

## **CONCEPT PAPERS FOR LENDING PRODUCTS**

This appendix contains the concept papers for the following lending products:

- (i) Table A2.1: Rural Development
- (ii) Table A2.2: Power Rehabilitation Phase II

## Table A2.1: Rural Development Concept Paper

Date: 2 May 2005

<p><b>1. Type/modality of assistance:</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Lending           <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Project loan</li> <li><input type="checkbox"/> Program loan</li> <li><input type="checkbox"/> Sector loan</li> <li><input type="checkbox"/> Sector development program loan</li> <li><input type="checkbox"/> Other:</li> </ul> </li> <li><input checked="" type="checkbox"/> Nonlending           <ul style="list-style-type: none"> <li><input type="checkbox"/> Project preparatory</li> <li><input checked="" type="checkbox"/> Other than project preparatory               <ul style="list-style-type: none"> <li><input type="checkbox"/> Economic, thematic, and sector work</li> <li><input checked="" type="checkbox"/> Institutional development</li> <li><input type="checkbox"/> Other:</li> </ul> </li> </ul> </li> </ul>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector(s): Agriculture and natural resources          Subsector(s): Agriculture production, agroprocessing, and agribusiness</p> <p>b. For project preparatory and lending, classification  <input checked="" type="checkbox"/> Targeted Intervention  <input type="checkbox"/> General Intervention</p> <p>c. Key thematic areas          Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><input checked="" type="checkbox"/> Sustainable economic growth</td> <td style="width: 50%;"><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table> <p style="margin-top: 10px;">Subtheme(s): Developing rural areas; natural resources conservation; and gender equity in opportunities.</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB officer(s):</b> J. Whittle, Principal Project Economist</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b></p> <p>About 70% of the population lives in rural areas and relies mainly on agriculture for its livelihood. In 2003, about 70% of the rural population was living below the poverty line, compared with 81% in 1999. However, inequality is increasing. Subsistence farming is increasing, and food is inadequate and mostly produced by small private farms. Average per capita intake has decreased from 2,615 kilo calories (kcal) (1985) to 528 kcal (2003).</p> <p>While agriculture is contributing to the economy, it is underperforming in many areas: (i) land is in various stages</p>								

of privatization with allocation and registration of rights being inadequate; (ii) farm productivity is generally low and unprofitable; (iii) the irrigation system is deteriorating; (iv) soil degradation is serious and increasing; (v) availability of, and access to, rural finance is limited; (vi) farm machinery is obsolete, inadequate for the changing management and size of farms, and little is in working order; (vii) agricultural research and extension and statistical information services have shrunk substantially, are generally ineffective, and do not meet the needs of emerging private farms in a market-oriented economy; (viii) marketing is severely constrained; (ix) the vocational education system has not been able to change and offer the required formal and informal training needed by farmers and small businesses; (x) livestock is predominantly raised by households, mainly for subsistence, and is constrained by lack of markets and land for fodder and grazing; (xi) value-added agroprocessing is limited; (xii) coordination among public-sector agencies remains limited, as does their capacity to implement or enforce reforms and project activities; (xiii) the sector employs more than a half of all rural women, since a substantial proportion of the men migrate to Russia for employment, but they are underrepresented in decision making, access to land, and training programs; (xiv) a new system of services, based on private ownership and market principles, is emerging slowly, and new institutions are slow to develop in the absence of an enabling business environment, available finance, farm profitability, and effective demand for inputs and services.

The Government's poverty reduction strategy recognizes the importance of agriculture in generating a widespread increase in farm incomes, poverty reduction, and overall economic growth. Its policy and programs include (i) continued reforms in land and water to increase privatization and cost recovery; (ii) continued privatization; (iii) development of a rural finance system; (iv) increasing export potential; (v) restructuring institutions to provide support and services, and rationalizing functions and responsibilities to fit a market-oriented economy; and (vi) addressing key social problems in rural areas. The Government places a high priority on poverty reduction and it already has a policy and legislative base for rural and agricultural development in place. However, the organization and management systems of the command economy still play a dominant—though receding—role in agriculture and rural areas.

Interest in Tajikistan, particularly in agriculture and rural development, is generally increasing in the international donor community, including nongovernment organizations (NGOs). The number of funding agencies and the scope of activities have risen significantly in recent years. The combined efforts of these agencies are helping the Government address the challenges. While donor coordination and harmonization are increasing, investment efforts could be better coordinated to optimize resources and increase their effectiveness and impact, particularly in reducing poverty.

Agriculture is a key sector of the economy and faces many constraints and problems. Despite substantial financing support and advice, the ultimate form and structure of Tajikistan's agriculture and rural life is not clear. Rural areas are constantly changing and new, flexible approaches to address the changes are needed. The Government is increasing the responsibility of local governments and communities through its decentralization program. However, oblasts and rayons do not coordinate their development planning. Activities must be integrated to effectively implement policy, legislation, and regulations, and to achieve sustainable development through decentralization. The participatory approach being adopted in the technical assistance (TA) will address the multiple problems and constraints and identify opportunities. This process will develop a problem analysis and project framework.

A more holistic and coordinated approach is proposed to solve the problems and constraints, enhance opportunities, and integrate agriculture more effectively into the rural economy. This is to be done through a coherent rural development framework or strategy that does not yet exist.<sup>1</sup> This will involve an incremental and sequential approach, realistic expectations of achievements, and increased coordination and cooperation amongst the development community and government agencies at all levels through adherence to the strategy. The TA will pilot an integrated or area-based approach comprising contiguous districts. The location will be agreed on at the beginning of the TA but will exclude major cotton-growing districts.

The project will support the country strategy and program (CSP) goal of poverty reduction and focus on economic growth through a regional planning approach to coordinated development of investment activities.

**b. Goal and purpose:**

**Goal:** Increase the scope and depth of economic opportunities for farm and non-farm rural residents.

**Purpose:** Increase the productivity of farms and non-farm enterprises within an environmentally sustainable management framework.

<sup>1</sup> DFID and UNDP are planning a rural development strategy for the Zarafshan Valley in 2005.

**c. Components and outputs:** These will be determined by governments (national and local), donors, NGOs, and communities through a participatory process and based on the preparation of a strategic development plan for at least five contiguous districts. The potential outputs could include rural infrastructure, agricultural support services from input supply to marketing, private sector support for agribusiness development and agroprocessing, diversified livelihood development activities, institutional development, and support to microfinance. The project will complement other ongoing and proposed agriculture and rural development activities. Consideration will be given to a grant-financed TA to strengthen local government agencies in rural development.

A grant-financed TA will accompany the loan-funded investments to strengthen local government agencies in rural development.

**d. Expected results and deliverables:** The key items include a broad development framework of strategy for the selected area of contiguous districts at the end of phase I. This strategy is to be endorsed by governments, donor partners, private sector, civil society, and communities. An alternatives analysis for identifying Asian Development Bank (ADB) development assistance will also be completed at the end of phase I. This will guide the detailed design of the project in phase II. The design will include a participatory plan and gender action plan.

This approach, with the support of governments and the donor community active in the area, will improve the coordination of development activities, the efficient use of resources, and effective implementation and monitoring of development activities; generate economies of scale for marketing and processing activities; and stimulate and encourage private sector development through farmers' groups, cooperatives, and private companies; and provide a dynamic environment for piloting and implementing policy, legislation and regulations, and institutional mechanisms.

**e. Social or environmental issues or concerns:** To be determined through the project preparatory TA

**f. Plans for disseminating results/deliverables:** To be determined through the project preparatory TA

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including [www.adb.org](http://www.adb.org)
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** To be determined through the project preparatory TA. The Ministry of Agriculture is the Executing Agency for the project preparatory TA.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** A long-term planning approach is proposed to ensure the maximum participation of government agencies and potential beneficiaries, and other relevant stakeholders such as NGOs and other donors likely to be involved in implementation.

#### 9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2003
- b. Expected date of submission for approval
- |  |      |
|--|------|
| Lending:                                     | 2006 |
| Nonlending (project preparatory):            | 2005 |
| Nonlending (other than project preparatory): | 2006 |
- c. Period and duration of assistance(s)
- |  |           |
|--|-----------|
| Lending:                                     | 2006–2011 |
| Nonlending (project preparatory):            | 2005      |
| Nonlending (other than project preparatory): | 2006–2007 |

#### 10. Financing Plan

- a. For lending
- Ordinary capital resources: \$
  - Asian Development Fund: \$17.12 million
  - Other: \$

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from GEF (amount not known)\_\_\_\_\_.  
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	17.12 million (of which \$8.5070 million is grant)
Government Financing	4.3
Other Financing	
<b>Total Cost</b>	<b>21.42</b>

Source: ADB staff.

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$500,000 (attached advisory TA)
- Other:

If cofinancing is required, indicate amount and sources sought:  
 If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	500,000 (for attached advisory TA)
Government Financing	100,000
Other Financing	
<b>Total Cost</b>	<b>600,000</b>

Source: ADB staff.

ADB = Asian Development Bank, CSP = country strategy and program, kcal = kilo calories, NGO = nongovernment organizations, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A2.2: Power Rehabilitation Phase II  
Concept Paper**

Date: April 2005

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> ADF grant-financed</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector(s): Energy Subsector(s): Renewable energy generation</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Developing rural areas; developing urban areas; cleaner production and control of industrial pollution.</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Energy Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB officer(s):</b> X. Humbert, Energy Specialist</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b></p> <p>The installed power generation capacity in Tajikistan is 4,350 megawatts (MW) and the Nurek Hydro-Electric Power Plant (NHEPP) is the largest one with a capacity of 3,000 MW (about 80% of the total capacity of Tajikistan).</p> <p>NHEPP faces the following risks that threaten its usefulness and useful life as a regional energy resource:</p> <p>(i) A large part of the 500 kilovolt (kV) and 220 kV switchyards, occupying 48,000 square meters (m<sup>2</sup>) and 24,000 m<sup>2</sup>, respectively, face serious geological problems. From 1989 to 2000, the northeast section of the 500 kV</p>								

switchyard subsided by more than 4 meters (m). Most parts of the 500 kV yard continue to subside; the rate in the southeast section is 20 centimeters (cm)/year. The 220 kV yard is also tilting in the northwest direction. In 1999, the subsidence was 40 cm on the northwest side and 5 cm on the southeast side. Further, deep sinkholes have appeared that are up to 8 m deep, and a depression of about 5 m appeared recently. A sudden subsidence would render the NHEPP useless for an extended period and would require considerable expenditure for restoration.

(ii) The designed active storage of Nurek reservoir was 4,500 million cubic meters (m<sup>3</sup>), but with continuous sedimentation of the active storage was reported to have dropped to 3,000 million m<sup>3</sup>.

The Government requested Asian Development Bank (ADB) to study the rehabilitation, with possible augmentation of the actual capacity of the other hydropower plants on the Vashkh River, Baipaza (600MW), Golovanya (240MW), Perepadnaya (30MW) and Centralnaya (15MW) hydropower plants.

ADB has considerably supported the rehabilitation of the power sector especially in the rehabilitation of the Vashkh River cascade through the ongoing power rehabilitation, phase 1, where one of the components is the rehabilitation of the Centralnaya HEPP. Under the same project, ADB is rehabilitating the transmission and distribution network of the Khatlon Region and the Kurgan–Tyube vicinity, supplying electricity to the villages of returnees. The proposed project is in line with ADB's past and present strategies and will complement the Power Rehabilitation Project, Phase I (December 2000), and the Regional Power Transmission Modernization Project (December 2002). ADB is facilitating the signing of a power trade relation agreement (PTRA) between Tajikistan and Uzbekistan. The PTRA will allow better utilization of NHEPP, with its energy being used in both Tajikistan and Uzbekistan during the summer, when water flow is high. ADB also provided emergency assistance for the victims of the Baipaza landslide (September 2002), which is 35 kilometers (km) downstream of the NHEPP on the Vashkh River.

**b. Goal and purpose:** The objective of the project is to contribute to the economic development of the country and of Central Asia by improving the availability, reliability, and quality of the power supply from the NHEPP. ADB will continue the policy dialogue with Tajikistan in the energy sector to help sustainable growth.

**c. Components and outputs:** The scope of the project includes: (i) relocation of the 500 kV and 220 kV switchyards of NHEPP, (ii) dredging of Nurek reservoir, (iii) preliminary urgent works in NHEPP, (iv) rehabilitation and increase of the installed capacity of the Vashkh cascade, (v) rehabilitation of the transmission and distribution system in Khatlon region, and (vi) strengthening institutions in the energy sector.

**d. Expected results and deliverables:** (i) Higher utilization of NHEPP as a regional energy resource, (ii) improvement of reliability of the power supply in Tajikistan, (iii) increase of exports of electricity to Uzbekistan, (iv) increase of power supply in Khatlon Region, and (v) enhancement of institutional capacity Tajikistan energy sector.

**e. Social or environmental issues or concerns:** Environmental and social impacts to be determined.

**f. Plans for disseminating results/deliverables:** To be determined at the project preparatory stage.

**For TA, method(s) of TA output dissemination:**

- A conference/workshop/brown bag
- Publication of article(s) in external journals or books
- External press release to news agencies, including www.adb.org
- Internal press release in *ADB Today*
- Others (specify) \_\_\_\_\_

**7. Proposed executing/implementing agency or agencies:** Open Joint Stock Company Barki Tajik

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The Government sent an official requesting ADB to finance the above scope. The proposed project objective and scope have been discussed with the Office of the President, the Office of the Prime Minister, the Ministry of Energy, and Barki Tajik. The policy dialogue and enhancement of institutional capacity of Tajikistan sector have been discussed with the Government after harmonization between ADB and other international financial institutions and donors active in the Tajikistan energy sector, such as World Bank, the Government of Switzerland, and others.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2001
- b. Expected date of submission for approval  
 Lending: 2006  
 Nonlending (project preparatory): 2005  
 Nonlending (other than project preparatory):
- c. Period and duration of assistance(s)  
 Lending: 2006–2012  
 Nonlending: 2005–2006

**10. Financing Plan**

- a. For lending
- Ordinary capital resources:
  - Asian Development Fund (loan): \$23 million
  - Asian Development Fund (grant):
  - Other:

If cofinancing is required, indicate amount and sources sought: €20 million from KfW Development Bank (KfW), and \$6 million from OPEC Fund.

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds €940,000 financed by KfW for the study of the rehabilitation

of Nurek \$500,000 for the study of the rehabilitation of Golovanaya, Perepadnaja, and Centralnaya hydropower plants

- Other:

If cofinancing is required, indicate amount and sources sought: €20 million from KfW, and \$6 million from OPEC Fund.

Source	Amount (\$)
ADB Financing	500,000
Government Financing	125,000
Other Financing	1,220,000
<b>Total Cost</b>	<b>1,845,000</b>
Source: ADB staff.	

ADB = Asian Development Bank, cm = centimeter, CSP = country strategy and program, kV = kilo volt, m = meter, mw = megawatt, m<sup>2</sup> = square meter, m<sup>3</sup> = cubic meter, NHEPP = Nurek Hydro Electric Power Plant, OPEC = Organization of Petroleum Exporting Countries, PTRAs = power trade relation agreement, SCSP = subregional cooperation strategy and program, TA = technical assistance.