



Investing in rural people

Republic of Tajikistan

Khatlon Livelihoods Support Project

Supervision report

Main report and appendices

Mission Dates: 17-30 March – 15-30 April 2014
Document Date: 5-May 2014
Project No. 1408
Report No: 3440-TJ

Near East, North Africa and Europe Division
Programme Management Department

Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of KLSP implementation	1
C. Outputs and outcomes	3
D. KLSP implementation progress	7
E. Fiduciary aspects	9
F. Sustainability	12
G. Impact	13
H. Climate Change Impact	13
I. Conclusion	14

List of Tables

Table 1: Status of Previously Agreed Actions:	4
Table 2 - Agreed Next Steps:	5
Table 3: Status of Previously Agreed Actions:	7
Table 4: Agreed Next Steps:	7
Table 5: Status of Previously Agreed Actions:	8
Table 6: Agreed Next Steps:	8
Table 7: Status of Previously Agreed Actions:	12
Table 8: Agreed Next Steps:	12

Appendices

Appendix 1:	Summary of project status and ratings	14
Appendix 2:	Updated logical framework	17
Appendix 3:	Progress Against Previous Mission Recommendations	21
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	23
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	25
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category	29
Appendix 6:	Compliance with legal covenants: Status of implementation	31
Appendix 7:	Knowledge management: Learning and Innovation	32
Appendix 8:	Audit Log	33
Appendix 9:	Supervision Mission Schedule and Persons met	35
Appendix 10:	Summary of Implementation Support Provided by IFAD	37

Abbreviations and acronyms

AKF	Aga Khan Foundation
CAP	Community Action Plan
CDF	Community Development Fund
CF	Community Facilitator
CGA	Community Grant Agreements
CIG	Common Interest Group
FAO	Food and Agriculture Organization
IFAD	International Fund for Agricultural Development
KLSP	Khatlon Livelihoods Support Project
LEI	Letter of Expressions of Interests
MOA	Minister of Agriculture
MOF	Minister of Finance
MOU	Memorandum of Understandings
MSDSP	Mountain Societies Development Support Program
NAAS	National Academy of Agricultural Sciences
PCU	Project Coordination Unit
PIM	Project Implementation Manual
PMU	Project Management Unit
PSC	Project Steering Committee
PTD	Participatory Technology Development
SCISPM	State Committee on Investments and State Property Management
SNC	Second National Communication
SUDVO	Social Union for Development of Village Organizations
VDPP	Village Development Planning Process
VDPP	Village Development Planning Process
VO	Village Organizations
WA	Withdrawal Application

A. Introduction¹

1. An IFAD mission visited Tajikistan from 17 to 30 March and from 15 to 30 April to undertake a supervision of and provide support to the Khatlon Livelihoods Support Project (KLSP, IFAD Grant No. DSF-8026-TJ). This was a third supervision mission in addition to a start-up, a mid-term review and three implementation support missions carried out during 2009-2013², and it was conducted jointly with supervision of the Livestock and Pasture Development Project (IFAD Grant No. G-I-DFS-8083-TJ). The main focus of the mission was to establish enabling conditions for a smooth phasing-out of the KLSP, identify any constraints, and obtain agreement on further steps.
2. The mission had meetings and discussions with Mr. S. Karimov, Director of the Project Management Unit (PMU) and his staff, Mr. S. Isroilov, Deputy Minister of Agriculture (MOA, the newly appointed lead implementing agency) and his staff, Mr. Q. Kosim, Chairman of the State Committee on Investments and State Property Management (SCISPM) and Mr. S. Sohibov, Deputy-Minister of Finance (MOF). The mission visited Muminobod and Shurobod districts and held discussions with the local administrations, regional staff of KLSP, regional staff of MSDSP and six community organisations (project beneficiaries). Altogether, the mission spent eight days in the field. In addition, discussions were held with the representatives of donor organisations currently acting in Tajikistan, including the WB, the FAO Office in Tajikistan, the Aga Khan Foundation and MSDSP.
3. This Supervision report reflects the mission's main findings and recommendations, and records the agreements reached with concerned authorities as discussed at wrap-up meetings on 25 April 2014 with the Deputy Minister of Finance and the Deputy Minister of Agriculture. This document is subject to confirmation by IFAD.
4. The mission expresses its sincere appreciation for the cooperation and hospitality extended by Government Authorities, and in particular to the PMU.

B. Overall assessment of KLSP implementation

5. The Khatlon Livelihoods Support Project is the first IFAD project in Tajikistan. KLSP was approved by the IFAD Executive Board in December 2008 and was declared effective on 17 April 2009 with completion on 30 June 2015. During the first two years the implementation progress was slow and lagged behind schedule, and the project was beset by a number of management problems that resulted in a gradual cessation of most project activities in the second half of 2011. The grant financing for the project was suspended in February 2012 due to non-submission of audited financial statements, and the Project Coordination Unit (PCU) disbanded. As of 31 December 2012, the project disbursed USD 2 147 734 from the IFAD Grant. A Mid-term Review in January 2013 prepared a proposal for an orderly phasing-out of the remaining project activities. The proposal was accepted by the Government, and a government decree on resumption of project implementation under the management of the PMU of LPDP was signed on 2 November 2013. Thus, the PMU started implementation of the action plan for KLSP that was proposed by the IFAD implementation support missions that visited Tajikistan in May 2013. The plan was agreed with all concerned agencies and stakeholders.
6. The agreed amendments to the Project Grant Agreement were signed by both IFAD and the Government on 24 July 2013. The approved amendments comprise the following key points: (i) the project to be carried out in two districts, namely Muminobod and Shurobad of the Khatlon region; (ii) the total amount of eligible expenditures financed by the IFAD Grant reduced to SDR 6.2 million (approx. USD 9.3 million); (iii) the Recipient's Ministry of Agriculture to take over the overall responsibility for management of the project with the PMU of the ongoing IFAD funded Livestock and Pasture Development Project having implementation responsibility for the project.

¹ Mission composition: Mr. Frits Jepsen, IFAD Country Programme Manager (CPM), Ms. Anara Jumabayeva, Senior Economist, Team Leader; and Ms. Michelle Lockwood, Financial Management Specialist. The mission was accompanied by Ms. Zainab Kenjaeva, IFAD Country Presence Officer in Tajikistan.

² The missions are here categorized in accordance with a recently adopted terminology, while it was a sixth supervision and implementation support mission as per the previous language.

7. The project purpose is to increase small farm (including household plots) profitability across the project area. In order to achieve this project purpose, the project has three components all of which have associated outcomes. These outcomes include: (i) enhancing the capacity of institutions; (ii) enhancing access by farmers to technologies and productive infrastructure; and, (iii) effective and efficient project management.

8. The project has two principal inter-related components as well as the required support for project management and implementation as follows: (i) Institutional Support; (ii) Enhancement of Agricultural Productivity and Profitability; and (iii) Project Management. The Institutional Support component has two sub-components: (i) Development of Community Organisations; and (ii) Capacity Building of Project Partners. The second component also has two sub-components: (i) On-farm Technology Validation and Demonstration; and (ii) Community Development Fund. The provision for Project Management is presented as two sub-components: (i) Project Management; and (ii) Monitoring and Evaluation.

9. Given the project's history and unusual circumstances of transferring the project under new management, the mission faced a major challenge in what approach to be applied in assessing the project. It was decided to evaluate the project's performance from the date of signing the Amended Grant Agreement, i.e. 24 July 2013.

10. The project is behind the schedule proposed by the IFAD implementation support mission in May 2013, mainly due to a long internal procedural process of handing over the project to the new management. After the signing the amended Grant Agreement, it took four months for a Government decree announcing the LPDP PMU as an implementer of KLSP to be issued. However, since the project resumed operations, it has managed to undertake the following activities: revision of the Project Implementation Manual (PIM) and Logframe (including targets), and submission to IFAD for approval; contracting the MSDSP as a community facilitator and providing them with an advance payment; recruitment of all the required consultants; conduct of two regional re-launching workshops and village meetings in all the 82 participating communities; commencement of implementation of 56 community sub-projects from the 82 first round priority sub-projects (6 were partly implemented in 2011); submission by the MSDSP of the remaining 26 first round priority sub-projects to the PMU for approval; preparation of 82 second round priority sub-projects; negotiation of a contract with FAO on implementation of the (i) On-farm Technology Validation and Demonstration and (ii) Capacity Building of Project Partners sub-components; and conduct of a baseline survey. Moreover, a Government liquidation commission on the official closure of PCU and transfer of the KLSP assets and documents to the PMU has been established. It has been working since November 2013 and is due to complete by the end of April 2014.

11. As of 31 March 2014, IFAD grant disbursement amounts to SDR 1,538,300 (ca USD 2.4 million), accounting for 25% disbursement of the current IFAD Grant of SDR 6.2 million. Though the Government liquidation commission has not completed its work, and there has been no official hand-over of the project documents, in particular financial, the PMU has submitted a withdrawal application (WA) for settlement of expenditures incurred against the initial instalment of USD 1 million provided to the previous management. The PMU has also submitted another WA for an advance of USD 500,000 towards a newly opened KLSP designated account in name of the PMU. Both WAs are now under review by the IFAD Financial Department, and there appears to be no major issues. It is foreseen that the previous designated account will be closed after the approval of the USD 1 million WA. However, the final closure of the PCU and its bank account would be done only after the completion of the liquidation commission's assignment. In view of the above, the overall financial performance of the project is rated as **moderately unsatisfactory**.

12. Given the good progress that has been made by the PMU and MSDSP in the implementation of community sub-projects, but taking into consideration the moderately unsatisfactory fiduciary aspects as well as the slow transfer process of the project to the new management, the project's overall performance is rated as **moderately satisfactory**.

13. For the effective implementation of the project, the following key actions need to be undertaken (as detailed further throughout the Aide-memoire):

Agreed action	Responsibility	Agreed date
Submit Withdrawal Application for the past expenditure financed from initial installment, with appropriate supporting documents (settlement of USD 1 million WA and receipt of USD 500,000 advance)	PMU Director and Chief Accountant	As soon as possible
Submission of a request from the MOF to IFAD on amendments to the Grant Agreement, specifically for reallocation of grant proceeds, extension of the completion date by six months and the designation/composition of the KLSP Project Steering Committee (PSC), i.e. transferring its responsibility to the LPDP PSC	MOF	As soon as possible
Submission of revised PIM to IFAD and PSC for approval	PMU	End April 2014
Contract signing with the selected supplier of agricultural machinery	PMU	Mid May 2014
Delivery of agricultural machinery	Selected Supplier	Mid July 2014
Contract signing with FAO (UTF agreement) for implementation of Sub-components 1(b) and 2(a)	PMU/FAO	End May 2014
Launch activities under the FAO contract	PMU/FAO	Mid June 2014
Submission of Baseline survey report and complete establishing the project M&E system including MIS	PMU	End June 2014
Submission of Audit report	PMU	End June 2014
Launch implementation of 26 community sub-projects from the first round community priorities	PMU Kulob/CF	End June 2014
Launch tendering and implementation of 82 second round priority sub-projects	PMU/CF	End August 2014

C. Outputs and outcomes

Component 1: Institutional Support (satisfactory, 5)

14. The aim of this component is twofold. Firstly, the component would develop and empower grassroots organizations. These organizations would be the key vehicle for expressing community demands and for enabling efficient delivery of project services. Secondly, this component would build institutional capacity of selected project partners so that they are familiar with project objectives and approaches. Accordingly, this component consists of two sub-components: (a) Development of Community Organisations; and (b) Capacity Building of Project Partners.

15. **Development of Community Organisations Sub-component.** The project will help participating communities prioritise their needs for investments that would assist their economic development and will help those communities to plan, finance, and manage the implementation of supporting investments and their subsequent operation and maintenance. The project will also support the mobilization of farmers' associations and groups within communities and build their capacity to initiate and sustain a locally led development process. Thus, the project would assist with development of Common Interest Groups (CIGs) of rural poor people that could be either based on existing Mohallas and Village Organizations (VOs)³, or be created around commodities (for example crops, fruit, vegetable, milk, etc.) or common natural resources (such as irrigation water). VOs would define their medium to long-term vision of a sustainable economy reflected in a formal Community Action Plan (CAP) prepared based on MSDSP's Village Development Planning Process. The component would provide the necessary institutional and technical support in assisting participating VO/CIGs.

³ In 1993, MSDSP was established by the Aga Khan Foundation to implement its rural development programmes. To mobilize and empower rural communities, MSDSP has established Village Organizations (VOs) at village level. All development projects implemented by MSDSP are channelled through VOs.

16. It is planned that under this sub-component, the project would finance the following specific items: (i) training workshops and study tours for VO members and Government staff from Jamoats and Hukumats; (ii) technical assistance for tasks such conducting district workshops for 82 VO's Chairmen of Muminobad and Shuroobad districts about revisions for KLSP; Preparation, printing and dissemination revised Community handbook; Assistance and completion proposals for sub-projects in 82 VOs (iii) the contract for the Community Facilitator (MSDSP). The current total allocation for this sub-component to the project completion is about USD 653,000, all financed by the IFAD Grant.

17. A good progress has been made under this component. In line with the Grant Agreement, the MSDSP has been contracted to act as a Community Facilitator (Contract DSF 8026 TJ CS-001 of 13 January 2014). It is a results-based contract. It specifies, among others, TOR, a detailed plan of activities, outputs, payment arrangements, reporting requirements, the MSDSP personnel to be involved in implementation. In line with the contract, an advance of USD 234,730 was transferred to the MSDSP's bank account in March 2014.

18. The following activities have been carried out since re-launching the project: (i) 56 sub-project proposals for Muminobad and Shurobad districts have been submitted to and approved by the PMU and IFAD; (ii) MSDSP conducted two regional level workshops in Shurobad and Muminobad to inform people about the re-launching of KLSP ; (iii) a community handbook on mechanism of using agricultural machinery was prepared and approved by the PMU; (iv) community assessment was conducted on 82 targeted VOs; (v) an assessment was conducted to identify the training needs of VOs and CIGs; (vi) Community Grant Agreements, Memoranda of Understanding and Letter of Expressions of Interests on implementation of sub-projects were prepared by MSDSP and submitted to the PMU for approval and signing; (vii) provision of capacity building trainings for SUDVOs and support with office supplies; (viii) estimates of 10 drinking water supply sub-projects and 1 livestock watering point were prepared and submitted to the PMU; (ix) the MSDSP conducted trainings on updating the CAPs for 50 VOs; (x) selection of a service provider for training activities in the participating communities is underway (sub-contract with MSDSP).

Table 1: Status of Previously Agreed Actions:

Agreed action	Responsibility	Status
Preparation of second and third rounds community sub-projects under the CDF	MSDSP	partly implemented
Preparation of a draft result-based contract to be signed between MSDSP and PMU, submission to IFAD for review	MSDSP/PMU	implemented
Signing contract with MSDSP	PMU	implemented
Preparation of design documents for infrastructure sub-projects	MSDSP	partly implemented, 11 out of 25 sub-project proposals have been submitted to the PMU

Key Issues

19. The original CAPs were prepared back in 2009-2010, and obviously many communities' priorities have been revised, as they have either been implemented or are not valid anymore. This requires major modifications to the existing CAPs and preparation of another set of community sub-projects. Moreover, costs of the sub-projects have increased due to inflation and the overall improved economic situation (increased purchasing power). Therefore, many infrastructure sub-projects have reached a level requiring clearance by the state construction expertise, which takes minimum 1-2 months.

20. In view of the above, the MSDSP and PMU have expressed a legitimate concern on the evident delay in implementation of infrastructure sub-projects mainly due to a short construction season in the project area (in some jamoats only until the end of October). This in turn, would require a serious consideration of either cancelling the second round priority sub-projects (and definitely the third round) or extending the project completion date.

21. Discussions with Government authorities, communities and MSDSP revealed that the first option of dropping the second round priority sub-projects now, after all the delays and problems with KLSP, would have a serious impact on the trust by the communities towards the development efforts, and thus should not be considered. Therefore, there is only the option of approaching IFAD requesting the extension of the project completion date for about six months to benefit from the full construction season in 2015. It has been agreed that such a request would be submitted by the MOF as soon as possible together with other proposed amendments to the Grant Agreement (see further throughout the Aide Memoire). Revisions to the PIM have been proposed, which should allow for speeding up the preparation of sub-projects (see below).

Next Steps

Table 2 - Agreed Next Steps:

Agreed action	Responsibility	Agreed date
Submission of an official letter requesting amendments to the Grant Agreement	MOF	As soon as possible
Formal approval of the amendments to the Grant Agreement	IFAD	3 months after the submission of the letter
Adhere the PIM revised procedures (involve the project communities in procurement; no calculation of IRRs for the infrastructure sub-projects costing below USD 20,000). Introduce a new clause into the PIM: to allow VOs to prioritize second and third priorities, if appropriate, with additional agricultural machinery; no calculation of IRRs for the sub-projects for supply of additional agricultural machinery; no calculation of IRRs for sub-projects for supply of bulldozer and dump truck); increase grant allocation for sub-projects to USD 600 per household	PMU/ MSDSP	Immediately
Finalisation and submission of the remaining 14 sub-project proposals for PMU or IFAD no objection, as appropriate	PMU/MSDSP	End April 2014
Signing of revised Community Grant Agreements	PMU/MSDSP/VOs	Mid May 2014
Conduct trainings on updating the CAPs and facilitate in their approval at VO meetings	MSDSP	End May 2014
Providing revised Community Handbooks to 82 participating villages	MSDSP/PMU	End May 2014
Finalisation of the second round priority sub-project proposals for all 82 participating villages	MSDSP/PMU	End June 2014
Updating CAPs for 82 participating villages	MSDSP/PMU	End June 2014
Providing capacity building activities in 82 participating villages	MSDSP	End July 2014
Consolidate CAPs into Jamoat Development Plan	MSDSP/PMU	September 2014

22. **Capacity Building of Project Partners Sub-component (satisfactory, 5).** Under this sub-component, in order to orientate project partners to the bottom-up demand-driven participatory approach of the project, capacity building assistance would be provided to government agencies, including research institute scientists and district level staff of the line departments (e.g. Agriculture, Irrigation), entrepreneurs, service providers and local organizations directly involved in supporting project activities. Under this sub-component, the project would finance the following specific items: (i) orientation training sessions at regional level; (ii) technical training for project partners such as the Government's agricultural agencies; (iii) orientation sessions for the project steering committee; and, (iv) costs associated with project steering committee meetings. The current total allocation for this sub-component to the project completion is USD 38,510, all financed by the IFAD Grant. It has been agreed that the technical training (mainly study tours for governmental staff) should become a part of the contract with FAO (UTF agreement).

Component 2. Enhancement of Agricultural Productivity and Profitability (moderately satisfactory, 4)

23. The aim of this second component is twofold. Firstly, the project districts offer significant potential for poverty reduction through increased agriculture (crop, horticulture, livestock) productivity. The project would help participating communities to access improved agricultural and livestock

technologies and inputs. It would assist communities to prioritise their agricultural development needs and facilitate service provision from Government agricultural institutes to respond to these needs. Secondly, the project would enable communities to develop sub-project proposals for funding by a Community Development Fund (CDF). Proposals would cover both technological and productive infrastructure needs. The project would help communities to plan, finance, and implement sub-projects, including their subsequent operation and maintenance. Accordingly, this component consists of two sub-components: (a) On-farm Technology Validation and Demonstration; and (b) Community Development Fund.

24. **On-Farm Technology Validation and Demonstration.** This sub-component would help with validation and transfer of improved agricultural technologies in response to priority needs of the participating communities. Research-Extension-Farmer linkages would be strengthened by adopting a Participatory Technology Development approach and promoting closer collaboration between research institutes, the district level Department of Agriculture staff and the farming community. Under this sub-component, the project, through a servicing contract with the Technical Facilitator (FAO), would finance the following specific items: (i) vehicles, facilities and equipment for the staff of institutes of the National Academy of Agricultural Sciences for project implementation; (ii) training and other extension activities for farmers; (iii) costs associated with participatory technology development (both demand identification and adaptive research trials); and (iv) service fee of FAO as a Technical Facilitator for this sub-component. The current total allocation for this sub-component is USD 446,650 to the project completion, all financed by the IFAD Grant.

25. According to the requirement of the Grant Agreement, FAO has been selected for implementation of this sub-component. At present, budget details and implementation arrangements are being negotiated. The process is almost completed, and the signing of the UTF agreement is expected by the end of May 2014.

26. During the mission, the MOA submitted a request for the following activities within the framework of the Agrarian Reform Program for Tajikistan (2012-2020) and the President's Call to the Nation: (i) modern laboratory equipment for taking, storage and transportation of bull semen etc. (ii) establishment of demonstration centres for artificial insemination; and (iii) modern soil laboratory for the Tajik Agrarian University. The mission concurred with the above proposals, however these would require reallocation of grant proceeds and thus amendments to the Grant Agreement. The mission was informed that the MOA has already provided an official justification/request for such a reallocation to the MOF, who is in turn preparing a letter to IFAD on all the amendments to the Grant Agreement proposed in this Aide Memoire.

27. **Community Development Fund (CDF).** It is envisaged that the CDF would finance investments in physical infrastructure such as improvements to link-roads, water supplies for irrigation, drinking water, improvement to existing electricity supply infrastructure and low cost storage and marketing facilities. The CDF would also finance on-farm/off-farm activities that support agricultural operations, involving farmer groups/associations and small and medium-scale rural enterprises, such as agro-processors, marketing organisations and input suppliers. Under this sub-component, IFAD now allocates around USD 5.4 million from its grant for the CDF to the project completion. Due to the increase of prices and change of priorities, the community sub-projects cost considerably more than when they were originally formulated in 2009-10 (see more details in para. 20). In view of this, it has been decided to increase the grant allocation per household to USD 600 (including reserve fund). This allocation will also ensure the almost full disbursement of the CDF. The participating communities are required to contribute a minimum of 5% in cash (10% for income generation subprojects) from their own resources, as well as a storage shed or garage if the purchase involves agricultural machinery. Each investment proposal include details of the sub-project activities and implementation mechanism, including arrangements for operation and maintenance.

Progress

28. The contract #DSF 8026-TJ-Grant sub-projects/CDF/PPP/DC-001 with the Agrotechservice JSC for procurement of 18 tractors, 18 ploughs and 18 harrows was signed on March 5, 2011. This agricultural machinery was supposed to be for 11 VOs in the Muminobod district. However, only

11 tractors and 11 ploughs were delivered to the communities by the Agrotechservice JSC due to the shortage of IFAD funds by the PCU at that time because of various management issues. Currently 56 community sub-projects are under implementation (after approval by IFAD and the PMU). The estimated total amount of these sub-projects is about USD 2.1 million of which USD 2.0 million would be financed by the project and USD 0.107 million would be provided by the project beneficiaries. All these sub-projects include a provision of agricultural machinery and supplementary equipment (ploughs, threshers, sprayers, trailers, etc.). In accordance with the Procurement Plan, bid openings were held on 17, 18 and 21 of April 2014 in the SCISPM.

Table 3: Status of Previously Agreed Actions:

Agreed action	Responsibility	Status
Preparation of a draft project document/trust fund agreement to be signed between FAO and PMU, submission to IFAD for review	FAO/PMU	under implementation
Signing contract with FAO	PMU	under implementation
Implementation of first round demonstration plots and training programme	FAO	not implemented

Key Issues

29. The key issue is to sign the UTF agreement with FAO as soon as possible as well as to immediately start implementation of the approved community sub-projects.

Next Steps

Table 4: Agreed Next Steps:

Agreed action	Responsibility	Agreed date
Signing contract (UTF agreement) with FAO	FAO/PMU	End May 2014
Start implementation of sub-projects for 56 VOs in Muminobad and Shurobad districts (tender has already took place on 17, 18 and 21 April 2014 signing contracts with the selected supplier of agricultural machinery)	PMU	Mid May 2014
Delivery of agricultural machinery	Selected Supplier	Mid July 2014
Start implementation of 26 sub-projects (25 infrastructure and 1 bulldozer/ dump truck)	MSDSP/PMU	End June 2014
Launch activities under the FAO UTF agreement	FAO	Mid June 2014
Launch tendering and implementation of 82 second round priority sub-projects	MSDSP/PMU	End August 2014

D. KLSP implementation progress

30. **Project management performance.** The operationalization of the LPDP PMU has been completed, i.e. the Government decree on transferring the responsibility to the LPDP PMU for implementation of KLSP was issued in November 2013, its charter has been amended, the project bank account has been opened, and the authorization for signatures has been released. According to the Procurement Plan, the following local consultants have been recruited through an open tender by the PMU: Project Coordinator, Accountant, Disbursement Consultant, Procurement Consultant, M&E Consultant, Engineers (one is a short term). Also an international procurement consultant has been hired by the project. The mission is pleased with a **satisfactory** performance of the MOA, as a Lead Implementing Agency, and the PMU in preparation of all the required procedural documents and conducting the procurement. So far, both the MSDSP and FAO have performed in a satisfactory manner, in particular for preparation of contracts and detailed work plans and implementation arrangements.

31. It has been agreed to assign the PSC established for LPDP as steering committee also for KLSP. Its status and composition is sufficiently suitable to undertake an overall supervision of KLSP. This may require an amendment to the Grant Agreement.

32. Moreover, a Government liquidation commission has been established on the official closure of the PCU and transfer of the KLSP assets and documents to the PMU. It has been working since

November 2013 and is due to complete by the end of April 2014. The final closure of the KLSP PCU and its bank account would be done only after the completion of the liquidation commission's work **(physical/financial assets, moderately satisfactory, 4)**.

33. **Monitoring and evaluation.** According to the project work plan a baseline survey (originated under the previous management) and improvement of the original Management Information System (MIS) should be completed. For timely execution the PMU has received IFAD no objection on amended TOR for the baseline survey, and on contracting the same company contracted for a similar survey under LPDP (direct contracting) **(satisfactory, 5)**.

34. During the 1st phase of KLSP, based on a contract between the former KLSP PCU and the Aga Khan Foundation (№ DSF 8026-TJ-TAC-002-2010) a MIS was developed. Based on the Procurement Plan and Grant Agreement, a draft contract and TOR for modification of the previously developed MIS have been negotiated with the Aga Khan Foundation.

Table 5: Status of Previously Agreed Actions:

Agreed action	Responsibility	Status
Completion of national procedures to operationalize the PMU (issue of amendments to the PMU charter and decree, opening bank account, authorizing signatures, etc.)	PMU	implemented
Recruitment of local and international consultants for implementation of KLSP (local project coordinator, accountant, procurement, engineer, agricultural specialist, international project adviser)	PMU	implemented

Table 6: Agreed Next Steps:

Agreed action	Responsibility	Agreed date
Submission of a request from the MOF to IFAD on amendments to the Grant Agreement, specifically for reallocation of grant proceeds, extension of the completion date by six months and the designation/composition of the KLSP Project Steering Committee (PSC), i.e. transferring its responsibility to the LPDP PSC	MOF	As soon as possible
Submission of Baseline survey report and complete establishing the project M&E system including MIS	PMU	End June 2014

35. **Gender focus.** KLSP requires equal access by women to project activities and benefits. Grant sub-projects within the CAPs are selected based on a number of criteria, one of which is to have at least 50% women beneficiaries. In addition, the project specifically targets women by forming a Women's Group as an integral part of each VO in line with the MSDSP's strategy for VO establishment. The project encourages that each CAP consists of at least one sub-project (more likely income generating activity) specifically for the Women's Group. In addition, the project proposes to apply the MSDSP's procedures for Village Development Planning Process which has in-built women targeting mechanisms and a self-targeting wealth ranking system. Moreover, the project makes all efforts towards gender mainstreaming into project management, monitoring and impact assessment. Gender disaggregated monitoring data are collected that monitor the profile of women as beneficiaries **(satisfactory, 5)**.

36. **Poverty focus.** The primary target group of the Project are poor and very poor households in five districts of Khatlon region, which comprise around 78% of the total population. KLSP seeks to provide benefits to the actually or potentially economically active among the following primary target groups: (i) those rural poor living in extreme poverty, who are either landless or are producing a bare subsistence minimum on household plots; (ii) subsistence and semi-subsistence farmers, in particular those willing to move to more commercial farming; and (iii) the rural unemployed, underemployed and self-employed. Within these groups, emphasis is placed on reaching poor rural women, especially those who are household heads, and poor rural youth. Primary target group beneficiaries are all expected to be living on less than USD 2.15 PPP per capita per day, i.e. either extreme or absolute poor, which comprise around 78% of the total population of Khatlon. Poverty issues are continuously discussed at all public events (workshops, round tables, VO meetings, etc). **(satisfactory, 5)**.

37. **Effectiveness of targeting approach.** A total of 8,782 households are expected to be members of project VOs. Village selection criteria have been prepared in order to enable the shortlisting of project villages (see the PIM). The project would use: (i) geographical targeting, i.e. selection of participating villages against eligibility criteria within Khatlon region where the poor consist of 78% of the total population; (ii) direct targeting, i.e. capacity building for VOs/CIGs, farmers training, PDT trials, grant sub-projects for on and off farm activities and grant sub-projects specifically for Women's CIGs; (iii) self-targeting through the MSDSP's Village Development Planning Process including women targeting and wealth ranking; and (iv) indirect targeting through grant sub-projects for productive infrastructure that would foster increased economic activity and employment generation. **(satisfactory, 5).**

38. **Knowledge management.** The design is based around up-scaling tried and tested community based approaches currently being used by AKF/MSDSP and CARITAS. Merging these two key approaches to community development in Tajikistan could be considered as an innovation. Moreover, through this approach the project would assist in closer collaboration of two major community development partners in Tajikistan. Other innovations specific to KLSP include the introduction of a Participatory Technology Development and strengthening research-extension-farmer linkages as well as capacity building for women.

39. Knowledge generated by the project would be documented for dissemination to regional and national audiences using a variety of instruments, including the electronic and print media, promotional meetings and exhibitions. IFAD's country presence in Dushanbe participates in all development coordination group meetings, including the newly created Donor Development Council and the UN Country Team. This will further facilitate coordination, networking and the sharing of learning from the project among development practitioners in the country.

E. Fiduciary aspects

40. **Financial management.** Funding to KLSP was suspended by IFAD on 12 of February 2012 due to non-submission of a project audit report for the period 2009 to 2011. It has been agreed with IFAD that there will be an orderly phasing out of the project and a transfer of implementation responsibilities to LPDP under the MOA.

41. In the phasing out of the project the scope of the assistance has been reduced to cover only 2 districts (Muminobod and Shurobad) as opposed to the five districts cited in the original Grant Agreement. This means that only 82 villages are now targeted compared to the original 250. As a result the amount financed by IFAD has been reduced from SDR 7.9 million to SDR 6.2 million.

42. All documents relating to the previous administration of the project are kept under lock and key and the LPDP PMU has only had limited access. In order to prepare the most recent Withdrawal Application, the Chief Accountant of the LPDP PMU was permitted access in order to photocopy the supporting documents for expenditure above USD 20,000. The mission has not been able to access any original documentation relating to the previous administration.

43. Currently the Government of Tajikistan has constituted a Liquidation Commission to determine the value of assets and liabilities to be transferred to the new PMU, however as at the time of this visit, the work has not been concluded. The only project activity, which was undertaken during 2012-13, was direct payments for the audit of the financial statements of USD 23,500. On 1 January 2014 the project de-facto restarted; consultants have been hired, a contract has been entered into with the Community Facilitator and an AWPB has been drawn up.

44. During the period of the previous administration, no Withdrawal Application was submitted and the balance on the bank account is USD 58, against an initial advance of \$1.0 million disbursed to the project. These remaining funds are yet to be transferred to the new PMU. In February 2014, the current PMU submitted an advance request to IFAD for USD 500,000, however this was not approved as no WA had been submitted for the previous advance.

45. As the project has no funds, no payments have been made, although the project has entered into various commitments (hiring of project consultants for the PMU – there will be no staff hired by

the project, contract with the Community Facilitator). For all contracts IFAD's no-objection has been secured. The total amount committed is approximately USD 871,000.

46. Given the fact that the project was suspended, following the non-adherence to loan covenants and in consideration that the financial management review covers past activities, the financial management of the project may be considered **moderately satisfactory**. However, this rating can be re-assessed once operations have recommenced and past use of funds has been fully accounted for. The mission recommends that the earlier Project Implementation Manual be amended and that the Financial Management Manual be revised expeditiously to reflect the changes in eligible project activities and modifications in FM procedures and organisation in order to guide the implementation of the project under the new PMU.

47. **Staffing.** The FM-unit reports to the PMU Director of LPDP and is composed of the Chief Accountant of LPDP and an Assistant. The costs of the LPDP PMU Director, Chief Accountant and any other staff from LPDP will be incurred exclusively by LPDP with no recharging to KLSP. It is not considered that the proportion of the attributable to KLSP will be significant.

48. **AWPB.** The AWPB has been prepared and approved by IFAD. It includes both physical and financial measurements of performance. It is less detailed than that of LPDP and there are no written explanations of the work to be performed. However, it does include projected costs by financier, cost category and loan component. The AWPB is consistent with the revised Schedule 2 of the current Grant Agreement. As noted above the phasing out of the project regards the reduction in the number of districts and not that a component has been removed, nevertheless the component's activities have been downsized given the timeframe left before the project completion (**coherence between AWPB & implementation satisfactory, 5**).

49. **Accounting.** The PMU uses IPSAS-cash as basis for accounting. The project transactions are recorded in the accounting software 1-C. No transactions have been recorded since 12 February 2012. On transfer of the records, the LPDP PMU will create a new instance using the setup of the LPDP accounts. The balances from the previous PMU will be transferred as opening balances. The External auditors noted that the setup of the previous I-C software was not in compliance with Tajikistan legislation and hence it is recommended that the software be set up in line with that of LPDP.

50. **Flow of funds.** Since the restart of the project, no funds have been received and hence no disbursements have been made. IFAD has made one direct payment of an advance of USD 234,000 to the Community Facilitator. This is in line with the contract with MSDSP.

51. **Counterpart funds.** For the previous PMU, the audit report indicated that insufficient accounting records were maintained for the accounting of contributions from communities. No funds have been received to date nor has the bank account (which, according to the audited financial statements at 31 December 2011, held USD 41,032) been transferred to the new PMU (**moderately satisfactory, 4**).

52. **Disbursement rate.** The disbursement rate is rated as **unsatisfactory**. To date 8 WAs have been processed for direct payments under the previous PMU and one under the current PMU. The total amount disbursed is under the IFAD grant for a total amount of USD 2.4 million (SDR 1.5 million), yielding a disbursement rate of 25%. The second WA (under the new administration) for an advance of USD 500 million was forwarded to IFAD and a third WA of USD 0.999 million to justify the USD 1 million advance is in the process of being signed.

53. **Use of SOE and adequacy of supporting documentation.** The AWPB for the remaining period of the project was approved by IFAD in March 2014 hence the PMU is currently preparing a new WA. This is the first WA on the basis of Statement of Expenditure, despite the project having spent USD 2.4 million (of which USD 1 million was an advance payment and USD 1.4 million were direct payments). For those items >USD 20,000, the mission was able to verify the expenditure to the copies of supporting documentation held by the PMU. However certain documentation regarding services delivered and type of procurement undertaken were not available. It should be noted that an independent audit firm audited the accounts (and hence the expenditure) for the years ending 2009,

2010 and 2011. Many of the payments in the WA were disbursed through cash, the records of which are in the office of the former PCU to which there is no access. Furthermore, the audit opinion on the 2011 financial statements was qualified with respect to:

- (a) 'Inability of the Project's management to provide us appropriate accounting records and supporting documents' with respect to the communities' contribution bank account;
- (b) Lack of compliance of the purchase of USD 120,765 of vehicles with the specifications in the tender bid.

54. The costs associated with the purchase of the vehicles are included in the Statement of Expenditures in support of the WA for USD 999,942.

55. To date the project has delivered 11 tractors to beneficiaries. The mission verified the contract, invoices, delivery documents and payments (photocopies) as these are included in the SOE for the WA which is in the process of being submitted. Furthermore, the mission visited 2 villages in the Muminobod district (Momirak and Tebalai) and was able to verify 4 tractors and their use by beneficiaries.

56. For the purchase of the tractors, the mission was able to verify that 5% was funded by the communities' contribution account and was not included on the SOE for IFAD funding.

57. In order to take account of the lessons learned in the initial phase of implementation of the project, certain changes have been made to the project implementation manual, notably (from a financial management point of view):

- (c) There will be no district office and no separate bank account in Kulob;
- (d) All documentation regarding contributions from beneficiaries and their use will be sent to the PMU in Dushanbe for verification;
- (e) The project implementation manual provides for the signoff (acceptance) of the activities of the mini-projects and both the Community Facilitator and the PMU are required to perform regular inspections throughout the life of the project.

58. **Internal controls.** Given the fact that the accounting records, assets and liabilities of the previous management of the project have not been transferred to the new management and considering that there have been no transactions since the restart, it has not been possible to evaluate the internal controls.

59. **Fixed Asset Register.** Due to lack of access to records, it was not possible to assess this. The four vehicles in Dushanbe were physically verified. They have been left parked for 2 years and will require repairs in order to be able to use in the future. Of note is that the vehicles are currently not insured. The mission recommends that insurance be obtained for the vehicles.

60. **Financial reporting.** In the past financial reporting was not submitted. Once the records are transferred, this will recommence.

61. **Procurement.** The LPDP PMU has prepared a procurement plan (PP) to the project completion, which was submitted to IFAD for its no objection as a part of AWBP. The PP contains information on the procurement method, unit costs, prior/post review, bidding signing and delivery date. The current PP for 2014-15 amounts to USD 7.0 million. The project maintains a complete procurement register. The PMU uses the LPDP procurement manual, which has been prepared with the support from an IFAD-recruited consultant, and is considered valid for use under KLSP. From the resumption of KLSP till March 31 2014 in total 9 contracts on provision of services with a total sum of around USD 871,000 have been concluded. A spot check on the procurement files revealed no specific weaknesses (**satisfactory, 5**).

62. **Compliance with grant covenants.** The details with regards to the status of implementation and compliance with Project Grant Agreement covenants can be found in Annex 6. The project is now largely compliant with the grant covenants (**moderately satisfactory, 4**).

63. **External Audit arrangements.** The last external audit of the project was on the financial statements as at 31 December 2011. No audit has been performed for the year ending 31 December 2012 and 2013. The mission indicated that an audit opinion for the 2 years would be required to be submitted to IFAD by 30 June 2014. Given that the Liquidation Commission has not completed its work and released the documents, there exists a risk that the project is unable to provide an audit opinion within the timeframe requested by IFAD, however, the mission was assured that auditors would have the full access to all documentation and assets. In accordance with IFAD Audit Guidelines, the terms of reference of the External Auditor require approval by IFAD. The mission recommends that the PMU give this the highest priority in order to avoid not meeting the 6-month deadline of 30 June 2014. The PMU intends to use the same company (Grand Thornton) that has been selected to carry out the LPDP audit, by making an amendment to the contract (with no objection from IFAD), unless Baker Tilly could be attracted, the firm which was provided the 2009-11 audit and hired by IFAD (again with no objection from IFAD) (**moderately unsatisfactory, 3**).

Table 7: Status of Previously Agreed Actions:

Agreed action	Responsibility	Status
Submission of an official letter requesting revisions to the Grant Agreement	MOF	implemented
Formal approval of the revisions to the Grant Agreement	IFAD	implemented
Preparation of KLSP AWPB and 18-month Procurement Plan	PMU	implemented
Closing the outstanding contracts with international and national consultants that have not been officially concluded by KLSP	PMU	not implemented

Table 8: Agreed Next Steps:

Agreed action	Responsibility	Agreed date
The Project is to use the same administrative structure as the LPDP, including the Project Steering Committee (PSC). Obtain formal agreement from IFAD on the revised composition of the PSC	PMU Director and MOF	As soon as possible
The Financial Management Manual of LPDP should be amended to reflect that KLSP will be operating under the same manual	PMU Director, Chief Accountant and Project Coordinator	As soon as possible
Agree with IFAD Terms of Reference for External Auditor IFAD engage auditors for audit of 2012 and 2013 financial statements	PMU Director and Chief Accountant	As soon as possible
Submit Withdrawal Application for past expenditure financed from initial advance, with appropriate supporting documents (settlement of USD 1 million WA and receipt of USD 500,000 advance)	PMU Director and Chief Accountant	As soon as possible
Expedite conclusion of Liquidation Commission and transfer of assets	PMU Director and MOF	As soon as possible
Set up accounting software and transfer balances and past accounting records fully from old PMU	Chief Accountant	As soon as possible
Obtain insurance for vehicles against third party damage, fire and theft	Chief Accountant	As soon as possible
Review recommendations for LPDP and implement for KLSP PMU	Chief Accountant and PMU Director	As soon as possible
Submission of a request from the MOF to IFAD on amendments to the Grant Agreement, specifically for reallocation of grant proceeds, extension of the completion date by six months and possibly the designation/composition of the KLSP Project Steering Committee (PSC), i.e. transferring its responsibility to the LPDP PSC	MOF	As soon as possible
Submission of revised PIM to IFAD and PSC for approval	PMU	End April 2014
	PMU	As soon as the liquidation commission completes its work
Closing the outstanding contracts with international and national consultants that have not been officially concluded by KLSP		

F. Sustainability

64. **Institutional sustainability.** The project is following the current approach to sustainability of VOs adopted by AKF/MSDSP and CARITAS. In particular, the project encourages the formation of district level associations of VOs and CIGs into currently so-called “Social Union for Development of Village Organizations”. The MSDSP would continue working with the project VOs even after project completion, which is in line with its long-term approach to VO development.

65. **Social sustainability (Empowerment).** The project empowers grass root organizations by helping the participating communities prioritise their needs for investments that would assist their economic development and would help those communities to plan, finance, and manage the implementation of supporting investments and their subsequent operation and maintenance. The project also supports the mobilization of farmers’ associations and groups within communities and builds their capacity to initiate and sustain a locally led development process. **(moderately satisfactory, 4).**

66. **Economic and financial sustainability.** Self-targeting and self-sustainable mechanisms that are in-built for VO/CIGs formation and implementation of sub-projects (the proposed MSDSP’s procedures for VDPP and requirements for VO/CIG membership fee collection as well as the selection criteria for sub-projects’ O&M) would ensure financial sustainability of VOs and CIGs.

67. **Technical sustainability.** Majority of on-farm technologies that would be proposed under the project are simple and well-known. The design is thus based around disseminating tried and tested on-farm technologies. Short-term PTD trials are designed to address gaps for which there are no ready solutions. However, the project would propose the technologies that have been proven in the neighbouring countries with similar agro-ecological conditions. It is expected that following successful demonstrations, groups would expand adoption of improved technologies and management systems through their own resources or by securing grants under the CDF.

68. **Environmental sustainability.** The project has been classified as category B in line with IFAD’s administrative procedures for environment impact assessment in the project cycle. No further environmental assessments are considered necessary due to the low risk of significant negative impact on the environment. However, the CAPs and sub-projects preparation and implementation are designed in such a way as to mitigate any negative environmental impact.

69. **Exit strategy.** The project exit strategy revolves around the post-project sustainability of the VOs. It is expected that SUDVOs would eventually take over the role of the Community Facilitator in the project **(moderately satisfactory, 4).**

G. Impact

70. It is evident that the project will not be able to reach the originally established target of 18,750 households. The new performance targets are set at only 82 participating communities in two project districts with a total population of 8,792 households. Consequently, the project logframe and PIM have been revised (see Annex 2). The well-known past problems of the project have seriously damaged the reputation of KLSP and lead to disillusionment of the whole region. Moreover, the project has deprived communities of cash as their contributions are been held in non-interest-bearing bank accounts all this time up to now. However, with the revival of the project, the trust of beneficiaries could be gained back, thus positively impacting the development efforts by the donor community overall.

H. Climate Change Impact

71. The Second National Communication of the Republic of Tajikistan to the UNFCCC (2008) acknowledges that the country will be increasingly and strongly affected by climate change. According to the SNC, land and water resources, agriculture, forest resources, human health will continue to be the most vulnerable areas. In order to mitigate the adverse effects of future climate change, the SNC has been proposed the following adaptation measures specifically for agriculture: selection and introduction of plant varieties that are highly productive; continuation and broadening of interventions against soil salinity, erosion and drought; wide application of water-saving technologies; and

improvement and up-scaling of an agricultural products storage system (warehouses, cold storage, etc.).

72. The project is likely to have a positive impact on the environment as more sustainable and efficient use of available natural resources supported by wide ranging training and sensitization activities targeting all beneficiaries in the project area. Therefore, the project will be supporting the measures proposed by the SNC, thus enhancing climate change adaptation capacity by project beneficiaries. **(moderately satisfactory, 4).**

I. Conclusion

73. The Mid-term Review in January 2013 prepared a proposal for an orderly phasing-out of the remaining project activities that would allow the project to deliver on commitments made on support to village development projects. The proposal was accepted by the Government, and a government decree on resumption of project implementation under the management of the PMU of LPDP was signed on 2 November 2013. The PMU has started implementation of the action plan for phasing-out of the KLSP that was proposed by the IFAD implementation support missions that visited Tajikistan in May 2013 and agreed with all concerned agencies and stakeholders.

74. The project is behind this schedule, mainly due to a long internal procedural process of handing over the project to the new management. Nevertheless, all the basic elements for a rapid implementation have been put in place, and the project is already making good progress. The project's overall performance is, however, rated only as moderately satisfactory due to the overall poor disbursement and compliance with the fiduciary requirements during implementation since 2009. The Mission is confident that the project will enter into a sound implementation path during 2014, but a strict adherence to the phasing-out plan – as indicated in the detailed recommendations and agreed actions listed in this Aide Mémoire - is strongly advised in order to ensure the achievement of the set targets. Of particular importance is an amendment of the Grant Agreement to (i) regularize the governance structure of the project, (ii) reallocate the project financing to ensure maximum disbursement, and (iii) extend the project implementation by six months in order to finalize village development projects with an infrastructure component.

75. IFAD and the Government of Tajikistan endorse the findings of the supervision mission.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Tajikistan			Project ID	1408	Loan/DSF Grant No.	8026
Project	Khatlon Livelihoods Support Project					Top-up Loan/DSF Grant	
Date of Update	02-Jul-2014						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	4				
Last Supervision	30-Mar-2014	Last Implementation Support/Follow-up mission	30-Apr-2014				

USD million Disb. rate %						
Approval	17-Dec-2008			Total financing	14.95	
Agreement	27-Jan-2009	Effectiveness lag	4.0	IFAD Total	12.30	
Entry into force	17-Apr-2009	PAR value	Not at risk	IFAD loan		
First disbursement	02-Sep-2009			DSF grant	12.30	30
MTR	06-Feb-2013	Last amendment		IFAD grant		
Original completion	30-Jun-2015	Last audit	30 June 2014	Domestic Total	2.65	
Current completion	30-Jun-2015			Beneficiaries	1.88	23
Original closing	31-Dec-2015			Government (National)	0.52	20
Current closing	31-Dec-2015			NGO(s) Local	0.26	0
No. of extensions	0			External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	1	4	1. Quality of project management	1	5
2. Acceptable disbursement rate	2	2	2. Performance of M&E	2	5
3. Counterpart funds	5	4	3. Coherence between AWPB & implementation	1	5
4. Compliance with financing covenants	1	4	4. Gender focus	1	5
5. Compliance with procurement	1	5	5. Poverty focus	3	5
6. Quality and timeliness of audits	1	3	6. Effectiveness of targeting approach	3	5
			7. Innovation and learning	3	5
			8. Climate and environment focus		4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Institutional support	2	5	1. Institution building (organizations, etc.)	2	5
2. Agricultural productivity	2	4	2. Empowerment	2	4
			3. Quality of beneficiary participation	2	5
			4. Responsiveness of service providers	4	5
			5. Exit strategy (readiness and quality)	1	4
			6. Potential for scaling up and replication	1	5

B.5 Justification of ratings

The project has been beset by a number of management problems that resulted in a gradual cessation of most project activities in the second half of 2011. The grant financing for the project was suspended in February 2012 due to non-submission of audited financial statements. The Mid-term Review in January 2013 prepared a proposal for an orderly phasing-out of the remaining project activities and a transfer of management to the PMU of LPDP. Given the project's history and unusual circumstances, the ratings reflect the project performance since July 2013 when the phasing-out arrangement took effect. Under the LPDP PMU management the project performance has been **moderately satisfactory** in spite of minor delays in the implementation of the phasing-out plan.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	1	4
C.2 Food security	1	4
C.3 Quality of natural asset improvement and climate resilience		4
C.4 Overall implementation progress (Sections B1 and B2)	1	4

Rationale for implementation progress rating

All the basic elements for implementation have been put in place for the KLSP to work, and it is already making good progress. The project's overall performance is rated, however, as moderately satisfactory due to the poor compliance with the fiduciary requirements. The mission is confident that the PMU will enter into a sound development path in 2014.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	1	4
--	---	---

Rationale for development objectives rating

It is still early at that stage of project implementation to assess full ability of the project to achieve its objectives. However, it is now evident that the project would not be able to reach the originally established target of 18,750. The new performance targets are now clear with only 82 participating communities in two project districts with a total population of 8,792 households. Consequently, the project logframe and PIM have been revised. The well-known past problems of the project have seriously damaged the reputation of KLSP and lead to disillusionment of the whole region. However, with the revival of the project, the trust of beneficiaries could be gained back, thus positively impacting the development efforts by the donor community overall.

C.6 Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	No major risks as now the project under the LPDP PMU management who already proved to follow all the fiduciary requirements.
Project implementation progress	A strict adherence of the proposed plan of actions is strongly advised to ensure the achievement of the newly set targets.
Outputs and outcomes	It is clear that the project will not achieve its originally established outputs/outcomes. However, the mission, PMU and other partners are confident of achieving the newly set targets.
Sustainability	No major risks. Sustainability of the participating communities and other beneficiaries/stakeholders is ensured.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
	Submission of Audit Report	End June 2014	
Feasible project implementation and performance. Achievement of the newly established targets	Submission of a request from the MOF to IFAD on amendments to the Grant Agreement, specifically for reallocation of grant proceeds, extension of the completion date by six months and the designation/composition of the KLSP Project Steering Committee (PSC), i.e. transferring its responsibility to the LPDP PSC	End June 2014	
	Delivery of agricultural machinery	Mid July 2014	
	Submission of Baseline survey report and complete establishing the project M&E system including MIS	End June 2014	
	Launch implementation of 26 community sub-projects from the first round community priorities	End August 2014	

Additional observations

Appendix 2: Updated logical framework

	Hierarchy of objectives	Indicator	Target	Means of verification	Critical assumptions
	Overall Goal: Reduction in poverty for 8782 households	Nb of hh's with improved household assets index (RIMS level 3 - survey)	1,000 hhs	RIMS surveys (baseline, PC)	Overall political and economic situation remains stable.
		% of hhs with under 5's with reduced child nutrition status (RIMS level 3 survey)	30% of hh's sampled show an improvement	RIMS surveys (baseline, PC)	Food prices remain affordable for those who are food deficit
		% of hhs with improved food security	80%	RIMS surveys (baseline, PC)	
PURPOSE	Project Purpose: Small farm profitability increased across the project area (including household plots)	Nb of farm hhs reporting an increase in income from farm production, by gender and sector	1,000 hhs	Outcome/Impact surveys (baseline, PC)	Stability of prices in agricultural commodities
		Average reported increase in annual income from farm production	10-30%	Outcome/Impact surveys (baseline, PC)	
OUTCOMES	Component 1 - Institutional support: Enhanced capacity (by community-based, jamoat, district-level and central-level institutions) to develop the natural resource base in a participatory manner	Percentage of hhs in project area participating have an improved capability to use their own and other resources and services to support their own priorities (including those of vulnerable groups) for sustainable economic development	70%	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	Willingness of community members to participate in Village Organizations, Common Interest Groups etc.
		Nb of Village Organizations and Common Interest Groups (CIGs) functioning effectively two years after their establishment	82 VOs and 82 CIGs	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	
OUTCOMES	Component 2 - Agricultural productivity and profitability: Improved access by farmers and livestock owners to improved agricultural and livestock technologies and inputs, and to the required productive infrastructure	Nb of farm hhs reporting an increase in crop, livestock or horticulture production, by gender and sector	1,000 hhs	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	Climate conditions do not jeopardize the possibility for increased crop and livestock productivity
		Average increase in agricultural productivity, by year and main commodities	10-30%	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	Local and regional markets for crop and livestock products can absorb incremental production
		% of trained persons adopting the new technologies or production practices promoted, by gender and sector	40%	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	

		Nb of farm hhs benefiting from new productive infrastructure, by gender and sector	8782 hhs	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	
		Livelihood of sustainability of the community infrastructure (functionality after 2 years)	100%	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	
		% of infrastructure with proper mechanisms in place for Operation and Maintenance (O&M)	100%	- Outcome/Impact surveys (baseline, PC) - Participatory Monitoring and Evaluation annually	
	Component 3 - Project Management: The project is managed for development effectiveness and efficiency	Project Steering Committee (PSC) and District Development Committee (DDC) functioning properly		Project monitoring records and annual progress reports	Continued Government commitment and support to the project
		PMU functioning properly		Project monitoring records and annual progress reports	Key implementing agencies are committed to bottom up planning
		Average PSR scores on "Quality of Project Management"; "Quality of financial management" and "Quality of M&E"	"4" to "5"	IFAD PSRs	
OUTPUTS		Outputs	Target	Means of verification	Critical assumptions
	Component 1:				
	Capacity of community-based institutions to develop their resource base enhanced	Nb of Village Organizations formed and strengthened	82 VOs	Project records/reports	Targeted communities are responsive
		Nb of Common Interest Groups formed and strengthened (of whom at least 50% women)	82 CIGs	Project records/reports	
		Nb of sub-project proposals are developed and approved.	200	Project monitoring records and annual progress reports	
		Nb VOs have contributed (income generation activities) to implementation of sub-project (first, second and third priority)	82	Project monitoring records and annual progress reports	

	Nb of persons provided with 1-3 day training on various subjects (of whom 40% women)	3280	Project monitoring records and annual progress reports	
Component 2:				
Enhanced access by poor farmers to improved crop and livestock technologies	Nb of farmers trained in livestock development (of whom at least 40% women)	600	Project records/reports	
	Nb of farmers trained in crop development (of whom at least 40% women)	700	Project records/reports	
	Nb of men and women undertaking exchange visits.	75-80	Project records/reports	
	Nb of farmers participating in field days for livestock production techniques, and crop production techniques respectively (of whom at least 40% women).	300 livestock; 300 crop	Project records/reports	
	Nb of demonstration plots demonstrating new technologies.	20	Project records/reports	
	Nb of new technologies demonstrated and nb of new technologies developed through Participatory Technology Development Approach.	5-6 developed; 5 demonstrated	Project records/reports	
Enhanced access by poor farmers to basic productive infrastructure	Nb of project proposals funded by the CDF, and implemented by communities.	200	Project records/reports	VO/CIG members can agree on priorities and willing to contribute community share
Component 3:				
Project Management Structure established and functioning properly	Number of staff hired; Number of equipment purchased; Offices established		Project records/reports	Government and line agencies committed to the project
	% of AWP&B, Progress Reports, thematic studies, impact surveys, financial reports prepared on time and with the required quality	80%	Project records/reports	
	Satisfactory financial management	Unqualified audit reports, minor issues in management letters from auditor	audit reports and management letters from the auditor	

Appendix 3: Progress Against Previous Mission Recommendations

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
	Submission of an official letter requesting revisions to the Grant Agreement	31 May 2013	MOF	implemented
	Formal approval of the revisions to the Grant Agreement	21 July 2013	IFAD	implemented
	Completion of national procedures to operationalize the PMU (issue of amendments to the PMU charter and decree, opening bank account, authorizing signatures, etc.)	31 July 2013	PMU	implemented
	Preparation of second and third rounds community sub-projects under the CDF	21 July 2013	MSDSP	partly implemented
	Preparation of a draft result-based contract to be signed between MSDSP and PMU, submission to IFAD for review	15 July 2013	MSDSP/PMU	implemented
	Preparation of a draft project document/trust fund contract to be signed between FAO and PMU, submission to IFAD for review	1 July 2013	FAO/PMU	under implementation
	Signing contract with MSDSP	31 July 2013	PMU	implemented
	Signing contract with FAO	31 July 2013	PMU	under implementation
	Recruitment of local and international consultants for implementation of KLSP (local project coordinator, accountant, procurement, engineer, agricultural specialist, international project adviser)	31 July 2013	PMU	implemented
	Preparation of KLSP AWPB and 18-month Procurement Plan	31 July 2013	PMU	implemented
	Closing the outstanding contracts with international and national consultants that have not been officially concluded by KLSP	31 August 2013	PMU	not implemented as the government liquidation commission has not completed its work
	Preparation of design documents for infrastructure sub-projects	1 November 2013	MSDSP	partly implemented, 11 out of 25 sub-project proposals have been submitted to PMU
	Implementation of first round demonstration plots and training programme	1 November 2013	FAO	not implemented

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Period: 01-01-2014 to 31-03-2014				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
Overall Goal Reduction in poverty for 18,750 households	Nb of hh's with improved household assets index (RIMS level 3 - survey) – 1000 hhs			
	% of hhs with under 5's with reduced child nutrition status (RIMS level 3 survey) - 30% of hh's sampled show an improvement			
	% of hhs with improved food security – 80%			
Project Purpose: Small farm profitability increased across the project area (including household plots	Nb of farm hhs reporting an increase in income from farm production, by gender and sector – 1000 hhs			
	Average reported increase in annual income from farm production - 10-30%			
Outcome level				
Component 1 Institutional support: Enhanced capacity (by community-based, jamoat, district-level and central-level institutions) to develop the natural resource base in a participatory manner and to implement the land reform process	Percentage of hhs in project area participating have an improved capability to use their own and other resources and services to support their own priorities (including those of vulnerable groups) for sustainable economic development - 70%			
	Nb of Village Organizations and Common Interest Groups (CIGs) functioning effectively two years after their establishment - 82 VOs and 82 CIGs	80% 82 VOs and 72 CIGs		
Component 2Agricultural productivity and profitability: Improved access by farmers and livestock owners to improved agricultural and livestock technologies and inputs, and to the required productive infrastructure	Nb of farm hhs reporting an increase in crop, livestock or horticulture production, by gender and sector – 1000 hhs			
	Average increase in agricultural productivity, by year and main commodities - 10-30%			
	% of trained persons adopting the new technologies or production practices promoted, by gender and sector - 40%			

	Nb of farm hhs benefiting from new productive infrastructure, by gender and sector – 8782 hhs						
	Likelihood of sustainability of the community infrastructure (functionality after 2 years)- 100%						
	% of infrastructure with proper mechanisms in place for Operation and Maintenance (O&M) - 100%						
Component 3 Project Management: The project is managed for development effectiveness and efficiency	PSC and DDC functioning properly						
	PMU functioning properly						
	Average PSR scores on "Quality of Project Management"; "Quality of financial management" and "Quality of M&E"- "4" to "5"						
Output level							
Outputs by component	Indicator	(Physical) Targets					
		AWP&B (planned)	Actual (achieved)	%	Appraisal (Global)	Cumulative (so far)	%
Component 1							
Capacity of community-based institutions to develop their resource base enhanced	Nb of Village Organizations formed and strengthened – 82	82	82	100%	82	82	100%
	Nb of Common Interest Groups formed and strengthened – 82	72	72	100%	82	72	88%
	Nb of sub-project proposals are developed and approved - 200	56	56	100%	200	56	28%
	Nb VOs have contributed (income generation activities) to implementation of sub-project (first, second and third priority) - 82						
	Nb of persons provided with 1-3 day training on various subjects (of whom 40% women) - 3280						
Component 2							
Enhanced access by poor farmers to improved crop and livestock technologies	Nb of farmers trained in livestock development (of whom at least 40% women) -600						
	Nb of farmers trained in crop development (of whom at least 40% women) - 700						
	Nb of men and women undertaking exchange visits. - 75-80						
	Nb of farmers participating in field days for livestock production techniques, and crop production techniques respectively (of whom at least 40% women). - 300 livestock; 300 crop						
	Nb of demonstration plots demonstrating new technologies. – 20						

	Nb of new technologies demonstrated and nb of new technologies developed through Participatory Technology Development Approach.- 5-6 developed; 5 demonstrated						
Enhanced access by poor farmers to basic productive infrastructure	Nb of project proposals funded by the CDF, and implemented by communities - 200						
Component 3							
	Number of staff hired; Number of equipment purchased; Offices established – 9 staff	8	8	100%	9	8	90%
	% of AWP&B, Progress Reports, thematic studies, impact surveys, financial reports prepared on time and with the required quality - 100%						
	Satisfactory financial management						

First Level Results

FIRST LEVEL RESULTS									
Results		Unit	Period ending:	31-Mar		Cumulative			Sum of actuals of previous years
			AWP&B	Actual	% of AWPB	Appraisal	Actual	% of Appraisal	
Total Outreach									
1.8.1.Individuals receiving project services	Total individuals receiving project services		52,700	52,700	100%				
1.8.2.Households receiving project services	No. of Households receiving project services		8,782	8,782	100%	18,750	8782	47%	
1.8.3.Groups receiving project services	No. of Groups receiving project services	No	72	72	100%	220	72	33%	
1.8.4.Communities receiving project services	No. of Communities receiving project services	No	82	82	100%	220	82	37%	
Sub Component									
Component Name	Sub Component Name								
Component 1	Development of Community Organisations	Percent households participated in community general meetings (disaggregated by gender)	%	70%	80%	114%	70%	80%	114%
		Male	%	60%	55%	91%	60%	55%	91%
		Female	%	40%	45%	112%	40%	45%	112%
		Number of district level workshops held for VO chairmen in Muminabad & Shuraabad	No	2	2	100%	2	2	100%
		Number of communities assessed and Community Data Sheets (CDSs) updated	No	82	82	100%	82	82	100%
		Number of trainings on CAPs	No	50	50	100%	82	50	61%
		Number of Community	No	82	82	100%	82	82	100%

Component 2	Capacity Building of Project Partners	Information Boards (CIBs) updated							
		Number of project-related SUDVOs supported with capacity building/equipment	No	13	13	100%	13	13	100%
		No. of beneficiaries in project districts trained in community mgt.							
	On-farm Technology Validation and Demonstration	No. of Govt officials trained							
		People trained in crops (M/F) People trained in livestock (M/F)							
	Community Development Fund	Number of sub-projects identified (priority 1)	No	82	82	100%	82	82	100%
Component 3		Number of sub-project proposals developed, revised (based on PMU feedback) & approved (priority 1)	No	82	56	68%	82	56	68%
		Number of sub-projects identified (priorities 2 & 3)	No	50	50	100%	118	50	42%
		Number of staff hired;	No	8	8	100%	9	8	90%
		Number of equipment purchased; Offices established							

Second Level Results

SECOND LEVEL RESULTS			
Component	Sub Component	Results	Rating
Component name	Sub component name		
Component 1	Development of Community Organisations	82 VOs 72 CIGs 80% households participated in community general meetings	
	Capacity building of Project Partners		
Component 2	On-Farm Technology Validation and Demonstration		
	Community Development Fund	56 sub-projects	
Component 3	Project Management		

Third Level Results

THIRD LEVEL RESULTS					
Indicator	Unit	Benchmark	Mid-term	Completion	Target

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)*	Disbursements (USD '000)*	Per cent disbursed
IFAD loan	NA	NA	NA
IFAD grant	9,300.0	2399.0	25%
Co-financier (MSDSP)	260.0	43.8	17%
Government	460.0	90.0	20%
Beneficiaries	379.0	87.0	23%
Total			

*Revised appraisal values as in line with the amended Grant Agreement. Disbursements are actually spent.

Table 5B: Financial performance by financier by component (USD '000), to be confirmed after the completion of government liquidation commission

Component	IFAD grant			MSDSP			Government			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1	1,581	752	48	259	43.8	17	4						1,844	796	43
2	6,787	927	14				345			379	87	23	7,511	1,014	14
3	932	721	78				111	90	81				1,043	811	78

Table 5C: IFAD loan disbursements (SDR, as at 31-03-2014)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Civil Works, Equipment, Goods, Materials and Vehicles	315,000	200,000			200,000	
II	Technical Assistance and Studies	1,270,000	1,720,000	886,364		833,636	52
III	Training and Workshops	330,000	65,000			65,000	
IV	Community Development Fund	4,820,000	3,650,000			3,650,000	
V	Operating Costs	1,110,000	465,000	10,960		454,040	
VI	Unallocated	55,000	100,000			100,000	
	Initial deposit			640,976		-640,976	
	Total	7,900,000	6,200,000	1,538,300		4,661,700	25

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Schedule 2	Allocation of eligible expenditure in line with table, replaced by letter from IFAD to Government of Tajikistan on 12 July 2013	Continuous	Complied with	
Section 2.03	Opening of the Special Account	Opening prior to Effectiveness	Complied with	New account opened with Tajprombank ZAO. All other accounts are currently frozen and PMU has no access due to work of the government liquidation commission
Section 3.02	Annual Work Plans and Budgets and Procurement Plans to be submitted to Fund	No later than 60 days before beginning of each Fiscal Year	Partly Complied with	Staff were hired in January 2014 and current AWPB approved in March 2014.
Section 3.03	Opening of the Project Account	As soon as possible	Complied with	New account opened with Tajprombank ZAO. All other accounts are currently frozen and PMU has no access due to work of the government liquidation commission
Section 3.04	Availability of Grant proceeds	Continuous	Partially complied with	Accounts from previous PCU are still to be transferred to the current PMU
Section 4.02	Progress Reports to be submitted to IFAD on a six-monthly basis	No later than six weeks after the end of each six-month period	Not complied with	No progress reports were submitted to IFAD under the previous PCU
Section 4.03	A Mid-Term Review to be carried out jointly by Borrower and IFAD	No later than 36 months after the Effective Date	Partially complied with	Grant declared effective on 17 April 2009. Mid-Term review was from 17 January to 6 February 2013
Section 5.01	Submission of Financial Statements	Within 4 months after the end of each fiscal year	Not complied with	Financial statements for 2009, 2010 and 2011 submitted 15 October 2012. Project was suspended and financial statements for 2012 and 2013 are outstanding. There were only 2 transactions during the 2012-2013 period – direct payments from IFAD to the auditor
Section 5.02	Audit Reports on project accounts of each year to be submitted to Fund	Within 6 months after the end of each fiscal year	Not complied with	See comment above

Appendix 7: Knowledge management: Learning and Innovation

Learning

A comprehensive overview of the lessons learned was provided in the MTR report, these are still valid.

Innovation: Describe any interesting innovation noted during supervision

No interesting innovation noted

Appendix 8: Audit Log

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value (USD)	Numbers	Value (USD)	Numbers	Value (USD)
2009-2011	1	2,147,000	1	2,147,000	-	-
2012					1	23,500
2013					1	0
Total:	1	2,147,000	1	2,147,000	2	23,500

Appendix 9: Supervision Mission Schedule and Persons met

17 March	Mission arrives in Tajikistan, Mission Team meeting and discussions
18-21 March	Field visit to Khatlon region. Meetings with the LPDP PMU Regional staff and consultants, local authorities, representatives of regional offices of MSDSP, Caritas, Oxfam, German Agro Action, and VOs in Muminabad and Shurabad districts to discuss the LPDP and KLSP implementation issues.
22 March	Return to Dushanbe. Meeting with the LPDP PMU staff
24 March	Meeting with the Deputy Minister of Agriculture
25 March	Meeting with the KLSP PMU consultants
26 March	Field visit to Khatlon region. Meetings with the Heads of VOs of Muminabad districts, representatives of the MSDSP Regional Office in Kulob to discuss the KLSP/LPDP implementation issues.
27 March	Meeting with the Chairman of the State Committee on Investments and State Property Management
27 March	Meeting with the German International Cooperation (GIZ)
28 March	Meetings with the Deputy Minister of Finance, the Chief Executive Officer of Aga Khan Foundation Tajikistan, representatives of the World Bank
29 March	Meetings with the LPDP PMU staff and KLSP consultants to discuss initial mission findings
15 April	Mission arrives in Tajikistan, start drafting Aide Memoires
16-18 April	Meetings with the LPDP PMU staff and KLSP consultants
19-20 April	Field visit to Khatlon region. Meetings with the LPDP PMU Regional staff and consultants, local authorities, VO's representatives, MSDSP Regional Office in Kulob to discuss LPDP and KLSP implementation issues
21-23 April	Drafting Aide Memoires
24 April	Meeting with the Chairman of the State Committee on Investments and State Property Management
24 April	Discuss and agree draft Aide Memoire with the PMU staff
25 April	Wrap-up meeting with the Deputies of the Ministry of Finance and Ministry of Agriculture
26-27 April	Field visit to Khatlon region to support preparation of template Community Livestock and Pasture Development Plan
28-29 April	Discussions on the detailed plan of actions for next 6 month for both projects with the PMU staff

Appendix 10: Summary of Implementation Support Provided by IFAD

So far, IFAD has undertaken five supervision and implementation support missions and the MTR. The major inputs provided include preparation of: Project Implementation Manual; key TORs; first and last AWPB and PP, baseline survey's TORs, methodology and questionnaire (in 2009 and 2014); and financial management and procurement manuals together with all relevant forms (in 2009 and 2014).