

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA2796

Project Name	SOUTH KARAKALPAKSTAN WATER RESOURCES MGMT IMPROVEMENT (P127764)
Region	EUROPE AND CENTRAL ASIA
Country	Uzbekistan
Sector(s)	Irrigation and drainage (100%)
Theme(s)	Water resource management (70%), Rural services and infrastructure (20%), Other public sector governance (10%)
Lending Instrument	Investment Project Financing
Project ID	P127764
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Agriculture and Water Resources
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	14-Apr-2014
Date PID Approved/Disclosed	19-Mar-2013, 07-May-2014
Estimated Date of Appraisal Completion	15-Apr-2014
Estimated Date of Board Approval	10-Jun-2014
Decision	

I. Project Context

Country Context

Uzbekistan, a resource rich and landlocked country, is the third largest country in Central Asia by land mass and the largest in population (29.8 million). Uzbekistan has sustained stable growth and poverty reduction, but reforms to address economic inefficiencies and structural impediments to growth are still in the early stages. Driven mainly by favorable terms of trade and public investments, its growth rate averaged 8 percent in 2012-13. The headcount poverty rate declined from 27.5 percent in 2001 to 16.0 percent in 2011 because of rapid economic growth, large government investments in education, health and infrastructure development, increases in public sector salaries, and increased remittances.

Despite an overall decline in poverty levels, rural poverty remains high (30 percent), and a large share of the poor are dependent on agriculture for employment and livelihoods. One of the government's cross-cutting development policy goals and priorities include the improvement of education, health and social services, so that the benefits of overall growth are shared more equitably by the entire population, in particular in poor regions such as Karakalpakstan and the Fergana Valley.

With a poverty rate of 32 percent and a food poverty rate of 26.4 percent, the Autonomous Republic of Karakalpakstan - where the project will be operating - is one of the poorest regions of Uzbekistan. It is located in western Uzbekistan near the Aral Sea, has an area of 160,000 km² and has a population of about 1.7 million people. The economy of the region, formerly largely dependent on fisheries, is now supported by cotton, livestock and melons, and relies heavily on extensive irrigation development, much of which is poorly managed. Wasteful water use has led to soil degradation and high operation and maintenance (O&M) costs, as much of the irrigated area depends on pumps, disproportionately contributing to Uzbekistan's high energy consumption per unit of gross domestic product (GDP), and eroding sustainability. Improving irrigation performance will help people move out of poverty and build their assets. The region has suffered from the shrinking of the Aral Sea - which has led to a human health crisis in the region. Infant mortality ranges from 70 to more than 100 per 1,000 live births, depending on the location in Karakalpakstan. Chronic malnutrition among children is double that of children living in Tashkent. It also has the highest female anemia rates in the world - 97 percent of women overall and 99.3 percent of pregnant women are anemic as opposed to 39.1 percent in the capital city, Tashkent. This has led to 4 out of 5 children being born anemic. This region is also reported to have the highest esophageal cancer rate in the world.

Karakalpakstan continues to face a devastating degradation of livelihoods. Inefficient water management and deteriorating irrigation and drainage (I&D) systems have contributed to growing salinization of land and water resources in irrigated areas, exposure to dust storms and poor quality drinking water. These in turn have led to increasing food insecurity for the local population which forced many to relocate or endure severe living conditions at home. The collapse of the fishing industry, and decline of agriculture, healthcare and education systems have added to out-migration. Up to 30 percent of working age people in Karakalpakstan have left to work in Kazakhstan and Russia.

Sectoral and institutional Context

Agriculture

Agriculture plays an important role in Uzbekistan's economy. As of 2012, 49 percent of the population - more than 14.5 million people - lived in rural areas. As in many parts of the world, the majority of poor people live in rural areas, and agriculture has a significant impact on rural livelihoods, jobs, and food security. In 2010, agriculture provided 25 percent of total employment. Although the sector's contribution to GDP declined from 34 percent in 2001 to 19 percent in 2011, farm output has doubled in real terms and continues to grow steadily, at a rate of 7.1 percent per year.

Irrigation. Because of the arid environment in many parts of the country, I&D is essential to sustaining agriculture and its benefits in terms of rural incomes, employment and livelihoods to the many poor that depend on it. More than 85 percent (4.2 million hectares) of the country's cropland is irrigated from the Amu Darya and Syr Darya Rivers and their tributaries.

Large-scale I&D development in Uzbekistan started in the late 1950s. Extensive waterworks, reservoirs and irrigation networks were constructed. This water infrastructure is now aging, and due to deteriorating infrastructure and poor management, the country loses US\$1.7 billion annually

(about 8 percent of GDP). The annual decrease in agricultural production as a result of poor water management is estimated to be in the order of US\$2.0 billion. Over a quarter of irrigated lands depend on irrigation pumps, and a much larger proportion on drainage pumps. In some areas, water is lifted through cascades of pumping stations for more than 100 meters, which contributes disproportionately to Uzbekistan's high energy consumption per unit GDP. The poor management and aging infrastructure, together with the dependence on pumping, in turn contribute to raising O&M costs. Switching from lift to gravity irrigation would thus reduce the economic and financial costs of operating the systems.

O&M of the national I&D infrastructure has, over the past 10 to 20 years suffered from substantial underfunding with only about 15 - 25 percent of requirements covered by the Ministry of Agriculture and Water Resources (MAWR). More than 60 percent (US\$350 million) of the entire budget of MAWR is allocated to paying for electricity to power I&D pumping stations. Electricity for irrigation pumps accounts for 16 percent of the national electricity generation. Many of Uzbekistan's I&D systems are caught in a vicious cycle of inadequate O&M, poor service delivery quality, low agricultural productivity and farm income, and low cost recovery. In Karakalpakstan, only half of the irrigable area is actually irrigated due to limited investment budget and inefficient water supply systems, and the total crop area has decreased from 250,000 hectares (ha) to 190,000 ha following the prolonged drought in 2002.

Irrigated agriculture at present generates adequate revenues to finance the costs of irrigation. Cost recovery can be significantly improved. At the same time, switching from lift to gravity irrigation would significantly reduce the economic and financial costs of operating the systems to the country and farmers, and would help make recovery of O&M costs more sustainable.

Recognizing that more O&M costs need to be recovered, Uzbekistan has taken steps to introduce payment for water service delivery, establish cost accounting in district irrigation departments, and divest the public sector of the responsibility for operating and maintaining of intra-farm I&D networks. Farmers are encouraged to organize themselves into Water Consumers Associations (WCAs) that have become responsible for operating and maintaining the smaller canals and some of the smaller pumping stations, while the public sector continues to be responsible for larger canals.

Some of the pumping stations are on the balance sheet of WCAs. High dependence on pumping and high O&M costs undermine the efforts of these WCAs to become financially viable, especially because many are still in development and can barely afford to pay the salaries of their officials. Moreover, the limited profits from cotton that are received by the farmers hamper their ability to pay the high O&M costs.

Improving water management would reduce water costs to farmers, and enable them to increase yield and cultivate higher value crops that would strengthen the farmers' capacity to pay. Dehkhani farmers that grow horticulture crops are now joining these WCAs, which has improved the financial situation of the WCAs.

The project will finance switching from pump irrigation to gravity irrigation, which will lower the costs of O&M. Irrigation supply will become more reliable as a result of the project, and farmers will be able to grow higher value crops, which will strengthen their capacity to pay for O&M. Farmers who grow cotton will be able to increase yields and they will benefit from cotton harvest

mechanization.

Crop diversification. Diversifying agricultural production away from cotton has become a priority for the government of Uzbekistan. Traditional agriculture in Uzbekistan was characterized by a mix of cereals, horticulture, and cotton production – all based on small to medium scale irrigation. When the country was part of the Soviet Union, irrigation expanded significantly, and cotton became predominant under a state-order system in which collective farms had to meet pre-allocated production targets. Cotton, however, is a highly water intensive crop and due to increasing water scarcity and other competing needs for water, extensive cotton production cannot sustainably be maintained over the longer term. Today, the government of Uzbekistan is taking measures to move to a more diverse and sustainable agriculture system.

Horticulture crops offer better export potential, tend to be less water intensive and generate higher value – gross margins per hectare are up to five times higher than cotton and wheat. Horticulture crops appear to be more resilient to climate change and increasing water scarcity. Indeed, cotton requires almost double the amount of water as wheat and grapes, and about five times that of apples.

As a result of the government's priorities, cotton has declined from 1.83 million ha in 1990 to 1.28 million ha (about 37 percent of total cultivated area) in 2013. In the project area, the land used for cotton decreased from 44,000 ha in 2011 to 36,000 ha in 2013. The wheat area increased from about 0.4 million ha to about 1.4 million ha (about 47 percent of total cultivated area) during the same period. The area planted with horticultural crops has also increased significantly in recent years and now accounts for about 16 percent of cultivated area and horticulture crops are grown on about 21,000 private farms. Horticultural export earnings have jumped in recent years, from US \$373 million in 2006 to US\$1.16 billion in 2010. More notably, horticulture is an important source of income for the 4.7 million households that operate dehkhan farms. The World Bank has supported the diversification into horticulture in Uzbekistan through various channels: policy dialogue, analytic work (e.g., "Horticulture Policy Note for Uzbekistan, Strengthening the Horticulture Value Chain" 2013), and investments (on-going Second Rural Enterprise Support Project, RESP-II, and its Additional Financing (AF), and the proposed Horticulture Development Project, HDP).

Farm restructuring. The agriculture sector has been subject to continued farm restructuring. Starting in 1998, the former state and collective farms were converted into cooperative farms (shirkats), where the production assets were managed by families, who held ownership shares. Then, between 2002 and 2007, the government undertook a massive conversion of shirkats into private leasehold farms. The land for the private farms was allocated by the government to farmers under a long-term lease for 30 to 50 years. As of 2010, there were about 66,134 private leasehold farms in Uzbekistan. These farms remain subject to the state's cotton and/or wheat procurement system, unless they have been designated for growing other crops (for example, horticulture or livestock).

The cotton and wheat supply chains in Uzbekistan remain dominated by the government, with farmers acting like "contract farmers." The state provides subsidized inputs to cotton and wheat farmers, occasional debt write-offs, and support to cover I&D investments and O&M costs. Total subsidies were estimated at US\$483 million in 2012. Regional production targets for cotton and wheat are set annually by decree of the Cabinet of Ministers. The regional targets are subsequently translated into Oblast, District and individual farm-level production targets. The responsibility for

monitoring all aspects rests with the regional administration at the Oblast and District levels. The state cotton procurement price for the new season is announced near harvest time, based on a cost-plus method plus an allowance for a nominal profit. This eliminates price risks for farmers, but fixes the price well below world market prices. Once subsidies are taken into account, farmers do make a profit on cotton production.

Cotton Harvesting and Child and Forced Labor

Cotton is harvested during the months of September and October. It is sensitive to weather conditions, and must be harvested as quickly as possible. Although mechanized harvesting was used more extensively during the Soviet times, the subsequent farm restructuring and institutional changes in the state cotton system during the transition led to the deterioration of the large mechanical cotton harvester combines, which were not replaced. Moreover, cotton harvesting technologies more suited to local conditions were until recently not locally available. A large workforce is needed when cotton is harvested by hand. High peak labor demand during the cotton harvest period, in combination with the state procurement system led to the state-sponsored use of forced adult and child labor for cotton - with staff from schools, universities, hospitals, and other government organizations joining the cotton harvesting, and local governments (hokhimiyats) providing the transportation.

The government of Uzbekistan is a signatory of several International Labor Organization (ILO) conventions related to child and forced labor, but the enforcement of these conventions, as well as of existing national laws reflecting international agreements, has remained challenging, especially during the cotton harvest. Forced child labor in cotton harvesting used to be widespread, but it has declined in recent years. A joint ILO-government of Uzbekistan mission took place during the cotton harvesting season in September-October 2013 to monitor the use of forced child labor, and concluded that: "In general terms, the monitoring observed widespread awareness of national laws and instructions not to allow the use of children under 18 years of age in the cotton harvest. Moreover, it would appear from the monitoring that there was no systematic recourse to forced child labor." However, forced child labor has been reportedly substituted with forced adult labor organized by local authorities and administrators of public institutions in many areas.

Recognizing the need to change the system, the government of Uzbekistan has announced its plans to fully mechanize cotton harvesting by 2016. The Asian Development Bank, with full engagement from the World Bank, is working with the government to formulate a strategy to mechanize agriculture, with a particular emphasis on cotton production.

The World Bank, in consultation with the government and development partners, has adopted a multi-pronged approach to address child and forced labor issues in Uzbekistan. These include (i) pursuing continuous country dialogue and collaboration with international/ multilateral agencies and donors to address these issues; (ii) performing sector analytic work and policy dialogue to promote diversification away from cotton and mechanization of cotton harvesting; (iii) strengthening project-level mitigation measures and binding provisions, including implementing a Third Party Monitoring (TPM) and Feedback Mechanism (FBM) to help address child and forced labor issues in connection with the project activities or within the project area; and (iv) promoting crop diversification and intensification, and supporting agricultural mechanization through a number of investment operations, including the RESP-I, RESP-II, AF-RESP-II, and proposed HDP. This comprehensive effort to eliminate the use of child and forced labor in cotton harvesting has

received wide support and endorsement from development partners and community based organizations.

More specifically, the proposed project will implement several measures with the aim to fully eliminate the occurrence of child and forced labor in the project area. There is an understanding with the government that the project will be a pilot and that the lessons learned will be applied to the preparation of a government strategy for agricultural diversification away from cotton and for mechanization of the production that remains. These measures include:

- (i) A covenant in the Financing Agreement (FA) that requires the government to comply with national legislation that prohibit the use of child and forced labor, and measures to address violations;
- (ii) A clear land use strategy that eliminates incentives for using child or forced labor in the entire project area of 100,000 ha, including crop diversification and cotton harvest mechanization;
- (iii) Exemption from the state's cotton procurement system for the 30,000 ha restored area, and commitment from the government not to expand the area under cotton (currently 36,000 ha);
- (iv) Training, awareness raising and outreach activities on labor legislation and the strictures on child and forced labor;
- (v) A TPM and FBM, financed through a separate trust fund and focused on child and forced labor issues in connection with the project activities or within the project area, to be conducted during the cotton harvesting season;
- (vi) Additional covenants in the FA that require that local authorities fully collaborate with the TPM and that actions to ensure compliance will be taken promptly;
- (vii) Technical assistance (TA) to help the government develop a strategy for agricultural diversification and to review arrangements for independent certification that Uzbek cotton complies with child and forced labor regulations, in collaboration with International Finance Corporation and the private sector.

The TPM, which will be financed through a separate trust fund, will focus on child and forced labor issues in connection with the project activities or within the project area and will be conducted during the cotton harvesting season. Feedback will be collected from both project beneficiaries and other stakeholders in connection with the project activities. A fully independent FBM will be established, dedicated to reports on potential evidence on the occurrence of child and/or forced labor in connection with the project activities or within the project area. The TPM will be implemented by a reputable consulting firm with experience in social auditing and during implementation, the TPM consultant will work closely with Civil Society Organizations. Activities under the TPM and FBM include, among other things: (i) capacity building and learning; (ii) periodic unannounced site visits; and (iii) periodic assessment of local context and conditions. A Joint Working Group, consisting of representatives from the government, Bank and TPM consultant, will be established under the trust fund to discuss and resolve any differences during implementation of the assignment. While the trust fund is yet to be established, the World Bank has an ongoing dialogue with bilateral donors on this agenda and there is wide support for the approach that the Bank has adopted for elimination of child and forced labor in Bank-financed project areas. It is therefore expected that several bilateral donors will make financial contributions for TPM/FBM. In the event that no funding is secured before project effectiveness, the World Bank's own administrative budget will initially be used to start the program.

The economic analysis of the project estimates the benefits of the investments in mechanized cotton

harvesting at US\$15.4 million annually (9.3 percent). The returns to investments in mechanization of cotton harvesting are estimated by taking into account: (i) the opportunity costs of students and highly skilled labor and (ii) the costs associated with providing transportation, lodging, and food and providing other supplies, such as aprons and gloves for the manual labor and comparing these with costs of mechanized cotton harvesting. In addition, cotton harvest mechanization is not expected to adversely impact employment in the project area. The crop diversification and intensification resulting from project activities are expected to generate additional demand for year-round labor. As opposed to cotton harvesting that is characterized by a peak demand for labor that is difficult to satisfy, production of horticulture crops, for example, requires a more evenly spread labor input throughout the growing season, which can be found on the market and, in fact generates income for low income families. As a result of improved irrigation, farmers will be able to move from two cycles (cotton and winter wheat) to three cycles (with a third crop after winter wheat). This diversification will apply to about 70,000 ha within the project area and will create additional jobs year round.

The project will help restore 30,000 ha of degraded land that will be formally exempted from the state cotton procurement system and this has been reflected in a covenant. About 34,000 ha is designated for growing non-cotton crops, where the project will help farmers access markets and realize income. Cotton is currently grown on 36,000 ha, and the government has committed to not expanding this area. Out of this area, 70 percent will be mechanized with support of the project (25,200 ha). The remaining 30 percent (10,800 ha) is not suitable for mechanization and will be worked by voluntary labor, as the labor demand on this area accounts for only 5 percent of the available workforce in the project area. This includes 5,100 ha currently used for high-value cotton seed production which already attracts voluntary labor, and 5,700 ha with land configuration restrictions. The labor demand on these 10,800 ha will therefore be met with voluntary labor, which will be sufficient since it will require only 5 percent of available labor.

Transboundary Water

The Amu Darya is the largest river in Central Asia, with a catchment area of 309,000 km² and a length of 2,540 km. The river is shared by Afghanistan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. Most of the Amu Darya flow is generated in Tajikistan. Three major tributaries contribute to the river: the Kafirnigan, Sherabad, and Surhandarya. The annual flow of the Amu Darya is 74 km³. Two main reservoirs, Nurek and Tuyamuyun, and several on-system reservoirs on the Karakum, Karshi and Amu-Bukhara Canals have been developed, with a total storage capacity of 24 km³.

Water resource availability in Central Asia has important seasonal, geographic and economic dimensions, with downstream countries highly dependent on upstream countries for essential irrigation water. Climate change is expected to amplify variability in water resources both seasonally and geographically. Hydropower resources are concentrated in the Kyrgyz Republic and Tajikistan, while thermal energy resources are concentrated in Uzbekistan, Turkmenistan and Kazakhstan. Energy-water linkages play a critical role in the future of Central Asia in terms of economic development, poverty alleviation and shared prosperity, food security, public expenditures and cooperative relations. For example, upstream riparian country Tajikistan is considering development of dam infrastructure, the impact of which on regional water resources availability is currently being studied. These linkages are inextricable from perceptions of national security, regional stability and economic growth. Managing them requires managing complex

technical and political issues and sometimes diverse development objectives. Yet history and experience elsewhere have demonstrated the potential for mutual benefits from sharing both energy and water resources across borders.

Five Central Asian states participate in the Interstate Commission for Water Coordination of Central Asia (ICWC), established in 1992, for the regulation of water resources in the Aral Sea Basin. Since 1999, the ICWC is part of the International Fund for Saving the Aral Sea (IFAS). Heads of Central Asian states occupy the post of IFAS president on a rotational basis, with Uzbekistan currently serving. Strategic directions for the IFAS are formulated by the Council of Heads of the five states in the region.

Kazakhstan, Turkmenistan and Uzbekistan are signatories to the 1997 United Nations Convention on Non-navigational Uses of International Watercourses. It establishes the principle of equitable and reasonable use, not to cause significant harm to neighbors, and the prior notification of planned measures.

A number of bilateral agreements on water management have been signed by Uzbekistan. According to the Water Management Partnership Agreement signed on January 16, 1996, by Turkmenistan and Uzbekistan, Turkmenistan agreed that the hydraulic infrastructure and Tuyamuyun Dam belong to Uzbekistan. Also, the parties agreed to cooperate on any emerging water use issues in both their territories, and try to resolve these issues by developing separate protocols.

Another agreement is the Partnership for Operation, Maintenance and Repair of Economic Entities in the border areas of Uzbekistan and Turkmenistan, dated March 10, 2008. The two parties agreed to, among other things, assist in the implementation of projects for the construction and reconstruction of water facilities with investments from international financial institutions, and to coordinate construction and reconstruction of water facilities on transboundary waters, guided by the principle of doing no harm to neighboring states in the use of transboundary watercourses. The two parties also agreed to regularly organize seminars and conferences to exchange information and experience in the fields of water management and water facility maintenance.

II. Proposed Development Objectives

The project development objective (PDO) of South Karakalpakstan Water Resources Management Improvement Project (SKWRMIP) is to restore irrigation and improve water management in the project area in a sustainable and financially efficient manner.

III. Project Description

Component Name

Modernization of Irrigation Network

Comments (optional)

The objective is to restore the irrigated area in South Karakalpakstan in a financially efficient manner. Intermediate results indicators include (i) area provided with improved I&D services; (ii) number of female and male water users provided with new/improved I&D services; (iii) reduction of energy consumption; (iv) irrigation water distribution schedule prepared; and (v) dam safety plan for Tuyamuyun prepared and submitted to the government. This component will invest in infrastructure to restore irrigated area in South Karakalpakstan.

Component Name

Modernization of Agriculture

Comments (optional)

This component will invest in improving irrigated agricultural production so that farmers take advantage of improved water management. Intermediate results indicators include (i) WCAs strengthened; (ii) number of Basin Water Organization, Lower Amu Darya Basin Administration of Irrigation Systems and Pakhta-Arna-Nayman Irrigation System Administration (PAN-ISA) staff trained and the percentage of trainees satisfied with the training; (iii) number of client days of training provided; (iv) area producing a third non-cotton/non-wheat crop after winter wheat; (v) percentage of cotton area harvested mechanically; and (vi) number of demonstrations established.

Component Name

Project Management and Monitoring and Evaluation

Comments (optional)

Besides overall project management, this component will finance: (i) a feasibility study for a follow-on investment operation; (ii) a performance based Management Information System (MIS); (iii) a strategy for water resource management in the lower Amu Darya; (iv) development of operating rules for the Tuyamuyun Dam that will reflect the fact that water releases to serve downstream pumping are no longer required; (v) TA to help the government develop a strategy for agricultural diversification away from cotton; and (vi) a study into requirements and arrangements to certify that Uzbek cotton complies with child and forced labor regulations.

IV. Financing (in USD Million)

Total Project Cost:	337.43	Total Bank Financing:	260.79
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			76.64
International Bank for Reconstruction and Development			18.29
International Development Association (IDA)			242.50
Total			337.43

V. Implementation

Institutional and Implementation Arrangements

Implementation arrangements for the project build on those that were adopted for Drainage, Irrigation and Wetland Improvement Project, but allocate more responsibility for project implementation to local authorities. The MAWR, with branches at the district and regional levels, is responsible for water planning in the country and for O&M of the main I&D systems down to farm level. The MAWR also administers international river systems with respect to water sharing and water quality control. Within MAWR, a deputy Minister acts as the project head with overall responsibility for the project within the MAWR and for liaising with other ministries and government agencies.

Responsibility for day-to-day project implementation will be delegated to the existing PIU and headed by a project director, supported by technical and administrative staff in Tashkent. The PIU

will maintain an office in Beruni under the supervision of a deputy director. The PIU will be assisted by national and international consultants on contract administration and construction supervision, project management, Monitoring and Evaluation (M&E), capacity strengthening and irrigation.

A Karakalpak Project Coordination Committee (KPCC) will be established in Nukus to supervise and coordinate project implementation. The KPCC will be chaired by the deputy chairman of the Council of Ministers of Karakalpakstan. Its secretary will be the PIU director. Members of the KPCC will be the mayor (Hokhims) of concerned districts (Beruni, Ellikala and Turtkul); local representatives of the Departments of Agriculture, Forest and Livestock; the cotton association (Khloptaprom, responsible for cotton ginning); the National Environmental Agency (Goskompriroda); the Institute of Archaeology and Ethnography; and two farmers' representatives of each district. The main task of the KPCC is to coordinate the implementation of the project, review project monitoring and evaluation reports submitted by the M&E consultants, communicate the prohibition on the use of child and forced labor to project stakeholders, and to recommend necessary actions when project implementation problems occur. It will meet semi-annually, or at the request of the chairperson or the secretary.

A Field Coordination Committee (FCC) will be established and chaired jointly by the three district mayors in the project area. The PIU director or his designate will act as secretary. Its members include local representatives of the Departments of Agriculture, Forest and Livestock; KhloptaProm (the cotton agency responsible for cotton ginning); the national environmental agency (Goskompriroda); the Institute of Archaeology and Ethnography; and two farmers' representatives. Meetings will be open for attendance by stakeholders on an observer basis. The main task of the FCC will be to coordinate the implementation of the project at district level, exchange information about project activities (in particular on progress in the implementation of civil works and training), communicate the prohibition on the use of child and forced labor to project stakeholders, and recommend necessary actions when project implementation problems occur. The FCC will meet at least quarterly, or at the request from the chairperson or the secretary.

Dialogue between stakeholders will be further strengthened by investing in communication equipment, in particular for PAN-ISA and WCAs. In addition, the PIU will become more hands-on involved in day-to-day project management. To that end, the PIU will be strengthened to include a number of technical experts, including in M&E, environment and social issues, irrigation and agriculture. Furthermore, TA consultants will be located in the offices of district and regional offices of their counterparts to ensure relevance and ownership among these clients.

The PIU will submit semi-annual reports to the MAWR, Karakalpakstan Ministry of Agriculture and Water Resources, KPCC and Bank no later than three weeks after each six-months period. The reports will cover progress and expected completion dates for civil works and equipment/goods contracts, progress on institutional components, training and studies, and activities of the PIU's M&E, procurement and financial consultants. The PIU will also submit annual reports to the same groups. These reports will contain an Annual Progress Report and an Annual Work Plan. The Annual Progress Report will cover the progress of each component, implementation of key features of the environmental management plan, key performance indicators, operation of project facilities, and financial statements. The Annual Work Plan will contain a plan for implementation, updated disbursement profile, planned actions in compliance with safeguard policies, and target indicators for the coming year.

Results Monitoring and Evaluation

The PIU will be responsible for overall coordination of project monitoring. M&E consultants will be recruited by the PIU for independent monitoring of project progress, project impact, and the achievement of project development objectives. To that end, the PIU and M&E consultants will be responsible for setting up the project's MIS and arrange for data collection and reporting. The MIS will be based on the agreed project outcome indicators and annual performance targets.

M&E consultants will also monitor project compliance with social and environmental safeguards, and the impact of crop intensification/diversification and cotton harvest mechanization on employment opportunities in the project area (in particular on vulnerable groups). They will supervise implementation of the overall Environmental Management Plan and Social/Resettlement Management Plan, including the Resettlement Action Plan, and will undertake careful review and monitoring of specific sub-project social and environmental management plans as well as impact assessment and supervision of their implementation. These consultancies will also help to reinforce overall transparency and governance during project implementation. A baseline survey will be conducted before project effectiveness and additional surveys are scheduled to be held during mid-term review and at project completion. The PIU will submit to the MAWR, KPCC and Bank a semi-annual performance review.

Progress will also be monitored through regular implementation support missions conducted by the Bank and the government. M&E findings will provide feedback during these missions, and progress reports will be prepared immediately preceding the implementation support missions. A mid-term review of the project will be undertaken. The final Beneficiary Implementation Completion Report will be submitted to the Bank three months prior to the project's closing date. A separate Implementation Completion Report will be prepared by the Bank no later than six months after the project's closing date.

In addition to regular monitoring of project results, the project will participate in a TPM and an FBM. The TPM, which will be financed through a separate trust fund amounting to approximately US\$2.5 million over three years, will focus on child and forced labor issues in connection with the project activities or within the project area and will be conducted during the cotton harvesting season. Feedback will be collected from both project beneficiaries and other stakeholders. A fully independent FBM will be established, that is dedicated to reports on occurrences of child and/or forced labor in connection with the project activities. It is different from the feedback mechanism that will be established as part of the measures that accompany involuntary resettlement. The TPM will be implemented by a reputable consulting firm with experience in social auditing. Activities under the TPM and FBM include, among others things, (i) capacity building and learning; (ii) periodic unannounced site visits; and (iii) periodic assessment of local context and conditions. A Joint Working Group, consisting of representatives from the government, Bank and TPM consultant, will be established to discuss and resolve any disagreement during implementation of the assignment.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	

Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50	x	
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)**VII. Contact point****World Bank**

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