



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SECOND IRRIGATION AND DRAINAGE IMPROVEMENT PROJECT
APPROVED ON JUNE 27, 2013
TO
REPUBLIC OF KAZAKHSTAN
WATER
EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

I&D	Irrigation and Drainage
RCC	Rural Consumer Cooperatives
KVK	KazVodKhoz Republican State Enterprise
PDO	Project Development Objective



BASIC DATA

Product Information

Project ID P086592	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 27-Jun-2013	Current Closing Date 31-Dec-2021

Organizations

Borrower Republic of Kazakhstan	Responsible Agency Committee of Water Resources, Ministry of Ecology, Geology and Natural Resources
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Project Development Objective (PDO)

Original PDO

The Project development objective is to improve irrigation and drainage service delivery to support farmers in the Project areas. This will be achieved through rehabilitation and modernization of irrigation and drainage systems; improved management, operation and maintenance of these systems; and more efficient use of associated irrigated lands; all with improved participation of users in developing and managing the rehabilitated / modernized systems.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-82770	27-Jun-2013	29-Apr-2014	29-Jan-2015	31-Dec-2021	102.90	41.92	60.98

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This paper seeks the approval of a project restructuring to extend the project closing date to October 31, 2023, revise the Results Framework and disbursement projections. The project was approved by the Board on June 27, 2013, (US\$102.9 million, IBRD loan) supporting four components: (A) Rehabilitation and Modernization of Irrigation and Drainage Systems Infrastructure; (B) Sustainable Management, Operation and Maintenance of Irrigation and Drainage Systems; (C) Agricultural Development; and (D) Project Management, Technical Assistance and Training. The project became effective on January 29, 2015. The project is originally designed to be implemented within seven years and expected to be closed by the end of December 2021.
2. Delays have been compounded by various reasons over the project period including:
 - a. Lengthy internal Government procedures for signing and parliamentary ratification;
 - b. Conflict of interest in the tendering process of the implementation support consultant, followed by the Bank Operations Procurement Review Committee review and resolution;
 - c. Government budget procedures, which required the project feasibility study to be revised and updated via a lengthy process to determine budget allocations for investments;
 - d. Erratic project financing from the State Budget Program with no project funds available at the start of the calendar year until 2019; and
 - e. Spread of COVID-19 pandemic and associated restrictions, that have considerably hit project implementation.
3. The project remedial actions agreed upon with the Client at in-depth mid-term review of October 2018, and closely followed up through a series of Bank missions afterwards, proposed a two-step project restructuring approach. First restructuring was approved in May 2019, when the overall disbursement ratio was less than 7 percent, with project implementation progress rated unsatisfactory. Intermediate result indicators were adjusted to reflect revisions to intermediate targets due to delays in implementation, as well as adjustments to end targets given the availability of additional information since project appraisal. A second step was the extension of the project closing date subject to improved implementation.
4. COVID-19 has had a massive impact on construction contracts of the project. A few contracts had stopped for some period, with the intention to resume work on a later date. At this stage, COVID-19 is no longer an absolute obstacle to contracts completion, but it has slowed them down, causing delay and disruption, due to severe disruption in supply chains and labor. As the COVID-19 situation is still evolving, further issues can still arise to some extent.
5. Currently the project is reporting steady progress with the total disbursement of 40.74 percent and project implementation progress upgraded to moderately satisfactory. Main procurement activities have been completed and all civil works contracts are now under implementation, committing most of the project funds (90 percent of loan proceeds) and, leaving some space for contracts cost increase due to significant price increases of construction materials. Most contracts are progressing satisfactorily except for the COVID induced delays. The project financing has been confirmed in the State Budget Program for calendar years 2021 and early 2022. The Government, through a letter from the Ministry of Finance dated October 13, 2021, requested (i) a twenty-four-month extension of the project closing date to have all works contracts completed and to deliver the project outcomes, and (ii) adjustment of the intermediate results indicator for Component 2 to align the project with the institutional changes in the country and the actual situation.
6. The implementing agency has no outstanding safeguards issues nor overdue audit reports.

II. DESCRIPTION OF PROPOSED CHANGES



7. The project is proposed to be extended by twenty-two-months till October 31, 2023, based on the revised implementation schedule, discussed and agreed upon with the project Implementing Agency (Committee of Water Resources / The Ministry of Ecology, Geology and Natural Resources) during the last implementation support mission in April 2021 and reconfirmed in October 2021. This would be the first extension of the project closing date. The proposed extension will allow delivery of project outcomes and project ratings can be further upgraded. PDO objectives are expected to be achieved.
8. The intermediate results indicator for Component 2 is proposed to be changed from original “Operational water user associations created and/or strengthened” to “agricultural cooperatives strengthened”. The Law on agricultural cooperatives dated October 29, 2015 dissolved and/or reorganized the Rural Consumer Cooperatives of water users (RCC- the form of water user associations in Kazakhstan) to agricultural cooperatives from January 1, 2016. The responsibility for water management was transferred from RCCs to KazVodKhoz Republican State Enterprise (KVK), a public institution. The project will pilot a participatory approach and irrigation management transfer from KVK to two selected agricultural cooperatives that will be strengthened under the project.
9. End target dates and intermediate target values for all indicators are proposed to be adjusted to reflect the extension of the project closing date. Disbursement projections will be formally revised to reflect changes in the implementation schedule. The proposed restructuring will align the project with the institutional changes in the country and the actual situation on the ground.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
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		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

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-82770	Effective	31-Dec-2021		31-Oct-2023	29-Feb-2024

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2013	0.00	0.00
2014	0.00	0.00
2015	800,000.00	0.00
2016	850,000.00	805,274.00
2017	800,000.00	910,614.00
2018	4,452,440.00	775,858.00
2019	28,000,000.00	6,226,179.00



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2020	36,000,000.00	12,322,039.00
2021	32,000,000.00	16,201,475.00
2022	0.00	17,000,000.00
2023	0.00	26,000,000.00
2024	0.00	22,658,561.00



Results framework

COUNTRY: Kazakhstan

Second Irrigation and Drainage Improvement Project

Project Development Objectives(s)

The Project development objective is to improve irrigation and drainage service delivery to support farmers in the Project areas. This will be achieved through rehabilitation and modernization of irrigation and drainage systems; improved management, operation and maintenance of these systems; and more efficient use of associated irrigated lands; all with improved participation of users in developing and managing the rehabilitated / modernized systems.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets								End Target	
			1	2	3	4	5	6	7	8		
Improve irrigation and drainage (I&D) service delivery to support farmers in the Project areas												
Water users provided with new/improved irrigation and drainage services (number) (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,000.00	43,000.00	120,000.00
Action: This indicator has been Revised	Rationale: The end target date and intermediate target values were revised to reflect the extension of the project closing date.											
Water users provided with irrigation and drainage services - female (number) (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	34,000.00	60,000.00



Indicator Name	PBC	Baseline	Intermediate Targets								End Target	
			1	2	3	4	5	6	7	8		
Action: This indicator has been Revised			Rationale: The end target date and intermediate target values were revised to reflect the extension of the project closing date.									
Area provided with irrigation and drainage services (ha) (CRI, Hectare(Ha))		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18,000.00	50,000.00	100,000.00
Action: This indicator has been Revised			Rationale: The end date and intermediate target values were revised to reflect the extension of the project closing date.									
Area provided with irrigation and drainage services - Improved (ha) (CRI, Hectare(Ha))		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18,000.00	50,000.00	100,000.00
Action: This indicator has been Revised			Rationale: The end date and intermediate target dates were revised to reflect the extension of the project closing date.									

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets								End Target	
			1	2	3	4	5	6	7	8		
Rehabilitation and Modernization of I&D Systems Infrastructure												



Indicator Name	PBC	Baseline	Intermediate Targets								End Target	
			1	2	3	4	5	6	7	8		
Length of the lined canals (Component 1) (Kilometers)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	150.00	250.00	400.00	800.00
Action: This indicator has been Revised	Rationale: <i>The end target date and intermediate target values were revised to reflect the extended closing date of the project and implementation delays.</i>											
Grievance Redress Mechanism established and operationalized (Yes/No)		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Action: This indicator has been Revised	Rationale: <i>The end target was revised to reflect the extension of the project closing date.</i>											
Sustainable Management, Operation and Maintenance of I&D Systems												
Agricultural cooperatives strengthened (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	2.00
Action: This indicator has been Revised	Rationale: <i>Revised indicator. The revision is proposed to reflect institutional changes from rural consumer cooperatives of water users to agricultural cooperatives. The project will pilot a participatory approach and irrigation management transfer from KazVodKhoz to two selected agricultural cooperatives that will be strengthened under the project. The definition of the "strengthened" includes the following: (i) the selected agricultural cooperatives trained on scheduling water delivery and operation of the irrigation and drainage (I&D) infrastructure; (ii) the regulations of the selected agricultural cooperative allow for delivery of irrigation water and operation of I&D infrastructure and relevant recommendations/internal guidelines are developed; and (iii) an irrigation service fee is defined and will be collected from members of the cooperative.</i>											



Indicator Name	PBC	Baseline	Intermediate Targets								End Target	
			1	2	3	4	5	6	7	8		
Number of sub-projects with automated canal flow and groundwater table monitoring and control technology is developed to help modernize sub-project performance (Components 2). (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	6.00	10.00
Action: This indicator has been Revised	Rationale: The end target and intermediate target values were revised to reflect the extension of the project closing date and implementation delays.											
Secondary canal system Management, Operation and Maintenance plans developed and operationalized (Hectare(Ha))		0.00	0.00	0.00	0.00	0.00	0.00	0.00	60,000.00	60,000.00	80,000.00	80,000.00
Action: This indicator has been Revised	Rationale: The end target date and intermediate target values were revised to reflect the extension of the project closing date.											
Agricultural Development												
Client days of training provided (Number)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,000.00	9,000.00	15,000.00	20,000.00



Indicator Name	PBC	Baseline	Intermediate Targets								End Target	
			1	2	3	4	5	6	7	8		
prepared (Component 1, supported by Components 2 and 3) (Number)												
Action: This indicator has been Revised	Rationale: The end target date was revised to reflect the extension of the project closing date.											
Users satisfied by quality of irrigation services provided (Percentage)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90.00
Action: This indicator has been Revised	Rationale: The end date has been revised to reflect the extension of the project closing date.											
Preparation of Monitoring and Evaluation reports (Number)		0.00	0.00	0.00	0.00	0.00	1.00	1.00	2.00	2.00	2.00	2.00
Action: This indicator has been Revised	Rationale: The end target date was revised to reflect the extension of the project closing date.											



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