REPORT NO.: RES35854

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

CLIMATE ADAPTATION AND MITIGATION PROGRAM FOR ARAL SEA BASIN CAMP4ASB

APPROVED ON NOVEMBER 3, 2015

TO

MINISTRY OF FINANCE OF THE REPUBLIC OF TAJIKISTAN, REPUBLIC OF UZBEKISTAN, EXECUTIVE COMMITTEE FOR INTERNATIONAL FUND FOR SAVING THE ARAL SEA

ENVIRONMENT & NATURAL RESOURCES
EUROPE AND CENTRAL ASIA

Regional Vice President: Cyril E Muller
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Task Team Leader: Gayane Minasyan, John Bryant Collier
### I. BASIC DATA

#### Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>P151363</td>
<td>Investment Project Financing</td>
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</table>

<table>
<thead>
<tr>
<th>Original EA Category</th>
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<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tbody>
<tr>
<td>03-Nov-2015</td>
<td>30-Apr-2021</td>
</tr>
</tbody>
</table>

#### Organizations

**Borrower**

Ministry of Finance of the Republic of Tajikistan, Republic of Uzbekistan, Executive Committee for International Fund for Saving the Aral Sea

**Responsible Agency**

Committee for Environmental Protection, Agro Industries and Food Security Agency

#### Project Development Objective (PDO)

**Original PDO**

To enhance regionally coordinated access to improved climate change knowledge services for key stakeholders (e.g., policy makers, communities, and civil society) in participating Central Asian countries, as well as to increased investments and capacity building that, combined, will address climate challenges common to these countries.

#### Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
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</table>
Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

The Climate Adaptation and Mitigation Project for Aral Sea Basin (CAMP4ASB) was approved by the Board on November 3, 2015 and became effective on August 4, 2016. Project's closing date is April 30, 2021.

The total IDA financing for the project is US$38 million, including US$15 million from Regional IDA. In Tajikistan the project is implemented by the Ministry of Finance and State Committee for Environmental Protection, in Uzbekistan by Agency for Implementation of Projects on Agro-Industry and Food Supply/ former Rural Restructuring Agency (under the Cabinet of Ministers) and UzHydromet. Regional Component is implemented by the Executive Committee for International Fund for Saving the Aral Sea (EC IFAS) through Central Asia Regional Environmental Center (CAREC).

Project's progress towards achieving the PDO is satisfactory. Implementation progress has been marginally satisfactory since May 2018. Regional Climate Investment Facility continues to commit resources at a fairly good rate and already showing tangible results for beneficiaries both in Tajikistan and Uzbekistan. IDA credit for Uzbekistan is close to 90% disbursed. Similarly, about 70% of the IDA credit for Tajikistan is also disbursed. Implementation delays with regard to Regional Climate Knowledge Services Component were due to the lack of management and oversight from CAREC between September 2017 and November 2018. A new Program Manager has been selected in November 2018. Implementation progress is expected to accelerate in the next 6 months. A mid-term review of the project is planned for April 2019. The team is also processing preparation of the Additional Financing for the project from the Green Climate Fund.

Rationale for and details of the proposed restructuring:

The recipient of the IDA Grant No D094-7C - the Executive Committee of the International Fund for Saving the Aral Sea (EC-IFAS) has requested an amendment of the Financing Agreement to include taxes (VAT) in eligible expenditures (letter received on December 14, 2018, addressed to the Central Asia Country Director). The original Financing Agreement made provisions for expenditures to be financed exclusive of VAT. Despite the status of non-profit organization, CAREC, which is the implementing agency on behalf of EC-IFAS, is accountable to Kazakhstan's regulations and has been paying the VAT since the project's effectiveness, in line with the Tax Code requirements in the country. The project team, WFA and LEGLE agree that that the request for amendment is relevant considering the context described above and recommend amending the table in Section IV. A.2 in Schedule 2 to the Financing Agreement with "Percentage of Expenditures to be Financed, inclusive of Taxes" starting from the project effectiveness date on August 4, 2016.

III. DETAILED CHANGES