

INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title:

Lending/Financing Modality: Department/ Division:

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

Tajikistan is the poorest country in Central Asia, with an estimated per capita GDP of US\$423 in 2006. About 64% of its people subsist on less than the poverty threshold of US\$2.15 per person per day (based on purchasing power parity, PPP) and 18% are extremely poor (US\$1 a day PPP) in 2003. The country ranks 122nd of 177 on the Human Development Index. Poverty is a rural phenomenon in Tajikistan with 65% of the poor residing in the rural areas (versus 59% in urban centers). Rural poverty is closely linked to low incomes in agriculture, the main income source. Prior to 2007 rural poverty declined faster than urban poverty, although the decline was not uniform across regions. Khatlon and Sughd regions, with 65% of total population and most of the cotton production, registered poverty incidence rates of 78% and 64% respectively. The two regions also recorded the highest inequality indices of 37% and 35%, respectively. The most vulnerable groups are the disabled, elderly, female-led households, unemployed, orphans, unskilled manual agricultural laborers, and families with many children.

Cotton accounts for 60% of agriculture output, supports 75% of the rural population, and uses 52% of irrigated arable land. Cotton receipts are important export (9% of the country's export revenues) and tax revenues (estimated at 18% of Government's tax earnings from all tax sources). Cotton dominates the economic landscape of both the farm and nonfarm rural economy. The national government governs the cotton supply chain through a wide range of policies, legislation and regulations that effectively integrate the cotton supply chain nation-wide under the overall control and supervision of the Government and to the benefit of a small number of connected private firms. Unofficial quotas on areas planted to cotton are enforced through local governments. Local governments use three sets of controls to instruct farmers to grow at least 70% of their farm area to cotton: (i) influence on land use tenure; (ii) control over access to credit, inputs, water, and social services to farmers; and (iii) leverage on available ginning facilities. With most land required to be planted in cotton, there is little room for farms to diversify into other profitable crops/livestock. With limited non-farm rural income options, poverty is difficult to address. ADB surveys show that 45% of rural households have at least one male abroad (98% in Russia) to remit money support families, leaving only older men, women and children to manage rural production of all kinds.

The country's Poverty Reduction Strategy Program (PRSP) for 2007-2009 recognizes the inextricable link of rural economic growth and poverty reduction in the countryside. The elasticity of poverty rate in rural areas with respect to economic growth is -0.71, 0.10 higher than for urban areas. The PRSP notes: "...the influence of structural transformation in agriculture, particularly in **cotton production and land reforms** (highlights provided), has a potentially greater impact on poverty" (p. 8). The PRSP proposes sustained economic growth and diversification of the economy through the development of the private sector. Key reforms are expansion of economic freedoms, strengthening ownership rights and public-private partnerships.

The proposed Cotton Restructuring Sector Development Program addresses the core policy and institutional measures that prevent farmers from choosing freely what to produce, how, and for whom to produce. The policy matrix focuses on the core policy themes of Government's Resolution 111 dated 5 March 2007, which is a comprehensive plan for the economic transition of the agricultural sector to sustainable and pro-poor development. The policy matrix for the SDP focuses on three main themes: (i) building high level commitment to reforms through periodic communication, monitoring and disseminating the progress of the reform agenda; (ii) ensuring freedom to farm; and (iii) enabling improvements in the business environment for farms. The investment segment of the SDP is envisaged to produce key outputs: (i) improved farmer productivity through focused, innovative and fee-paying support in agronomic, tax, accounting, and legal services to farmers and better understanding of local government roles in this process; (ii) improved farm investment through establishment of secure, fair and transparent land use rights via a unified registry and improved legislation; (iii) enhanced ability to manage irrigation, input supply and processing facilities through adoption of key policy and planning recommendations and establishment of improved systems of private sector engagement.

B. Targeting Classification

1. Select the targeting classification of the project:
 General Intervention Individual or Household (TI-H); Geographic (TI-G); Non-Income MDGs (TI-M1, M2, etc.)

2. *Explain the basis for the targeting classification:* The interventions of the SDP are 2-pronged: a set of crucial policy and institutional reforms, and project investments that address the core issues afflicting the cotton sector. The policy measures, if implemented, will bring positive and sustainable sector-wide social and economic benefits, especially to poor farmworker households and the rural vulnerable who rely on the cotton sector for their income and land access. The reforms will ensure a solid basis for the development of productive and profitable farm development. The project investments will provide the cotton farm households (i) technical support (i.e., agriculture extension services) to become productive economic ventures; (ii) economic incentive to become productive and profitable (i.e., through secured tenure rights via transparent and systematic land use registration system); and (iii) de-linkage from local/national government interference in farm decision-making (as the project will explore concrete steps that will demonstrate the developmental functions that the local governments can play in moving the cotton/agriculture sector to sustainable economic growth).

C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed? Not applicable
2. *What resources are allocated in the PPTA/due diligence?* A national expert on social development will be engaged for two person-months. The expert will work closely with and be supervised by one of the team members who is a senior rural development economist. The terms of reference of the social development expert is attached.
3. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)? Not applicable.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

1. *Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?* Cotton farm households and particularly female-headed cotton farmers, women workers in cotton, children and the old farm household members in the two most poverty-stricken regions of Tajikistan are the beneficiaries. The main issues are: (i) low incomes received from cotton production; (ii) limited cash income opportunities from other agricultural sources due to restrictions on freedom of choice about crop production; (iii) few nonfarm income options, pushing men to migrate to Russia for jobs and leaving women and children to run farms; (iv) insecure land use tenure rights and weak farm technical agronomic and financial capacity to manage farms; and (vi) increasing food insecurity. Prior to the harsh winter of 2007-2208 and rising global food prices, food insecurity was about 20% with average farm households skipping one meal a day.

The proposed Program policy reforms and investments will ensure that poor households have secure land use tenure rights and hence a productive asset and investment; economic empowerment and freedom to make decisions on their land use; technical skills to make agro-business decisions and become responsive to markets; and better access to inputs which enable more profitable agricultural options. Policy reforms and investments targeted to local governments will also mutually be beneficial to poor households as local governments are enabled to focus their skills to market governance rather than control. A more vibrant cotton and agriculture sector will improve farm households' income status, and will spur off-farm rural work opportunities for the poor. It will also improve household and national food security and lower the high dependence of rural areas on remittances for survival.

2. *What are the potential needs of beneficiaries in relation to the proposed project?* Key needs are (i) secure land use tenure rights, (ii) improved farmer capacity- agronomics and financial farm management skills; (iii) access to and timely delivery of quality inputs including credit; and (iv) a wider range of cropping and livestock production options.

3. *What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?* The main constraint is government interference at the local and national levels, which in turn inhibit agribusiness private sector investments. The implementation of the policy and institutional reforms detailed in the policy matrix as well as the intended investments in the strategic areas (see Section A, last paragraph) will address these constraints.

B. Consultation and Participation

1. *Indicate the potential initial stakeholders.* Vulnerable groups are mainly the women workforce in the cotton sector; private dekhan and collective dekhan farm managers and farmer shareholders. Other key stakeholders include local government officials, relevant government agencies and Office of the President, financial sector, cotton production financiers and gin owners, non-government organizations, input suppliers, and donor community.

<p>2. <i>What type of consultation and participation (C&P) is required during the PPTA or project processing? Focus group discussions for representative stakeholders and policy dialogues through Donor Coordinating Committee and government-run Independent Commission for the cotton/agriculture sector reforms. Consultations and surveys of farmers and farmer groups have been ongoing over the last year.</i></p>			
<p>3. What level of participation is envisaged for project design? <input type="checkbox"/> Information sharing <input checked="" type="checkbox"/> Consultation <input checked="" type="checkbox"/> Collaborative decision making <input type="checkbox"/> Empowerment⁷</p>			
<p>4. Will a C&P plan be prepared? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The C&P plan that will be prepared will ensure that major stakeholders have a buy-in to the policy matrix and its implementation, as measures will have political and economic repercussions that may have adverse short-term impact on small but powerful interest groups in the public and private sectors.</p>			
<p>C. Gender and Development</p> <p>1. What are the key gender issues in the sector/subsector⁸ that are likely to be relevant to this project/program? Key gender issues relate to the fact that the labor force in the cotton sector in particular and the agriculture sector in general is dominated by women, girls, and children. Surveys indicate that increasingly women have taken over the cropping activities in cotton production as males have migrated to Russia for work. Girls are discouraged from continuing schooling to help in household and agriculture and livestock-rearing activities. Children are employed during harvesting and other menial agriculture-related activities. However, cultural restrictions mean that farm decision-making is done by elder males.</p> <p>2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No A gender plan will be developed.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>			
<p>III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS</p>			
Issue	Nature of Social Issue	Significant/Limited/ No Impact/Limited/ No Impact/Not Known	Plan or Other Action Required
Involuntary Resettlement		No impact	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Indigenous Peoples		No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Labor <input type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards		Significant: significant new employment can be expected with freedom to farm implementation via completion of policy matrix	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability		Significant (policy matrix may include food security measures)	<input checked="" type="checkbox"/> Action <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	Political and social instability	Not known	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action (see above) <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain

IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s?
 Yes No The TORs for the social development specialist are attached.

2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence? Yes No

Terms of Reference Social Development Specialist

Technical Qualifications:

The social development specialist will have a postgraduate qualification in development economics or related social science discipline. S/He will have at least 7 years of work experience in Tajikistan and/or Central Asian countries in designing and/or implementing social-related components of development projects/policy-lending investments as well as in assessing the social impact of projects and policies, preferably in the rural/agriculture sector. The expert should be knowledgeable of the ADB policies and strategies on poverty reduction, social analysis, gender, and consultation and participation. Written skills in English and communication skills in Tajik are desirable.

Deliverables:

The expert is expected to assist the ADB team leader in addressing the social and poverty issues of the proposed sector development program (SDP) on cotton sector restructuring that will ensure that the policies and investments being developed in the SDP are socially inclusive, equitable, and sustainable, and are consistent with relevant ADB policies and strategies. At the end of the consulting work, the specialist will provide the following:

- Poverty and social analysis and impact assessment report of the proposed policies and investment measures of the SDP that will serve as a supplementary appendix to the RRP document;
- Complete summary of poverty reduction and social strategy, which is a core appendix of the RRP, and any action or mitigation plan or other measures as appropriate, in accordance with the ADB, *Handbook on Social Analysis* (2007)
- Social and poverty policy matrix, which is a core appendix of the RRP;
- TORs for social and/or poverty reduction experts for project implementation, focusing on relevant concerns such as gender, participation, labor, affordability, monitoring and evaluation, and social risks and mitigation measures;
- Suggest write ups on relevant sections of the RRP related to poverty and social impact.

Checklist of Tasks:

Deliverable	Activities
Poverty and social analysis	<ul style="list-style-type: none"> - desk review, consultations of what studies/works have been done/conducted on social and poverty analysis by government, NGOs, and donor community - prepare socioeconomic conditions and trend analysis of the cotton sector, highlighting core social and poverty issues and concerns pertinent to project/policy design - conduct, where appropriate, focused participatory rapid assessments and stakeholder analysis - prepare risk and vulnerability profiles of proposed/intended beneficiaries among vulnerable groups - do benefit incidence analysis/ impact of policies and investments, assess social risks and institutional bottlenecks and risks and strategies/mitigation measures to overcome these concerns/risks - identify partners for addressing concerns - prepare report complete with tables, figures, etc. where appropriate
SPRSS	<ul style="list-style-type: none"> - fill up the SPRSS using report form and following instructions as set out in Appendix 4.2 of the ADB Handbook on Social Analysis (HAS, 2007) - Note M&E requirements - where questions arise, contact project officer (L.Adriano, ladriano@abd.org)
Gender Assessment and Plan	<ul style="list-style-type: none"> - conduct consultations during participatory rapid assessment - Refer to section C of Appendix 2.2 of the ADB HSA
Policy-based lending impact matrix	
TORs	<ul style="list-style-type: none"> - terms of reference, person-months, international or national or both for project implementation, costing - Identify if need for additional funding sources/cofinancing, etc.
Write ups	<ul style="list-style-type: none"> - Background, sector section - Social and economic impact - Assurances - Financial plan

Person-months: 2