



# Initial Poverty and Social Assessment

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Project Number: 43082  
February 2009

## TAJ: Cotton Processing and Market Development Project

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

**Asian Development Bank**

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title: Tajikistan/Cotton Processing and Market Development Project

Lending/Financing Modality:	Project/Sector/Multitranches Financing Facility /Policy-Based, others (please specify)	Department/ Division:	CWRD / CWEN
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### I. POVERTY ISSUES

#### A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy<sup>3</sup>

The proposed Project has been confirmed by the Government as the first priority for funding in 2009.

Advantage to the community: The Project will provide a commercial solution to improved value chain efficiency in the largest and arguably most needy, agricultural subsector. The major investment is in the seed, ginning and bale storage facilities. Through these facilities, the Project will provide quality processing capacity and improved market access for approximately 20-25% of the cotton produced in the south of Tajikistan, as well as the capacity to supply 50% of the cotton seed market. Conservatively, improved ginning and marketing will improve farmer profitability by about \$150/hectare (ha). Assuming a farmer client base of 35,000 ha, farmer incomes will increase by \$5.25 million per annum (pa). While improved seed quality is likely to cost \$100/ha in seed costs, against a current cost of \$25/ha, the improved yield and fiber quality will result in a conservative net increase in profit of (also) \$150/ha pa. Assuming a 50% market penetration with improved quality seed, this is an increase in farmer profitability of \$12.75 million pa. The seed plant will also clean seeds other than cotton seeds.

Using a debt-to-equity ratio of 1:2, initial financial modeling shows an internal rate of return estimate of 20% to 22% for the ginning and seed business, with high sensitivity to plant utilization. Further financial modeling will be undertaken during project processing. Most importantly, the project structure will capture the benefits at the farmer level to ensure inclusive growth.

The grants to microfinance organizations (MFO)s will strengthen their balance sheets and enable them to leverage the Asian Development Bank (ADB) funds with funds from other sources. Experience in the country has shown that “delinked” financing can improve farmer income by \$100/ha. The proposed MFO funds will allow the financing of 10,000 ha, improving farmer incomes by \$1,000,000 per annum. Once leveraged, the returns can expect to increase significantly.

#### 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 intervention is targeted at the southern cotton growing areas in Khatlon, however will have broader competitive impact. Piggy-back TA will have national ramifications. The project is a general intervention.

#### C. Poverty Analysis<sup>4</sup>

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?

2. What resources are allocated in the PPTA/due diligence? National consultant for two months

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)? Pro-poor has been built in by making the farmers shareholders in the business.

### II. SOCIAL DEVELOPMENT ISSUES

#### A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project? (i) cotton farmers in southern Tajikistan who are able to access better seeds, processing facilities and marketing options; and (ii) how do they benefit? – through improved productivity, more competitive marketing and through dividends as shareholders in a processing and marketing business.

2. What are the potential needs of beneficiaries in relation to the proposed project? (i) credit access so that they may

purchase their shares in the proposed business; (ii) advisory services to assist with improved productivity.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them? (i) Government interference in allowing farmers the right to deliver cotton where they like. The PPP structure will be designed to keep Government at arm's length to minimize Government interference.

### B. Consultation and Participation<sup>5</sup>

1. Indicate the potential initial stakeholders.<sup>6</sup> (i) Government (ii) strategic commercial partner (iii) farmers in the target cotton growing districts in southern Tajikistan; (iv) existing ginning operators, microfinance organizations, Tajikistan Universal Goods Exchange (TUGE), and seed producers.

2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of non government organizations and community-based organizations, etc.)? Extensive stakeholder consultation and participation will take place with farmers as they have a critical roles in the program as both equity participants and users of the services which will be made available.

3. What level of participation is envisaged for project design?  
 Information sharing     Consultation     Collaborative decision making     Empowerment<sup>7</sup>

4. Will a C&P plan be prepared?  Yes     No    A C & P plan will be prepared to identify participating farmers.

### C. Gender and Development

1. What are the key gender issues in the sector/subsector<sup>8</sup> that are likely to be relevant to this project/program? Ensuring good female representation in the shareholding of the farmer company

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?<sup>9</sup>  Yes     No    Please explain. Participation by woman in the project is expected in accordance with shareholder selection criteria which are equal for men and women.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?<sup>10</sup>  
 Yes     No    Please explain    The program will be gender neutral.

### III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS<sup>11</sup>

Issue	Nature of Social Issue	Significant/Limited/No Impact/Not Known <sup>12</sup>	Plan or Other Action Required <sup>13</sup>
Involuntary Resettlement	No involuntary resettlement required as no new land need to be acquired	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	Not Known	No known issues – during project preparation, social analysis due diligence will be further assessed to confirm the initial assessment.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <sup>16</sup> <input type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action <input checked="" type="checkbox"/> Uncertain
Labor <input type="checkbox"/> Employment Opportunities <input checked="" type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards <sup>17</sup>	Possible retrenchment of excess labor	Whether it is an issue is not known at this time – a safety net may need to be designed	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <sup>18</sup> <input type="checkbox"/> No Action <input checked="" type="checkbox"/> Uncertain
Affordability	Finding the money to purchase shares in the farmer company	Significant – is a key component being addressed in project design	<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	n/a	n/a	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain

<input type="checkbox"/> Others (conflict, political instability, etc.), please specify			
<b>IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT</b>			
<p>1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s? x Yes      <input type="checkbox"/> No    If no, please explain why.</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&amp;P during the PPTA/due diligence?    X Yes      <input type="checkbox"/> No    If no, please explain why.</p>			