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Report No:

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF

MAINSTREAMING CLIMATE CHANGE ADAPTATION IN IRRIGATED
AGRICULTURE PROJECT

CHINA: SPECIAL CLIMATE CHANGE FUND ADMINISTERED BY THE GLOBAL
ENVIRONMENT FACILITY- GRANT AGREEMENT (TF092393)

August 15, 2008

TO THE

PEOPLE'S REPUBLIC OF CHINA

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ABBREVIATIONS AND ACRONYMS

GEF	Global Environmental Facility
IAIL III	Irrigated Agriculture Intensification Loan III
PDO	Project Development Objective
POCAD	Provincial office for Comprehensive Agriculture Development
RMB	Renminbi
SOCAD	State Office for Comprehensive Agriculture Development
USD	United States Dollar

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Reallocation of Proceeds

CHINA — MAINSTREAMING CLIMATE CHANGE ADAPTATION IN IRRIGATED AGRICULTURE PROJECT

TF092393

Restructuring¹ Paper

1. Proceeds for *China, Mainstreaming Climate CHANGE ADAPTATION IN IRRIGATED AGRICULTURE PROJECT, [TF092393], P105229* will be reallocated as follows:

Category of Expenditure		Allocation (expressed in USD)		% of Financing	
Current	Revised	Current	Revised	Current	Revised
(1) Civil Works	Civil Works	217,600	277,995	100	100
(2) Goods	Goods	405,300	421,212	100	100
(3) Consultants Services	Consultants Services	1,046,800	847,074	100	100
(4) Studies, training and workshops	Studies, training and workshops	1,743,000	2,093,970	100	100
(5) Sub-grants	Sub-grants	1,097,300	1,201,596	100	100
(6) Incremental Operating Costs	Incremental Operating Costs	490,000	158,153	100	100
TOTAL AMOUNT	TOTAL AMOUNT	5,000,000	5,000,000	100	100

2. Summary of Project Implementation Progress

- The PDO is to enhance adaptation to climate change in agriculture and irrigation water management practices through awareness raising, institutional and capacity strengthening and demonstration activities in the 3H Basin. The PDO is on track to be achieved and the rating is satisfactory. The project was conceptualized and designed to complement the Irrigated Agriculture Intensification Loan (IAIL III) project by addressing the gaps on adaptation to climate change in the latter project.
- Implementation progress is rated satisfactory. Most of project activities are under implementation, with some activities progressing at a faster rate than others. All of IAIL III funds (counterpart funds) have been fully disbursed since the IAIL III project closed in December 2010. The overall implementation progress to date is 66% with

¹ This restructuring was initiated based on an official request submitted by SOCAD to the World Bank through the Ministry of Finance, dated August 30, 2011.

an aggregate disbursement rate of 61%. The project is scheduled to close on June 30, 2012.

- A total of approximately **8000** ha of demonstration areas for adaptation measures have been established with close to **40,000** households adopting and implementing these new measures. Nine Water users associations have been formed; around **200,000** m² of greenhouses area has been established; and more than **2000** biogas digesters have been built. Furthermore, a number of adaptive research studies on various topics related to adaptation to climate change in agriculture, are currently under finalization and expected to be completed in December 2011.
- The emphasis over the remaining project period is to (a) complete the implementation of all project activities; (b) continue to monitor their outcomes and impacts, particularly for the new adaptation measures that are being demonstrated; and (c) disseminate the findings in order to share the lessons, expand the outreach, and inform the overall efforts of agricultural adaptation to climate change in China.
- Some improvement is needed on fiduciary aspects particularly with respect to (a) regularly updating the procurement plan to properly reflect all packages and changes made; and (b) simplifying internal financial management procedures to avoid lags between physical and financial progress and time delays between disbursement and reimbursement.

3. The proposed reallocation is necessary to adjust for the appreciation of the Chinese currency over the US dollar since the time of project effectiveness (from RMB7.5/USD in 2008, to RMB 6.5/USD in 2011), and to shift resources away from slow progressing activities towards faster moving activities.