



# Report and Recommendation of the President to the Board of Directors

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Project Number: 40086  
November 2008

## Proposed Loans Republic of Uzbekistan: Water Resources Management Sector Project

## CURRENCY EQUIVALENTS

(as of 14 November 2008)

Currency Unit	–	sum (SUM)
SUM1.00	=	\$0.00073
\$1.00	=	SUM1,355.00

## ABBREVIATIONS

ADB	– Asian Development Bank
ADF	– Asian Development Fund
BISA	– basin irrigation system administration
DPSEC	– Department of Pump Stations, Energy, and Communications
DPSCO	– Department of Pump Station Operations
DWM	– Directorate for Water Management
EARP	– environmental assessment and review procedure
EIRR	– economic internal rate of return
EMP	– environmental mitigation and monitoring plan
GDP	– gross domestic product
GRC	– grievance and redress committee
HAE	– Hydrogeological Ameliorative Expedition
ICB	– international competitive bidding
ICWC	– Interstate Commission for Water Coordination
ICWC	– Interstate Commission for Water Coordination, Scientific Information Center
IEE	– initial environmental examination
ISA	– irrigation system administration
IWMI	– International Water Management Institute
LARF	– land acquisition and resettlement framework
LARP	– land acquisition and resettlement plan
LIBOR	– London interbank offered rate
M&E	– monitoring and evaluation
MAWR	– Ministry of Agriculture and Water Resources
MCA	– main canal administration
NCB	– national competitive bidding
NGO	– nongovernment organization
O&M	– operation and maintenance
OCR	– ordinary capital resources
PIU	– project implementation unit
PMO	– project management office
PPTA	– project preparatory technical assistance
PSC	– project steering committee
QCBS	– quality and cost-based selection
R&U	– rehabilitation and upgrading
SCLRGCS	– State Committee on Land Resources, Geodesy, Cartography and State Cadastre
SCNP	– State Committee for Nature Protection
SDC	– Swiss Agency for Development and Cooperation
UNDP	– United Nations Development Programme
WUA	– water users' association

## GLOSSARY

<i>dekhan</i> farm	–	small inheritable household plot (0.15–0.35 hectares) free from Government quotas for crop selection and marketing
<i>shirkat</i>	–	collective farm

## NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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## CONTENTS

	<b>Page</b>
LOAN AND PROJECT SUMMARY	i
MAP	
I. THE PROPOSAL	1
II. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES	
A. Performance Indicators and Analysis	1
B. Analysis of Key Problems and Opportunities	2
III. THE PROPOSED PROJECT	
A. Sector Investment Approach	7
B. Impact and Outcome	9
C. Components and Outputs	9
D. Special Features	10
E. Investment Plan	10
F. Financing Plan	11
G. Implementation Arrangements	12
H. Implementation Period	13
I. Procurement	14
J. Consulting Services	14
K. Anticorruption Policy	15
L. Disbursement Arrangements	15
M. Advance Action	15
N. Accounting, Auditing, and Reporting	16
O. Project Performance Monitoring and Evaluation	16
P. Project Reviews	16
IV. PROJECT BENEFITS, IMPACTS, ASSUMPTIONS, AND RISKS	
A. Project Benefits	17
B. Economic and Financial Analysis	17
C. Environmental and Social Safeguards	18
D. Community Participation and Gender	19
E. Project Risks and Sustainability	19
V. ASSURANCES	
A. Specific Assurances	19
B. Conditions for Disbursement	21
VI. RECOMMENDATION	21

## APPENDIXES

1.	Problem Tree Analysis	22
2.	Design and Monitoring Framework	23
3.	Sector and Subsector Analysis	26
4.	Major External Assistance to the Agriculture and Water Sectors	32
5.	Detailed Cost Estimates	33
6.	Project Organization Structure	35
7.	Subproject Selection Criteria and Approval and Indicative Investment Program	36
8.	Implementation Schedule	39
9.	Procurement Plan	42
10.	Summary Financial and Economic Analysis	47
11.	Summary Poverty Reduction and Social Strategy	52
12.	Summary Resettlement Framework	57
13.	Summary Gender Action Plan	63

## SUPPLEMENTARY APPENDIXES (available on request)

A.	Medium-Term Sector Strategy and Investment Plan
B.	Narpay Core Subproject Feasibility Study
C.	Besharyk Core Subproject Feasibility Study
D.	Financial Management Assessment
E.	Consulting Services Detailed Terms of Reference
F.	Financial and Economic Analysis
G.	Detailed Cost Tables
H.	Environment (Initial Environmental Examinations, Summary Initial Environmental Examinations, and Environmental Assessment and Review Procedure)
I.	Resettlement Framework
J.	Gender Action Plan

## LOAN AND PROJECT SUMMARY

<b>Borrower</b>	Republic of Uzbekistan
<b>Classification</b>	Targeting classification: Targeted intervention—geographical poverty issues Sector: Agriculture and natural resources Subsector: Irrigation and drainage Themes: Sustainable economic growth, environmental sustainability, capacity development Subthemes: Developing rural areas, natural resources conservation, institutional development
<b>Environment Assessment</b>	Category B. The summary initial environmental examinations are in Supplementary Appendix H.
<b>Project Description</b>	The Project continues the support of the Asian Development Bank (ADB) for the rehabilitation and upgrading of irrigation and drainage infrastructure and capacity development for water management. The Project is structured as a sector loan project. It will involve two areas of the country: (i) the Zarafshan River Basin, and (ii) the Fergana Valley. The Project will (i) rehabilitate and upgrade pumping stations, (ii) rehabilitate and upgrade inter-farm irrigation and drainage canals and structures, and (iii) improve inter-farm water management through state water agencies and on-farm management through water users' associations (WUAs). The primary aim is sustained and increased agriculture productivity.
<b>Rationale</b>	<p>Agriculture remains a key sector of the economy and the main source of livelihood for the rural population. Irrigation and drainage are key factors in agriculture, and critical to productivity, competitiveness, and environmental management. However, the infrastructure is deteriorating rapidly. Pump stations are losing capacity and the inter-farm facilities are contributing to substantial water losses. Rehabilitation of pump stations and inter-farm canals is essential to avoid the partial or complete collapse of irrigation systems, with consequent losses in agricultural production and farm incomes. To realize the full benefit of the infrastructure rehabilitation and provide for more effective operation and maintenance in the future, it is essential to improve water management at the basin, inter-farm canal, and on-farm levels.</p> <p>The rehabilitation needs are substantial, but the level of funding available from the Government and development partners is limited. This means prioritizing investments. The Government has requested the focus to be on rehabilitation of pump stations and related inter-farm canals, together with improved water management from the river basin to the WUA level.</p>

<b>Impact and Outcome</b>	The Project's expected impact is sustained and increased agriculture production and productivity. The expected outcome is irrigation systems fully functional and operated in an efficient manner.
<b>Project Investment Plan</b>	The investment cost of the Project is estimated at \$148.0 million, including taxes and duties, physical and price contingencies, interest charges during implementation, and commitment charges.
<b>Financing Plan</b>	ADB will provide a blend of two loans totaling \$100 million: (i) \$85 million from ADB's ordinary capital resources (OCR), and (ii) an Asian Development Fund (ADF) loan in various currencies equivalent to Special Drawing Rights 10.042 million (estimated at \$15 million). The OCR loan will have a 26-year term, including a grace period of 6 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per annum, and such other terms and conditions to be set forth in the draft Loan Agreement. The ADF loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1% yearly during the grace period and 1.5% yearly after that, and such other terms and conditions as are set forth in the draft Loan Agreement.
<b>Period of Utilization</b>	Until 30 June 2015
<b>Estimated Project Completion Date</b>	31 December 2014
<b>Executing Agency</b>	Ministry of Agriculture and Water Resources (MAWR)
<b>Implementation Arrangements</b>	The Project will be implemented over 6 years starting in early 2009. A project steering committee will guide policy and strategic direction. A project director will be appointed by MAWR. A project management office will be established within MAWR in Tashkent to manage day-to-day implementation activities. Project implementation units will be established in Samarkand city in the Zarafshan River Basin and Fergana city in the Fergana Valley. A full-time project manager, who will be acceptable to ADB, will manage the project management office, while deputy managers will oversee each project implementation units.
<b>Procurement</b>	The Project will finance the procurement of equipment, civil works, and consulting services. All procurement will be in accordance with ADB's <i>Procurement Guidelines</i> (2007, as amended from time to time).

<b>Consulting Services</b>	The Project will provide 154 person-months of international consulting services and 490 person-months of national consulting services. A service contract for WUA training will be executed. The consultants will be engaged in accordance with ADB's <i>Guidelines on the Use of Consultants</i> (2007, as amended from time to time), using the quality- and cost-based selection method for a firm in addition to individual consultant engagements.
<b>Project Benefits and Beneficiaries</b>	Project benefits include (i) reduced production losses, (ii) increased energy efficiency, (iii) improved water management, (iv) decreased land degradation caused by soil salinity and waterlogging, (v) increased irrigation efficiency, (vi) enhanced farm productivity through increased yields and cropping intensity, and (vii) increased rural livelihoods.  The Project has an overall economic internal rate of return of 15.5%. Two core subprojects analyzed during preparation of the Project had economic internal rate of return of 15.4% and 13.4%.
<b>Risks and Assumptions</b>	Major risks include ineffective project management, inadequate system operation and maintenance and management, and implementation delays caused by cumbersome internal Government procedures. Other risks include macroeconomic shocks and commodity price instability.

































































































































