RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

SUSTAINABLE AGRICULTURE AND CLIMATE CHANGE MITIGATION

PROJECT (GEF-TF-14400)

TO THE

REPUBLIC OF UZBEKISTAN

JUNE 15, 2016

AGRICULTURE GLOBAL PRACTICE
CENTRAL ASIA COUNTRY MANAGEMENT UNIT
EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

GEF  Global Environment Facility
GEO  Global Environmental Objectives
PFI  Participating Financial Institution
RESP II Rural Enterprise Support Project II
MOF  Ministry of Finance
FMR  Financial Management Report

Regional Vice President: Cyril E Muller
Acting Country Director: Mariam J. Sherman
Senior Global Practice Director: Juergen Voegele
Acting Practice Manager/Manager: Marianne Grosclaude
Task Team Leader: Dilshod Khidirov
COUNTRY
SUSTAINABLE AGRICULTURE AND CLIMATE CHANGE MITIGATION
PROJECT (GEF-TF-14400)

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### Basic Information

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<tr>
<th>Project ID:</th>
<th>P127486</th>
<th>Lending Instrument:</th>
<th>Specific Investment Loan</th>
</tr>
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<tbody>
<tr>
<td>Regional Vice President:</td>
<td>Cyril E Muller</td>
<td>Original EA Category:</td>
<td>Partial Assessment (B)</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Mariam J. Sherman</td>
<td>Current EA Category:</td>
<td>Partial Assessment (B)</td>
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<tr>
<td>Senior Global Practice Director:</td>
<td>Juergen Voegele</td>
<td>Original Approval Date:</td>
<td>29-Jan-2013</td>
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<tr>
<td>Practice Manager/Manager:</td>
<td>Marianne Grosclaude</td>
<td>Current Closing Date:</td>
<td>31-Dec-2016</td>
</tr>
<tr>
<td>Team Leader(s):</td>
<td>Dilshod Khidirov</td>
<td></td>
<td></td>
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</tbody>
</table>

| Borrower:           | Ministry of Finance            |                     |                              |
| Responsible Agency: | Rural Restructuring Agency under Ministry of Agriculture and Water Resources |                     |                              |

### Restructuring Type

<table>
<thead>
<tr>
<th>Form Type:</th>
<th>Full Restructuring Paper</th>
<th>Decision Authority:</th>
<th>CD Decision</th>
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<tr>
<td>Restructuring Level:</td>
<td>Level 2</td>
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### Financing (as of 02-Jun-2016)

#### Key Dates

<table>
<thead>
<tr>
<th>Project</th>
<th>Ln/Cr/TF</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Original Closing Date</th>
<th>Revised Closing Date</th>
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<tbody>
<tr>
<td>P127486</td>
<td>TF-14400</td>
<td>Effective</td>
<td>07-Feb-2014</td>
<td>07-Feb-2014</td>
<td>07-May-2014</td>
<td>31-Dec-2016</td>
<td>31-Dec-2016</td>
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#### Disbursements (in Millions)

<table>
<thead>
<tr>
<th>Project</th>
<th>Ln/Cr/TF</th>
<th>Status</th>
<th>Currency</th>
<th>Original</th>
<th>Revised</th>
<th>Cancelled</th>
<th>Disbursed</th>
<th>Undisbursed</th>
<th>% Disbursed</th>
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<tbody>
<tr>
<td>P127486</td>
<td>TF-14400</td>
<td>Effective</td>
<td>USD</td>
<td>12.70</td>
<td>12.70</td>
<td>0.00</td>
<td>3.19</td>
<td>9.51</td>
<td>25</td>
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</table>

### Policy Waivers

Does the project depart from the CAS/CPF in content or in other significant respects? Yes [ ] No [ X ]
A. Summary of Proposed Changes

The proposed restructuring includes the following changes: (i) the extension of the project closing date by 15 months from December 31, 2016 to March 31, 2018, to make up for the delays in effectiveness, and (ii) under Component 1 (Promoting Renewable Energy Technologies), an increase in the grant financing proportion of the Renewable Energy Sub-projects from 40% to 70%, with the remaining 30% to be co-financed by the beneficiary or credit line of the PFIs. The matching grant program under Component 1 was designed to complement sub-loans from IDA financing (under the Additional Financing for the Rural Enterprise Support Project-II, RESP-II). While the GEF project implementation was delayed, the financing available under RESP-II for sub-loans has been almost fully disbursed as of June 2016. The Ministry of Economy, the Ministry of Finance, the Ministry of Agriculture and Water Resources, the Rural Restructuring Agency and the Participating Financial Institutions (PFIs) have requested to increase the grant financing proportion of the Renewable Energy Sub-projects to reflect the reduced access to finance for potential beneficiaries under RESP-II. The remaining 30% would be co-financed by the beneficiary or credit line of the PFIs. A pipeline of sub-projects is being built by the PFIs. The proposed restructuring is expected to result in a strong demand for the Renewable Energy Sub-projects and increased disbursements under Component 1 (the largest component under the project). The above changes were requested by the Ministry of Finance (MOF) in a letter to the Bank dated April 30, 2016.

The proposed changes would also be accompanied by adjustments to the Results Framework, which will be processed in a follow-up restructuring once those adjustments have been approved by MOF.
**B. Project Status**

The Mid-Term Review of the project was carried out in December 2015 and assessed the status of implementation of project activities and progress towards the Global Environmental Objectives (GEO). Despite some progress in establishing four demonstration plots on solar panel pumping in Andijan, Ferghana, Bukhara and Samarkand regions (following the training workshops for small, medium and large farms), key project results are at risk because the project has disbursed only 25% with seven months remaining until the closing date of December 31, 2016. This is due to the 15 month delay in project effectiveness, as well as further delays in procurement startup and signing of the sub-grant agreements with the PFIs. Therefore, both progress with implementation and towards the GEO is considered moderately unsatisfactory.

Key achievements include: four out of seven demonstration plots have been established, and training on these demonstration plots has been successfully conducted; the project-hired international consultant has helped to review the existing regulatory framework and provided inputs on the draft law on renewable energy. The project-hired consulting firm has trained farmers on the use of renewable energy and energy efficiency technologies. From January to March 2016, 128 workshops were conducted in 8 project regions where 9,077 farmers attended, exceeding the target of 7,040 farmers trained. As of June 2016, total disbursements from the grant program amount to US$181,000 financing 3 Renewable Energy Sub-projects.

The proposed project restructuring is expected to address the main causes of low disbursement by changing the grant financing proportion of the Sub-projects and extending the project for 15 months to compensate for the delay in project effectiveness. The Results Framework would be adjusted in a subsequent Level 2 restructuring once the proposed changes have been approved by MOF. With the proposed changes, the project is expected to fully achieve its GEO.

Overall project management is considered Moderately Satisfactory and most of the action plan activities agreed during the mid-term review have been implemented. Financial Management is rated Moderately Satisfactory and there are no pending audit reports. FMR reports are submitted quarterly on time.

**C. Proposed Changes**

### Development Objectives/Results

**Project Development Objectives**

**Original GEO**

The Global Environmental Objectives of the proposed Project are to (i) promote the introduction of renewable energy and energy efficiency technologies of relevance to agri-businesses and farms; and (ii) strengthen capacity for improving degraded irrigated land and water conservation in the project area.

**Change in Project's Global Environmental Objectives**

**Financing**

**Change in Loan Closing Date(s)**
Explanation:
The extension of the project closing date by 15 months would compensate for the delay in project effectiveness. The new project closing date would be March 31, 2018.

<table>
<thead>
<tr>
<th>Ln/Cr/T F</th>
<th>Status</th>
<th>Original Closing Date</th>
<th>Current Closing Date</th>
<th>Proposed Closing Date</th>
<th>Previous Closing Date(s)</th>
<th>Proposed Application Deadline Date</th>
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</thead>
<tbody>
<tr>
<td>TF-14400</td>
<td>Effective</td>
<td>31-Dec-2016</td>
<td>31-Dec-2016</td>
<td>31-Mar-2018</td>
<td>31-Dec-2016</td>
<td>31-Jul-2018</td>
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</tbody>
</table>

**Disbursement Estimates**

**Change in Disbursement Estimates**

Explanation:
The disbursement estimates per year have been changed taking into account the project closing date extension to March 31, 2018.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current (USD)</th>
<th>Proposed (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2014</td>
<td>4,233,333.33</td>
<td>2,000,000.00</td>
</tr>
<tr>
<td>2015</td>
<td>6,232,333.33</td>
<td>168,771.00</td>
</tr>
<tr>
<td>2016</td>
<td>2,233,333.34</td>
<td>653,328.00</td>
</tr>
<tr>
<td>2017</td>
<td>0.00</td>
<td>9,876,901.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,699,000.00</strong></td>
<td><strong>12,699,000.00</strong></td>
</tr>
</tbody>
</table>

**Other Change(s)**

**Change in Implementation Schedule**

Explanation:
The project implementation schedule has been updated to reflect the closing date extension to March 31, 2018.

**Other Change(s)**

Explanation:
The grant financing proportion of the Renewable Energy Sub-projects under Component 1 (Promoting Renewable Energy Technologies) would be increased from 40% to 70%, with the remaining 30% to be co-financed by the beneficiary or credit line of the PFIIs. The matching grant program under Component 1 was designed to complement sub-loans from IDA financing (under the Additional Financing for the Rural Enterprise Support Project-II, RESP-II). While the GEF project implementation was delayed, the financing available under RESP-II for sub-loans has been almost fully disbursed as of June 2016. The proposed increase will address the reduced access to finance for beneficiaries under RESP-II.