frequent visits from representatives of the MoWR supported by regular monthly consultation meetings by the WB team.

**II. DESCRIPTION OF PROPOSED CHANGES**

- 17. Extension of the closing date of the Financing Agreement (IDA Credit 6083-UZ) – the closing date of the Financing Agreement is being extended for 22 months, from August 31, 2024, to June 30, 2026, to enable sufficient time for completion of all planned project activities and full achievement of the project development objectives. The associated EU grant will be extended respectively through retroactively extending the closing date.
- 18. Adjustment of Results Framework - target dates of all PDO and IRI indicators will be adjusted from August 31, 2024 to June 30, 2026. The PDO formulations of all PDO and IRIs will remain unchanged.
- 19. Adjustment of Disbursement Estimates and Implementation Schedule – these will be adjusted to reflect the extended closing date and, as such, extended Project implementation period.
- 20. Component costs revision – component costs will be revised, as provided in the table below, to reflect IDA/EU grant financings, originally those included GOU co-financing.

**III. PROPOSED CHANGES**

Operation Information	Proposed Changes	Operation Information	Proposed Changes
Results	Yes	Loan Closing Date Extension	Yes
Disbursements Estimates	Yes	Implementation Schedule	Yes
Components	Yes	Loan Cancellations	No
Development Objective	No	Reallocations	No



Safeguard Policies Triggered	No	Financial Management	No
ISDS	No	Procurement	No
MFD/PCE	No	Institutional Arrangement	No
Risks	No		
Legal Covenants	No		
Conditions	No		
Implementation Modalities	No		
Disbursements Arrangements	No		
DDO	No		
Clients	No		
Appraisal Summary	No		

**IV. DETAILED CHANGE(S)****COMPONENTS**

<b>Current Component Name</b>	<b>Current Cost (USD)</b>	<b>Action</b>	<b>Proposed Component Name</b>	<b>Proposed Cost (USD)</b>
Component A: Irrigation Modernization	191,400,000.00	Revised	Component A: Irrigation Modernization	131,700,000.00
Component B: Support for Agricultural Modernization	21,500,000.00	Revised	Component B: Support for Agricultural Modernization	14,500,000.00
Component C: Project Management	12,100,000.00	No Change	Component C: Project Management	12,100,000.00
<b>TOTAL</b>	<b>225,000,000.00</b>			<b>158,300,000.00</b>

**COSTS & FINANCING****Private Capital Facilitation**

**Is this an MFD-Enabling Project (MFD-EP)?**

**Is this project Private Capital Enabling (PCE)?**



**LOANS**

**Loan Closing**

Loan/Credit/Trust Fund	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-60830-001	Effective	31-Aug-2024	31-Aug-2024	30-Jun-2026	31-Oct-2026
TF-A9862-001	Closed	28-Feb-2024	28-Feb-2024		

**DISBURSEMENTS**

**Operation Dates & Projection Details**

Reasons to change the full Disbursement date and/or the projection

Restructuring

Implementation Start Date

30-Jun-2017

Operation Closing Date

31-Aug-2024

Projected Date for Full Disbursement

30-Jun-2026

**Expected Disbursements (in US \$) (Absolute)**

Year	Original Estimation at Preparation (Approval Package – 30 Jun 2017)	Revised Estimation	Actual
FY2017	1,250,000.00	0.00	0.00
FY2018	14,150,000.04	1,000,000.00	1,000,000.00
FY2019	19,749,999.96	7,152,000.00	7,152,044.20
FY2020	29,910,000.00	11,535,000.00	11,535,875.61
FY2021	31,659,999.96	11,529,000.00	11,529,733.35
FY2022	31,320,000.00	19,079,000.00	19,079,857.41
FY2023	10,610,000.04	7,840,000.00	7,839,326.05
FY2024	0.00	27,667,000.00	27,667,383.15
FY2025	0.00	35,000,000.00	3,092,564.75
FY2026	0.00	35,957,000.00	0.00



**RESULTS**

**COUNTRY: Uzbekistan**

**Ferghana Valley Water Resources Management - Phase II**

**PDO Indicators by PDO Outcomes**

To improve the quality of irrigation and drainage service delivery								
Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Result	Month/Year	Result	Date	Result	Date	Result	Month/Year
Improved quality of irrigation and drainage service delivery (Number)	1.50	Jan/2016	2.20	25-Jun-2024	2.20	01-Aug-2024	2.50	Aug/2024
	Comments on achieving targets		This indicator preliminary was measured in late 2021 by M&E Consultants and PIU. With progress in implementation of remaining rehabilitation and construction works this indicator will improved.					
Relative irrigation deficit (water deficit/water demand) (Percentage)	30.00	Jan/2016	25.00	25-Jun-2024	20.00	01-Aug-2024	20.00	Aug/2024
	Comments on achieving targets		This indicator has been measured in late 2022. 25% relative irrigation deficit clearly demonstrates that water availability under climate change impacts and demographic developments are prominent. This indicator will be reported in late 2023 after completion of irrigation season.					
Irrigation efficiency (Water withdrawn used for crop production) (Percentage)	30.00	Jan/2016	35.00	25-Jun-2024	35.00	01-Aug-2024	35.00	Aug/2024
	Comments on achieving targets		This indicator has been measured in late 2022. The improvement will be achieved with completion of all construction and rehabilitation works. This indicator will be reported in late December after completion of irrigation season.					

**Intermediate Results Indicators by Components**

<b>Component A: Irrigation Modernization</b> <small>Revised</small>
---



Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Result	Month/Year	Result	Date	Result	Date	Result	Month/Year
Revise Area provided with new/improved irrigation or drainage services (Hectare(Ha))	0.00	Jan/2016	40,847.00	25-Jun-2024	40,847.00	01-Aug-2024	103,000.00	Aug/2024
<b>Component B: Support for Agricultural Modernization</b> <sup>Revised</sup>								
Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Result	Month/Year	Result	Date	Result	Date	Result	Month/Year
Revise Percentage of beneficiaries reporting improved engagement (in planning and feedback) and responsiveness to Farmer Field Schools (Citizen Engagement Indicator) (Percentage)	0.00	Mar/2017	94.00	25-Jun-2024	94.00	01-Aug-2024	100.00	Aug/2024
Farmers adopting improved agricultural technology (Number)	0.00	Jan/2016	1,868	25-Jun-2024	1,868	01-Aug-2024	1,000.00	Aug/2024
	Comments on achieving targets		By end of 2023, a half of trained farmers will likely to adopt improved agricultural and irrigation efficient technologies.					
Farmers adopting improved agricultural technology - Female (Number)	0.00	Jan/2016	375	12-Jan-2018	375	12-Jan-2018	250.00	Aug/2024
Number of people receiving rural advisory services (Number)	0.00	Mar/2017	10,587.00	25-Jun-2024	10,587.00	01-Aug-2024	2,000.00	Aug/2024
	Comments on achieving targets		This indicator is achieved.					
Land area under sustainable landscape management practices (Hectare(Ha))	0.00	Mar/2017	8,090.00	25-Jun-2024	8,090.00	01-Aug-2024	103,000.00	Aug/2024
	Comments on achieving targets		This indicator will be re-adjusted during the restructuring (extension) to reflect ground realities.					
Operational water user associations created and/or strengthened (number) (Number)	0.00	Jan/2016	8.00	25-Jun-2024	8.00	01-Aug-2024	12.00	Aug/2024
	Comments on achieving targets		<i>Original target of 46 revised due consolidation of WCA's as per government resolutions No. 982 &amp; 196 "on measures to improve the activities of water consumers associations". There are now 8 WCA instead of 46 in the project area.</i>					



			National legislation has been changed to enlarge poor performing water consumers associations from hydraulic into administrative boundaries (Resolutions of Cabinet Ministries of Uzbekistan “On Measures to Improve the Activities of Water Consumers Associations” No.982 dated December 11, 2019 and No.196 dated April 19, 2022 “On additional measures to improve the efficiency of water resources management at lower operational level”. Yet irrigation and drainage infrastructure on-farm and inter-farm levels will be transferred to private large farms and agricultural clusters.					
Asset management processes established by project BAISs, AISs and WCAs (Text)	0	Jan/2016	3	25-Jun-2024	3	01-Aug-2024	49	Aug/2024
	Comments on achieving targets		By end of 2023, it is expected that one different types based on level (basin irrigation authority, irrigation district and agricultural cluster) of a asset management plans will be developed and scaled up. This indicator will be re-adjusted during the restructuring (extension) process to reflect ground realities. In fact, three AMP will be developed by consultants and then local irrigation agencies will be trained in order to prepare by their own selves AMPs.					
Increased collection rate by the WCAs in the project area (Percentage)	40.00	Mar/2017	55.00	25-Jun-2024	55.00	01-Aug-2024	60.00	Aug/2024
	Comments on achieving targets		This indicator is partially achieved.					
Female beneficiaries (Percentage)	0.00	Jan/2016	21.00	25-Jun-2024	21.00	01-Aug-2024	20.00	Aug/2024
<b>Component C: Project Management</b>								
Indicator Name	Baseline		Actual (Previous)		Actual (Current)		Closing Period	
	Result	Month/Year	Result	Date	Result	Date	Result	Month/Year
<sup>Revise</sup> Grievances registered related to delivery of project benefits that are resolved (Percentage)	0.00	Jan/2016	80.00	25-Jun-2024	80.00	01-Aug-2024	80.00	Aug/2024