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Investing in rural people

## President's report

### Proposed loan and grant to the Republic of Tajikistan for the Community-Based Agricultural Support Project

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For: Approval

## Contents

Abbreviations and acronyms	ii
Map of the project area	iii
Financing summary	iv
Recommendation for approval	1
I. Strategic context and rationale	1
A. Country and rural development and poverty context	1
B. Rationale and alignment with government priorities and RB-COSOP	2
II. Project description	2
A. Project area and target group	2
B. Project development objective	3
C. Components/outcomes	3
III. Project implementation	3
A. Approach	3
B. Organizational framework	4
C. Planning, monitoring and evaluation, and learning and knowledge management	4
D. Financial management, procurement and governance	5
E. Supervision	6
IV. Project costs, financing, and benefits	6
A. Project costs	6
B. Project financing	8
C. Summary benefit and economic analysis	10
D. Sustainability	10
E. Risk identification and mitigation	10
V. Corporate considerations	10
A. Compliance with IFAD policies	10
B. Alignment and harmonization	10
C. Innovations and scaling up	11
D. Policy engagement	11
VI. Legal instruments and authority	11
VII. Recommendation	11

## Appendices

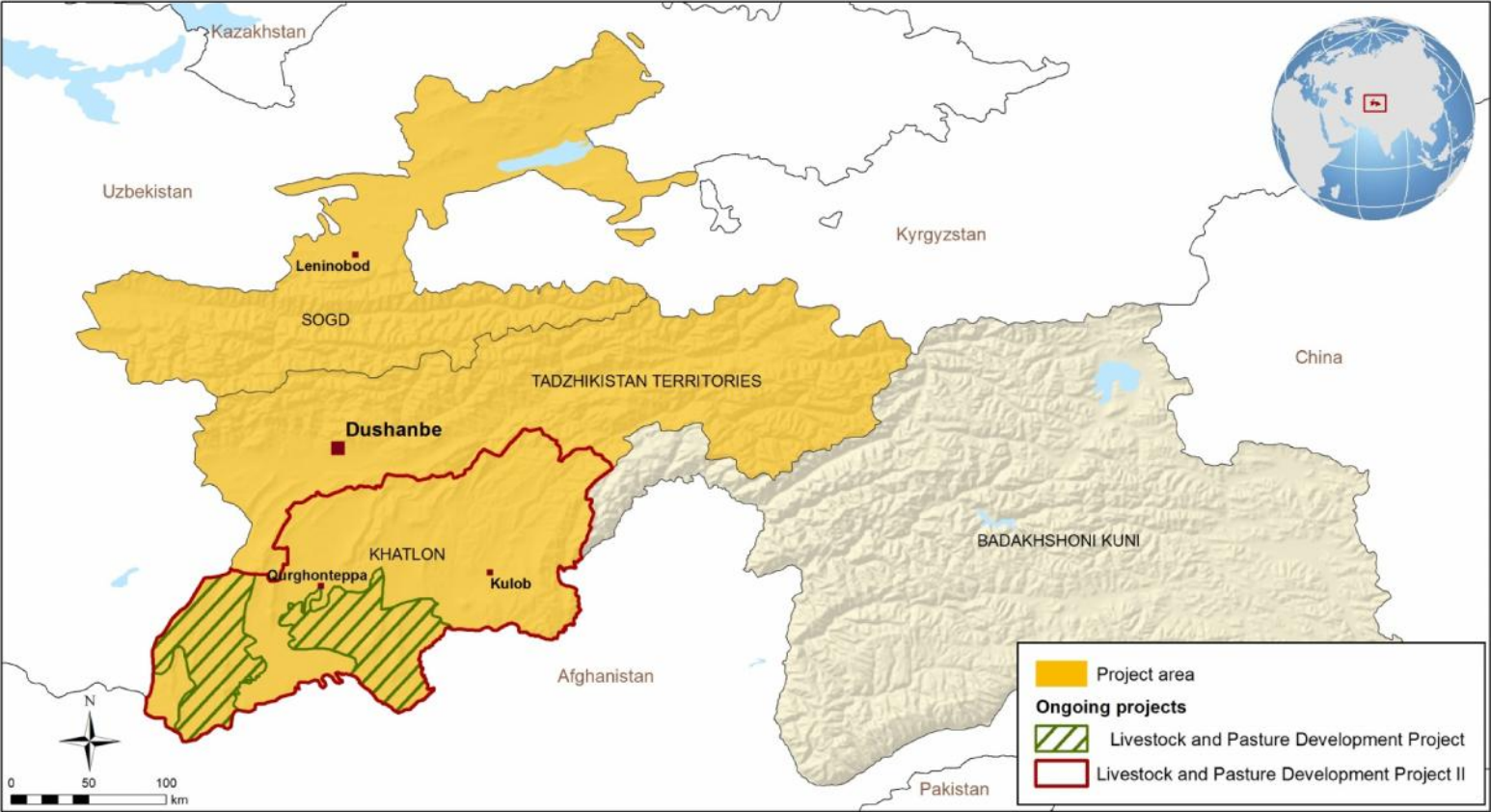
- I. Negotiated financing agreement
- II. Logical framework

## Abbreviations and acronyms

AWP/B	annual workplan and budget
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
FM	financial management
GIZ	German Agency for International Cooperation
M&E	monitoring and evaluation
MDS	Mid-Term Development Strategy
MTR	midterm review
NDS	National Development Strategy
PMU	project management unit
PSC	project steering committee

# Map of the project area

**Tajikistan**  
 Community Based Agricultural Support Project  
 President's Report



**IFAD** The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
 Map compiled by IFAD | 10-07-2017

# Republic of Tajikistan

## Community-Based Agricultural Support Project

### Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Tajikistan
Executing agency:	Ministry of Agriculture
Total project cost:	US\$39.3 million
Amount of IFAD loan:	US\$15.33 million
Amount of IFAD grant:	US\$15.33 million
Terms of IFAD loan:	Highly concessional: maturity period of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Cofinanciers:	Food and Agriculture Organization of the United Nations (FAO), private sector service providers
Amount of cofinancing:	FAO: US\$0.25 million Private sector service providers: US\$1.92 million
Terms of cofinancing:	Grant
Contribution of borrower:	US\$4.93 million
Contribution of beneficiaries:	US\$1.55 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Tajikistan for the Community-Based Agricultural Support Project, as contained in paragraph 43.

## Proposed loan and grant to the Republic of Tajikistan for the Community-Based Agricultural Support Project

### I. Strategic context and rationale

#### A. Country and rural development and poverty context

1. Tajikistan is a landlocked country bordered by Afghanistan in the south, China in the east, Kyrgyzstan in the north, and Uzbekistan in the west. The country's population reached 8.5 million in 2015. Of the 15 former Soviet Republics, Tajikistan has one of the lowest GDPs per capita. The gross national income (GNI) per capita (Atlas method, current United States dollars) was estimated at US\$1,280 in 2015. The country has a narrow economic base dominated by production of two main export commodities – aluminium and cotton – and supplemented by remittances from Tajik nationals working abroad. Agriculture is a major component of the economy. In 2015, it accounted for 25 per cent of GDP and plays a significant role in the rural population's livelihood and food security. According to government statistics, agriculture employed 45 per cent of the workforce in 2015. Despite its critical importance, the agricultural resource base is characterized by limited arable land. The agriculture sector is in general characterized by poor efficiency and productivity, and incomes are low. Key factors limiting development include lack of access to: finance, modern agricultural machinery and equipment, modern technologies and farming practices, and agriservices.
2. Tajikistan was one of the poorest members of the former Soviet Union. After independence in 1991, all economic activity was derailed as a result of abrupt termination of economic support from the Soviet Union and an extended civil war, and poverty increased sharply. However, progress has been made: data shows that poverty declined from 81 per cent in 1999 to about 32 per cent in 2014. One fifth of the population is affected by food insecurity. The poverty incidence is above average in rural areas (36.1 per cent), with over 80 per cent of poor people.
3. Agriculture-sector productivity is significantly constrained by limited access to agricultural machinery, equipment and services for operation and maintenance of the existing equipment. Both the inventory of agricultural machinery and the related service infrastructure were largely destroyed during the civil war in the 1990s. Investments in agricultural machinery resumed in 2000, but at a very limited pace and scale due to inadequate access to finance. By and large, the poor condition of agricultural mechanization in Tajikistan is considered responsible for reducing crop productivity by 20 per cent, and in some cases by 30 per cent. Causes include poor planning of land preparation and seeding, inadequate land operations and low productivity of harvests.
4. The overall framework for development in Tajikistan is guided by the Government's National Development Strategy 2016-2030 (NDS) and Mid-Term Development Strategy 2016-2020 (MDS). The strategic development goals of the NDS are: (i) ensuring energy security; (ii) developing the country's communication opportunities; (iii) ensuring food security and nutrition; and (iv) enhancing productive employment. These will be achieved through the activities of a new model of growth: (i) improvement of public governance for sustainable development; (ii) development of a new institutional support system for the private

sector and improvement of the business environment and investment climate; and (iii) improvement in the productivity of human capital. The Ministry of Agriculture has drafted an ambitious plan of reforms described in its main programme document (Agrarian Reform Programme for Tajikistan [2012-2020]). The Ministry of Agriculture has limited budgetary resources, poorly trained staff and low salaries. These have contributed to inadequate administration, public service delivery and knowledge management. However, the Ministry does have the potential to ensure proper management of resources.

5. Since 2008, the IFAD country programme has invested about US\$49.3 million in three projects in Tajikistan, thus mobilizing overall investments of US\$54.9 million. These interventions are directly benefiting some 80,000 households by strengthening their local institutions and grass-roots organizations, and expanding their access to productive technologies and resources. IFAD's current country programme – the Livestock and Pasture Development Projects (I and II) – focus on diversification of household economies.

## B. Rationale and alignment with government priorities and RB-COSOP

6. Agricultural productivity is far below its potential, including for key smallholder staples such as wheat and potatoes, and cash crops such as apple. This severely impacts the livelihoods of the project target group. A pivotal cause is lack of access to modern technologies, notably farm equipment and machinery and a service network. In addition, poor rural production and transport infrastructure (rural access roads and bridges, livestock watering points), degraded land/pastureland and the risks of climate change prevent optimal use of the natural resource base. The theory of change is premised on tackling these problems using a two-pronged approach: on one hand, by supporting the poorest smallholders in remote villages, who can only access mechanization services on a highly concessional basis; on the other, by supporting private-sector mechanized service providers and repair and maintenance services – the long-term sustainable growth of the sector depends on their participation.
7. The project supports and is closely aligned with key government priorities for ensuring food security and nutrition. It is also consistent with the new institutional support system for the private sector and for improvement of the business environment and investment climate, as expressed in the NDS, MDS and the Agrarian Reform Programme for Tajikistan (2012-2020). The intervention is included in the country strategy note approved in 2016.
8. The overall intervention strategy seeks to avoid duplication of efforts and foster complementarities, while taking advantage of community development, agriculture-related best practices and technological innovation. It will be based on: (i) building of partnerships with the country's sectoral stakeholders, NGOs and local research institutions and universities, particularly for expanding technical assistance services, agricultural mechanization and market channels; and (ii) harmonization with initiatives of other development partners present in the country, such as the Food and Agriculture Organization of the United Nations (FAO), World Bank, European Bank for Reconstruction and Development (EBRD), German Agency for International Cooperation (GIZ), Aga Khan Foundation (AKF) and United Nations Development Programme (UNDP).

## II. Project description

### A. Project area and target group

9. The project will be implemented in selected areas of Soghd and Khatlon Regions and the Districts of Republican Subordination Region, which have high poverty levels, yet a potential for agriculture development. It is expected that the project will reach some 225 villages with an estimated population of 48,160 households.

The project will seek to provide benefits to the actually or potentially economically active among the following primary target groups: (i) poor rural people living in extreme poverty, who are either landless or producing a bare subsistence minimum on household plots; (ii) subsistence and semi-subsistence farmers, in particular those willing to move to more commercial farming; (iii) rural underemployed and self-employed people; and (iv) private entrepreneurs that are service providers, input suppliers or offtakers of agricultural produce with actual or potential strong backward linkages to poor rural communities. Within these groups, emphasis will be placed on reaching poor rural women, especially heads of households, and poor rural youth.

## B. Project development objective

10. The project goal is to stimulate inclusive economic growth and poverty reduction in poor rural communities. The development objective of the project is to improve access of communities to productive infrastructure and services leading to sustainable agricultural production and equitable returns. Project implementation will be guided by the project's results management framework.

## C. Components/outcomes

11. The project's investments and activities will be executed through two components in addition to project management: (i) strengthening rural institutions; and (ii) improving agricultural productivity and business linkages.
12. The aim of the first is twofold: (i) to scale up strengthening of village organizations and to develop business-oriented dehkan<sup>1</sup> farmer groups; and (ii) to build capacities of implementation service agencies (public and private) to deliver goods and services to smallholder farmers. The former will help expand benefits to a larger number of dehkan and individual smallholder farmers. The latter will contribute to enhancing the sustainability of implementation capacity – from which the Government and other development actors can draw to expand activities beyond the project period to other areas. Thus the expected outcome of the component is increased effectiveness and outreach of rural institutions and service agencies. The outcome will be measured by the following indicator: 70 per cent of beneficiaries satisfied with the services provided by rural institutions and service agencies.
13. The aim of the second component is to improve agricultural productivity by: (i) building the productive base of communities; and (ii) stimulating adoption of modern agricultural technologies. Thus the expected outcome of the component is increased farm productivity through adoption of improved agricultural technologies and productive infrastructure. An additional outcome is acknowledged policy recommendations on tested options for improving mechanization. The first outcome will be measured by the following indicators: (i) at least a 20 per cent increase in agricultural productivity (by main commodities); and (ii) at least 35,000 hectares under improved environmentally sustainable management practices. The additional outcome will be accomplished by a policy paper delivered on improved mechanization.

# III. Project implementation

## A. Approach

14. The approach of the project is to improve the assets and incomes of selected rural communities, including smallholder farmers, small rural processing enterprises, input suppliers and service providers. It also aims to improve the assets and incomes of the rural unemployed by improving production in terms of building/renovating key infrastructures, capacity enhancement, provision of improved services and innovative technologies. Project support will be targeted,

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<sup>1</sup> Small plots of land (about 0.2 hectares).



demand-driven and participatory. Thus the project will be executed through a demand-driven approach, rather than through the planning and definition of annually fixed targets.

15. The project will incorporate a strategy to ensure women's inclusion in community development and equitable access to opportunities. This gender strategy will include: making women's groups an integral part of the structure of village organizations; identification of income-generating activities that will primarily benefit women producers; promotion of women's employment (processing, retailing, etc.); and active communication campaigns on potential new roles for women in the provision of machinery services.

## B. Organizational framework

16. The project will be organized and managed through the same structures as the Khatlon Livelihoods Support Project, which took a partnership approach to implementation of project activities – involving the state, civil society, technical service providers and community organizations.
17. The Ministry of Agriculture will have overall responsibility for management of the project on behalf of the Government.
18. A project steering committee (PSC) will be constituted at the central level and chaired by the Deputy Minister for Agriculture. The PSC will have overall responsibility for strategic and policy guidance to ensure that project objectives are achieved. The PSC will identify opportunities for support and interaction with government agencies, financial institutions, the private sector and other development programmes. It will facilitate this interaction to ensure that the project can capitalize on any areas of synergy.
19. A project management unit (PMU) will be responsible for overall management of the project. The PMU of the ongoing Livestock and Pasture Development Project will expand its scope, assuming responsibility for: collating workplans and budgets based on district submissions; preparing the project's annual workplan and budget (AWP/B) following receipt of no objection from IFAD; managing technical assistance; managing all staff and agencies implementing project activities; and promoting linkages with other programmes and agencies relevant to meeting project objectives. Moreover, it will undertake accounting, financial management and the procurement of goods and services.

## C. Planning, monitoring and evaluation, and learning and knowledge management

20. The PMU is the main responsible unit for planning the AWP/B. It will submit the AWP/B to IFAD for no objection 60 days prior to the beginning of each project year.
21. Performance monitoring will concentrate on the financial and physical outputs and outcomes of project activities and be based on semi-annual and annual progress reports. Outcome monitoring will assess the use of outputs and measure their benefits at the beneficiary level. Monitoring and evaluation (M&E) will focus on the accessibility of project outputs and the extent to which they provide benefits to the target groups in terms of access to finance, services and markets. It will also include the project's achievements in terms of returns, profits, direct and indirect job creation and prospects for sustainability. Towards this end, the project will conduct periodic, standardized field surveys with project beneficiaries. The main instruments for impact evaluation are the project's baseline survey, midterm review (MTR) and project completion report. The baseline survey will be conducted in the first project year.
22. Learning and knowledge management activities will include: (i) impact studies comprising a baseline survey, MTR and project completion report; (ii) thematic studies; and (iii) information dissemination campaigns on the project. During the

final year of project implementation, as part of the preparation of the IFAD-required project completion report/impact assessment, M&E data collected over the project implementation period will be used as part of a thorough assessment of project achievements. In particular, the assessment will compare changes in the livelihoods of beneficiaries that relate to implemented project activities against the situation documented in the baseline survey.

#### D. Financial management, procurement and governance

23. Governance and financial management risks. The country risk is rated high. Transparency International's Corruption Perception Index ranked Tajikistan 151<sup>st</sup> of 176 countries assessed in 2016. To determine project-specific control risks, a financial management (FM) risk assessment of the proposed project and its fiduciary arrangements has been completed. The FM assessment concluded that project FM arrangements and the internal control system will satisfy IFAD's minimum requirements to provide accurate and timely information on the progress of project implementation. They are also deemed adequate to guarantee separation of functions through various levels of independent controls.
24. Financial management. The PMU, which is managing ongoing IFAD projects, has established well-functioning financial accountability systems and procedures. The PMU finance unit will be in charge of ensuring that eligibility criteria are respected before every payment request. To ensure workload balance and segregation of duties, an additional finance consultant will be competitively recruited.
25. Project accounting and financial reporting arrangements. The project will adopt accounting procedures and policies consistent with internationally recognized accounting standards (cash basis). The PMU will prepare and submit interim financial reports and semi-annual and annual financial statements to IFAD. It will also prepare statements of commitments and expenditures by component, subcomponent, category, financier and monthly bank reconciliation statements for all bank accounts. The financial reports will be in formats acceptable to IFAD and samples will be available in the FM manual. It is expected that financial reports will provide adequate information to management, financiers and related parties to facilitate decision-making processes. Minimum financial reports include: sources and use of funds; commitments and payments by financing sources, component, subcomponent and category; and a comparison against approved budgets. Financial reports will be submitted to IFAD within four months of the end of the fiscal year.
26. Disbursement arrangements and flow of funds. The project will use available disbursement methods for replenishment, reimbursement and direct payments. Two designated accounts denominated in United States dollars will be opened for the project in a commercial bank and will be managed by the PMU according to IFAD disbursement guidelines. One designated account will receive funds from the IFAD loan and one from the IFAD grant.
27. Funds from the ongoing Livestock and Pasture Development Project amounting to US\$598,018 were blocked at the Closed Joint-Stock Company Tajprombank due to the company's bankruptcy. In the minutes of the negotiations for the proposed project and separately by formal letter, the Government has committed to making the funds available to the new project so as to allow smooth closure of the ongoing one. This will also require the refund of expenditures made with IFAD funding to cover different funding sources, currently amounting to some US\$107,993. IFAD is following up with the Government to ensure that this refund is processed in the near future.
28. Internal control and audit. The internal control system in place within the PMU conforms to the government system and has been deemed acceptable by IFAD. There is no internal audit unit at PMU level. However, all project financial statements are subject to ex-post review by the Accounts Chamber of the Republic

of Tajikistan, and by the Agency for State Financial Control and Fight with Corruption. As the majority of project funds will go towards community-driven activities, the PMU will hire an internal consultant auditor to implement quarterly internal audit reviews of operational controls, in particular over community activities. The scope of this audit will also include recordkeeping and internal controls over the NGOs and community facilitators that are key project parties, and will ensure that procedures set out in the FM manual are enforced. Annual project financial statements will be audited by a private auditor in accordance with International Standards on Auditing, with terms of reference cleared annually by IFAD.

29. Procurement. The Government is in the process of developing a new public procurement law in close consultancy with, among others, EBRD and the World Bank, which is expected to address the shortcomings that currently exist in the portfolio planning team. It is expected, however, that the final law will not be approved before 2018. An assessment of the law and its application over a sustained period will be required prior to determining whether it is substantially compliant with IFAD Procurement Guidelines. In view of the above, the project will adopt the IFAD guidelines. As part of the initial design of the project, IFAD undertook a procurement capacity assessment of the PMU using the IFAD tool for assessment of agency capacity to implement procurement. The PMU has a good track record in implementation of IFAD procurement. The procurement function is separate from financial management, and the procurement unit is staffed with capable personnel. Overall, procurement capacity and procedures are assessed as satisfactory in all aspects of advertisement, bidding documentation drafting, evaluation and contract management.

#### E. Supervision

30. A supervision plan covering the period up to the MTR will be agreed at project start-up. The project will be supervised directly by IFAD. Supervision will include risk-based FM supervision procedures and operational reviews covering a random sample of project activities, to be carried out in project years two and four by independent auditors with terms of reference acceptable to IFAD.

### IV. Project costs, financing, and benefits

#### A. Project costs

31. Total investment and incremental recurrent project costs, including physical and price contingencies, are estimated at US\$39.3 million (353.9 million Tajik somoni). Physical and price contingencies are low, at 1 per cent of total project costs. This is due mostly to the fact that investments associated with the community development funds, innovation grants and provision of improved machinery services represent about 85 per cent of total project costs (expressed as a lump sum, no contingencies).

Table 1

**Project costs by component and financier**

(Thousands of United States dollars)

Component	IFAD grant		FAO		IFAD loan		Beneficiaries		Service providers		Government: taxes		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Strengthening rural institutions</b>														
Strengthening community organizations	199	100	-	-	-	-	-	-	-	-	-	-	199	1
Strengthening service agencies	866	78	250	22	-	-	-	-	-	-	-	-	1 116	3
<b>Subtotal</b>	<b>1 064</b>		<b>250</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 314</b>	<b>3</b>
<b>II. Improving agricultural productivity and business linkages</b>														
Community development fund (CDF)	8 689	35	-	-	10 970	44	1 456	6	-	-	3 730	15	24 845	63
Provision of improved machinery services	1 867	22	-	-	3 775	44	-	-	1 920	22	1 063	12	8 624	22
Innovation grants	2 178	81	-	-	400	15	100	4	-	-	-	-	2 678	7
<b>Subtotal</b>	<b>12 733</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>15 145</b>	<b>42</b>	<b>1 556</b>	<b>4</b>	<b>1 920</b>	<b>5</b>	<b>4 792</b>	<b>13</b>	<b>36 146</b>	<b>92</b>
<b>III. Project management</b>														
Project management	1 382	81	-	-	179	11	-	-	-	-	143	8	1 704	4
M&E	150	96	-	-	5	3	-	-	-	-	2	1	157	-
<b>Subtotal</b>	<b>1 533</b>	<b>82</b>	<b>-</b>	<b>-</b>	<b>184</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>8</b>	<b>1 862</b>	<b>5</b>
<b>Total project costs</b>	<b>15 330</b>	<b>39</b>	<b>250</b>	<b>1</b>	<b>15 330</b>	<b>39</b>	<b>1 556</b>	<b>4</b>	<b>1 920</b>	<b>5</b>	<b>4 937</b>	<b>13</b>	<b>39 322</b>	<b>100</b>

## B. Project financing

32. The project will be financed by an IFAD grant of US\$15.3 million and an IFAD loan, also of US\$15.3 million (78 per cent of total project cost). FAO will cofinance US\$0.25 million through the Technical Cooperation Programme as a contribution towards technical assistance and training costs – specifically for capacity-building of machinery service providers. The government contribution is estimated at US\$4.9 million (12.6 per cent of the total cost), while approximately US\$1.5 million (4.0 per cent of the total cost) will be provided by beneficiaries as cofinancing of the community development fund and innovation grants. Finally, a contribution of about US\$1.9 million (4.9 per cent) is expected from private sector service providers operating in the field of agricultural mechanization.

Table 2

**Project costs by expenditure category and financier**

(Thousands of United States dollars)

Expenditure category	IFAD grant		FAO		IFAD loan		Beneficiaries		Service providers		Government: taxes		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>														
<b>A. Goods, equipment and materials</b>	1 680	27	-	-	2 267	36	-	-	1 313	21	1 073	17	6 333	16
<b>B. Vehicles</b>	-	-	-	-	153	72	-	-	-	-	59	28	212	1
<b>C. Technical assistance and studies</b>														
International technical assistance	212	65	115	35	-	-	-	-	-	-	-	-	327	1
National technical assistance	1 123	91	116	9	-	-	-	-	-	-	-	-	1 239	3
Studies	164	90	18	10	-	-	-	-	-	-	-	-	182	-
<b>Subtotal technical assistance and studies</b>	<b>1 500</b>	<b>86</b>	<b>249</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 748</b>	<b>4</b>
<b>D. Training and workshops</b>	160	99	1	1	-	-	-	-	-	-	-	-	161	-
<b>E. CDF grants</b>	7 820	33	-	-	11 020	46	1 456	6	-	-	3 730	16	24 026	61
<b>F. Innovation grants</b>	1 960	81	-	-	360	15	100	4	-	-	-	-	2 420	6
<b>G. Unallocated*</b>	1 530	50	-	-	1 530	50	-	-	-	-	-	-	3 060	8
<b>Total investment costs</b>	<b>14 650</b>	<b>39</b>	<b>250</b>	<b>1</b>	<b>15 330</b>	<b>40</b>	<b>1 556</b>	<b>4</b>	<b>1 313</b>	<b>3</b>	<b>4 862</b>	<b>13</b>	<b>37 960</b>	<b>97</b>
<b>II. Recurrent Costs</b>														
A. Salaries and allowances	245	100	-	-	-	-	-	-	-	-	-	-	245	1
B. Social fund	50	100	-	-	-	-	-	-	-	-	-	-	50	-
<b>C. Operating expenses</b>														
Vehicles	208	24	-	-	-	-	-	-	607	71	43	5	858	2
Office	177	85	-	-	-	-	-	-	-	-	32	15	209	1
<b>Subtotal operating expenses</b>	<b>385</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607</b>	<b>57</b>	<b>75</b>	<b>7</b>	<b>1 067</b>	<b>3</b>
<b>Total recurrent costs</b>	<b>681</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607</b>	<b>45</b>	<b>75</b>	<b>5</b>	<b>1 362</b>	<b>3</b>
<b>Total project costs</b>	<b>15 330</b>	<b>39</b>	<b>250</b>	<b>1</b>	<b>15 330</b>	<b>39</b>	<b>1 556</b>	<b>4</b>	<b>1 920</b>	<b>5</b>	<b>4 937</b>	<b>13</b>	<b>39 322</b>	<b>100</b>

\* To be reallocated at the midterm review with no objection from IFAD.

### C. Summary benefit and economic analysis

33. Expected project results include: increased farm-level agricultural production and productivity, with higher yields (net of losses before harvest); higher quantities of agricultural outputs sold to markets; reduced costs of production and harvesting through wider availability of mechanized services at fees affordable to target households; and expanded employment opportunities and increased incomes for beneficiaries. The main benefits of the project will be higher productivity and reduced costs of the agricultural activities prevailing in the target district. These comprise direct production of staple foods (wheat and potatoes), vegetables, orchards and fodder, and indirect production of livestock. The economic analysis of the overall project indicates that total investment gains are significant and robust in economic terms: an internal economic rate of return of 18.7 per cent and a net present value of US\$28 million. This would be taken over 20 years, with the benefit stream based on quantifiable benefits that relate directly to activities undertaken by the project.

### D. Sustainability

34. Sustainability of project results will be ensured by the enhanced technical and business capacity of village organizations and common interest groups, and by the demand-driven nature of the interventions, which will ensure that investments respond to needs and priorities identified by the beneficiaries themselves.

### E. Risk identification and mitigation

35. The main risk relates to potential failure in correctly aligning the incentives for the various players, households, dehqan farmers and service providers expected to participate in the project. Mitigating measures include an in-depth, participatory analysis of production/business opportunities, resources and other constraints, and actual financial and other risks, based on formulated community action plans, sub-project proposals and business plans. A secondary risk relates to potential failure to link the communities to markets in such a way that the communities make a profit, thus allowing only limited benefits for improved production. Mitigating measures include a careful analysis of the opportunities and constraints that could be faced by private entrepreneurs, careful selection of such partners and introduction of elements of competition that prevent local monopolies from forming.

## V. Corporate considerations

### A. Compliance with IFAD policies

36. The project design is fully compliant with IFAD's policies on targeting, gender mainstreaming and climate change. Moreover, it takes into account the new social, environmental and climate assessment procedures, and will seek their compliance in project implementation at operational and field levels. The project is based on key training, technical assistance, knowledge and technological development and on dissemination activities and investments. It will thus promote a gender-sensitive and enabling implementation environment through its capacity-building and investment components. IFAD's targeting requirements are addressed by ensuring that rural women, women heads of households, the rural unemployed and young people participate in and benefit from project activities.

### B. Alignment and harmonization

37. The project is closely aligned with and in support of key government priorities for ensuring food security and nutrition. It is also consistent with development of the new institutional support system for the private sector and improvement of the business environment and investment climate, as expressed in the NDS, MDS and the Agrarian Reform Programme for Tajikistan (2012-2020). The overall intervention strategy seeks to avoid duplication of effort and to foster complementarities, while taking advantage of community development,

agriculture-related best practices and technological innovation. It will be based on: (i) partnership-building with the country's sectoral stakeholders, NGOs and local research institutions and universities, particularly for expanding technical assistance services, agricultural mechanization and market channels; (ii) harmonization with initiatives from development partners present in the country, such as FAO, the World Bank, EBRD, GIZ, AKF and UNDP.

### C. Innovations and scaling up

38. The Government requested IFAD's assistance in scaling up the successful experiences in community empowerment in previous and ongoing projects, and in building on such initiatives to strengthen linkages between rural communities and market players in the private sector. The project is scaling up the development of efficient and sustainable village organizations, including field testing of innovative technology and associated capacity-building of supporting institutions. The experiences so derived will be further scaled up or replicated in other parts of the country. This also involves a major potential for scaling up and synergies in relation to subsequent donor-funded programmes.

### D. Policy engagement

39. In view of the crucial importance of providing improved machinery services to increase agricultural productivity and hence food security and nutrition, the project will pilot various approaches through activities in support of agricultural machinery service centres and maintenance and repair workshops. The experience gained through these pilots will be analysed at midterm and presented in a policy paper that will be used to inform and stimulate dialogue on strategies for agricultural mechanization in the country.

## VI. Legal instruments and authority

40. A project financing agreement between the Republic of Tajikistan and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is included as an appendix.
41. The Republic of Tajikistan is empowered under its laws to receive financing from IFAD.
42. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VII. Recommendation

43. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Tajikistan in an amount equivalent to fifteen million three hundred and thirty thousand United States dollars (US\$15,330,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a Debt Sustainability Framework grant to the Republic of Tajikistan in an amount equivalent to fifteen million three hundred and thirty thousand United States dollars (US\$15,330,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President



# Negotiated financing agreement

(Negotiations concluded on 9 November 2017)

## FINANCING AGREEMENT

Loan Number: \_\_\_\_\_

Grant Number: \_\_\_\_\_

Project Title: Community Based Agricultural Support Project (CASP) ("the Project")

the Republic of Tajikistan (the "the Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a loan and a grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### Section B

1. A. The amount of the Loan is fifteen million three hundred thirty thousand United States dollars (USD 15 330 000).

B. The amount of the Grant is fifteen million three hundred thirty thousand United States dollars (USD 15 330 000).

2. The Loan is granted on highly concessional terms, and shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

3. The Loan Service Payment Currency shall be United States dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and service charge shall be payable on each 15 February and 15 August.
6. The arrangements for the Designated Account will be defined in the Letter to the Borrower/Recipient in consultation with the Ministry of Finance.
7. The Borrower/Recipient shall provide counterpart financing for the Project in an amount equivalent to four million nine hundred thousand United States dollars (USD 4 900 000) in the form of VAT exemption of goods, works and services as well as customs fees.

#### Section C

1. The Lead Project Agency shall be the Ministry of Agriculture.
2. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

#### Section D

The Financing will be administered and the Project supervised by the Fund.

#### Section E

1. The following is designated as an additional ground for suspension of this Agreement:
  - (a) Any competent authority has taken action without the prior consent of the fund for institutional changes to the Project Steering Committee (PSC) referred to in paragraph 6 of Schedule 1 hereto, and/or institutional and key personnel changes to the PMU, including but not limited to modification of the membership composition, dissolution and merger; and the Fund has determined that any such event listed above is likely to have a material adverse effect on the Project,
2. The following are designated as additional general conditions precedent to withdrawal:
  - (a) The State Enterprise "Project Management Unit" "Livestock and Pasture Development" shall have been duly assigned for implementation of the Project.
  - (b) The Project Implementation Manual (PIM) referred to in Schedule 1 hereto shall have been duly approved.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister of Finance  
Ministry of Finance of the Republic of Tajikistan  
3 Ac. Rajabovho Ave.  
Dushanbe, 734025

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

THE REPUBLIC OF TAJIKISTAN

\_\_\_\_\_  
Authorized Representative  
(name and title)

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Hougbo  
President

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. Project Area and Target Population. The Project shall be implemented in selected districts of Soghd, Khatlon and the Region of Republican Subordination. The Project shall primarily benefit (i) the rural poor living in extreme poverty; (ii) subsistence and semi-subsistence farmers willing to move to more commercial farming; (iii) the rural underemployed and self-employed; and (iv) service providers, input suppliers or off-takers of agricultural produce with actual or potential strong backward linkages to poor rural communities. Particular attention will be given to the participation of women and youth.

2. Goal. The goal of the Project is to contribute to inclusive economic growth and reduction of poverty in poor rural communities.

3. Development Objective. The Development Objective of the Project is improved access of communities to productive infrastructure and services leading to sustainable agricultural production and equitable returns.

4. Components. The Project shall consist of the following three (3) Components, the details of which will be further described in the Project Implementation Manual (PIM):

4.1. Component 1. Strengthening rural institutions. The component has two sub-components:

Sub-component 1.1 Strengthening community organizations. The Project will: (a) select Village Organizations (VOs) based on objective ranking criteria defined in the PIM, mobilize VOs, and support VOs to develop Community Action Plans (CAPs) to define their investment priorities; and (b) provide Common Interest Groups (CIGs) with training and facilitation of linkages with relevant input and service providers and off-takers.

Sub-component 1.2 Strengthening service agencies. Activities under this Sub-component will include: (a) training of Hukumat/Jamoat agricultural staff, community facilitators and local private business mentors; and (b) building the capacity of agricultural machinery service providers.

4.2. Component 2. Improvement of agricultural productivity and business linkages. The component has three sub-components:

Sub-component 2.1 Community Development Fund (CDF). Each selected VO will be allocated CDF proceeds in an amount determined pursuant to criteria defined in the PIM. The CDF proceeds will be used for implementation of sub-project pursuant to the CAPs.

Sub-component 2.2 Provision of improved machinery services. This activity will support the establishment and or strengthen Agricultural Machinery Services Centres and Maintenance and Repair Workshops that show aptitude and commitment to serve the agricultural activities of smallholder and dekhan farmers. Selection criteria and support modalities of AMSCs and MRWs would be determined in the PIM.

Sub-component 2.3 Innovation Grants. This activity will support the development of innovative production and processing technologies relevant for smallholder and dekhana agricultural activities. The support would be targeted to institutions selected pursuant to modalities determined in the PIM that have capacity to develop said innovations.

4.3. Component 3. Project Management. This component shall provide financing for the overall management of the Project.

## II. Implementation Arrangements

### A. Organisation and management

5. The Lead Project Agency. The Ministry of Agriculture will be the Lead Project Agency for the Project.

6. Project Steering Committee (PSC).

6.1 Establishment and composition: The PSC shall be composed of representatives of the various departments of the MOA; Foreign Aid Coordination and Project Monitoring Department of the State Committee on Investment and State Property Management; General Department of State Debt and Attracting Public Investment of the Ministry of Finance; Committee on Women and Family Affairs; Agency of Land Reclamation and Irrigation; and State Committee on Land Management and Geodesy. The PSC shall be chaired by the Deputy Minister of Agriculture.

6.2 Responsibilities of the PSC. The PSC shall provide overall guidance for the implementation of the Project activities at the national level and shall be responsible for the approval of the AWPBs as well as other key policy decisions. The PSC does not have direct management responsibility.

7. The Project Management (PMU).

7.1 Core activities. The existing PMU of the Livestock and Pasture Development Project, partially financed by IFAD, shall have the overall responsibility for the administrative, financial and operational responsibilities of the Project.

7.2 The PMU workforce shall consist of a Project Director, Finance Manager, Project Coordinator, District Project Officers, Project Engineers, Community and Institutional Development Specialist; Gender Specialist, Business Development Specialist, Monitoring & Evaluation Specialist; Financial Management Specialist; and Procurement Specialist. Appointment and removal of workforce of the PMU shall be subject to IFAD no objection. The salary rate of Project staff shall be determined in accordance with Presidential Consent as of February 1, 2013 #4118 related to the Livestock and Pasture Development Project.

### B. Project Implementation Manual ("PIM")

8. Preparation. The Borrower/Recipient shall prepare, in accordance with terms of reference subject to no objection by the Fund, a PIM, which shall include, among other arrangements: (i) institutional coordination including composition of PSC, and day-to-day execution of the Project; (ii) Project budgeting, disbursement, financial management, procurement monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project component, and (iv) such

other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

9. Approval and Adoption. The PMU shall forward the draft PIM to the Fund for comments and approval. The PMU shall adopt the PIM in the form approved by the Fund, and the PMU shall promptly provide copies thereof to the Fund. The Recipient shall carry out the Project in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.

#### C. Supervision

10. A Mid-Term Review (MTR) shall be conducted to assess the progress, achievements, constraints and emerging impact and likely sustainability of the Project and make recommendations and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Borrower/Recipient and the Fund.

## Schedule 2

## Allocation Table

1. Allocation of Loan and Grant Proceeds. The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category.

Category	Loan Amount Allocated (expressed in USD)	Grant Amount Allocated (expressed in USD)	Percentage
I. Goods, equipment, material and vehicle	2 420 000	1 680 000	100% net of taxes and service providers contributions
II. Technical assistance and studies		1 500 000	100% net of taxes and FAO* contribution
III. Training and workshops		160 000	100% net of FAO* contribution
IV. Grants (Community Development Fund)	11 020 000	7 820 000	100% net of taxes and beneficiaries contributions
V. Grants (Innovation)	360 000	1 960 000	100% net of beneficiaries contributions
VI. Operating costs		680 000	100% net of taxes and service providers contributions
Unallocated	1 530 000	1 530 000	
<b>TOTAL</b>	<b>15 330 000</b>	<b>15 330 000</b>	

(\*) FAO - Food and Agriculture Organization of the United Nations

# Logical framework

Results hierarchy		Indicator code				Means of verification			Assumptions
Hierarchy	Name		Baseline	Mid-term	End Target				
Goal									
Contribution to inclusive economic growth and reduction of poverty in poor rural communities	Reduction in the prevalence of child malnutrition as compared to baseline		0%	0%	-10%	Baseline and impact surveys	Baseline, midterm, completion	PMU M&E unit	Overall political and economic situation remains stable
	% of targeted households with improvements in asset ownership		0%	40%	75%	Midterm review			Stability of prices in agricultural commodities
						Completion report			
Project development objective									
Improved access of communities to productive infrastructure and services leading to sustainable agricultural production and equitable returns	Farmer profit* from key crops increased by at least 15% (disaggregated by sex and age) on avg		0%	5%	15%	Project baseline study, midterm review and implementation completion report	Baseline, midterm, completion	PMU M&E unit	Macroeconomic conditions remains stable
						Specialized (qualitative/quantitative) thematic studies			
						Household income surveys			
Component 1. Strengthening institutions									
Outcome 1									
Increased effectiveness and outreach of rural institutions and service agencies (including governmental)	Percent of beneficiaries satisfied with the services provided by rural institutions and service agencies		0	40%	70%	Project baseline study and midterm review and implementation completion report. Project's M&E records and report	Semi-annually	PMU M&E unit	Willingness of community members to participate in activities



Results hierarchy		Indicator code				Means of verification	Frequency	Responsibility	Assumptions
Hierarchy	Name		Baseline	Mid-term	End Target				
Goal									
Component 2. Improving agricultural productivity and business linkages									
Outcome 2									
Increased farm productivity resulted through adoption of improved agricultural technologies and productive infrastructure	At least 20% increase in agricultural productivity (by main commodities).		0%	5%	20%	Project baseline study and midterm review and implementation completion report	Semi-annually	PMU M&E unit	Microeconomic conditions are supportive for doing business
						Report from each participating processor/aggregator on status of access to export markets			Beneficiaries willingness to participate
						Project M&E records and report			
						Government's national, regional and local production data			
	% targeted households reporting adoption of new/improved inputs, technologies or practices	2.2.1		20%	75%	Targeted field studies and surveys			
Acknowledged policy recommendations on tested mechanization improvement options	Policy paper			1	1				