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**President's report on a proposed grant to the private sector for Arvand Bank Tajikistan for Remittances for Resilience: Financial Access and Economic Empowerment for Rural Communities in Tajikistan**

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**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 26.

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# **President's report on a proposed grant to the private sector for Arvand Bank Tajikistan for Remittances for Resilience: Financial Access and Economic Empowerment for Rural Communities in Tajikistan**

## **I. Background and compliance with the IFAD Regular Grants Policy**

1. Remittances are a critical financial inflow for Central Asia, representing a significant contributor to the region's economy, with more than an estimated US\$24.65 billion received in 2024.<sup>1</sup>
2. In recent years, Central Asia has been heavily impacted by the war in Ukraine, as traditional migration routes to the Russian Federation have partially shifted towards other destinations, including European Union countries, Türkiye, Gulf countries and the United States, with the highest number of returnees arriving in the initial years of the conflict. Consequently, new remittance corridors have emerged, creating new opportunities for innovative business models.
3. This is particularly true in the Republic of Tajikistan, 71 per cent of whose population lives in rural areas.<sup>2</sup> In 2024, international remittance flows from Tajik migrants to the country totalled US\$5.8 billion, or an estimated 45 per cent of its GDP, with 80 per cent of remittance transfers to the country received from migrants in the Russian Federation. Other smaller corridors are Kazakhstan, Türkiye, Uzbekistan, European Union countries (mainly Germany) and the United Arab Emirates. Most Tajik migrants (36 per cent) are employed in the construction sector in the Russian Federation.<sup>3</sup> Return migration has surged, with a 13 per cent increase in returnees to Tajikistan in 2024 over the previous year.<sup>4</sup>
4. According to the World Bank, 42 per cent of Tajik households had a migrant member in 2023; overall, 18 per cent of households were receiving remittances that year.<sup>5</sup>
5. Areas of opportunity and challenges that have been identified to maximize international remittances and the contribution of migrants, including returnees, to Tajikistan's economy include accelerated digitalization of the payment ecosystem and financial and digital education. In fact, the development impact of remittances is greatly amplified when they are integrated into cashless payment systems and connected with financial education, savings, credit, insurance and business development services.
6. Despite recent progress in access to banking services, the banking system in Tajikistan is still characterized by a low level of financial inclusion and high financial stability risks. Development of the digital economy, in contrast, is a pillar of the National Development Strategy for the period up to 2030 and is aimed at creating a conducive environment for digitalizing financial services. However, the digital services infrastructure is concentrated in urban areas and is less dense in rural and mountainous districts, where people rely on informal or traditional channels.
7. Although the accelerated digitalization of the payment ecosystem and growing use of mobile money have created new entry points for digital remittance services in the country, these opportunities are not evenly distributed. The digital

<sup>1</sup> Dilip, R., S. Plaza and E.J. Kim. 2024. In 2024, remittance flows to low- and middle-income countries are expected to reach \$685 billion, larger than FDI and ODA combined. World Bank.

<sup>2</sup> Statistics Agency under the President of the Republic of Tajikistan. 2024.

<sup>3</sup> Ibid.

<sup>4</sup> International Organization for Migration. 2025. *Tajikistan Migration Situation Report. July-December 2024*.

<sup>5</sup> World Bank. 2024. *Tajikistan Economic Update*.

infrastructure is concentrated in urban areas, while rural and mountainous districts face significant barriers, including low financial literacy and limited access to digital and formal financial services. Reducing the current disparities in digital access and financial literacy between urban and rural communities is critical.

8. The proposed project will be financed through the supplementary-funded programme cofinanced by the European Union, entitled: Platform for Remittances, Investments and Migrants' Entrepreneurship in Central Asia (REMIT PRIME Central Asia), implemented by IFAD's Financing Facility for Remittances (FFR). The REMIT PRIME Central Asia Programme is aimed at maximizing the impact of remittances on sustainable development in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan by advancing digital financial inclusion and income-generating activities, improving the enabling environment for affordable digital remittance markets and promoting the sustainable economic integration of rural families reliant on remittances and the reintegration of returnees.
9. Pursuant to the IFAD Private Sector Engagement Strategy 2019–2024, the Regular Grants Policy, IFAD's operating procedures for supplementary funds and the Delegation of Authority Framework, all funds granted to private sector entities must be approved by the Executive Board.
10. The recipient was identified through competitive selection following a [national call for proposals](#) in Tajikistan. Selection criteria are detailed in appendix III. Arvand Bank's strong presence in rural Tajikistan, high share of remittance clients, proven capacity in inclusive finance and digitalization and leadership in green lending made it a strong candidate.
11. The project approach responds to the Republic of Tajikistan's National Financial Inclusion Strategy 2022–2026, approved by government resolution 314 of 1 July 2022, and the National Development Strategy 2030, both of which prioritize access to finance by rural populations and the economic reintegration of migrants. The project will seek synergies with current and upcoming IFAD projects in the country.

## II. The proposed project

**Remittances for Resilience: Financial Access and Economic Empowerment for Rural Communities in Tajikistan will be implemented by Arvand Bank.**

12. The overall goal of the project is to increase the financial resilience and economic empowerment of Tajik remittance-receiving families and returning migrants through greater access to financial services, tailored financial products and investments in climate-resilient livelihoods. The specific objectives are: (i) to expand the use of remittance-linked financial services in rural areas through agent banking and dedicated financial products; and (ii) to leverage remittances and returnee capital for income-generating activities to support climate resilience in the agriculture sector.
13. The project has been structured to avoid market distortion by targeting underserved segments and fostering innovation. In particular, this small-scale, innovative pilot project is aimed at demonstrating viable scalable models that stimulate competition and wider adoption without distorting the market. It is designed to test digital solutions that promote financial inclusion, especially in rural and underserved areas. The knowledge generated will be shared as a public good, and the targeted, limited nature of its interventions will ensure that they complement, rather than disrupt, market dynamics, supporting national financial inclusion goals and fostering healthy competition.
14. The target group will consist of approximately 14,370 people in rural areas of Tajikistan, all of whom are remittance recipients or returnees. An estimated 58 per cent of the beneficiaries will be women. Targeted services will be provided to

vulnerable households and communities in regions also covered by IFAD's ongoing Community-based Agricultural Support Project Plus (CASP+).

15. The project will be closely aligned with CASP+, not only in terms of geographic overlap but also operationally. Arvand Bank will coordinate with the project management unit to explore synergies, including the provision of financial literacy training and other services to CASP+ beneficiaries. In addition, access points in remote villages supported by CASP+ may be leveraged as financial service delivery points under this project. CASP+ beneficiaries may also be prioritized in the targeting process for business development support, financial literacy activities and tailored credit products, thereby extending outreach and maximizing the development impact across both initiatives.
16. The project will be implemented over two years and will have the following components.
17. **Component 1. Expanding rural financial access among remittance recipients and returnees.** This component will focus on improving last-mile financial inclusion by expanding and professionalizing Arvand Bank's rural agent network and introducing new savings and credit products tailored to the needs and cash-flow patterns of remittance recipients and returnees. The expanded agent network will also promote the use of digital services and increase access to transaction accounts linked to remittances.
18. **Component 2. Supporting income-generating activities of remittance recipients and returnees.** This component will introduce a matching grant mechanism focusing on women and returnees to incentivize rural households to invest in productive agricultural and climate-resilient technologies. Grants will be combined with loans to facilitate investments in efficient, climate-resilient agricultural equipment. Beneficiary contributions (funded by the aforementioned loans or the beneficiaries' equity) will match 100 per cent of the matching grant amount. The exact share of contribution may be adjusted throughout the project depending on the economic and social situation.
19. **Component 3. Enhancing financial literacy among rural remittance recipients and returnees.** This component will integrate tailored financial education into the existing business training services provided by Arvand Bank. Training will be delivered both in person and digitally, with a focus on helping rural households make informed financial decisions, manage remittance income effectively and access the new financial products and matching grants introduced under the project.
20. **Component 4. Project management and monitoring.** This component is aimed at providing effective coordination, financial oversight and monitoring of project implementation. It will include regular reporting, supervision, external evaluation and the dissemination of lessons learned to support sustainability and potential scaling of successful approaches.

### III. Expected outcomes/outputs

21. The project is expected to have the following three main outcomes and related outputs:
  - (i) **Rural financial access among remittance recipients and returnees is expanded**  
**Outcomes:**
    - 174 new agents hired by Arvand Bank (100 per cent rural, 40 per cent women, 5 per cent in CASP+ regions);
    - 2 products developed/tailored to the needs of remittance recipients and returnees.

**Outputs:**

- Onboarding of 174 new agents;
- One credit product is tailored to the needs of the remittance recipients and returnees;
- One savings product is tailored to the needs of the remittance recipients and returnees.

**(ii) Income-generating activities of remittance recipients and returnees supported****Outcomes:**

- 100 rural remittance recipients and returnees will have received a matching grant (50 per cent are women, 30 per cent are in the CASP+ region and 50 per cent are returnees).

**Outputs:**

- Implementation of a matching grant programme focused on remittance recipients and returnees.

**(iii) Financial literacy among rural remittance recipients and returnees is improved****Outcomes:**

- 6,000 rural remittance recipients and returnees trained in financial literacy (50 per cent are women).

**Outputs:**

- 20 business trainers re-trained in financial literacy modules;
- A financial literacy component is integrated into the business training programme;
- Business trainings with a financial literacy component are conducted;
- Financial literacy materials are disseminated through digital channels.

**IV. Implementation arrangements**

22. Arvand Bank, as the recipient, will receive and manage the grant funds and be responsible for overall project implementation. The recipient will conclude a grant agreement with IFAD that contains clauses and provisions governing management of the funds, implementation of the project and the recipient's performance. The project will be coordinated by the Business Development Department of Arvand Bank, with a dedicated project officer overseeing its implementation. The project will be managed by the Head of the Business Development Department and supervised and overseen by members of the management board.
23. Disbursement will deviate from the standard guidance. Operational milestones will be assessed before additional advances are disbursed, based on the progress reports submitted by Arvand Bank. This is important to keep the project on track towards the achievement of its final objectives. The grant will include three disbursements:
  - (i) The first advance will be disbursed after grant effectiveness, in an amount not to exceed 75 per cent of the expenditures included in the relevant annual workplan and budget (AWPB) for year 1, having received IFAD's no objection.
  - (ii) A second will be disbursed in the second year of implementation, in an amount not to exceed 75 per cent of the expenditures included in the AWPB for year 2, having received IFAD's no objection. This payment shall be disbursed at IFAD's discretion, based on its assessment of the year 1 progress

report showcasing the achievements of year 1 and the submission of a certified statement of expenditure demonstrating the use of at least 80 per cent of the first payment.

- (iii) A final payment (if required, based on IFAD's assessment) will be equal to the difference between the total amount spent by the recipient on this project during implementation and the amount already disbursed by IFAD under the total grant financing. The final payment shall be disbursed at IFAD's discretion following receipt by the Fund of a satisfactory final completion report showcasing the achievement of all project outputs and outcomes.

## V. Indicative project costs and financing

24. The total cost of the project is EUR 940,583, including an IFAD grant contribution of EUR 444,844 (47 per cent), a counterpart contribution of EUR 195,739 (21 per cent) provided by the recipient and a beneficiary contribution of up to EUR 300,000 approximately as part of the matching grants.
25. The counterpart contribution from Arvand Bank will finance: under component 1, the expansion of services in rural areas, the updating of the bank's platform for agent management, an agent mobile app, the onboarding of agents and the development of new tailored products and their promotion; under component 2, production of the matching grant manual and management of the matching grant programme; under component 3, financial literacy activities, trainings and customer surveys. The IFAD grant contribution will finance: under component 1: technical assistance to improve the bank's management of the agent network, ensure that the agent model is consistent with global best practices and standards and is based on the identified needs of the target groups, the purchase of point-of-sale terminals for the agents to facilitate digital transactions and the promotion of agent banking among the rural population and returnees; under component 2, funding for matching grants; under component 3, technical assistance for updating financial literacy materials to ensure they are tailored to the needs of the target groups, taking prior FFR experience with similar activities in other regions into account, along with global best practices in tailored financial literacy activities, and the implementation unit's costs.

Table 1

### Costs by component and financier

(Thousands of euros)

<i>Components</i>	<i>IFAD</i>	<i>Arvand Bank</i>	<i>Beneficiary contribution</i>	<i>Total</i>
1. Expanding rural financial access among remittance recipients and returnees	119	153	0	272
2. Supporting income-generating activities of remittance recipients and returnees	300	8	300	608
3. Enhancing financial literacy among rural remittance recipients and returnees	1	32	0	33
4. Project management and monitoring	25	3	0	28
<b>Total</b>	<b>445</b>	<b>196</b>	<b>300</b>	<b>941</b>

Table 2

### Costs by expenditure category and financier

(Thousands of euros)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Arvand Bank</i>	<i>Beneficiary contribution</i>	<i>Total</i>
1. Salaries and allowances	13	51	0	64
2. Consultancies	12	0	0	12
3. Grants and subsidies	300	0	300	600
4. Goods, services and inputs	116	117	0	233
5. Trainings and workshops	4	28	0	32
<b>Total</b>	<b>445</b>	<b>196</b>	<b>300</b>	<b>941</b>

## **VI. Recommendation**

26. I recommend that the Executive Board approve the proposed IFAD grant funded by the European Union to Arvand Bank Tajikistan in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Remittances for Resilience: Financial Access and Economic Empowerment for Rural Communities in Tajikistan, shall provide a grant in an amount of four hundred forty-four thousand eight hundred forty-four euros (EUR 444,844) to Arvand Bank upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario  
President

## Results-based logical framework

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	To enhance financial resilience and empowerment of rural Tajik remittance families and migrant returnees through expanded agent-based financial access, tailored financial products, and investments in efficient agriculture equipment for climate resilience		Number of unique clients who receive remittances through Bank Arvand or self-declare as a returnee; verified based on the bank's registration system	
<b>Objectives</b>	<ul style="list-style-type: none"> <li>Expand access points coverage in rural areas</li> <li>Tailor credit and savings products to the needs of the remittance recipients and returnees</li> <li>Introduce matching grants program to facilitate uptake of green technologies in rural areas</li> <li>Complement business skills with financial literacy trainings</li> </ul>	14,370 people who are remittance recipients or returnees in Tajikistan and use new delivery channel for remittances or tailored products or services: 100% of them from rural areas and 58% women	Project monitoring system Bank Arvand MIS Yearly IFAD project report Regular monitoring meetings	No significant events change the migration patterns in the country and the region  Regulations enable Arvand Bank to introduce new products and services, and expand the agent network  Arvand Bank will identify eligible matching grant recipients in the regions covered by the project
<b>Outcomes/ outputs</b>	<p><b>Outcome 1</b> Expanding rural financial access among remittance recipients and returnees</p> <p><b>Outputs</b></p> <ul style="list-style-type: none"> <li>Onboarding of 174 new agents</li> <li>One credit product is tailored to the needs of the remittance recipients and returnees</li> <li>One savings product is tailored to the needs of the remittance recipients and returnees</li> </ul> <p><b>Outcome 2</b> Supporting income-generating activities of remittance recipients and returnees</p> <p><b>Output</b></p> <ul style="list-style-type: none"> <li>Implement a matching grant program focused on remittance recipients and returnees</li> </ul> <p><b>Outcome 3</b> Enhancing financial literacy among rural remittance recipients and returnees</p> <p><b>Output</b></p>	<ul style="list-style-type: none"> <li>174 new agents engaged by the Arvand Bank (100% rural, 40% women, 5% in CASP+ regions)</li> <li>2 products developed/adapted to the needs of remittance recipients and returnees</li> <li>100 rural remittance recipients and returnees received a matching grant (50% are women, 30% are in CASP+ region, 50% are returnees)</li> <li>6,000 rural remittance recipients and returnees were trained on financial literacy (50% are women)</li> <li>A case study documenting the lessons learned and best practices from the matching grant fund for remittance recipients and returnees</li> </ul>	Project monitoring system Arvand Bank MIS Yearly IFAD project report Regular monitoring meetings and reports Arvand Bank reports measuring the amounts saved and amounts of loans by project beneficiaries Contracts/written agreements with agents Internal documentation introducing tailored savings and credit products	Current internal conversion rates for remittances and financial products offered by Arvand Bank apply to remittance customer segment  Arvand Bank has the capacity to collect social indicators specifically for rural clients and women  Willingness and capacity of new merchants to be part of the network of Arvand Bank agent network  Willingness of remittance recipient families to acquire new Arvand Bank credit and saving products



	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> <li>6,000 remittance recipients and returnees (45% are women) were trained on financial literacy as part of the Arvand Bank's business training programme</li> </ul>			
<b>Key activities by component</b>	<p><b>Component 1</b></p> <p>1.1 Extended access via agent network</p> <p>1.2 Adapting products and services to the needs of remittance recipients and returnees</p> <p><b>Component 2</b></p> <p>2.1 Matching grants for agricultural equipment or climate efficient solutions</p> <p>2.1.1 Matching-grant facility preparation set-up</p> <p>2.1.2 Selection and disbursement</p> <p>2.1.3 Monitoring and learning</p> <p><b>Component 3</b></p> <p>3.1. Activities to improve financial literacy among recipients of remittances and returnees</p> <p><b>Component 4</b></p> <p>4.1 Project activities, financial reporting and monitoring</p> <p>4.2 Project financial audit</p> <p>4.3 Project external evaluation and learnings</p>	<p>By Year 2</p> <ul style="list-style-type: none"> <li>Network of 205 agents (100% rural, 30% women, 9% in CASP+ regions)</li> <li>2,087 unique remittance recipients who receive services through agents</li> <li>Two studies on financial needs covering approximately 200 remittance recipients and returnees</li> <li>One credit product is tailored to the needs of the remittance recipients and returnees</li> <li>One savings product is tailored to the needs of the remittance recipients and returnees</li> <li>EUR 8,400,000 issued under the tailored credit product</li> <li>EUR 1,200,00 saved in tailored savings product</li> <li>4,200 remittance recipients and returnees using the tailored credit product (50% women)</li> <li>2,100 remittance recipients and returnees using the tailored savings product (50% women)</li> <li>One matching grant manual is developed and implemented</li> <li>30 remittance recipients and returnees received matching grant (50% are women, 30% are in CASP+ regions, 50% - are returnees)</li> <li>20 business trainers trained on financial literacy modules</li> <li>3,000 rural remittance recipients and returnees trained on financial literacy or reached by the financial literacy materials through digital channels (100% rural, 50% are women)</li> <li>1,200 rural remittance recipients and returnees who were reached through the</li> </ul>	<p>Contracts/agreements with agents</p> <p>Internal documentation introducing tailored savings and credit products</p> <p>Arvand Bank MIS</p> <p>Matching grant documentation</p> <p>Regular monitoring meetings and reports</p> <p>Training materials, list of participants, customer satisfaction surveys reflecting the effectiveness of the trainings delivered, photos</p>	

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
	<p>digital channels (i.e. WhatsApp groups) (50% women)</p> <ul style="list-style-type: none"> <li>1,800 rural remittance recipients and returnees who completed business training with the financial literacy component (50% are women)</li> <li>600 of remittance recipients and returnees trained on financial literacy or reached by the financial literacy materials through digital channels are also using tailored savings or credit product</li> </ul> <p>By Year 3</p> <ul style="list-style-type: none"> <li>Network of 305 agents (100% rural, 35% women, 7.5% in CASP+ regions)</li> <li>3,050 unique remittance recipients who receive services through agents</li> <li>Three studies on financial needs covering approximately 300 remittance recipients and returnees</li> <li>EUR 15,240,000 issued under the tailored credit product</li> <li>EUR 2,160,000 saved in tailored savings product</li> <li>7,620 remittance recipients and returnees using the tailored credit product (50% women)</li> <li>3,600 remittance recipients and returnees using the tailored savings product (50% women)</li> <li>Approximately 200 grant applications submitted</li> <li>Approximately 400 monitoring visits performed to assess grant impact (4 per each grant)</li> <li>100 remittance recipients and returnees received matching grant (50% are women, 30% are in CASP+ regions, 50% - are returnees)</li> <li>2,000 rural remittance recipients and returnees who were reached through the digital channels (i.e. WhatsApp groups)</li> <li>6,000 rural remittance recipients and returnees who completed business training</li> </ul>		

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
		<p>with the financial literacy component (60% are women)</p> <ul style="list-style-type: none"> <li>• 8,000 rural remittance recipients and returnees trained on financial literacy or reached by the financial literacy materials through digital channels (100% rural, 45% are women)</li> <li>• 1,200 of remittance recipients and returnees trained on financial literacy or reached by the financial literacy materials through digital channels are also using tailored savings or credit product</li> <li>• 25 remittance recipients or returnees passed in-depth business training</li> <li>• 200 people who passed financial business training with financial literacy component also applied for a matching grant</li> <li>• 60% of people who completed the business training with the financial literacy component report change in financial behaviour</li> </ul>		

## Financial governance

Given the selection of a private sector entity as the recipient (see Appendix III for details on the competitive selection process), the strictest financial management and governance frameworks will be in place to ensure that IFAD resources are being used most efficiently to achieve the objectives of the project.

This appendix covers details on: (a) financial management overview, (b) financial management systems, and (c) audit arrangements.

### a. Financial management system, including accounting specifications

The project's financial management arrangements and internal control systems will be designed to meet IFAD's requirements, ensuring the efficient and accountable use of resources.

Arvand Bank Tajikistan has a robust internal control system and adheres to international accounting standards, including the use of SAP for managing financial data, and compliance with the International Financial Reporting Standards (IFRS).

This Grant will use the IFAD EU Grant Agreement template which covers specific EU fiduciary requirements related to disbursement, accounting, reporting and auditing. There will be deviation for provision 3.3 "Disbursement" under Schedule 3 of the Grant Agreement, other than that, General Provisions are the ones applicable to the EU-funded IFAD Grant Agreement.

The disbursement arrangement will deviate from section 3.3 of Schedule 3 – General Provisions Applicable to EU-Funded IFAD Grant Agreements. Instead, disbursement arrangements will be as follows.

The grant will include three disbursements:

1. **The first payment** after the grant effectiveness, for an amount that shall not exceed 75 per cent of the expenditures included in the relevant workplan and budget for Year 1 that has received IFAD no-objection.
2. **A second payment** in the second year of implementation, for an amount that shall not exceed 75 per cent of the expenditures included in the relevant approved workplan and budget for Year 2. This payment shall be disbursed in IFAD's discretion on the basis of its assessment of the Year 1 Progress Report showcasing the achievements of Year 1. In addition to the submission of a certified Statement of Expenditure demonstrating the use of at least 80 per cent of the first payment.
3. **A final payment** (if required, on the basis of IFAD's assessment) will be equal to the difference between the total amount spent by the Recipient in this project minus the amount already disbursed by IFAD. This final payment shall be disbursed in IFAD's discretion following receipt of a satisfactory Final Completion Report showcasing the achievement of all project outputs and outcomes.

The Recipient may request withdrawals from the Grant through the submission to IFAD of a Withdrawal Application and other required documentation as listed at <http://www.ifad.org/grantforms>. For the second and third Withdrawal Application, in addition to the above-mentioned milestones, the Recipient shall submit to IFAD a Statement of Expenditure demonstrating the use of at least 80 per cent of the immediately preceding instalment and 100 per cent of previous instalments if any. No Withdrawal Application will be accepted by IFAD after the Grant Closing Date unless IFAD has agreed in writing to an extension.

Each of the above instalments shall be channeled to the Recipient only if and to the extent that the relevant funds under the EU Contribution have been duly received by IFAD from the EU. IFAD may request additional information and supporting documentation.

Cash flow control will be managed by a dedicated Project Administrator at Arvand Bank, responsible for overseeing transfers, expenses, and pending balances. Arvand Bank's finance and control team, composed of professionals with over five years of experience, will supervise the financial operations of the Grant. Arvand Bank is committed to conducting business with the highest level of integrity.

Through its Board of Directors and senior management, Arvand Bank maintains and continuously enhances its global financial economic crime compliance framework. This framework comprises policies, procedures, minimum standards, and internal controls designed to ensure compliance with the relevant laws and regulations in the jurisdictions where it operates. Arvand Bank maintains business relations based on high ethical standards, as outlined in its Code of Conduct.

## **b. Procurement procedures**

Procurement of goods, works and services required for the Project will be carried out in accordance with IFAD's Project Procurement Guidelines (<https://www.ifad.org/en/-/document/project-procurement-guidelines>), and as per procurement procedures agreed by the Parties, which cannot be materially altered without the prior approval of IFAD. In all cases where procurement worth more than two hundred thousand United States Dollars (USD 200 000) or equivalent is covered under the Project Budget, the Recipient shall be required to submit a Procurement Plan.


## **c. Audit arrangements**

As per section 3.8 of Schedule 3 of the standard EU funded IFAD Grant Agreement, the Recipient is required to submit to IFAD its annual audited institutional financial statements, audit opinion on the Statement of Expenditures, and its management letter by no later than 6 months of the Recipient's fiscal year end.

## Overview of selection process and rationale for selection of private sector recipient

The Recipient, Arvand Bank, was selected through a competitive process under the framework of Platform for Remittances, Investments and Migrants' Entrepreneurship in Central Asia (REMIT PRIME Central Asia), a programme co-financed by the European Union, with the aim to maximize the developmental impact of remittances by increasing access to them through digital methods, promoting digital and financial inclusion, and enhancing migrant returnees' access to income generating activities, particularly in rural areas.

On 12 March 2024, PMI's Financing Facility for Remittances (FFR) launched the "*Migrant Contributions for Development Call for Proposals 2024 (CfP24) for Tajikistan: Leveraging remittances to foster financial and digital inclusion, and support the sustainable reintegration of migrant returnees for local economic development in rural areas.*"

Published guidelines can be found in this link:  CfP\_Tajikistan\_Eng.pdf

The CfP24 had three stages:

### PHASE 1. Initial Bilateral Meeting (18 March – 19 April 2024)

The initial bilateral meeting involved a pitch session with IFAD's FFR, aimed at presenting the project proposal for potential grant financing from IFAD. During this phase, proponents were required to present basic information, including relevant expertise, project definition, geographical area of implementation, expected results and an estimated budget.

Announcement of preselected proposals: 10 May.

### PHASE 2. Final Bilateral Meetings (14 – 31 May 2024)

Selected applicants from Phase 1 were invited to complete a more detailed project proposal and submit it ahead of a two-hour online meeting, where they would orally present their in-depth project proposal. This phase required proponents to present the following information: project context, a more detailed description of relevant expertise, project description, implementation arrangements, innovation, sustainability, scaling up potential and a detailed budget.

### PHASE 3. Announcement (5 June 2024)

This phase involved the selection of finalists prior to engaging in project design.

A Competitive Selection Evaluation Team (CSET), chaired by the FFR Manager, was formed by remittance and development specialists: two technical specialists from the FFR (PMI Division), two expert consultants in remittances, financial inclusion and local development from the FFR, and two Central Asia financial sector expert consultants of the FFR.

As a result of the CfP in Tajikistan, six proposals were received from four local banks and two international organizations. A dedicated technical review committee conducted a thorough assessment and ranking of these proposals, ensuring compliance with eligibility criteria and alignment with the CfP objectives:

1. Finca Tajikistan
2. Spitamen Bank
3. Arvand Bank
4. ACTED Tajikistan
5. FAO Tajikistan

## 6. International Organization of Migration (IOM) Tajikistan – for a regional proposal

Except for ACTED Tajikistan, which did not meet the minimum co-financing criteria, the other five proposals met the minimum criteria for competitive evaluation. The selection process adhered to the principles of impartiality, transparency, and rigor.

The CSET evaluated the proposals according to the following criteria: (i) Impact (30 per cent); (ii) Sustainability and Scalability (20 per cent); (iii) Relevant Expertise (20 per cent); (iv) Degree of innovation (10 per cent); (v) Market positioning (10 per cent); and (vi) Implementation strategy (10 per cent).

After evaluating the strengths and weaknesses of each submission, the evaluators selected three proposals: FINCA Tajikistan, Arvand Bank and FAO Tajikistan. Arvand Bank was chosen as the grant recipient due to its strong institutional capacity, alignment with the Call for Proposals' strategic goals, and potential to deliver impact at scale. The European Union (EU), as the primary donor, reviewed the committee's recommendations and approved the final selection of the awarded projects.

This decision for Arvand Bank was based on the following three key factors:

*Financial inclusion and rural focus.* Arvand Bank was selected for its established footprint and long-standing commitment to advancing financial inclusion in rural Tajikistan. The institution operates a network of 11 branches, 66 service centres and 131 agents, with 76 per cent of its clients residing in rural areas. Its client base includes over 320,000 individuals, with 41 per cent of borrowers and 47 per cent of savers being women. Agriculture financing represents one-third of the bank's loan portfolio, indicating a clear alignment with the needs of rural and smallholder communities. The bank's growing remittance customer base (55,000 clients) in 2024 further demonstrates its relevance in this space.

*Proven capacity in donor-funded and climate finance initiatives.* Arvand Bank has extensive experience working with development partners, including USAID, EBRD, the World Bank and NGOs, to deliver green, inclusive and productive finance. Notable achievements include over US\$5 million in disbursements under the EBRD's Green Economy Financing Facility, and nearly US\$8 million in loans under the World Bank's agricultural commercialization programme. These initiatives reflect Arvand Bank's ability to manage results-based, climate-responsive portfolios across multiple sectors and donor requirements.

*Digital remittances and innovation in service delivery.* Arvand Bank has shown a strong commitment to digitalization and to modernizing the remittance ecosystem. In 2024, the bank processed US\$152.7 million in inbound remittances, an increase of 64 per cent from the previous year. Its digital rails include mobile apps, e-wallets, and card-linked accounts, with 88 per cent of remittances delivered in cashless form. While its agent network remains nascent, Arvand Bank has demonstrated a strategic intent to expand access in remote areas through digital tools and local partnerships. This, combined with its pilot work on mobile apps tailored to farmers, underscores its capacity to innovate in ways relevant to migrant households and rural livelihoods.

Overall, Arvand Bank is well-positioned to deliver meaningful progress in financial inclusion and resilience for remittance recipients and returnees in Tajikistan. Its operational scale, rural presence, digital infrastructure, and track record in donor-funded projects make it a strong candidate to implement this REMIT PRIME initiative.