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Investing in rural people

President's report

Proposed loan and grant to the Republic of Tajikistan for the Livestock and Pasture Development Project II

Note to Executive Board representatives

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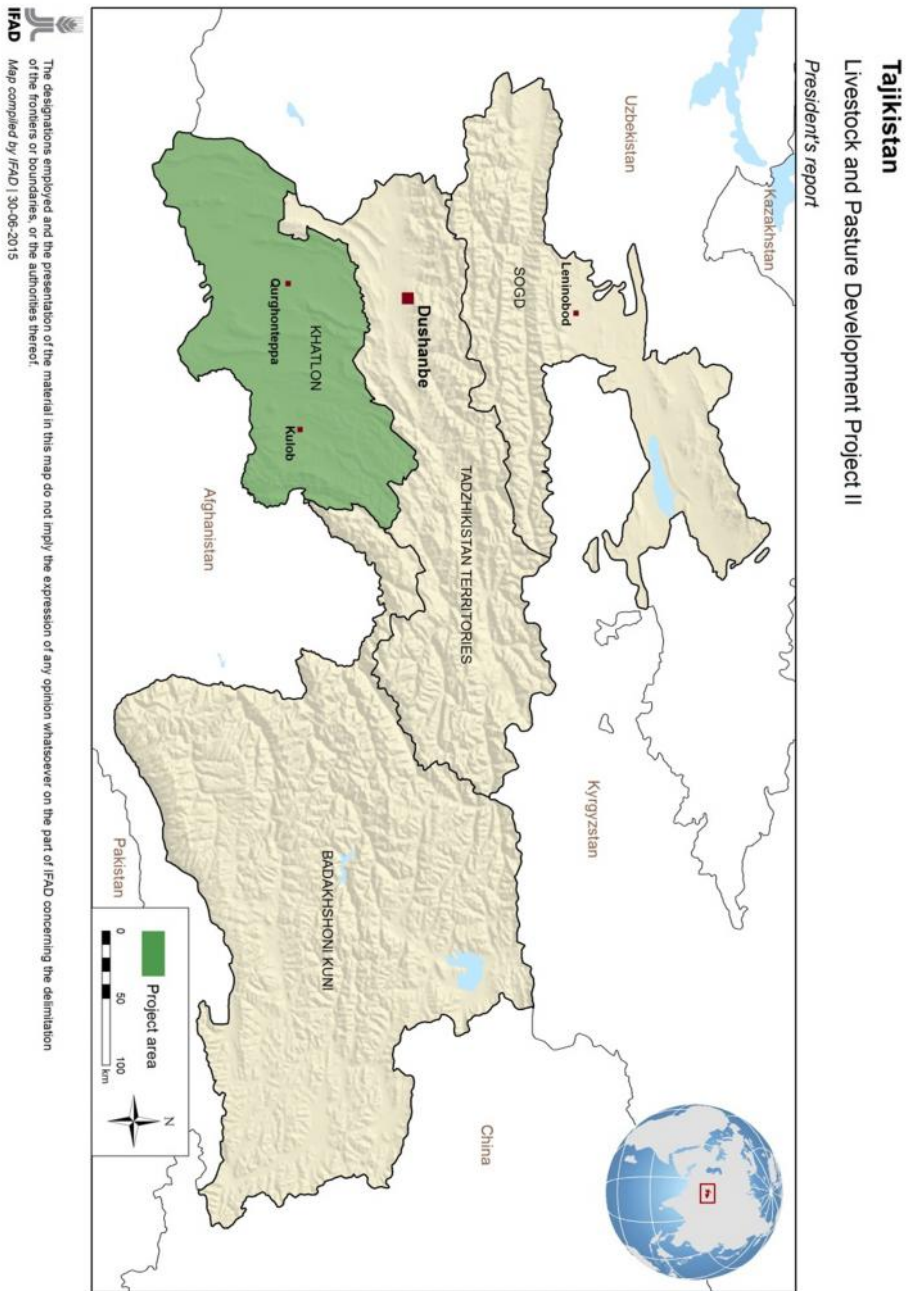
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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
AWP/B	annual workplan and budget
CLPMP	community livestock and pasture management plan
LPDP	Livestock and Pasture Development Project
PMU	project management unit
PSC	project steering committee
PUU	Pastures Users' Union
RB-COSOP	results-based country strategic opportunities programme
SDR	special drawing right(s)

Map of the project area



Republic of Tajikistan

Livestock and Pasture Development Project II

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Tajikistan
Executing agency:	Ministry of Agriculture
Total project cost:	US\$24.2 million
Amount of IFAD loan:	SDR 6.2 million (equivalent to approximately US\$8.7 million)
Amount of IFAD grant:	SDR 6.2 million (equivalent to approximately US\$8.7 million)
Terms of IFAD loan:	Highly concessional: maturity period of 40 years, including a grace period of 10 years, with a service charge of 0.75% per annum
Other grants:	Adaptation for Smallholder Agriculture Programme (ASAP)
Amount of ASAP grant:	SDR 3.6 million (equivalent to approximately US\$5 million)
Contribution of borrower:	US\$0.5 million
Contribution of beneficiaries:	US\$1.4 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendations for the proposed financing to the Republic of Tajikistan for the Livestock and Pasture Development Project II, as contained in paragraph 38.

Proposed loan and grant to the Republic of Tajikistan for the Livestock and Pasture Development Project II

I. Strategic context and rationale

A. Country and rural development and poverty context

1. The Republic of Tajikistan is a landlocked country with mountainous areas accounting for some 93 per cent of the total land area, and a population of 8.2 million. Tajikistan's economy has grown by more than 8 per cent per annum since 2000, but growth slowed from 7.4 per cent in 2013 to 6.7 per cent in 2014 as remittance inflow, equivalent to almost half of Tajikistan's GDP, fell by 8.3 per cent. Remittances from about one million labour migrants account for as much as 25 per cent of total household income, making the country highly vulnerable to external economic shocks. The country's remoteness, obsolescent infrastructure, deteriorating education and health systems, and lack of government resources are significant barriers to economic and social development.
2. The agriculture sector accounts for only about 21 per cent of the country's GDP, but plays a crucial role in the rural population's livelihoods and food security. The population of Tajikistan was 73.4 per cent rural in 2013, with the majority engaged in agriculture, which accounted for 75 per cent of total employment. Of the total area of the country (14.3 million hectares [ha]), agricultural land accounts for about 34 per cent (4.8 million ha), of which 82 per cent is pasture and hay meadows. Individual households account for over 50 per cent of the country's agricultural production, and in some agricultural subsectors their contribution reaches 80-90 per cent.
3. The poverty level has been declining over the last 15 years, reaching 36 per cent in 2013, with extreme poverty reduced to 14 per cent. Poverty is especially high in rural areas, where the population depends mainly on agriculture, livestock and remittances for livelihoods and food security. There are regional differences in the poverty level, with the majority of poor people living in the Khatlon and Sughd regions, which account for 65 per cent of Tajikistan's total population. The Government of Tajikistan has an ambitious plan to reduce poverty to 20 per cent by 2020. However, with the high annual population growth (3.8 per cent), lack of employment and decreasing remittances, this target presents a challenge and requires a strong commitment to, and advancement of, a wide range of reforms.
4. Tajikistan ranks lowest in Europe and Central Asia on gender equality, although women are the main farmers in the country. Women's status and position in society have undergone a critical change since independence in 1991: they now have less education, less formal employment and lower wages. Women head nearly half the households that suffer from a heavy burden of food insecurity. Agriculture is their largest employment sector – about 50 per cent of women were engaged in the sector in 2010. However, their participation in agriculture is characterized by seasonal and low-paid or unpaid positions. In the livestock sector, women are mainly responsible for the care of animals within the homestead and undertake much of the work of feed preparation, milking and cleaning.

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

5. Livestock ownership is a key coping strategy for the smallholder farmer in Tajikistan. Livestock inventories have grown to levels higher than in the immediate pre-independence period and livestock-raising is an activity in which nearly the entire rural population engages. However, livestock-sector productivity is very low and relies primarily on grazing, supplemented by limited cultivated feed crops and minimal concentrates. The simultaneous rise in inventories and fall in feed supplies mean that feed per animal has fallen dramatically, together with livestock productivity.
6. The ability of livestock farmers to maximize the use of pastures is constrained by many problems, including a lack of technical knowledge among small livestock holders, poor governance arrangements on pasture management, inefficient management of community livestock, shortage of feed during winter months, environmental degradation, and lack of access to quality fodder seed and infrastructure – all of which are further exacerbated by climate change. The project will address these constraints in an effort to reduce the vulnerability of pasture communities to the increasing threat posed by changing climate conditions. This will ensure that livestock producer households maximize their returns, while safeguarding the sustainable management of pastures. With the growing number of livestock and further deterioration of natural pastures, a focus on pasture management reforms resulted in the adoption of the Law on Pastures in March 2013. This law serves as a foundation for the pasture management decentralization reforms that are being piloted in selected areas. However, experience has shown that it is imperative to facilitate the reform process through further advancement of the policy and legal framework for pasture management.
7. Improvement in livestock productivity would support poor households in dealing with food security issues and would enhance their nutritional status. Despite the relative decrease in poverty, many people are still poor and suffer from chronic malnutrition. The most critical situation relates to the consumption of meat, eggs, milk and dairy products. Investment in measures to overcome obstacles to increased livestock productivity and production will have an immediate impact on smallholders' nutrition status, food security profile, income and livelihoods. Increased livestock will also make a significant contribution to other agricultural incomes through employment and productivity. IFAD is considered an ideal partner to provide such support to farmers in the Khatlon region, given its experience in working with smallholder farmers in Asia and in the Commonwealth of Independent States.
8. Climate change adaptation interventions will address urgent environmental and poverty issues. The close link between livestock productivity and rational and efficient use of pastures requires a concurrent focus on the pasture/natural resource management aspects of livestock production. This in turn requires an effort to mainstream climate change adaptation in livestock and pasture management, given that this sector is extremely vulnerable. Despite the fact that the Khatlon region is among the areas most vulnerable to climate change and disaster-related risk, the growing impact of climate change has not yet been explicitly taken into account in the Livestock and Pasture Development Project (LPDP). Thanks to the availability of ASAP financing, the urgent issue of climate change adaptation has been integrated into both LPDP and the Livestock and Pasture Development Project II (LPDP-II). In addition to experiences gained from LPDP, the project also builds on past and ongoing experiences and policies of other international agencies and major stakeholders, including the World Bank, Asian Development Bank (AsDB), World Food Programme (WFP), Food and Agricultural Organization of the United Nations (FAO), German Agency for International Cooperation (GIZ), United Nations Development Programme (UNDP) and Aga Khan

Foundation. During implementation, the project will actively seek synergies and complementarities with these and other agencies involved in livestock/pasture management and climate change and disaster risk reduction. The project has established links with the Pilot Program for Climate Resilience. This programme is funded by the World Bank, AsDB, European Bank for Reconstruction and Development (EBRD) and the United Kingdom's Department for International Development (DFID) under the Strategic Climate Fund, which is one of two multi-donor trust funds within the Climate Investment Funds.

II. Project description

A. Project area and target group

9. LPDP-II will reach some 38,000 rural households in at least 200 communities in five districts of the Khatlon region, which is located in the south-west of the country, and has a population of 2.64 million or approximately one third of the country's total. It is divided into 25 districts, with a population ranging from 19,000 to 175,000 in each. LPDP-II will target households with the potential for increased livestock productivity and high poverty level. Together, LPDP and LPDP-II target 35 per cent of the Khatlon region's population, 35 per cent of its pastures, 43 per cent of large ruminants, 52 per cent of small ruminants and 30 per cent of the area under fodder crops.
10. The project's primary target group includes: (i) smallholder livestock households; (ii) private veterinary service providers and small-scale entrepreneurs with the potential to provide services to households and smallholder farmers; and (iii) woman-headed households and women belonging to poor households. Target group members will have a per capita income of less than US\$2 per day, which is currently the case for 50 per cent of the total population of Khatlon.
11. The project is taking the following approach: (i) geographical targeting to select jamoats (administrative divisions) with the potential for livestock and pasture development; (ii) selection of villages considering poverty data profiles; (iii) household targeting for selection of households that meet the project's poverty and gender criteria; and (iv) gender targeting for the selection of women for specific project activities through quotas for their inclusion. The project will continue to emphasize the role of women in agricultural production and will make concerted efforts to enable women to move beyond subsistence production and into higher-value, market-oriented production.

B. Project's development objective

12. The project's development goal is to contribute to reduction of poverty in the Khatlon region. The development objective is to increase the nutritional status and incomes of some 38,000 poor households by enhancing livestock productivity and climate resilience sustainably.

C. Components/outcomes

13. The project's investments and activities will be implemented through three components in addition to project management:
 - (a) Component 1: Institutional development. This component seeks to enhance the capacity of targeted public-sector and community organizations to be more effective and efficient at pro-poor pasture management development. Two subcomponents are envisaged: (i) development of community organizations; and (ii) advancement of policy and legal frameworks and strengthening of national institutions.
 - (b) Component 2: Productivity enhancement and improved animal health. The key objective of this component is to increase access to livestock and veterinary services and fodder supply for smallholder producers (mainly households), resulting in decreased mortality and increased productivity of

sheep/goat flocks and cattle herds due to the reduced incidence and prevalence of disease. Two subcomponents are envisaged: (i) enhancement of livestock productivity; and (ii) improvement in animal health.

- (c) Component 3: Pasture development and diversification for vulnerability reduction. The key objective of this component is to increase access to more productive and climate-resilient pasture areas as well as diversified income-generating opportunities for livestock communities through sustainable, community-led management of natural resources. The participatory planning process will incorporate both climate-resilient pasture management and animal production/health planning, thus linking the work to be carried out under both the first and second components. This component will strengthen the adaptive capacity, governance and management skills of the Pasture Users' Unions (PUUs) and their elected boards, reducing their vulnerability to climatic stress. This will be done by building an understanding within their constituent members of the importance of incorporating climate-risk reduction measures within community livestock and pasture management plans (CLPMPs) in order to ensure the long-term sustainability and health of pastures and the restoration of pasture landscapes. These measures will in turn improve livestock productivity and contribute to reduced feed shortfall and income loss.

III. Project implementation

A. Approach

14. The LPDP-II approach is based on community-driven development to enhance adaptive capacity, reduce climate-induced risk and reduce poverty. Although LPDP provides opportunities to enhance pasture management at community and national levels, the growing impacts of climate change have not yet been explicitly taken into account, especially in terms of development of the CLPMP and setting priorities for wise, long-term investment in improving pastures. LPDP-II will address integration of this urgent issue of climate change adaptation, thanks to the availability of ASAP financing. LPDP and LPDP-II will be treated as one coherent project in all operational aspects and will complement each other, specifically in terms of the 'one-project' approach, implementation modalities and project activities.

B. Organizational framework

15. The Ministry of Agriculture will continue to have overall responsibility for management of the project on behalf of the Government. A national project steering committee (PSC) will continue to provide overall policy guidance for LPDP and LPDP-II and maintain oversight of the annual workplan and budget (AWP/B). The Deputy Minister responsible for the livestock sector will continue to chair the PSC, which will review project progress and approve the AWP/B and annual progress report.
16. The Ministry will develop policies and processes – jointly with the State Committee for Land Management and Geodesy, and district hukumats (governments) – for allocation of pasture land-use rights to the PUUs.
17. State Veterinary Inspection Services (SVIS) is a subdivision of the Ministry of Agriculture and is responsible for the provision of veterinary services to farmers. Under LPDP-II, SVIS will be responsible for: (i) providing data to the project management unit (PMU); (ii) assisting in identification of jamoats, villages and suitable veterinary candidates to participate in the strengthening of the private veterinary services subcomponent; and (iii) working closely with the PMU and community facilitators at the community level, particularly in ensuring that private veterinarians can develop into an effective and financially sustainable service.

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

18. The jamoats will approve the CLPMPs, which have been developed by the PUUs in an inclusive and participatory manner and submitted to the PMU for review and final approval. Based on the priority areas identified by the PUUs, community facilitators and the PMU will develop a preliminary plan to be fed into the AWP/B. The PMU will ensure that proposed activities are eligible for financing under the project, and that proposed plans take into account the extent to which they are realistic in terms of time frames and availability of resources. The PMU will prepare draft AWP/Bs for each project year, to be submitted to the PSC for review and approval. The PMU will submit semi-annual and annual progress reports to IFAD.
19. The monitoring and evaluation (M&E) system will provide comprehensive information for the project's effective and efficient management and will help stakeholders learn from implementation experience. Project impact will be monitored by undertaking surveys at three stages during the life of the project: baseline information at start-up, and impact evaluation at midterm and project completion.
20. Knowledge generated by the project will be documented for dissemination to regional and national audiences using a variety of instruments, including electronic media, promotional meetings and workshops. LPDP-II will produce special policy briefs, case profiles and case studies from its learning in the field.

D. Financial management, procurement and governance

21. A financial management-capacity and risk assessment for this operation has been completed in accordance with the guidelines of the Controller's and Financial Services Division. Overall, financial management risk is rated as medium. The latest Transparency International indicator rating of 2.3 implies a high risk of corruption. However, in the last few years, there has been good progress on, and strong government commitment to, public financial management reforms. The project design has some inherent financial management risks, given the substantial funds earmarked for community-driven subprojects that are geographically widespread. These risks will be mitigated somewhat by central PMU management of procurement and payments for the subprojects. The proposed PMU, which is currently managing the ongoing LPDP, has put in place financial accountability systems and procedures that are functioning reasonably well. These will help keep control risks at an acceptable level. The fiduciary performance of the current portfolio is generally satisfactory, with the exception of an outstanding matter of misprocurement in one project noted in 2010. While changes in project management have subsequently been made to improve compliance with IFAD's procedures, the settlement of this case remains outstanding.
22. A number of measures are in place to assure good governance as indicated by democratic accountability, transparency of financial management, gender equitability and mechanisms for complaints and remedies, including: (i) consistent stakeholder representation, through the PSC, in the project's planning, monitoring, evaluation and impact assessment cycle – affording mechanisms for complaints and remedies; (ii) quotas for women beneficiaries; and (iii) application of guidelines and procedures for procurement consistent with current IFAD Project Procurement Guidelines. Specific actions needed to strengthen assurance of the correct use of funds include: strengthening oversight measures for procurement and distribution of goods, equipment and inputs to communities, based on approved subprojects; introducing periodic internal audit reviews of operational controls to complement external financial audits; adapting PMU accounting software for use in this project; and hiring additional accounting staff. Appropriate covenants have been proposed for these actions.

E. Supervision

23. LPDP-II will be directly supervised by IFAD. One or two supervision and implementation support missions will be organized each year, according to need.

IV. Project costs, financing and benefits

A. Project costs

24. Total investment and incremental recurrent project costs, including physical and price contingencies, are estimated at US\$24 million (163 million Tajikistan somoni [TJS] equivalent). Physical and price contingencies are low – at 3 per cent of total project costs – due to investments associated with the various grants, representing some 76 per cent of total project costs (expressed as a lump sum, with no contingencies). The foreign exchange component is estimated at US\$10.7 million or about 44 per cent of total project costs. Taxes and duties make up approximately US\$0.45 million or 2 per cent of total project costs, and are mainly associated with civil works and equipment and goods, which constitute some 15 per cent of total costs. Project management expenses comprise about 6.7 per cent of total project costs and are partly covered under LPDP.

Table 1

Project costs by component and financier
(Thousands of United States dollars)

Component	IFAD grant		IFAD loan		ASAP grant		Beneficiaries		Borrower		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Institutional development												
(i) Development of community organizations	575	54.6	-	-	153	14.5	269	25.5	56	5.4	1 053	4.3
(ii) Advancement of policy and legal framework and strengthening of national institutions	738	91.3	-	-	-	-	-	-	70	8.7	808	3.3
Subtotal 1	1 313	70.6	-	-	153	8.2	269	14.4	126	6.8	1 861	7.7
2. Productivity enhancement and improved animal health												
(i) Enhancement of livestock productivity	1 375	81.4	-	-	-	-	154	9.1	160	9.5	1 689	7.0
(ii) Improvement in animal health	496	89.3	-	-	-	-	30	5.4	30	5.4	556	2.3
Subtotal 2	1 871	83.4	-	-	-	-	184	8.2	190	8.5	2 245	9.3
3. Pasture development and diversification for vulnerability reduction												
Community resilience pasture management and investments	4 002	22.3	8 700	48.5	4 358	24.3	871	4.9	23	0.1	17 953	74.1
Income diversification	-	-	-	-	525	95.5	25	4.5	-	-	550	2.3
Subtotal 3	4 002	21.6	8 700	47.0	4 883	26.4	896	4.8	23	0.1	18 503	76.4
4. Project management												
Project management	1 405	93.0	-	-	-	-	-	-	106	7.0	1 511	6.2
M&E	109	98.9	-	-	-	-	-	-	1	1.1	110	0.5
Subtotal 4	1 514	93.4	-	-	-	-	-	-	107	6.6	1 621	6.7
Total	8 699	35.9	8 700	35.9	5 036	20.8	1 348	5.6	447	1.8	24 230	100.0

B. Project financing

25. An IFAD loan of US\$8.7 million (36 per cent of total project costs) will finance 47 per cent of the pasture development and diversification for vulnerability reduction component. An IFAD grant of US\$8.7 million (36 per cent of total project costs) will finance: 71 per cent of the institutional development component (US\$1.3 million), 83 per cent of the productivity enhancement and improved animal health component (US\$1.9 million), 22 per cent of the pasture development and diversification for vulnerability reduction component (US\$4.0 million), and 93 per cent of the project management component (US\$1.5 million). An ASAP grant of US\$5.0 million (21 per cent of total project costs) will finance 8 per cent of the institutional development component (US\$0.15 million) and 26 per cent of the pasture development and diversification for vulnerability reduction component (US\$4.8 million). The government contribution is

estimated at US\$0.45 million (2 per cent) and includes contributions from its budget primarily to cover taxes (see next paragraph). Approximately US\$1.4 million (5.6 per cent) will be provided by beneficiaries as cofinancing of the CLPMP and other grants.

26. The government contribution will cover all taxes and duties on all project inputs that involve funding from the IFAD loan/grant and ASAP grant or any other external source of funding associated with the IFAD loan/grant and ASAP grant.

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

Expenditure account	IFAD grant		IFAD loan		ASAP grant		Beneficiaries		Gov't of Tajikistan taxes		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment costs												
A. Civil works	69	84,7	-	-	-	-	-	-	12	15,3	81	0,3
B. Goods, equipment and materials	1 891	79,8	-	-	-	-	154	6,5	323	13,7	2 368	9,8
C. Vehicles	88	75,0	-	-	-	-	-	-	29	25,0	117	0,5
D. Technical assistance and studies												
International TA	102	100,0	-	-	-	-	-	-	-	-	102	0,4
National TA	1 476	75,8	-	-	203	10,4	269	13,8	-0	-	1 947	8,0
Studies	102	100,0	-	-	-	-	-	-	0	-	102	0,4
Subtotal D	1 680	78,1	-	-	203	9,4	269	12,5	-0	-	2 152	8,9
E. Training and workshops	164	100,0	-	-	-	-	-	-	-	-	164	0,7
F. CLPMP grants	3 495	20,1	8 700	49,9	4 358	25,0	871	5,0	0	-	17 423	71,9
G. Diversification grants	-	-	-	-	475	95,0	25	5,0	-	-	500	2,1
H. Other grants	440	93,6	-	-	-	-	30	6,4	-	-	470	1,9
Total investment costs	7 825	33,6	8 700	37,4	5 036	21,6	1 348	5,8	365	1,6	23 274	96,1
II. Recurrent costs												
A. Salaries and allowances	343	100,0	-	-	-	-	-	-	-	-	343	1,4
B. Social fund	76	100,0	-	-	-	-	-	-	-	-	76	0,3
C. Operating expenses												
Vehicles	246	84,7	-	-	-	-	-	-	44	15,3	291	1,2
Office	209	84,7	-	-	-	-	-	-	38	15,3	246	1,0
Subtotal C	455	84,8	-	-	-	-	-	-	82	15,3	537	2,2
Total recurrent costs	874	91,4	-	-	-	-	-	-	82	8,6	956	3,9
Total project costs	8 699	35,9	8 700	35,9	5 036	20,8	1 348	5,6	447	1,8	24 230	100,0

C. Summary benefit and economic analysis

27. The main project benefits will accrue to households in the 200 PUUs that constitute the project area in the selected districts of the Khatlon region. Some 38,000 households will benefit directly and indirectly from the project's interventions (80 per cent of those targeted).
28. Economic analysis indicates that the project is robust in economic terms, yielding an economic rate of return of 20 per cent and a net present value of US\$8.6 million taken over 20 years. The benefit stream (discounted at 12 per cent) is based on the quantifiable benefits that relate directly to activities undertaken following component implementation.

D. Sustainability

29. Through its design, the project will adopt a balanced approach between environmental management, economic growth and strengthening of social capital. A key focus of the project will be to promote policy supporting sustainable pasture management, and to develop the adaptive capacity of PUUs to manage their pasture areas better and sustainably, taking into account the predicted impacts of climate change on pastures and pasture communities. PUUs with secure land-use rights and empowered with technical knowledge and organizational skills will continue to manage pastures on the ground.

E. Risk identification and mitigation

30. Technical and climate risks associated with the project may lead to reduced economic returns. Lack of capacity in governmental agencies and communities to effectively participate in project activities may result in delayed realization of benefits. The sensitivity analysis shows the project to be economically viable even if benefits were to be decreased by 41 per cent or if the realization of benefits were delayed by two years.

V. Corporate considerations

A. Compliance with IFAD policies

31. The project is fully compliant with the IFAD Strategic Framework 2011-2015. The design is further aligned with: (i) the new IFAD Environment and Natural Resource Management Policy, which proposes greater attention to risk and resilience so as to manage environmental and natural resource-related shocks, and promotes livelihood diversification to reduce vulnerability and build resilience for sustainable natural resource management; and (ii) the IFAD Climate Change Strategy. Similarly, the design is fully compliant with the IFAD Policy on Targeting and the Policy on Gender Equality and Women's Empowerment; and it adheres to the new social, environmental and climate assessment procedures. LPDP-II is classified as an environmental Category B project.

B. Alignment and harmonization

32. The project is strongly aligned with, and contributes to, the priorities of the Third National Communication of Tajikistan to the United Nations Framework Convention on Climate Change (UNFCCC), which identifies agriculture and livestock as being particularly vulnerable to climate change. The project is also in line with the Tajikistan National Action Plan for Climate Change Mitigation and the Tajikistan Strategic Programme for Climate Resilience. The project will contribute to integration of climate change adaptation considerations into the National Development Strategy (NDS). The NDS already includes environmental sustainability targets, a poverty reduction strategy explicitly mentioning climate change issues, and the climate change adaptation strategy for the period 2015-2030, which is being developed under the leadership of the State Agency for Hydrometeorology.

C. Innovations and scaling up

33. The ongoing LPDP has been a major intervention in the country in terms of advancement of pasture management reforms and livestock-sector development. Based on the experience and outcomes of the ongoing project, the Government has decided to scale up its approach to additional areas with livestock development potential. The established PMU – and the network of engaged institutions, partnership arrangements and capacity and expertise accumulated in the project – will facilitate smooth expansion of LPDP-II to the additional areas of the Khatlon region.

D. Policy engagement

34. LPDP already plays a key role in the GIZ-facilitated Pasture Management Networking Platform in Tajikistan, sharing its experience and lessons learned with other practitioners and policymakers in that field. LPDP-II will continue to provide assistance to formulation of a state policy and strategy for mainstreaming climate change adaptation in sustainable pasture management, and to elaboration of legal and regulatory documents to support implementation of the Law on Pastures, including the development of a strategy for pasture management and improvement for 2015-2020.

VI. Legal instruments and authority

35. 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 attached as appendix I.
36. The Republic of Tajikistan is empowered under its laws to receive financing from IFAD.
37. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

38. 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 six million two hundred thousand special drawing rights (SDR 6,200,000), 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 grant to the Republic of Tajikistan in an amount equivalent to six million two hundred thousand (SDR 6,200,000) 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 an ASAP grant to the Republic of Tajikistan in an amount equivalent to three million six hundred thousand (SDR 3,600,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement

"Livestock and Pasture Development Project – II (LPDP-II)"

(Negotiations concluded on 29 October 2015)

IFAD Loan Number: _____

IFAD Grant Number: _____

ASAP Trust Grant Number: _____

Project Title: Livestock and Pasture Development Project – II (LPDP-II) (the "Project")

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

and

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

and

The Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust")

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

Whereas the Executive Board of the Fund, at its 105th Session, approved the establishment of an Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust");

Whereas IFAD has agreed to extend a loan (the "IFAD Loan") and a grant (the "IFAD Grant") to the Borrower/Recipient for the purposes of financing the Project, on the terms and conditions set forth in this Agreement;

Whereas, on the basis of the above and other considerations, the ASAP Trust has agreed to extend a grant (the "ASAP Trust Grant") to the Borrower/Recipient for the purposes of increasing the financing in respect of the Project, on the terms and conditions set forth in this Agreement; and

Whereas the commitment of the ASAP Trust Grant is subject to availability of funds in the ASAP Trust;

Now Therefore, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project 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, as may be amended 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 the IFAD Loan and IFAD Grant and the ASAP Trust shall provide the ASAP Trust Grant to the Borrower/Recipient (collectively 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 IFAD Loan is six million and two hundred thousand Special Drawing Rights (SDR 6 200 000).

B. The amount of the IFAD Grant is six million and two hundred thousand Special Drawing Rights (SDR 6 200 000).

C. The amount of the ASAP Trust Grant is three million and six hundred thousand Special Drawing Rights (SDR 3 600 000).

2. The IFAD Loan is granted on Highly Concessional terms as defined in Paragraph 15(a)(iii) of the Policies and Criteria for IFAD Financing dated 14 February 2013.

3. The Loan Service Payment Currency for the Loan shall be US dollar.

4. The first day of the applicable Fiscal Year shall be 1 January.

5. Payments of principal and service charge of the Loan shall be payable on each 15 May and 15 November.

6. Designated account.

(a) There shall be one (1) designated account (the "Designated Account") for the purposes of receiving the proceeds of the IFAD Loan, the IFAD Grant and the ASAP Trust Grant and financing the Project.

(b) The Designated Account shall be opened by the Borrower/Recipient in a financial institution acceptable to the Fund and on terms and conditions satisfactory to the Fund, including but not limited to appropriate protection against set off, seizure or attachment. The Project Management Unit (the "PMU") referred to in Section E and Schedule 1 hereto, on behalf of the Borrower/Recipient, shall be fully authorized to operate the Designated Account in accordance with its procedures for the administration of accounts.

7. Project accounts.

There shall be three (3) Project accounts (the "Project Accounts"), one for each financing source and opened by the Borrower/Recipient in a financial institution acceptable to the Fund, in order to receive resources for the benefit of the Project from the Designated Account.

8. The Borrower/Recipient shall bear all taxes that may be due in connection with the Project.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture (the "MOA").

2. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

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

Section E

1. The following are designated as additional grounds 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 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; or
- (b) The Project Director referred to in Schedule 1 hereto has been removed from the Project without the prior concurrence of the Fund.

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) an accounting software acceptable to the Fund shall have been configured for the use by the Project; and
- (c) the Project Implementation Manual (the "PIM") referred to in Schedule 1 hereto shall have been duly approved.

3. The following is designated as an additional specific condition precedent to the second withdrawal: draft Terms of Reference for external and internal audit shall have been submitted to the Fund for approval.

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

For the Borrower/Recipient:

Minister for Finance of the
Republic of Tajikistan
Ministry of Finance
3, Academicians Radzhabovych Street
734025 Dushanbe, Tajikistan

Fax: (+992 37) 2216410

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 the ASAP Trust and one (1) for the Borrower/Recipient.

REPUBLIC OF TAJIKISTAN

[insert name and title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Kanayo F. Nwanze
President

ADAPTATION FOR SMALLHOLDER AGRICULTURE
PROGRAMME TRUST FUND

Kanayo F. Nwanze
President of the International Fund for Agricultural
Development in its capacity as Trustee of the
Adaptation for Smallholder Agriculture Programme
Trust Fund

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Target Population. The primary target group of the Project shall be the following: (i) smallholder livestock households; (ii) private veterinary service providers and small scale entrepreneurs with the potential to provide services to households and smallholder farmers; and (iii) women-headed households and women belonging to poor households. The Project is expected to reach approximately thirty-eight thousand (38 000) rural households in the Khatlon region at a high poverty level with a potential for increased livestock productivity.

2. Goal and Objectives. The goal of the Project is to contribute to the reduction of poverty in the Khatlon Oblast. The development objective is to increase the nutritional status and incomes of the Target Population by enhancing livestock productivity and climate resilience in a sustainable manner.

3. Components. The Project shall consist of the following Components:

Component 1 – Institutional Development

3.1. This Component shall seek to enhance the capacity of targeted public sector and Community Organizations (the “COs”) for more effective and efficient pro-poor pasture management development. Component 1 shall be achieved through the following two sub-components:

Sub-component 1.1: Development of COs. Under this sub-component, the PMU shall select communities of a high level of poverty, but also recognized potential for livestock development. Mobilization and strengthening of the Pasture Users’ Union (the “PUUs”) will be conducted by Community Facilitators (the “CFs”) – non-governmental organizations (“NGOs”) experienced in social mobilization of rural communities – backed by the technical expertise and knowledge provided by the Project’s technical team. The CFs shall facilitate the formation of the Common Interest Groups (the “CIGs”) among eligible smallholder households interested in and capable of participating in livestock development activities, and Self-help Women Groups (the “SWGs”) for income diversification activities. They shall also assist the selected communities to undertake the preparation and implementation of the Community Livestock and Pasture Management Plans (the “CLPMPs”).

Sub-component 1.2: Advancement of Policy and Legal Framework and Strengthening National Institutions. In order to ensure sustainability and advancement of pasture management reforms, the Project, under sub-component 1.2, shall extend support to institutional building, including that for the MOA. Technical guidance shall be provided for future pasture development in developing policy and legislation to advance pasture management transfer and monitoring pasture conditions, through assessing the quality of pastures and monitoring the performance of PUUs. The Project shall provide assistance in the formulation of a state policy and strategy for mainstreaming climate change adaptation into sustainable pasture management, and the elaboration of legal and regulatory documents to support the implementation of the Pasture Law. International and local technical assistance shall be mobilized to provide assistance to review and amend the Pasture Law.

Component 2 – Productivity Enhancement and Improved Animal Health

3.2. The key objective of this Component is to increase access to livestock and veterinary services, and fodder supply for smallholder producers, aiming at decreased mortality and increased productivity of sheep/goat flocks and cattle herds. This Component includes two (2) sub-components as follows:

Sub-component 2.1: Livestock Productivity Enhancement. Under this sub-component, livestock farmers/households will be organized into groups for the provision of training in improved animal husbandry and management practices, feed preparation and identification of hygiene and health aspects. The CFs shall deliver the training programme to the targeted communities. The sub-component shall promote fodder production and distribution through the establishment of a Seed Fund. It shall strengthen private entrepreneurs dealing with livestock input supply. Private sector participants dealing with marketing of dairy, meat and other livestock products shall be provided with business and technical assistance. The sub-component shall undertake an assessment of individual entrepreneurs and identify their specific needs for business development, equipment, credit and technical training. Business advisers recruited by the Project shall undertake a broker role by providing such services and linking individual entrepreneurs with the required service providers.

Sub-component 2.2: Improved Animal Health. Sub-component 2.2 shall support the development of private veterinary services and the establishment of a private veterinary network, which shall provide both animal health and artificial insemination services. A facility shall be established under the sub-component, to which veterinarians selected to serve the rural communities may submit applications for funding of veterinary drugs, training, equipment, veterinary tools and veterinary clinics/centres. Based on its experience of implementing this activity, the Project shall provide policy input on how the existing policy on the establishment of these services at village level can be further refined for more cost-effective use and a higher level of impact.

Component 3 – Pasture Development and Diversification for Vulnerability Reduction

3.3. The main objective of this Component is to increase access to more productive and climate resilient pasture areas as well as to diversified income-generating opportunities for livestock communities through a sustainable, community-led management of natural resources. This Component is composed of two sub-components as follows:

Sub-component 3.1: Community Resilient Pasture Management and Investments. The sub-component shall support PUUs in developing CLPMPs to address the degradation of pasture resources, deterioration of pasture infrastructure, climate adaptation needs in sustainable pasture management and restoration, winter feeding and livestock health and production. Training and capacity building shall be provided to the PUU members to carry out assessment and efficient planning, ensuring the active participation of the more vulnerable households and involvement of women in planning and decision-making. The sub-component shall build a monitoring and evaluation (“M&E”) system through modelling of pasture productivity to determine carrying capacity and identify remote pasture areas that could be accessed. Livestock-carrying capacity plans shall be based on flexible carrying capacity estimates to continuously adapt the stocking rates to the highly variable climatic conditions and biomass availability. These shall be done with support of technical assistance, and shall be part of the CLPMPs. To support the initial implementation of the CLPMPs, the Project shall provide investment grants through the PUUs. The exact amount of each grant shall be linked to the PUU population and performance of the PUU, including the collection of pasture use fees.

Sub-component 3.2: Income Diversification. This sub-component shall promote alternative sources of income to diversify household economies. It shall explore income-generating options beyond livestock to gradually reduce grazing pressure on pastures and mitigate the impact of climate change. The sub-component shall provide financing to encourage and nurture new economic activities through which the most vulnerable of the rural society – mainly women – can build and develop additional sources of income as a safety net against possible economic losses, to help build socio-economic resilience, enhance their nutritional status and increase their incomes. This shall be coupled with training and capacity enhancement activities for the identification, development and management of new climate-resilient businesses. The sub-component shall provide technical assistance, demand assessment, resource mapping, feasibility study and other related studies by a professional Technical Facilitator prior to micro-project funding.

II. Implementation Arrangements

4. The PSC. The PSC, as defined in the Financing Agreement between the Borrower/Recipient and the Fund for the Livestock and Pasture Development Project (Grant No. G-I-DSF-8083-TJ), entered into force on 5 August 2011 (the “LPDP Financing Agreement”), shall provide overall policy guidance for the Project and maintain oversight of the Project’s Annual Work Plans and Budgets (the “AWPBs”). The PSC shall review Project progress and approve its AWPBs and annual progress reports.

5. The PMU. The State Enterprise “Project Management Unit “Livestock and Pasture Development”, as defined in the LPDP Financing Agreement and that has been assigned for implementation of LPDP, shall employ cluster officers for the Project and a Climate Adaptation Consultant, and additional procurement, financial, information dissemination and knowledge management and M&E staff to take on the additional workload arising from the implementation of the Project. The major functions of the PMU are to: (i) ensure that the Project is implemented in accordance with its design; (ii) prepare and implement AWPBs; (iii) ensure timely recruitment of service providers, staff and consultants; (iv) ensure effective coordination of all activities and agencies involved; (v) maintain appropriate accounts, including reports on withdrawal applications and disbursements; (vi) manage procurement in accordance with the Fund and the Borrower/Recipient’s guidelines; (vii) ensure compliance with environmental requirements and other safeguard measures; (viii) prepare semi-annual progress and annual reports in formats agreed with the Fund; (ix) conduct M&E activities including maintaining IFAD Results and Impact Management System (the “RIMS”); (x) assist local communities with participatory M&E; and (xi) assist supervision and evaluation missions by the Fund and the Borrower/Recipient.

6. The MOA jointly with the State Committee for Land Management and Geodesy (the “SCLMG”), as well as district Hukumats shall develop policies and processes for allocation of pasture land use rights to the PUUs.

7. The State Veterinary Inspection Services (the “SVIS”). The SVIS, as the subdivision of the MOA responsible for the provision of veterinary services to farmers, shall be responsible for the provision of data to the PMU; assist with the identification of Jamoats, villages and suitable veterinarian-candidates to participate in the strengthening of private veterinary services sub-component; and work closely with the PMU and CFs at the community level, in particular in ensuring that the private vets are able to develop into an effective and financially sustainable service.

8. The Tajik Agrarian University (the “TAU”). The Project shall extend support, in the form of international and local technical expertise and financial resources, to the TAU for the development of curricula and a comprehensive educational programme for a degree

in pasture management, the refurbishment of a pasture fodder assessment laboratory, the Geographic Information System (the "GIS") and a weather forecasting laboratory.

9. PUUs. The PUUs, as key stakeholders for pasture management, shall fulfil the following functions: (i) obtaining pasture lease rights and ensuring effective and sustainable use of pastures; (ii) capacity building for members; and (iii) dispute settlement related to the leased land area. PUU members shall participate in annual and medium-term pasture management planning, and report on pasture conditions. The Project shall facilitate the formation of PUUs and their Boards (the "PUUBs"). Smallholder farmers and households interested in participating in livestock development activities shall be organized into CIGs for the Project interventions in this field. SWGs will be instrumental for the identification and implementation of income-generating activities for women.

10. Project Implementation Manual (PIM). A PIM containing the detailed rules, procedures and requirements shall be prepared by the PMU and approved by the MOA and the Fund. The PMU shall, in fulfilling its mission, follow the PIM as approved by the Fund.

Schedule 2
Allocation Table

1. Allocation of Financing Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loan, IFAD Grant and the ASAP Trust Grant, the allocation of the amounts of the Financing to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Grant Amount Allocated (SDR)	Loan Amount Allocated (SDR)	ASAP Trust Grant Amount Allocated (SDR)	% of Expenditures to be financed
1. Equipment, Goods, Vehicles and Works	1 425 000			See notes below
2. Technical Assistance and Studies	1 000 000		150 000	
3. Training & Workshops	100 000			
4. Grants				
a. Pasture Users Union for Community Livestock and Pasture Management Plans (CLPMP) Grants	2 510 000	6 200 000	3 100 000	
b. Diversification Grants			350 000	
c. Other grants	315 000			
5. Operating expenses	600 000			
6. Unallocated	250 000			
Total	6 200 000	6 200 000	3 600 000	

(b) The terms used in the Table above are defined as follows:

Category 1: Expenditures to be financed entirely from the IFAD Grant, except counterpart financing which will be provided in the form of exemption of taxes on eligible expenditures under Categories 1.

Category 2: Includes expenditures under individual consultancy contracts and contracts with the Community/Technical Facilitators. The contract involves related salaries and operational costs, provision of vehicles and other equipment as well as similar sub-contracted expenditure if required and the costs associated with issuance of pasture land use certificates for which PUUs will cover 50% of related costs. Amounts under this category that will be financed by the ASAP Trust Grant will include CLPMP grants and diversification grants, except counterpart financing which will be provided in the form of exemption of taxes on eligible expenditures.

Category 4: (a) Includes eligible expenditures for sub-projects made through grants to PUUs for CLPMPs sub-projects that will be derived from CLPMPs as defined in Schedule 1, Component 2 and will be financed on a pari passu basis from the IFAD Loan and IFAD Grant. Eligible climate change adaptation activities and expenditures, as defined in Schedule 1, Component 3, will be financed from the ASAP Trust Grant. Procurement and payments for these will be largely managed by the PMU. It is expected that beneficiaries would contribute at least 5%. PIM will provide modalities for allocation and use of such grants.

(b) Includes eligible expenditures for sub-projects made through grants to CIGs for diversification, as defined in Schedule 1, Sub-component 3.2 to be financed by the ASAP Trust grant. It is expected that beneficiaries would contribute minimum 5%. PIM provides modalities for allocation and use of such grants.

(c) Includes grants for private vets in agreement with PUUs; scholarships, practical studies and internships for students. PIM provides modalities for use of these grants. Private vets should contribute minimum 10% of the package cost.

(d) Excludes counterpart financing which will be provided in the form of exemption of taxes on eligible expenditures.

Category 5. Includes expenditures on salaries, social fund contributions and office and vehicle maintenance expenses, except counterpart financing which will be provided in the form of exemption of taxes on eligible expenditures.

Logical framework

Narrative Summary	Objectively Verifiable Indicators	Baseline Value (LPDP1 results)	Monitoring Mechanism and Information Sources	Assumptions/Risks
A. Project Goal Contribute to reduction of poverty in Khatlon region (50% of people in Khatlon are estimated as being below the poverty line)	18,000 households (50% of targeted households and 40% of total population in the targeted districts) with improvement in household asset ownership index by 15%; 3% reduction in the prevalence of chronic malnutrition (stunting)	NA 40%	Quantitative baseline, mid-term review, project completion survey. Studies to complement indicator based data	(A) Political stability and conducive macro-economic framework (A) Commitment and cooperation among all concerned institutional partners (R) Influence of overall economic development concealing project achievements
B. Project Purpose Increase the nutritional status, incomes and resilience of poor households by enhancing livestock productivity in a sustainable manner	80% of targeted HHs reporting increased incomes from livestock by minimum 15%; 38000 of poor smallholder households whose climate resilience has been increased (ASAP).	2932 TJS NA	Baseline, mid-term, completion surveys Financial records of project Enterprise groups Qualitative studies	(A) A sound use of climate change vulnerability assessment informs and drives adaptation work (A) Risk mitigation management plans are implemented by targeted communities (R) Elite capture of a disproportionate amount of the gains from increased production and local level conversion of animal, milk and meat surpluses sold on the market and to processors
COMPONENT 1: Institutional Development				
OUTCOME: Targeted public sector and community organizations ¹ (disaggregated by type, i.e: PUUs, VOs, MoA, Pasture Department, TAU, Jamoats) are more effective and efficient at pro-poor pasture management and livestock development	Satisfactory levels of governance ² for 75% of PUUs facilitated by the project Technical capacity ³ of targeted institutions (disaggregated by type ⁴) is increased	NA NA	Project M&E records, progress reports, specific public records, policy documents, laws, strategies	(A) Favourable government policies and cross-sectoral cooperation between state, region and district authorities (A) Interest and motivation among community members (R) Lack of capacity in government agencies and communities to effectively participate in project activities and transmit information and know-how

¹ Public sector and community organizations are defined in Appendix 5 and PIM

² Governance levels of PUUs will be assessed through a specific study. Governance will be measured through levels of (i) democratic accountability (qualitative: if elections of board or head have been democratic), (ii) transparency of financial management (if members are informed of revenues and expenditures of PUUs); (iii) gender equitability (eg: presence of women's sub-set organizations / women's groups within the VO). Source of information will be a annual survey, conducted by community facilitators, and mid-term / end of project HHs survey.

³ Technical capacity has been defined in LPDP, but needs to be further enhanced. Such level will be assessed when the project starts the interactions with the targeted organizations. Once the parameters of technical capacities are agreed, the M&E Consultant will develop a list of aspects (similarly to what done for Governance levels), with help from the company developing the MIS.

⁴ MoA, Pasture Department, TAU, Hukumats, Jamoats, VOs, PUUs.

COMPONENT 2: Productivity Enhancement and Improved Animal Health				
OUTCOME: Healthier livestock with lower levels of mortality and increased supplementary feed available to community livestock	70% of livestock households report reduction in animal mortality 15% increase in average milk yields and 10% increase in average weight of cattle, sheep and goats sold in local markets	NA 3.2lt/day; Average slaughter weights: 91kg cattle 47kg sheep 45kg goat	Baseline, mid-term, completion surveys, project M&E records, progress reports	(A) Livestock farmers will see the benefits of a collective approach to animal health and nutrition. (A) Effective cooperation between private vets and livestock farmers can be ensured (R) Not enough livestock farmers willing and able to pay for vet services make the business unviable
COMPONENT 3: Pasture Development and Diversification for Vulnerability Reduction				
OUTCOME: Household resilience increased through sustainable use of pastures and income diversification	Beneficiaries' household income increased at least by 20% from alternative income activities (ASAP) 132,000 ha of accessible pasture managed in a more climate-resilient manner (ASAP)	NA NA	Baseline, mid-term, completion surveys, Project M&E records, progress reports	(A) Effective and timely technical assistance secured for investment (R) The project fails to capture the interest of local communities (R) Poor maintenance of CLPMP investments results in reduced benefits to the livestock farmers