

PRO-POOR AGRICULTURAL DEVELOPMENT IN NORTHERN TAJIKISTAN

1. Overview of Tajikistan

Tajikistan is a small, landlocked, mountainous country in Central Asia bordering China, Afghanistan, Kyrgyzstan and Uzbekistan. Already the poorest of the republics when part of the Soviet Union, civil war and economic collapse have reduced 84% of the population (6.4 million total) to poverty since independence in 1991, with a GDP per capita of just US\$161 in 2001.¹ More than 70% of the population live in rural areas that have been further devastated by floods, landslides and a major drought in 2000-2001. Until recently, interventions have focused largely on relief but Tajikistan is ready for innovative strategies for development, and the agricultural sector will be critical in the building of sustainable livelihoods.

2. Definition of MEDA's Proposed Program

MEDA's goal is to alleviate poverty of farm families in the northern oblast of Sogd through the development of the fruit and vegetable subsector. Northern Tajikistan has been known historically for the magnificent fruits and vegetables of the Ferghana Valley, and this provides a rich opportunity for effective agricultural programming.

At a primary level of intervention, we will design and implement innovative programmes that assist underserved smallholder farmers in their adaptation to and growth in a market economy. The program will benefit thousands of rural families, by: i) providing access to traditional and new knowledge; ii) supporting the adoption of up-to-date technologies, improved inputs and better services; and iii) strengthening farmers' ability to work co-operatively and take collective action. This will be achieved through technical assistance including extension services, introduction to the latest advances in technology such as affordable microirrigation, the establishment of viable rural credit programs, and the organization of farmers into associations that represent their needs in the new economic and political environment. At a secondary level of intervention, we will advance the creation and growth of small and medium enterprises (SMEs) that process and market the agricultural output of Sogd's rural population, filling a current gap in the value chain. Main activities at this level will include: business development (including market access and linkages), technical assistance and technology transfer, association formation, and finance. We have identified local partners with whom we will work to ensure sustainable long-term development at both levels of intervention (see details in Section 5 below).

3. Innovative Methodology

Sogd has limited experience in a competitive economic environment, so that new agricultural technologies and inputs, promotion of the SME sector, rural credit and local organizing will be innovations for the region. In addition to these, coordination and integration throughout the subsector will be managed by MEDA's groundbreaking secured productive chain methodology that supports a sustainable livelihoods approach to development. The objective of secured productive chains is to strengthen the selected agricultural subsector by reducing the risks and costs faced by smallholder farmers, input suppliers, buyers and lending institutions. A leading-edge software system, Agromonitor, has been developed by MEDA to implement the secured productive chain methodology and enable the efficient collection of baseline and follow-up information, monitoring of production, scheduling of technical assistance and inputs, sharing of information throughout the chain, and distribution of risk. It has been successfully piloted in USAID-funded projects in Peru, and will be replicated and adapted for use in Tajikistan.

4. Investment Requirements

The following is the estimated investment required for a four-year project to develop the fruit and vegetable subsector in Sogd. Detailed budgets are available.

¹ Tajikistan Country Brief, The World Bank Group (2002). www.worldbank.org

Description of the Current Situation in Sogd's Fruit and Vegetable Subsector

Producer Level: At the producer level, fruits and vegetables are generally grown by smallholder farmers. Some of these farmers are also microprocessors who prepare their produce for local markets according to traditional means (e.g., pitting, cutting, shaping are done with hand tools). Farmers do not have access to credit to purchase inputs (e.g., fertilizer), improve stock or upgrade irrigation. The limited microcredit available in the region goes mainly to traders, and mechanisms do not exist to deliver appropriate rural credit products. Producers often have only limited access to markets and processors, selling their goods at local markets or to traders. As a result, waste is high. Quoted figures range from 25% to 50% spoilage of last year's yields.² Producers generally hold small lots (although some are co-owners of collective farms) and do not face the same issues as farmers who cultivate cotton on larger tracts of land. This means that farmers are eager to borrow money to improve the land (e.g., small scale irrigation projects, reclamation of hillsides) and will not be as dependent on donor infrastructure projects. There is little or no formal organizing of smallholder farmers in Sogd, although there is interest in co-operation. For example, one farmer spoke of joining with neighbours to pay for the digging of a well.

Processor Facilities: There are microprocessors and large processors, but there is a lack of processors at the SME level. The microprocessors work by hand and in primitive conditions, producing outputs of a quality that are only suitable for local or regional markets. Although microprocessors are unlikely to produce for international markets, better tools and packaging are available, and microprocessors expressed an eagerness to acquire loans to streamline their work and improve quality. For example, a small hand-turned device available from Iran would minimize the tedium of cracking pistachio shells, a job that is currently done by hand with a hammer. During the Soviet era, huge factories processed fruit and vegetables for local and national consumption (for example, Siberia was a significant market for Tajik processed foods). We visited three such factories in Sogd and there is still an interest in the part of management to get up to capacity and export. This is not realistic, however, since facilities and equipment are dated and run-down, operations are not efficient (high number of staff to output), packaging is inconvenient and unattractive, and the quality of processing is questionable. We do not recommend investing the large sums of money that managers of these factories stated they would need to get back up to capacity and expand marketing. There appears to be no industry-level organizations.

Interface Level: There is evidence of some activity at the interface level: wholesalers who purchase produce and resell to traders, exporters or processors; and processors who collect produce from many farmers. However, there is significant room for development at this level. For example, we met with a group that collected grapes from farmers for drying, packaging and reselling. They were interested in growing their business and were seeking investment, but they did not understand about revenue versus profit, projections etc. So, although they had an admirable entrepreneurial spirit, they would require not only financing but also business training.

5. Strengthening Aid Effectiveness

MEDA's proposed program in Tajikistan will advance CIDA's goal to strengthen aid effectiveness³, by following a pro-poor development strategy. Our program will be aligned with the objectives of Tajikistan's PRSP⁴ and the MDGs⁵, encouraging accelerated, socially fair and labour intensive economic growth in the agricultural sector, with targeted assistance to the poorest groups of the population including the rural poor, especially women. Our program also supports and advances CIDA's CDPF priorities for Tajikistan: water and agriculture.

We will co-ordinate with the programs of other donors and NGOs, and we will partner with local organizations. Interventions will be designed to augment local capacity, strengthening an entire subsector from production to markets. Finally, we will leverage Canadian partners, and contribute to CIDA's learning agenda. The following program elements illustrate our commitment to furthering aid effectiveness:

Programming Compatible with Other Donors⁶: Key donors are active in Tajikistan: EBRD, WB, ADB, USAID, SDC, DFID and IFC, but there is almost no donor involvement in rural projects in Sogd oblast. We met with personnel from these donor agencies (in some cases, we visited multiple offices of a single donor in London,

² Toshali Mukimov, The Chief of the Department of Fruits and Vegetables, Department of Agriculture, Dushanbe, Tajikistan. We were shown figures that indicate that 300,000 tonnes of fruit were sold per year during the Soviet era. Last year, only 147,000 tonnes of fruit were sold. 50,000 tonnes were known to be spoiled, and the remaining 100,000 have not been accounted for (reduced production, spoilage, informal economy).

³ *Canada Making a Difference: A Policy Statement on Strengthening Aid Effectiveness*, CIDA (2

⁴ Poverty Reduction Strategy Paper. The Government of Tajikistan. Dushanbe (June 2002).

⁵ Millennium Development Goals

⁶ During our mission, we met with all key donors to gain an understanding of their strategies and programs and to inform them of our proposed work.

Almaty, Dushanbe and Khojand). We are confident that a CIDA-MEDA partnership would fill a gap and be complementary to that of the other donors. Even though EBRD, for example, will become active in microcredit their involvement will be through local banks and therefore will be unlikely to reach smallholder farmers.

Coordination with Other NGOs⁷: Although there are numerous NGOs active in Tajikistan, international donors and NGOs such as the Aga Khan Foundation and Care have concentrated their efforts on the southern and eastern regions of the country. The following two local NGOs are most relevant to our proposed program in the development of the fruit and vegetable subsector. The local Development Fund, aimed at rural microcredit and funded by Mercy Corps, is active in Sogd. The Development Fund has limited capacity, with only 475 active clients, and we would use them as a resource for lessons learned. The Enterprise Development Project of Pragma Corporation, funded by USAID, offers business advisory services and trade support to SMEs in Sogd. They have one trade officer and a business advisory service (three advisors) that currently assists 16 SMEs in Khojand. We would coordinate with and utilize the services of Pragma as appropriate.

Local Partners and Local Ownership: MEDA will build a sustainable program at the producer level in partnership with the National Association of Business Women of Tajikistan (NABWT) that is headquartered in Khojand, Sogd. The NABWT is an efficient, competent microfinance group that has achieved considerable success in lending to microentrepreneurs (75% women clientele) – mainly traders, with a small percentage of processors, farmers and service providers. Since 73% of the population in Sogd is rural, NABWT would like to expand into agricultural programming, and a partnership with MEDA will provide the technical expertise to develop a successful program. Through capacity building activities such as training and mentoring, we will help NABWT build on their microcredit expertise to expand into agricultural lending, and to utilize available credit for agricultural activities. In terms of partnership at the processor level, MEDA has had promising initial discussions with a private locally owned International Finance Corporation initiative, Sogdagroserv. We met with the director of Sogdagroserv's Farmer Ownership Model Program, exploring strategies and models for the development of fledgling SME processors as an alternative to the familiar but obsolete and unworkable Soviet processing megafacilities. At the same time, all programming will promote local ownership of institutions and resources.

Developing Local Capacity: Along with our focus on partnerships with local institutions, capacity will be built through the formation of member-driven organizations at the farmer and processor level. We will also sponsor local (informal) leaders: for example, we met one farmer who had dreams of a model farm, had begun with apricot orchards, and was planning expansion to intercropping, fruit processing and raising livestock; another had hand-terraced barren hillsides, planting more crops and decreasing landslides, based on terraced hillsides he had seen while with the army in the Caucasus.

Sectoral Issues: The Sogd oblast has a long history of fruit and vegetable production and processing. While the potential for the region remains high, the change to a market economy has created challenges and risks at different levels within the sector. Apricots, apples, grapes, pears, nuts, potatoes and beans all grow well throughout regions of the Ferghana Valley in Sogd, but market access is hampered by lack of coordinated effort at the producer level, weaknesses in production, outdated processing and ineffective marketing. MEDA will work with stakeholders throughout the value chain to ensure appropriate outputs are produced and that they reach effective markets.

A Results-Based Approach: MEDA has partnered with CIDA on many programs and has extensive training and experience in implementing a results-based approach for performance tracking and results management. See Section 8 below on measurable results for a summary project plan with outputs, outcomes and impacts. Furthermore, we will work with our local partners, training them in the RBM methodology and ensuring that all planning and reporting is consistent with a results-based approach.

Focus on Women: Please refer to discussion of Gender under Core Principles in Section 7.

Leveraging Canadian Partners: MEDA will draw from its extensive network of partners in business, universities, other NGOs and private consultants to build an effective team of Canadian experts. For example, we have approached and received commitments from MEDA members who are involved in agriculture and food processing, a Canadian NGO (IDE) who are experts in microirrigation, Canadian consultants with extensive experience in Central Asia including agricultural extension, democratization, and the development of local capacity.

CIDA's Learning Agenda: MEDA will share lessons learned with CIDA and the wider international aid community through its membership in organizations such as SEEP (USAID-funded Small Enterprise Education and

⁷ MEDA undertook a mission to Tajikistan in April 2003 and met with local NGOs who were active in there in order to coordinate and not duplicate our efforts.

Promotion Network), attendance and presentations at conferences and other meetings, training and workshops, and the creation and dissemination of case studies.

6. Sustainable Rural Development through Agriculture

MEDA's program plan reflects the priorities of CIDA's agricultural policy with emphasis on integrated, equitable and sustainable development. Our program will result in the adoption of new and affordable techniques and technologies, increased agricultural productivity, expanded market access and organizations for collective action.

Affordable Irrigation: Irrigation in Tajikistan was largely based on huge Soviet installations, and much of this infrastructure was destroyed during the civil war. Our site visits showed us that the irrigation challenges of micro to small fruit and vegetable farmers can be effectively overcome by the introduction of appropriate microirrigation technologies such as drip-irrigation systems and hand-pumps. In fact, the irrigation needs of many farmers can be met through the credit component of the program, eliminating the need for costly infrastructure investment.

Improved Inputs: Producers do not have access to credit to purchase inputs such as fertilizer, new stock, pesticides etc. With the introduction of viable agricultural credit programs and secured productive chain management, farmers will be able to acquire improved inputs that result in increased productivity. As necessary, MEDA will also contribute to the development of commercial suppliers of agricultural inputs.

Reduced Spoilage: Producers often do not have ready access to markets, and there are limited processing facilities. As a result of these factors, waste is high. As noted above, spoilage of last year's yields was from 25% to 50%. Improved market access and the availability of appropriate processing facilities will reduce spoilage.

Processing Standards: Along with the need for upgraded SME processing facilities, MEDA will support the adoption of improved quality standards in food handling, processing procedures and packaging/labeling.

Domestic and Regional Trade Alternatives: Roads to the other oblasts of Tajikistan are impassable during more than half of the year. Freight trains are available for transporting goods via Uzbekistan to Dushanbe (Tajikistan's capital) and Moscow, but border crossings have become fraught with difficulty. Domestic transportation issues can be overcome – for example, one canning factory that we visited in Sogd has a distribution center in Dushanbe and products are transported by truck before and after seasonal road closings. International crossings require more investigation but obstacles can be diminished by joint ventures and other innovative arrangements. We will work with processors and distributors to research, design and implement trade alternatives.

Land Tenure and Development: Tajikistan is known as a country that is burdened by complex land tenure issues. However, land issues are not as restrictive with regards to the small lots of the northern fruit and vegetable sub-sector as in the large cotton-growing tracts in the south, offering greater opportunity for equitable economic development and improved food security.

Farmer Organizations: There is little or no formal organizing of smallholder farmers in Sogd, although there is interest in cooperation. For example, one farmer spoke of joining with neighbours to pay for the digging of a well. We will work with farmers to form cooperatives or associations that provide opportunities for group action from participation in extension service training to collective lobbying.

Processor Organizations: There are no industry associations for the advancement of SME processors. MEDA will work with key stakeholders to develop member-driven organizations that support the growth of the subsector.

7. Core Principles of Good Programming

New Options for the Poor: MEDA has fifty years experience developing sustainable economic programs in poor communities and transition economies around the world. Based on this experience, we will reach down to underserved and marginal communities in Tajikistan, offering technical assistance, appropriate credit, market access and collective organization. Descriptions of related programs and assignments in Latin America, Africa, Asia and Eastern Europe are available.

Environment: Through capacity building, farmers in Sogd will be educated about Integrated Pest Management (IPM) and the concept of diminishing returns on input investment (that is, optimal application rates). Further, local initiatives in land reclamation (such as terracing) and reforestation will be investigated and encouraged.

Gender Programming: According to the United Nations Development Program, Tajikistan ranks 93rd out of 146 countries in its gender-related development index ranking.⁸ NABWT, our proposed local partner at the producer level, has a client base of 75% women and is attuned to gender issues. However, as NABWT expands to rural programming, moving away from a focus on traders to one on farmers, new gender issues will emerge. In

⁸ Tajikistan, Human Development Report 2001, United Nations Development Program (2001).
http://www.undp.org/hdr2001/indicator/cty_f_TJK.html

particular, strategies must be in place to deal with women heads of household and land stewards for absentee sons or husbands. We are also cognizant of the fact that we will face greater hurdles at the processor level of intervention in working towards a gender balance. We will incorporate both local staff and international consultants in our roster of personnel to construct programming to reduce the impact of gender barriers. Local partners will be trained to understand CIDA's requirements for gender monitoring and reporting.

Sustainability: MEDA has a long history of developing sustainable local initiatives, businesses and institutions around the world. In Tajikistan, MEDA will adapt and implement its proven exit strategy that incorporates the building of local capacity, formation of member-driven organizations, establishment of viable locally owned microcredit programs, and the transfer of knowledge and technology.

8. Measurable Results

We will contribute to the attainment of the Millennium Development Goals in Tajikistan with a key focus on the reduction of poverty and hunger. Our program will also integrate the promotion of gender equality, environmental sustainability and global partnerships for development. The following summary project plan highlights outputs, outcomes and impacts that will be measured and reported on by MEDA and its partners:

Main Activity	Sample Outputs	Key Outcomes	Key Impacts
Community Mobilization	Meetings organized and attended by farmers.	Farmer Association or Co-operative.	Farmers have collective power and a voice in the sub-sector and at various levels of government.
Rural Microcredit Program designed and implemented	Farmers access credit and purchase seed, fertilizer and other inputs, and invest in land reclamation including micro-irrigation projects.	Rural families have increased incomes and greater food security.	The fruit and vegetable sub-sector thrives in Sogd providing many rural families with sustainable and acceptable livelihoods.
Capacity building of local microcredit partner	Partner receives training, mentoring and other capacity building support for agricultural / rural lending programs.	Local partner offers sustainable rural credit programs geared to farmers' requirements.	Local expertise and institutions initiate successful rural/ag lending programs in Sogd and other oblasts around the country.
Technical Assistance to farmers (training, extension services, demonstration plots).	Farmers learn about improved methods, inputs, micro-irrigation and alternative crops.	Farms are more diverse, efficient and better run.	Same as above.
Secured Productive Chain (system installed and partners trained in methodology)	Information regarding loans, inputs, status of production, consolidated; monitoring improves success of production and marketing.	The productive chain is coordinated, with viable loan and repayment schedules as well as tested technology packages for agricultural production.	Farms develop sustainably, and comprehensive data is available for financial analysis, decision-making re: loans, and lobbying.
Association Formation	Meeting organized and attended by processors.	Processor Association	Processors work together to improve product quality, strengthen industry and develop effective demand.
Establishment of Finance Mechanism for SME level processors	Processors access capital and upgrade equipment.	Improved quality of outputs and efficiency of operations.	Processors expand markets and make a significant contribution to the economy of Sogd oblast.
Technology Transfer	Processors acquire new technology	Improved quality of outputs, more efficient operations.	Same as above.
Business Advice to processors (business advisor, professional exchanges, training)	Processors learn about business planning and write business plans.	Businesses are grown based on sound business practice.	The processing level of the fruit and vegetable sub-sector is founded on strong and viable businesses.
Marketing Support	Processors receive support and advice for the development of marketing strategies and the implementation of marketing programs.	New markets are developed.	The fruit and vegetable sub-sector is a key contributor to Sogd's economy through participation in local, regional and international markets.
Development of Interface Level	Individuals and companies that provide or wish to provide an interface between producers and processors receive credit and technical assistance.	Fruit and vegetable waste is reduced by the efficient interfacing between producers and processors.	The fruit and vegetable sub-sector functions well along the complete continuum from farm to market.