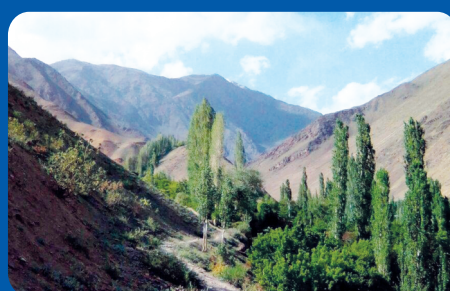


# GRANT EFFECTIVENESS IN KHATLON PROVINCE

FOCUS: PRIVATE SECTOR DEVELOPMENT,  
INCOME GENERATION AND JOB CREATION



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FOCUS: PRIVATE SECTOR DEVELOPMENT, INCOME  
GENERATION AND JOB CREATION

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**July 2019**



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Last but not least, the research team is thankful to grant recipients who agreed to be part of the survey and responded to the questionnaire and provided their views and insights as to how they see implementation of the grant programmes.

## ACRONYMS AND ABBREVIATIONS

<b>ACP</b>	Agriculture Commercialization Project
<b>AKF</b>	Aga Khan Foundation
<b>BDC</b>	Business Development Services
<b>CBSGs</b>	Community Based Savings Groups
<b>CIDA</b>	Canadian International Development Agency
<b>DCC</b>	Donor Coordination Council
<b>DFID</b>	Department for International Development
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ESCoMIAD</b>	Economic and Social Connections: Multi-Input Area Development Financing Facility for Tajikistan
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization
<b>FFPSD</b>	Framework and Finance for Private Sector Development
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
<b>GREAT</b>	Growth in the Rural Economy and Agriculture Tajikistan
<b>IOM</b>	International Organization for Migration
<b>JICA</b>	Japan International Cooperation Agency
<b>KPI</b>	Key Performance Indicator
<b>LIRP</b>	Livelihood Improvement of Rural Population
<b>LITACA</b>	Tajik – Afghan Cross Border Areas
<b>MFI</b>	Micro Financial Institutions
<b>MPA</b>	Migrant Protection and Assistance
<b>MSC</b>	Most Significant Changes
<b>NDS</b>	National Development Strategy of the Republic of Tajikistan until 2030
<b>NGO</b>	Non-governmental organization
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OSCE</b>	Organization for Security and Co-operation in Europe
<b>SIDA</b>	Swedish International Development Cooperation Agency
<b>SME</b>	Small and Medium Enterprises
<b>TAIRR</b>	Tajik-Afghan Integration, Resilience, and Reform
<b>TAWA</b>	Tajikistan Agriculture and Water Activity
<b>UNDP</b>	United Nations Development Programme
<b>USAID</b>	United States Agency for International Development

## Key definitions

Overall, for the purposes of this research only grants that are linked to private sector development broadly defined were included. Specifically, and as a result of desk research, the following types of grants made the review given proliferation of such grants and considering Khatlon's economic landscape:

1. Grants that supported/facilitated "income generation": These are grants that generally support small scale income generation, usually from small agricultural activity and not focused on job creation beyond the household in focus;
2. Grants that supported job creation: These are grants that focus on micro/small enterprises that also include creation (potential) of additional jobs beyond immediate family members or work-for-payment grants (usually creating seasonal work, i.e. rehabilitation of irrigation canals);
3. Grants that supported private sector development: These are grants (including grants aimed at building capacity for PSD) providing grant funding for small/medium legal enterprises (mostly established or could also be start-ups).

Making a clear differentiation between all three is often difficult, so the main distinction was made based on ***the main and secondary grant objectives***.

## Research limitations

The results of the research should be taken into consideration with the following key limitations and constraints faced during research and field work:

- The results are based on observations and data collected on projects and beneficiaries from 2014–2018 as opposed to 2000–2018 as planned. There was no access to grant beneficiaries who have obtained grants 2000–2014, and therefore this assessment primarily covers grants issues post 2014.
- No historical data on grant beneficiaries prior to 2014 was accessible, and thus, such grant beneficiaries were not part of the review.
- While the distinction was made to separate all three key areas, only a hand full of projects could have been classified under one category. In most cases, grant programmes include a mix of tools/elements making distinction and attribution to a specific type of grant quite difficult.
- Sampling for grant beneficiaries was made based on purpose sampling given time and budget considerations with associated pros and cons. Actual beneficiaries and conclusions are based on grant beneficiaries representing specific project versus specific donors.
- Grant beneficiaries representing GIZ, AKF, IOM/ DFID, World Bank, UNDP and USAID were interviewed. Beneficiaries of EU grant programmes, one of the largest grant making institutions in Tajikistan, were notably missing from the analysis.
- Following donors/ projects provided us with list of project beneficiaries with contacts and enabled us to undertake interviews. Some of these projects were also co-funded and are affiliated with additional donors like JICA.
  1. IOM's Tajik-Afghan Integration, Resilience and Reform (TAIRR) and Migrant Protection and Assistance (MPA) programmes;
  2. USAID Tajikistan Agriculture and Water Activity (TAWA);
  3. UNDP Livelihood Improvement in Tajik – Afghan Cross Border Areas (LITACA) and Livelihood Improvement of Rural Population (LIRP) projects;

4. GIZ Growth in the Rural Economy and Agriculture Tajikistan (GREAT)/ Framework and Finance for Private Sector Development (FFPSD) project;
5. Aga Khan Foundation projects on economic development – Thrive and Economic and Social Connections: (ESCoMIAD); and,
6. World Bank Agriculture Commercialization Project (ACP).



# EXECUTIVE SUMMARY

Grant effectiveness in Tajikistan is a very topical issue for the country receiving official development assistance (ODA) since the mid 90s and given very limited publicly available resources on this topic. Given Tajikistan's classification as a low-income country (World Bank, 2019), Tajikistan receives the bulk of ODA in grants. This research focuses on grants extended to the Khatlon province and targets interventions aimed at job creation, income generation, and supporting private sector development. Overall, the aim of this report is to take stock of experiences and lessons learned related to grant implementation in Khatlon and, potentially, provide insight on key success factors impacting the design and effectiveness of the future grant programmes.

Data on grants is very limited in Tajikistan, with some basic data (on grants and development programmes) mainly housed at the Aid Information Management System (AIMS) maintained by the State Committee for investment and State property management. Additional grant data was made available by donors for the purposes of this research. Getting historical information on projects (i.e. prior to 2014–2015) proved to be challenging as information for this research required high granularity (beneficiary level data) and, in some cases, was bound to confidentiality. In most cases, however, such historical records were simply non-existent or not adequately collected/stored, making any comparisons or analysis challenging.

Despite these challenges, we identified 116 grant programmes that have been implemented/ were being implemented in Khatlon since the 2000s, with over USD 50 million<sup>1</sup> in issued grant funding to date. These grants are quite diverse and cover capacity-building programmes, direct grants to SMEs/microenterprise, creation of resource centres, technical assistance. While constituting only a small portion of the overall development funding envelope in Khatlon, grant programmes bring quite tangible positive results in terms of focused support to their target beneficiaries: dehkan farms<sup>2</sup> and entrepreneurs. Despite declared efforts to reform both agriculture and the business environment, the overall plight of rural Khatlon inhabitants remains quite challenging. These reforms, however, did result in reduced poverty rates and increasing (at least on paper) numbers of businesses over the years. Given the pace and the depth of the reform programme in Tajikistan, overall, grant programmes in Khatlon will most likely remain highly relevant.

Grant programmes already cover thousands of direct beneficiaries and many more indirectly as the average household size in Khatlon continues to hover around six per household. On an individual level (grant beneficiaries), grant programmes tend to have direct and tangible impact on the livelihood and income streams of grant recipients. While linking grants directly to poverty drops or even overall income increases might be difficult, there should be little doubt that grant programmes do impact individuals in a major way. In many cases, it is grant programmes that are being showcased and the most visual “products” of efforts to create job/support entrepreneurship. Given poor statistics (and reliability) available at the provincial level, it is difficult to link grant programmes to job creation outcomes or changes in migration patterns. While grants reviewed tended to focus on self-employed grantees or small business (or family), and the overall impact of such grants on job creation is quite minimal and only recent grant programmes have started to collect and monitor job creation statistics beyond employing direct household members. However, the impact of grants on “maintaining rural employment” is quite substantial. Similarly, the impact on migration, while seemingly small, is well documented during interviews with grant beneficiaries. Access to grants does contribute to a smaller “probability” of migration, according to grant recipients. While official

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<sup>1</sup> Estimated by authors based on available project level cost estimates and actual allocations to grants (excluding grants monitoring, administration, and management costs)

<sup>2</sup> Dehkan farm is a term for an individual or a family farm in Tajikistan.

migration statistics continue to show sustained large-scale migration patterns, we note consistent positive sentiment that grants, especially aimed at supporting agricultural activities, often play a critical role, either preventing family members from leaving or providing much needed safeguards upon return.

Given a pervasive lack of income generation or business opportunities in Khatlon, as well as a limited availability of well-paying jobs outside agriculture that contribute to large scale labour migration, grants also appear to cause positive externalities through strengthening social cohesion, providing much needed avenue to improve livelihoods, building the confidence of grant recipients and giving hope for the future. Equally important, grants provide skills and knowledge, an element not to be overlooked by any future grant programme. As such, and in the absence of any government or private sector-run programmes to meaningfully support private sector development in Khatlon, targeted grant programmes serve as a valuable catalyst for SME and entrepreneurship development.

Grant programmes have been evolving in Tajikistan to accommodate local circumstances, changing country priorities and programme design approaches. Donor agencies implementing grant programmes do a fairly good job linking to the national development agenda, partly driven by a highly participatory process and partly because donors account for a disproportionately larger share of funding resources needed to implement NDS with priorities defined broadly enough. Yet, despite such a broad agenda, donors have shown to shift the focus to support areas that have the potential to contribute to sustained growth the most: promoting private sector development, supporting SMEs, agriculture development and, increasingly, tourism.

Donors have implemented several models for grant delivery since the 2000s with varying degrees of success, as elaborated in the report. Sustainability of many programmes, however, is difficult to assure for a variety of reasons and is challenged in part by the difficult-“doing business”-environment, low capacity of beneficiaries, and proliferation of approaches. As such, there has been no silver bullet for a successful grant programme and factors leading to success are highly contextual as evidenced in Khatlon. However, there are best practice cases as presented in the report, and there are encouraging signs that grant programmes can be quite successful and sustainable. Some key features of such programmes include focus on groups of beneficiaries (versus individual beneficiaries), ensuring greater ownership by beneficiaries (through in-kind and cash contributions), and investing in capacity-building of grant beneficiaries. Most importantly, however, grant programmes have a much higher chance of being sustained if such programmes are implemented as first steps in a multi-year strategy that ultimately links grant beneficiaries to larger opportunities (either as groups/communities or as part of supply chains that these grants are a part of), supported by continuous access to affordable business development services and improvements in the doing business environment. Moving forward, and unless there is an explicit focus on the latter, any future grant support could be severely challenged, requiring additional donor effort/funding just to ensure grants are successfully administered.

A unique feature of grant programmes in Khatlon, partly by design, is that they tend to have a strong inclusion component and focus on the most vulnerable. A large share of grants in scope focus on women, women-led households, returning/deported labour migrants and, increasingly, people with disabilities as one of the core target groups, or at least have such a component. It’s very important to maintain such a focus in a province like Khatlon, especially given the consistently high outmigration numbers leaving women as household breadwinners and caretakers. In addition, as the Russian economy continues to be susceptible to volatility, coupled with increasing protectionism and nationalism, the issue of returning labour migrants (and in many cases labour migrants with acquired disabilities) will also most likely remain quite relevant as they will continue to be one of the marginalized groups in a province with the largest number of labor migrants.

Grant programmes in Khatlon also appear to recognize the low levels of capacity and skills of beneficiaries and tend to have complementary capacity-building components that could lead to higher grant management and administration costs. There is often a clear “gap” between what the “average” grant design/application process requires and what an “average” grant beneficiary can undertake. At the same time, it is also clear that grant programmes tend to address these issues in isolation from each other and only within their programmes. As a result, grant programmes tend to be forced to spend resources/effort to produce materials on often overlapping issues and topics. There is little infrastructure in place and little attention paid (beyond some stand alone resource centres) to effectively collect, store, and make available/ensure consistent access to a wealth of information being created within grant programmes. This is especially important given virtually non-existent market to business development services in Khatlon – another key constraint to successful grant programmes covering private sector development.

Donor agencies involved in grant making could benefit from closer coordination of grant activities on an operational level. There are numerous cases when projects, especially technical assistance and capacity-building projects in Tajikistan (and Khatlon) overlap and/or are duplicated by donors years after similar projects have been completed, and often with the same results. Such coordination efforts could help capitalize on or deepen/scale up grant interventions and, potentially, impact. Understandably so, achieving closer coordination is difficult and is premised on different *modus operandi*, priorities, and country engagement formats and donor agencies operating within their own limits and project approaches. Nonetheless, key grant making donors/agencies operating in Khatlon could, at the very least, explore avenues to better streamline, coordinate, and exchange jointly agreed grant-related information while considering confidentialities and sensitivities involved, similar to a grant/remittances sub-group to the migration working group. This would not only help better track and improve accountability for results, but could almost certainly support business planning, save valuable time and effort to design and scale up interventions, and even operational costs, if coordination mechanisms are properly designed.

# LESSONS LEARNED FROM IMPLEMENTATION OF GRANT PROGRAMMES

## GLOBAL LESSONS LEARNED

There is a vast body of research related to the effectiveness and impact that grant programmes have on microenterprises, SMEs, and agriculture-related businesses. These assessments focus on results delivered by the grant programmes and impact on revenues, profits, job creation and employment, and generally, sustainability of such programmes. Most of these studies cover African countries, and to some extent low-middle income countries, Latin American, and East Asian countries. We did not review grant programmes covering OECD countries due to different context and purpose of such grants. Most of the studies cover grant programmes (both in kind and cash), and, depending on the structure of such programmes, include assessment of associated capacity-building components or so-called business development services. There is also a proliferation of grant modalities to deliver grant programmes aimed at private sector development, specifically via government-supported programmes, delivered directly by the development partners, or via participating financial institutions (with grant and loan components), or via special purpose vehicles (such as the challenge funds).

### Key lessons learned from the grant programmes can be summarized as follows:

- Grant programmes aimed at private sector development do tend to have *short term positive impacts and externalities, but their sustainability is far from assured*.<sup>3</sup>
- Grant programmes show *mixed results*, and while the quality and the rigour of research is key, one message is clear – *context matters*.
- Overall the-“*doing business*”-environment is often the key for successful transition of supported businesses to another level.

Most of the research highlights challenges with assessment of the long-term impacts of such programmes due to methodology and data limitations.<sup>4</sup> Despite this, most of the available research and meta studies highlight that one-off grants have an initial positive impact/business performance on grantees and their households. These grants can have substantial externalities and when coupled with capacity-building efforts, they tend to have even greater impacts. At the same time, it is also clear that the longer-term sustainability and impacts of such programmes is challenged by grant design elements such as training, focus on partnerships, and funding modality. Grant success is also dependent on many contextual considerations and their impact tend to diminish over time.<sup>5</sup> Meta studies that looked to compare grant recipients with control groups (those that did not receive grants) also reveal that grant-supported businesses tend to have higher survival rates, higher profits, and better employment outcomes.<sup>6</sup> Impact of job creation, according to available research tends to be delayed at best and given the nature of grants, tends to first address intra household labour dynamics. Those studies that focused only on effectiveness were found to be biased and lacking objectivity or research rigour.<sup>7</sup>

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<sup>3</sup> How to make grants a better match for Private Sector Development: a review of World Bank matching grants programmes, World Bank (2016).

<sup>4</sup> Landel Mills, Financial services and small and medium-sized enterprise growth and development, 2017.

<sup>5</sup> How to make grants a better match for Private Sector Development: a review of World Bank matching grants programmes, World Bank (2016).

<sup>6</sup> Landel Mills, Financial services and small and medium-sized enterprise growth and development, 2017.

<sup>7</sup> Ibid.

Given methodological challenges and data limitations, it is also clear why available research produces mixed results with regard to the grant programmes' results and impact. Some of the key takeaways include the following:

- (i) **Gender:** While grants received by male grantees tend to improve business performance, this impact is substantially lower for female grantees (90% versus 45%). Similar impacts are observed with respect to capacity-building components of the grant programmes.<sup>8</sup> Women in Tajikistan tend to face stricter gender roles that act as a barrier for greater engagement in entrepreneurial activities and are often unsure about their abilities to start/run a business, especially in rural areas. For those that are already engaged in business (usually limited to small, family-based businesses), access to market, defined as access to innovations like micro credits, self-help groups, and market information systems, often determined success of a business undertaking. Interestingly, a drive toward entrepreneurship among women could be facilitated by having a labour migrant member of the family.<sup>9</sup>
- (ii) **Grant design:** There is no significant empirical difference between grant programmes that are cash grants or in kind. However, qualitative research suggests that cash grants are unlikely to be sustained compared to in-kind grants/or matching grants; have a higher degree of potential “diversion” of grant proceeds to non-grant purposes, and are less likely to exhibit follow-up investment into business. Clear grant eligibility criteria and procedures as well as enforcement thereof help ensure the grant making process is easier, and reduces delays.<sup>10</sup>
- (iii) **Delivery modality:** A less explored area, but existing evidence suggests that government-run grant programmes (or via government affiliated agencies), tend to have lower uptake compared to all other modalities of grant delivery (direct, or via financial intermediaries). Key reasons for lower response rate include state capture, eligibility criteria, additional scrutiny pre- and post grant issue and perceived difficulties receiving grant proceeds.<sup>11</sup>
- (iv) **Institutional sources of finance/grants:** Sources of finance for SME/microenterprises seem to produce different results with loans and self-raised funds being associated with higher productivity compared to grants.
- (v) **Grant beneficiary profile matters:** Existing evidence points that the type of enterprise being targeted also matters. Available evidence points to better performance and outcomes if target grant beneficiaries are operational businesses (small or micro) compared to “subsistence” or new enterprises. Formal businesses also tend to benefit from grant programmes more, and the level of education and previous experience running a business appear to influence the outcomes of grants.<sup>12</sup>
- (vi) **Capacity-building and grant making.** Surprisingly, capacity-building and business development services have a small influence on grant performance and are highly contextual, expensive to run, hard to sustain, and need to be gender-sensitive. While there is evidence that capacity-building for grant recipients leads to improved enterprise development and has positive multiplier effects, those are hard to capture and quantify. One established observation is that capacity-building/business development services (BDS) can be associated with better business management practices (usually limited to marketing, sales management and accounting) and

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8 Ibid.

9 *Barriers to Female Entrepreneurship in Tajikistan*. Micronarrative study, UNDP, 2018.

10 Ibid.

11 Ibid.

12 Matching Grants: Technical note, IFAD (2012).

supports business growth for more established firms. Finally, grant recipients tend to understate the value of capacity-building and overestimate costs triggering the need to develop better approaches to how capacity-building needs can be better identified, delivered in terms of modalities, coverage and content.<sup>13</sup>

- (vii) **Grants tend to have positive externalities.** Depending on the design and scope of grant programmes, there is compelling evidence that grants can bring positive externalities in the form of changed business behaviour or the ability to generate additional resources, community cohesion, and confidence building.<sup>14</sup>

The overall business environment appears to play an important role and is a major theme across available research on the topic. Plenty of evidence exists pointing in this direction. Indeed, there is a clear indication that grant programmes are designed as a short to medium-term measure and serve as a bridge to fill the gap related to access to finance in hopes that systemic issues such as access to funds, cost of capital, regulatory issues (tax, access to markets, supply chains, transport and storage infrastructure) to help develop private entrepreneurship are being implemented. As such, development of the financial markets and financial intermediaries play an important role to allow smaller microenterprises or SME to start up, survive, and potentially grow to another level. Equally important is the development of the market for business consulting to allow better, affordable, and easier access to business development expertise and knowledge.

## LESSONS LEARNED FROM GRANTS IMPLEMENTED IN TAJIKISTAN COVERING OTHER SECTORS

Below are some of the key observations from other sectors in Tajikistan that use the grant approach to implement projects and programmes, mainly covering education, health, and water sectors (establishment of the Water User Associations).<sup>15</sup> These overall observations may benefit any future design and implementation of grant programmes aimed at private sector development and support of SMEs.

- Oversight of grant programmes, including regular monitoring, planning, procurement, and reporting may need to be strengthened: review of grant programmes, including those implemented by the international NGOs were found to have deficiencies despite a range of manuals and oversight arrangements in place. Data collection, exchange, and reporting were found to be particularly weak.
- Prioritization of activities could help ensure smoother implementation and focus. Many grant programmes are forced to deviate or expand from their original focus, driven by legitimate needs. However, in efforts to be flexible, programmes often expand, and limited available funds were spread out to the detriment of original goals.
- Most available evaluations covering grant programmes in the sectors above raise relevance concerns and the need for stronger coordination between projects and partnerships with key government stakeholders. While evaluations highlight that grant interventions have a major impact on health, rural water management practices, or education outcomes,

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<sup>13</sup> Ibid.

<sup>14</sup> The Big Business of small enterprise: evaluation of the World Bank experience with targeted support to small and medium-size enterprises (2006–2012), World Bank (Independent Evaluation Group).

<sup>15</sup> Audit of Global Fund Grants to the Republic of Tajikistan, the Global Fund (2013).

sustainability of activities remain challenging for a variety of sector-specific reasons, including weak capacity of grantees and institutional capacity of key government agencies.<sup>16</sup>

- Value for money is often cited as an area of concern for many of the development partners and agencies operating in Tajikistan, often driven by operational, management, advisory and capacity-building efforts. Only a few donor agencies have been implementing grant programmes in Tajikistan for a long enough period and invested sufficiently large amounts of funds to create needed infrastructure to deliver such programmes, such as staff, vehicles, local offices, etc. Maintaining such resources is expensive. Given the primarily donor-driven model of grant delivery, and usually relatively modest grant programme sizes, a range of grant programmes raise “value-for-money” considerations.
- Longevity of support to grantees plays a critical role and capacity-building is almost a universal part of grant programmes. Most grant programmes feel the need to create a more sustainable and operational infrastructure to deliver sector specific capacity-building programmes. Available grant completion and/or evaluation reports often highlight that successful grant programmes tend to be implemented over a longer period and capacity-building is increasingly becoming an embedded part of grant programmes.<sup>17</sup>

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<sup>16</sup> How to make grants a better match for Private Sector Development: a review of World Bank matching grants programmes, World Bank (2016).

<sup>17</sup> Ibid.

# PRIVATE SECTOR DEVELOPMENT AND JOB CREATION IN TAJIKISTAN AND KHATLON

**While not a new development agenda for Tajikistan, private sector development and entrepreneurship, admittedly, have emerged as an issue in focus only since the early 2010s.** Most of the development efforts in the early 2000s were focused on post-conflict reconstruction, poverty reduction efforts, protecting social services, ensuring macro stability, and building market-based institutions in support of wide-ranging reforms. While private sector/SME development did feature in the development programmes of donor agencies it was not until early 2010s when more focus was paid to finding viable ways of ensuring sustained economic growth. Private sector and entrepreneurship development came increasingly to the forefront as it became clear that consumption-based growth was not sufficient to ensure further sustained growth. A range of analytical reports (like Doing Business or Business Environment and Enterprise Performance surveys), far reaching regulatory reforms (including tax, customs, registration), technical assistance programmes, and funding schemes have emerged to support this agenda.

**Driven by early economic reforms, and over the last two decades, Tajikistan managed to achieve impressive economic growth rates that resulted in substantial poverty reduction; however, recent poverty and well-being rates have stalled in the absence of real drivers of income generation and decent jobs.** Between 2000–2010, consumption-based growth that averaged 8 per cent annually, has significantly improved the living standards of a population driven by doubling of GDP and resulting in halving the poverty rate from 80 per cent to below 40 per cent. However, poverty reduction rates have flattened since 2013, despite significant remittances and growing donor and government funding to various programmes.<sup>18</sup> No formal poverty rates beyond 2009 are available, and the latest figures available suggest that Khatlon province<sup>19</sup> remains one of the poorest in the country both in absolute and relative terms.

As such, Tajikistan remains one of the poorest countries in the region. It is still vulnerable to external shocks, and limited formal employment in need of development funding, better public finance management, and stronger business environment reforms.<sup>20</sup>

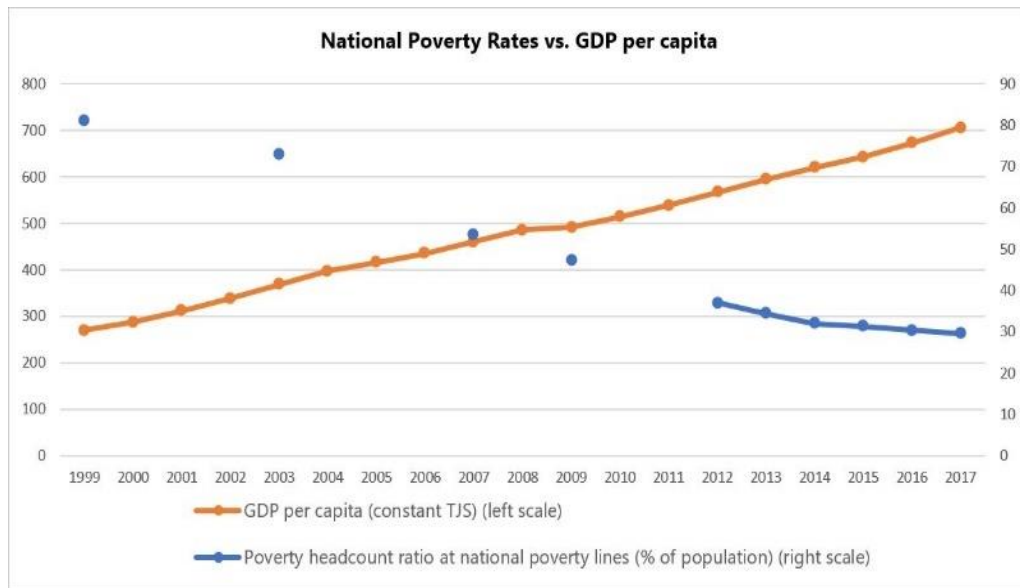
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<sup>18</sup> <https://blogs.worldbank.org/europeandcentralasia/what-s-behind-slowing-pace-poverty-reduction-tajikistan>.

<sup>19</sup> World Bank Poverty assessment 2009, based on LSMS data: <https://microdata.worldbank.org/index.php/catalog/lsms/about>.

<sup>20</sup> [www.worldbank.org/en/country/tajikistan/publication/cpf-2019-2023](http://www.worldbank.org/en/country/tajikistan/publication/cpf-2019-2023).





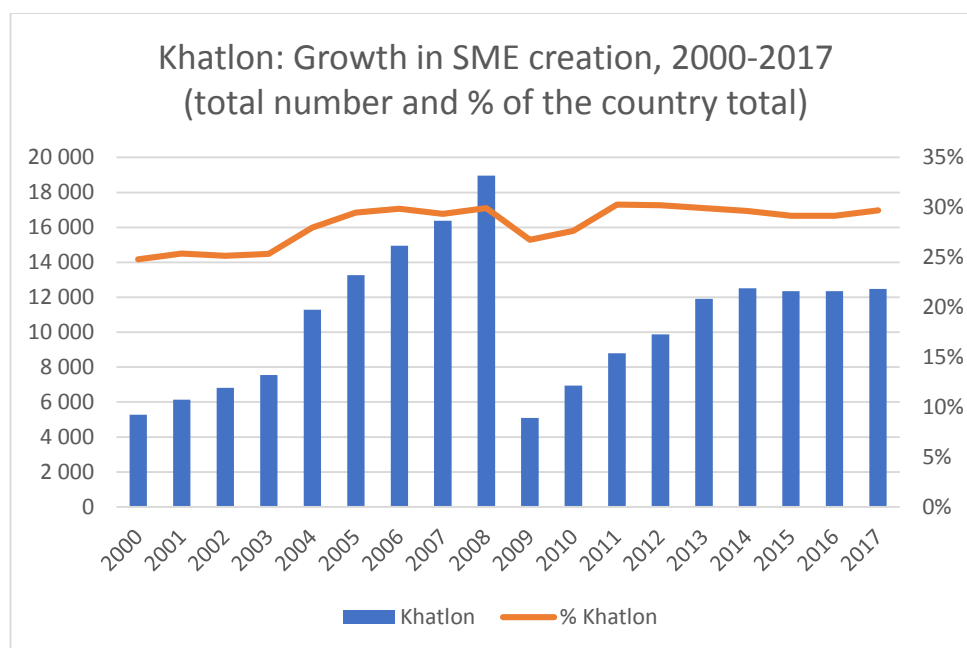
Source. World Development Indicators, World Bank. 2019.

**Doing business indicators have improved over the last decade, yet overall the business environment is becoming increasingly challenging, captured by state and bureaucracy, resulting in worrying trends in entrepreneurship and future prospects for private sector development.** Tajikistan managed to significantly improve its doing business indicators over the last decade, improving its standing by 30 spots from 156 to 126 in the global ranking (out of 190 jurisdictions). This is mainly driven by “starting business” reforms supported by the donor community. While the ranking did improve, other key indicators like “getting electricity” (173) “getting credit” (124) and “paying taxes” (136) remain painfully challenging for private sector actors. Recent reports by both the government and development partners point out that the tax burden in Tajikistan remains one of the highest in the world (67% of profits), cost of credit is still high (around 30%), and red tape remains prevalent. This is happening despite the introduction of “single” windows, ongoing administrative pressures coupled with regular and multiple inspections and national moratoriums on inspection, and various investment improvement programmes (300-day reform issued at the end of 2018, Investment Council under the President), making doing business quite challenging.



Source. World Bank, Doing Business Survey.

–Interestingly, **Khatlon, as a province, has emerged as a driving force behind SME creation.** Since 2003, Khatlon province took reign as the province with the largest number and share of SMEs in the country (25% of the total). Having reached its peak of almost 19,000 SMEs in 2008, this number suddenly dropped significantly in 2009 from 19,000 to just above 5,000, most likely driven by the aftermath of the global crisis of 2008, slowing demand and the slowdown of the Russian economy. This trend started to slowly rebound reaching 12,500 by 2017, still leading all the provinces in absolute numbers and increasing its share to 30 per cent of the total, but still almost 35 per cent below its 2008 high and staying relatively flat since 2013 (Table 1.1).

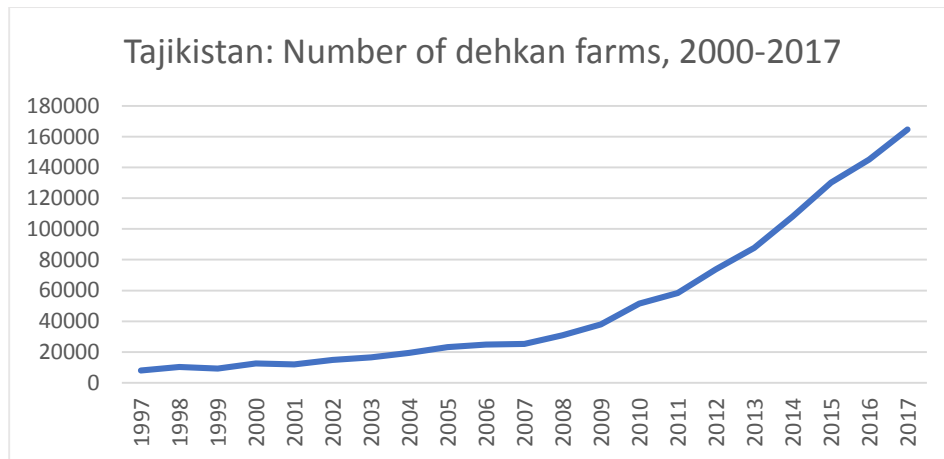


Source. Statistic Agency of Tajikistan, Annual Statistical Yearbook.

**The number of dehkan farms in Tajikistan grew substantially over the last two decades driven by agricultural reforms** but there is now no reliable province-level data available to analyse these trends with any degree of certainty. Overall, the number of dehkan farms grew from 8,000 to close to an impressive 165,000, creating smaller family plots (average size is <0.2 ha)<sup>21</sup> facing a myriad of challenges and in many cases enough for subsistence farming only. Khatlon, in turn, is the third largest province by territory, and with 3.2 million people (January 2018), Khatlon is the most populous of the four administrative regions of Tajikistan, accounting for over one-third of the country's total population. The population is overwhelmingly rural (over 80%) and is engaged predominantly in primary agriculture, with less than 3 per cent employed in the industrial sector. Khatlon accounts for half of all agricultural lands and pastures, confirming its predominantly agricultural focus.<sup>22</sup>

21 <http://www.fao.org/3/i8348en/i8348en.pdf>.

22 <https://openknowledge.worldbank.org/handle/10986/18931>.



Source. Statistic Agency of Tajikistan, Annual Statistical Yearbook.

**Khatlon province continues to account for the largest share of labour migration outside Tajikistan, and given the fastest population growth rates, is expected to remain as such.** While outmigration numbers are highly contested, available migration data suggests that Khatlon province accounts for the largest share of migration with close to 45 per cent of the total, both male and female. This trend is likely to continue given higher than average population growth rates, higher than average household size, limited job opportunities, and job creation trends away from agriculture. Over the last five years, on average over 200,000 people both men and women, migrate from the Khatlon province annually in search of better employment opportunities elsewhere. Fragmented information sources also suggest that the recent wave of deportations/returnees from Russia may impact Khatlon disproportionately higher (Table 1.2).

**Grants continue to be a viable source of development funding in Tajikistan, especially when it comes to private sector development and SME development.** There are many additional macro elements /data that could be presented to paint a more comprehensive picture of the private sector in Khatlon. However, limited regional (provincial) breakdown of such data/statistics, e.g. breakdown of farms by size and ownership, SMEs size and by type of activities, access to finance and loan/credit data, export-oriented enterprise, employment and hiring statistics and many more indicators of a healthy economy and private sector, does not allow for evidence of the situation to be presented with any high degree of confidence. What is possible, however, is to still infer higher level challenges that could also be applied to Khatlon province and any other province in Tajikistan. The difference would be, as the authors believe, in the degree of severity not in principle. As such, given still persistent high borrowing costs (interest rates), coupled with liquidation of one bank (Fonon bank) and two major banks bailed out by the government in 2016 (TojikSodirotBank and AgroInvestBank) as two primary banks extending credit to agriculture and the private sector, access to finance remains limited and prohibitively expensive. Tax and public expenditure reforms are needed to support social expenditures and private sector development. Economic risks are quite prevalent, from state capture to numerous barriers to provide sector development despite stated public commitments and actions.<sup>23</sup> As such, reliance on grants to support private sector and SME development in Tajikistan serves as a subsidy for apparent market and governance failures. Despite improvements, the banking sector is very weak and is marred with a high share of non-performing loans, currently standing at 25 per cent of the total credit portfolio (down from 42% as of Sept 20, 2017).<sup>24</sup> Coupled with regulatory challenges, primarily tax, customs, inspections, licencing and access to public utilities, SME development is an arduous undertaking in Tajikistan. It is within this context that the review of grant effectiveness is undertaken that focuses on one of the provinces – Khatlon – home to the largest share of rural, pre-dominantly agricultural, population and employment in Tajikistan.

<sup>23</sup> <http://documents.worldbank.org/curated/en/962981557781100857/pdf/Tajikistan-Country-Partnership-Framework-for-the-Period-of-FY19-FY23.pdf>.

<sup>24</sup> Review of Banking system as of June 30, 2019, [www.nbt.tj](http://www.nbt.tj).

Table 1.1: Number of SMEs, breakdown by province, 2000–2017

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Tajikistan</b>	21,286	24,201	27,046	29,795	40,310	44,989	50,018	55,787	63,351	19,024	25,083	29,068	32,684	39,824	42,206	42,358	42,347	42,031	42,031
<b>GBAO</b>	857	900	933	977	1,013	1,035	1,036	1,274	1,351	824	1,121	1,134	1,208	1,478	1,603	1,724	1,725	1,609	1,609
<b>Sogd</b>	5,801	6,506	6,824	7,133	10,964	12,063	13,638	15,245	17,224	4,513	6,131	7,109	7,695	9,926	10,611	10,328	10,325	10,716	10,716
<b>Khatlon</b>	5,279	6,139	6,806	7,549	11,278	13,268	14,945	16,377	18,963	5,091	6,934	8,800	9,876	11,917	12,516	12,350	12,346	12,484	12,484
<b>Dushanbe</b>	4,356	4,914	5,371	5,510	6,367	7,057	7,754	8,903	10,241	5,278	6,487	7,045	8,546	9,940	10,556	10,860	10,856	10,280	10,280
<b>RRP</b>	4,993	5,742	7,112	8,626	10,688	11,566	12,645	13,988	15,572	3,318	4,410	4,980	5,359	6,563	6,920	7,096	7,095	6,942	6,942
<b>% Khatlon</b>	25%	25%	25%	25%	28%	29%	30%	29%	30%	27%	28%	30%	30%	30%	30%	29%	29%	29%	30%

Source. Author's calculations based on statistics from the State Agency for Statistics, Yearly Statistical Book.

Table 1.2. Tajikistan: Number of migrants to/from Tajikistan by province, 2013–2018

	2013			2014			2015			2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>TAJIKISTAN - total</b>																		
<b>From</b>	698,823	100,875	799,698	564,390	106,416	670,806	487,929	64,667	552,596	435,457	81,851	517,308	419,721	68,036	487,757	419,664	64,512	484,176
<b>Returned</b>	640,913	140,802	781,715	377,283	76,702	453,985	347,961	40,639	388,600	353,504	83,470	436,974	346,697	65,963	412,660	352,245	72,245	424,490
<b>GBAO</b>																		
<b>From</b>	30,496	8,614	39,110	46,154	14,113	60,285	24,533	1,905	26,438	15,261	3,307	18,568	14,258	2,236	16,494	19,067	3,313	22,380
<b>Returned</b>	26,581	8,878	35,459	34,398	7,125	41,523	25,076	2,333	27,409	17,268	3,425	20,693	15,090	3,293	18,382	17,290	3,122	20,412
<b>KHATLON</b>																		
<b>From</b>	254,044	17,244	271,288	187,598	16,054	203,652	192,144	14,618	206,762	193,216	36,602	229,818	171,106	28,681	199,787	186,044	23,238	209,282
<b>Returned</b>	232,306	31,043	263,349	168,099	20,253	188,352	167,203	13,221	180,424	168,708	29,572	198,280	141,112	25,127	166,239	150,920	22,148	173,068
<b>SUGD</b>																		
<b>From</b>	170,077	24,935	195,012	181,239	34,825	216,064	147,473	24,282	171,755	133,937	21,535	155,472	138,086	19,808	157,894	115,382	20,554	135,936
<b>Returned</b>	108,163	26,728	134,891	46,104	9,098	55,202	31,048	3,511	34,559	84,196	30,327	114,523	116,380	21,877	138,257	99,694	31,768	131,462
<b>DRS</b>																		
<b>From</b>	175,956	30,435	206,391	83,385	23,135	106,520	83,824	13,647	97,471	79,030	16,932	95,962	75,659	11,620	87,279	87,994	14,382	102,376
<b>Returned</b>	193,221	49,770	242,991	69,148	14,866	84,014	83,805	10,167	93,972	70,932	15,146	86,078	59,821	11,170	70,991	75,577	12,671	88,248
<b>DUSHANBE</b>																		
<b>From</b>	68,250	19,647	87,897	66,014	18,271	84,285	39,955	10,215	50,170	14,013	3,475	17,488	20,612	5,691	26,303	11,177	3,025	14,202
<b>Returned</b>	80,642	24,383	105,025	59,534	25,360	84,894	40,829	11,407	52,236	12,400	5,000	17,400	14,294	4,497	18,791	8,764	2,536	11,300

Source. Ministry of Labor, Employment and Migration of Tajikistan.

# GRANT EFFECTIVENESS IN KHATLON

## OVERVIEW OF GRANT PROGRAMMES IN KHATLON

**Grantmaking has a long history in Khatlon and many agencies are still actively involved in such programmes.** Donors have been implementing development programmes, grant programmes included, in Tajikistan and Khatlon province, in particular, since before the 2000s. The main development partners to-date include GIZ, USAID, UNDP, DFID, World Bank, EU, SECO, ADB, IOM, KFW, JICA and AKDN. Several international NGOs are engaged in Khatlon as implementing agencies such as ACTED, Save the Children, Mercy Corp, OXFAM, Welt Hunger Hilfe, CARITAS, Mission East, and other local organizations.

**The types and sector exposure of grant projects in Khatlon is quite diverse, which makes direct comparisons rather difficult.** Having reviewed some basic background materials for over 1,000 grants that covered Khatlon 2000–2018, grants types range from development projects funded by the large multilateral financial institutions and bilateral donors covering agriculture, infrastructure, health and education, transport, to smaller projects run by international NGOs aimed at local and specialized community-based projects of various nature or thematic grant projects. For the purposes of this report, we focused on 116 grants that directly included a component of SME development, jobs creation, and income generation. It is important to note that even for these kinds of projects, there is still a plethora of different types of projects and approaches to grants.

**Shifting nature of grants.** Overall, as far as the grant programmes are concerned, their nature seems to have shifted from the predominantly “humanitarian assistance” to “poverty reduction and ensuring income generation” in early 2000s manifested by targeting of beneficiaries and the design (intended outcomes). More recently, this has evolved even further to “jobs creation” and support of microenterprise and SMEs within specific focus or themes (e.g. border trade, or agricultural business/value chains). “Wages-for public works” or “equipment-for public works” type grants (e.g. small irrigation works, etc.) have also been in place for some time and continue to take place especially within larger projects supported by the IFIs or larger bilateral donors. These generally fall into a “creation of temporary jobs” category or in response to some adverse events, (i.e. natural disasters, returning migrants), or specialized project, (i.e. people with disabilities, low income households) – all generally falling more into “ensuring stability or reducing fragility” type grant programmes.

**The size of grants remained rather consistent over the years reflective of donor funding envelopes, grant target groups and grant programme requirements.** On average, grant size varies between USD 500 to USD 25,000– small enough to allow small-scale agriculture “projects” and large enough to start a decent size SME. Projects funded by the IFIs (concessional loans with a grant element) tend to be larger in size and usually include other activities as part of the project such as the USD 20 million Agriculture Commercialization Project (World Bank). They also tend to have a more complex management and monitoring arrangement, grant approval, and eligibility criteria.

**Overall grant approaches also seem to evolve and become more mindful of the role of grant recipients.** Reflective of socioeconomic circumstances in Tajikistan and Khatlon, the overall approach to grant making has also evolved over the years. It shifted from mainly no matching contributions required (early 2000s) to matching grants-type arrangements with multi-level oversight systems, multiple stakeholders or stand-alone and mostly donor-driven monitoring and implementation arrangements. In addition, early grants seem to have been issued mainly to groups of beneficiaries to undertake certain activities or mainly for basic income generation activities. With time passing, and experience gained from implementing such initiatives, grant schemes have

evolved to include more business areas (SMEs, or community-based initiatives), sectors (agriculture, micro and SMEs, tourism, hospitality, resource centers and capacity-building) and larger types of beneficiaries (small business, established business, business associations, savings groups, etc.).

**There is also a trend toward using more financial intermediation** such as formal and community-based type savings schemes. Apart from a few notable exceptions (GIZ and AKF), it is only since 2015 when donors started to proactively engage microfinance institutions in grant delivery/disbursement processes. This shift was driven by growing concerns over sustainability, ownership of the projects, the need to improve access to finance and deeper financial intermediation, accountability, as well as avoiding grant dependency syndrome.

**More recent grant programmes are more conscious about sustainability and ownership considerations.** As a result, over 90 per cent of all grants (with the exception of small income generating grants/activities), come in the form of matching grants. While matching grants do tend to contribute to greater ownership and involvement on the part of the grant recipients, greater sustainability is yet to be validated (notionally defined by the research team as a business still in operation at least two years after grant completion).

**Doing business environment is increasingly becoming a main challenge for grants that focus on individual entrepreneurship, microenterprise, and SME development.** In part, the overall doing-business environment is also contributing to the overall sustainability of some grant programmes that aim at private sector development, SME support and involve some sort of seed capital for entrepreneurial activity. Since 2017, the number of SMEs, sole entrepreneurs (patent holders), and even agriculture firms have, alarmingly, been trending downward and a significant share of “businesses” have been closing doors.<sup>25</sup> It is worth noting that most of the matching funds from grantees usually come in kind although there are cases where cash contributions are being piloted.

**As the structure, coverage and mode of delivery of grant programmes evolved, so did the average length of grant implementation.** On average, the length of the grant programme implementation increased from 12–18 months to over three years. The timeframes for grant implementation have also become highly dependent on the donor agencies, with larger IFI grant programmes having a longer implementation timeframe. This alone may allow for greater focus on sustainability, better planning and less pressure to deliver immediate results. Initial discussions with select grant making agencies confirm genuine concern on the part of donors about grant programme effectiveness and impact.

**Most grants programmes continue to be donor driven, albeit grant programmes tend to be connected to various action plans, strategies, and development programmes.** Despite efforts to ensure grant programmes are developed in a collaborative manner and enjoy a link to some sort of local development strategy (e.g. UNDP local development strategies), most of the grants are still being incepted by the donor agencies. While most of the projects are broadly linked to the NDS or some sort of strategies, ownership of the grant’s programmes remains quite low. More recent grant programmes envisage greater involvement of government agencies/authorities and it remains to be seen if this leads to better outcomes. Such grants were not in scope for this report and could be a topic for further research.

**Capacity-building/training components are an integral part of almost all grant programmes.** While different in scope, coverage, length, and depth, almost all grant programmes (at least judging by the general grant programme description) have some of sort of a training/capacity-building component. While often restricted by the funding available, it is nonetheless an integral part of grant programmes. There is an increasing concern among grant making agencies that the proliferation

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<sup>25</sup> <https://www.news.tj/ru/news/tajikistan/economic/20180808/tadzhikskii-biznes-svorachivaet-udochki-cto-proshodit>.

and the multitude of training offered (type and content) can often conflict with each other given various approaches/templates used.

**Box 1: UNDP's LITACA Project – in search of new approaches for Khatlon**

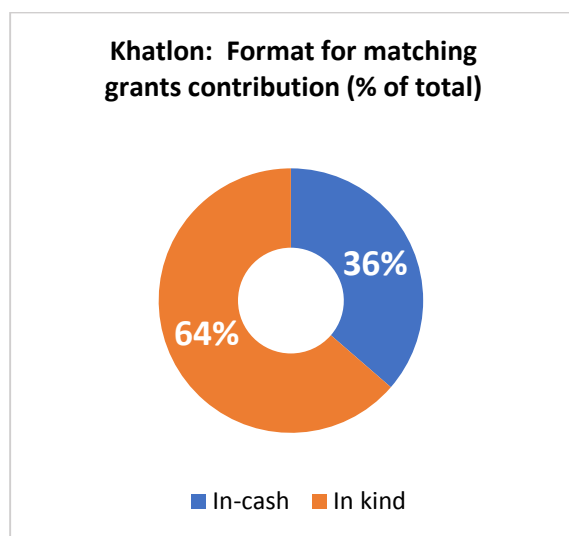
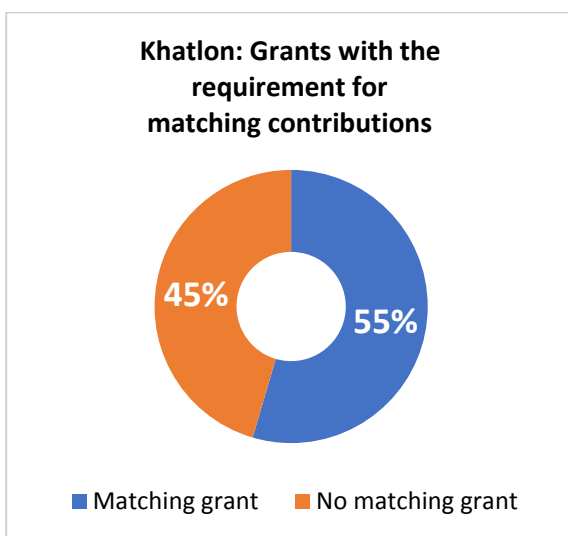
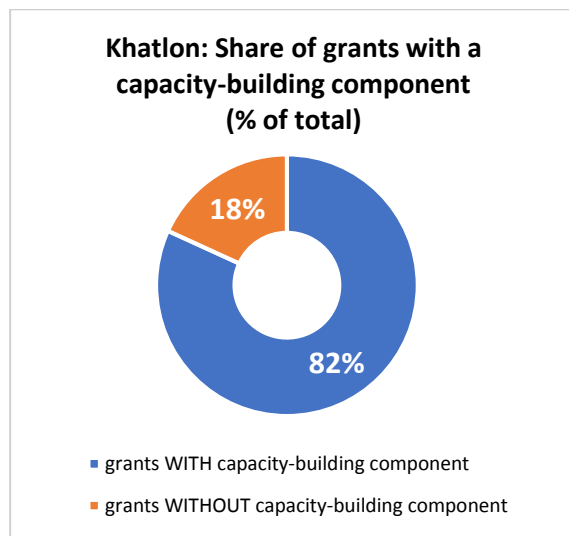
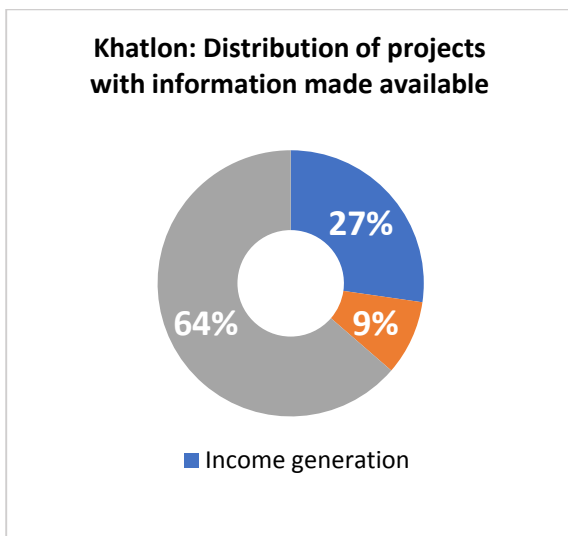
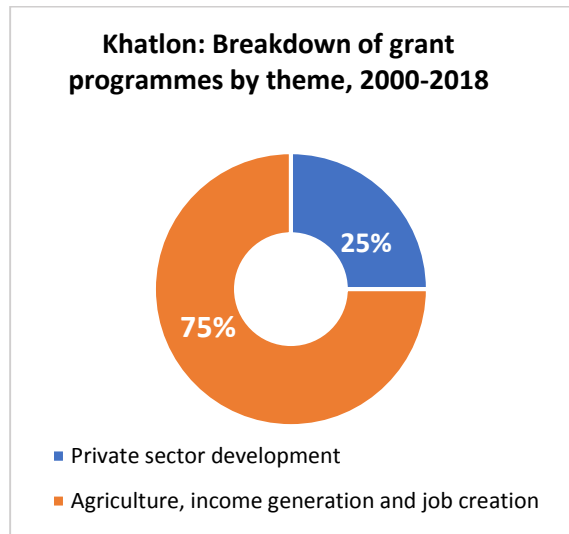
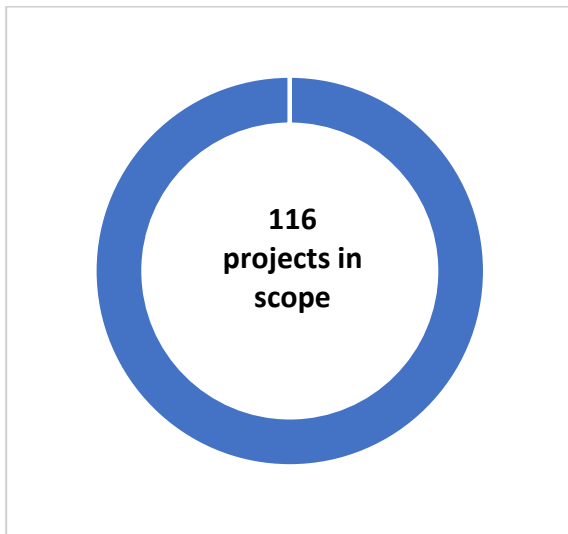
In the framework of the LITACA Project, UNDP introduced the One Village – One Product (OVOP) Initiative, aimed at sustainable utilization of locally available resources, jobs creation, and income generation amongst rural communities.

One Village One Product is a model in which people in a village decide on a single product that is unique to their area. OVOP as a concept originated during the 1980s in Oita, Japan and within a few years OVOP had spread through most of rural Japan. Among the beginners was a group of women who produced homemade biscuits to sell in the local market. The product quickly gained ground in the market, and women learned new skills such as bookkeeping and marketing, and rapidly improved the quality and packaging of their products. They frequently visited local markets and tweaked their products to satisfy the expectations of their customers.

OVOP has continued to be a successful model for rural economic growth in over 30 developing countries, but is fairly new to Tajikistan. With funding from JICA, the OVOP model has been copied in Kyrgyzstan, and most recently through a cross-border project in Afghanistan and Tajikistan mainly focusing on supporting production of specialized agricultural products most commonly used for trading between Tajikistan and Afghanistan. This provides an avenue for local business to capitalize on local specialty products and services through secured and consistent “demand” on either side of the border. Specific examples of projects that managed to attain a certain degree of recognition are “turkey from Qubodiyon” or “chicken from Muminobod”.

While pursuing similar objectives, **grant programmes are heavily impacted by the donor approaches to grants and technical assistance offered, often leading to a multitude of approaches, strategies and instruments used.** While earlier grant programmes have tended to focus on straightforward modes of delivery and target beneficiaries, more recent projects apply a range of novel approaches to grant making (see Box 1 for an example). The list of beneficiary profiles within grant programmes have expanded over time to include dekhkan farms, individual entrepreneurs, village advisers, microenterprises, SMEs, resource centres, community groups, farmer groups, etc. Such proliferation of “target” grant beneficiaries triggered the need to develop and test various implementation arrangements and approaches, often proving to compete with other grant programmes being implemented.

Mapping of grants in Khatlon: Key highlights





## RELEVANCE<sup>26</sup>

Grant programmes to support private sector development have quickly become a popular instrument in Tajikistan and Khatlon in particular, despite often challenging implementation and insufficient evidence of impact beyond some qualitative project-specific assessments. Proliferation of grant programmes are primarily driven by two reasons: 1) Government's realization that private sector development is key to sustaining growth in Tajikistan; and 2) donors' commitment to support government's efforts in this space and the recognition that development assistance needs to move beyond humanitarian aid and focus on elements of building a resilient private sector.

As such, grant programmes are relevant to Tajikistan, especially considering the challenging regulatory environment for businesses to operate as outlined in a previous section, weak financial sector limiting access to affordable finance, and limited job opportunities leading to persistently high labour migration rates. Limited access to affordable loans to start/expand business is probably the single most important element that grant schemes in Tajikistan currently address. They also serve as a real and tangible risk mitigate against the very many risks faced by microenterprises and SMEs. Grants, therefore, serve as important seed funding to help kick-start much needed economic activity. It also needs to be highlighted that grant programmes in support of private sector development are taking place in parallel to Government's efforts to undertake a range of projects aimed at improving an overall business environment both in terms of regulatory reforms (e.g. registration, taxation) and specific tools (i.e. creating business incubators), often, also with the support from the donor community.

It is within this context of slow "evolving" reforms that the donor community has been trying to implement such grant programmes. As such, the content is coverage of grant programmes more so reflect "first generation" grant support that primarily focused on reducing vulnerabilities and improving livelihoods through private sector development-type schemes considering often limited budgets for such programmes. As a result, grant schemes really focused on either vulnerable groups (as described in the following sections) and small businesses (microenterprises, family-based businesses) targeting either agriculture, or a local small-scale service industry or business activity. More recent (and ongoing) grant schemes focus on what is generally defined "next" level grant support to the private sector, including focus on export-oriented SMEs, select larger supply chains, and creating regional business incubators to spur business activity through various means, including access to funding, information, and resources.

**Grant making programmes in a country like Tajikistan is highly relevant and most likely would remain quite relevant for years to come.** Despite decades of official development support and some notable achievements, especially when it comes to revitalizing basic infrastructure (like roads, bridges, schools, and health facilities) and reducing poverty rates, the transition to "quality" growth driven by private sector and entrepreneurship in Tajikistan is clearly challenging. While the donor community and the government are trying to implement policies aimed at ensuring such transition from a consumption-based growth to "development" growth driven by private sector development, job creation, and entrepreneurship, it is increasingly obvious that these efforts lack real commitment on part of the government. In addition, a growing urban-rural income and jobs availability divide in Tajikistan, coupled with sustained migration patterns, and an increasingly difficult doing business environment characterized by "state" capture at pretty much all levels of the government, grant making is probably the only tangible way for donors in Tajikistan to continue supporting the most vulnerable groups in rural areas to help them support themselves and their families.

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<sup>26</sup> For the purposes of this research we define "relevance" as one of the features of the grant that assesses how well that grants are connected to the national development priorities on one hand, and of grant beneficiaries on the other hand given their ultimate needs.

**Focus on the most vulnerable within grant programmes is also a very commendable feature of grants reviewed.** Within a plethora of grants offered by the development partners, we underline that most grant programmes that focus on income generation and job creation (including those covering agriculture) have evolved to incorporate an element of focusing on the most marginalized or vulnerable. No State or government-run programme (unless supported by a donor), provides specific support to these groups. Key beneficiaries include women in general and women-run households, labour migrants (usually deported or unemployed), people with disabilities, and small subsistence farmers with limited avenues or opportunities to expand farming given a myriad of challenges related to farming (see Box 2). While “vulnerability” criteria are very diverse and generally depend on the nature of the grant programme, it is still commendable to see explicit focus on these groups that otherwise have limited opportunities to improve their livelihoods. So, while targeting “vulnerable” grant beneficiaries comes with higher programme overheads and challenges of bridging their capacity for grant management and grant programme requirements, their impact is often limited to a household. As a result, matching contribution requirements for grant programmes targeting “vulnerable” beneficiaries compared to grants aimed at private sector development (firms) may need to be revised to account for this important difference.

#### **Box 2: Targeting the most vulnerable: IOM**

Targeting beneficiaries is at the core of project funded or implemented by the IOM. Under the Tajik-Afghan Integration, Resilience and Reform (TAIRR) programme funded by the DFID, small grants are issued to vulnerable community members (VCM). The project was designed, and implementation approaches were refined along the way to ensure only those who meet eligibility criteria can access grant funding. These criteria included specific criteria applicable to each category of potential beneficiaries: vulnerable persons/livelihoods, including youth, families containing people with disabilities, and returned migrant workers. Preliminary lists of potential beneficiaries were provided by partner NGOs and final selection (after comprehensive due diligence, including through jamoats and partner NGOs) was carried out by the IOM Selection Board. Preliminary training (skills to formulate business ideas, business plan outline, draft technical specification, etc.) were conducted for the beneficiaries with the involvement of a business consultant. As a result, 2015-2019, more than 210 small grants were delivered to individuals (up to 5,000 USD) and SMEs (up to 10,000 USD) through in-kind forms (equipment, tools, seeds, cows, poultry, fish fry, etc.).

Almost all development partners in Tajikistan have some sort of grant programmes in place and to their credit, **programmes aimed at supporting private sector development and agricultural entrepreneurship are well linked to the national development agenda and sector strategies.** This is partly due to a participatory process around development of the key development strategies and plans (such as NDS, mid-term living standards improvement strategy, etc.), and partly due to a recognition by the donors that any further support must aim at creating a vibrant private sector and job generation. In the absence of significant government progress in private sector development and any meaningful focus on supporting the most vulnerable beyond what donors are willing to support, it is almost squarely on shoulders of the development community to continue offering programmes and initiatives to support rural entrepreneurship while catering to the most in need. There is no shortage of “clients” and “programmes” and rural areas in Tajikistan that account for over 70 per cent of population and account for the majority of poor or most vulnerable. Rural Tajikistan is also the largest informal employer (agriculture) suffering from weaker infrastructure, and broken supply chains, while incurring disproportionately higher risks and costs of doing business with weaker opportunities to succeed (access to electricity, water, finance, knowledge, skills, etc.).

**Relevance of grant programmes is also confirmed by grant recipients themselves.** Not surprisingly, many of the grant beneficiaries consider grants as their sole avenue to improve their well-being or entrepreneurial undertakings. This is especially true for thousands of small-scale farms created around the country, and Khatlon specifically, as a result of farm restructuring. Grant support remains one of a few tangible options seen by small-scale subsistence farms to access much needed support. This is mainly manifested by ever increasing challenges accessing funds to purchase seeds, diesel, equipment, fertilizers, and pay for water and irrigation maintenance. Coupled with little access to knowledge and skills to improve farming techniques or harvest yield, grants also serve as a tool to obtain such information and skill. Larger SMEs, on the other hand, are faced with a different set of challenges related to lack of access to affordable loans, limited capacity to pay high start-up costs, and cost of doing business given the regulatory framework (tax, inspections, reporting, etc.). Women and people with disabilities are especially left out, and almost universally rely on grants or targeted programmes to help them engage meaningfully.

## EFFECTIVENESS<sup>27</sup>

In line with the global lessons learned from implementing grant programmes (both matching and non-matching) aimed at private sector development, this assessment finds a lot of similarities when extrapolated for the context of Tajikistan, and Khatlon in particular. Two notable exceptions include the role of capacity-building and fostering partnerships. Overall, we find that grant programmes bring short-term positive results (based purely on project frameworks and adopted results framework). Two main observations should be noted that apply across programmes reviewed: i) grant programmes tend to “meet” the majority of project milestones in terms of expected outputs; and ii) almost all grants programmes faced real implementation challenges and in the absence of systems in place to successfully track performance of “grantees” beyond the project timeframe, turn to qualitative description of impacts and sustainability using a case-study approach (see Appendix 5 for a summary of key performance indicators used by donors for grant programmes).

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<sup>27</sup> For the purposes of this research we define “effectiveness” of grants as follows: (i) ability to meet set objectives; (ii) replicability and adaptability; (iii) operational effectiveness (design, application process, reporting, monitoring, capacity-building, grant management).

### Box 3: Tracking effectiveness for grant programmes: World Bank and IOM

Several grant schemes focus on tracking profitability of business as one element of efficiency. World Bank's Agriculture Commercialization project tracks year-over-year indicators related to yield increases, marketed surplus, sales profits, and revenues (or turnover). IOM implemented TAIRR tracks trends with profits, job creation targeting returning migrants, and overall financial turnover by businesses. Collection of such information is highly labour intensive, and time consuming, and different organizations approach it differently considering sensitives involved. Given a tough tax burden, grantees often understate or underreport on such indicators. As a result, development of good effective indicators is challenging from the practical point of view necessitating donor agencies to work hard to establish trusting enough relations with grantees and assure such sensitive information will not be shared with tax authorities. The World Bank created a stand-alone template to track such indicators with the help of local NGOs and makes it part of training delivered to prospective grantees and a requirement for a grant to be received. IOM collects such information by working with grantees directly.

Select results:

World Bank:

- 60 per cent of grantees improved commercial activity (improved harvest yields);
- 12 per cent increased in marketed surplus (defined as increase in physically produced harvest, i.e. surplus);
- Sales values increased for 92 per cent of grantees (fresh produce sales and value add produce).

IOM:

- Around 50 per cent of grantees did not yet employ additional staff, around a quarter (24%) did employ additional employees;
- Around 60 per cent of grantees increased profits, and for around 40 per cent of grantees profits have remained unchanged or decreased;
- Qualitative monitoring and recording of non-economic outcomes (such as reduction of conflict, social integration, self-esteem, etc.).

**Beyond short-term positive results, overall experience with grants in Khatlon leaves a picture of mixed results**, mainly driven by lack of sufficiently robust historical data necessitating making general conclusions based on case-studies, and reliance on project completion or evaluation reports. Therefore, and not surprisingly, results vary by donor, by target audience, and even the size of grant programmes and longevity of the grant programme, and robustness of underlying monitoring and evaluation approaches by donor agencies. **At the same time, overall, key observations in Khatlon closely follow global lessons and include the following:**

- A more rigorous profiling of grantees tends to lead to better outcomes but often comes at a price of significant programme delivery delays.
- No significant performance differences between cash and matching grant schemes was found.
- Matching grants tend to bring more sustained outcomes and enable grant programmes track and claim success for important indicators (like additional funding raised).
- While there are no significant gender differences in terms of coverage of grant programmes and grant performance, female grantees tend to appreciate more "practical skills" (sewing, canning) compared to male grantees who value more "business skills". Importantly, female grantees tend to have less opportunities to expand businesses due to limited access to financing.
- Donor-led grant schemes tend to be more effective in terms of delivering results and overall transparency and accountability, but come at a relatively higher cost to deliver grant programmes.
- Government-led or quasi-government grant programmes tend to be cumbersome, lengthy, and higher risks for grantees in terms of increased government scrutiny (inspections, taxation, etc.).

- Capacity-building activities tend to play a critical role in the success of grant activities and are valued by grantees given nascent BDS sector or limited avenues to acquire active new skills or knowledge.

**Specific lessons learned as they apply to Khatlon include the following:**

**Grant programmes covering focus areas generally tend to meet set objectives although they often come at significantly higher grant administrative and management costs.** Grant programmes reviewed tend to have clearly defined objectives and goals, and grant implementors do a good job meeting established targets and reporting requirements. However, it is also noted that in some cases, donor agencies tend to establish targets that are too ambitious for grant programme implementors/executing agencies, especially when it comes to coverage and levels of increase in performance. Tight timeframes for grant implementation are also a concern, and we note that many grant programmes assume “near” perfect implementation conditions, underestimating time requirements needed to adequately design, mobilize, and implement any grant programme. Feasibility of grant programmes grounded in local realities is clearly a pre-cursor for grant programmes to have a chance to succeed. Given “local context” in Khatlon, we note that meeting set grant objectives often requires additional administrative and management costs. Even with donor agency representative offices in Khatlon and due to almost universal requirements for ongoing handholding for grant beneficiaries, grant programme implementors often face higher than anticipated costs to monitor and report on grant activities.

**Available assessment of grant programmes is generally limited only to input-output-outcome framework with very few examples of real impact assessment.** We note, however, that only a few donors undertake a wider impact assessment of their grant programme interventions which is surprising given that most of the donors have been operating in Tajikistan for quite a while. Granted, undertaking such impact assessment is constrained by challenges related to impact attribution, yet at least some project-level (or even household level) impact assessment of interventions taking a three to five-year look (or longer) could be helpful, first to donors for programming or project design purposes. It is quite common for donor agencies/implementing agencies to focus only on ongoing programme assessment. As such, unfortunately, very limited historical data was made available to the research team (i.e. prior to 2014–2015) and almost all donor agencies admitted facing challenges accessing historical data/files/reports. In many cases, such information is not available even to internal staff should they wish to access such information.

**Many grants highlight spill-over effects or positive externalities stemming from implementation of grant programmes.** The review of existing materials pertaining to grant implementation and interviews with grant recipients point to positive externalities created by the grants. The most significant ones include a sense of hope, confidence building, and community mobilization being facilitated by grants. As rural life is quite demanding, having access to grants and targeted focus of grants on household level income generation or microenterprises does give a sense of hope and future, especially for those that tend to be left behind. Building community trust and “teamwork” with farmers groups or saving groups, tends to strengthen community spirit and resilience in the face of continued pressures on rural households in terms of limited job opportunities, migration, and development.

**Grant programme design is generally adequate and flexible enough to take local conditions and the need/circumstances of beneficiaries into account.** While grant programmes implemented in Khatlon by donor agencies vary significantly, there is an abundance of evidence that grant agencies tend to be flexible with their approaches to certain elements of the grant making process. We see delivery models of grants ranging from those run by the international NGOs/companies to quasi State agencies, and

directly by the donor through a local partner (government or nongovernment). Interestingly, regardless of the delivery mode, grant programmes tend to face similar challenges, mainly coming down to the lack of capacity on part of beneficiaries to “comply” with grant requirements and processes (justification, idea generation, financial planning, submitting of application, and meeting reporting requirements). In these circumstances, many grant programme implementors rely on creating additional infrastructure and arrangements to ensure a flow of grant ideas. Nurturing grant beneficiaries is, surprisingly, a challenge in Khatlon due to overall low levels of literacy, lack of experience with grant application processes, and often limited access to information, internet, and computers. Expected scrutiny, monitoring, and reporting obligations may also contribute to lower grant programme uptake. This is especially evident for grant programmes managed through quasi-state grant executors. As such, it is not uncommon for grant beneficiaries to use the services of local NGOs or engage friends/relatives and even get support from grant programme staff to ensure grant applications meet the minimum standards. In addition, almost all projects had evidence of adjusting their requirements to meet the “realities” on the ground. Many attributed this feature of grant implementation to the success of their grant programmes. Such adjustments primarily include requirements in contributions by grant recipients, understanding possible changes in the nature of business (in case of SMEs), allowing for changes in equipment specification, supplying additional information to grant recipients to enable better ideas, etc.

**Grant programmes generally succeed in ensuring involvement of women and returning migrants, and are less successful involving people with disabilities.** By design, and often due to specific focus paid to the issue of inclusion, many grant implementing stakeholders have specific performance indicators (targets) related to inclusion. This is a very commendable practice and probably the only feasible way to do it given very limited opportunities otherwise available to these groups. Many donors have specific requirements for participation of women or stand-alone components that engage exclusively women in response to quite strict “religious” beliefs across Khatlon. While coverage of people with disabilities is rather limited, we note that these efforts are being expanded, especially within projects implemented/funded by the IOM and the World Bank. Inclusion of people with disabilities is rather important in a province like Khatlon<sup>28</sup> and requires coordinated effort and approaches given complexities and sensitivities involved. Early evidence suggests that inclusion of people with disabilities in context on Tajikistan is quite fragmented and is marred with challenges at all levels (governance, funding, service coverage, etc.).<sup>29</sup> While it could be very effective, it could also be a mere box checking undertaking to “meet” project requirements.

**Grant beneficiaries tend to not have sufficient skills and experience to participate in grant programmes and donors often have to innovate and be creative in terms of ensuring beneficiary participation in such grant programmes.** Both donors and our interviews with grant beneficiaries confirm that Khatlon generally exhibits a rather low absorptive capacity. Specifically, due to low levels of education, experience, and knowledge, participation in grant programmes tends to be limited. Grant implementors, as a result, are forced to innovate and invest additional resources and efforts to ensure programme uptake and participation. As a result, most of the programmes reviewed not only have capacity-building components included in a conventional way, but are also developing grant beneficiary capacity-building to ensure proper information is disseminated, potential beneficiaries are aware of the programme, understand the application process, meet requirements, etc. In many instances, donor agencies go as far as having mini sessions to complete applications and/or help with presentation, case making, and justification.

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28 There are around 150,000 people with disabilities in Tajikistan (2017) around 40% of adult people with disabilities and over half of children with disabilities come from Khatlon (State Statistical Agency on the Republic of Tajikistan).

29 <http://avesta.tj/2017/07/08/v-tadzhikistane-naschityvaetsya-okolo-150-tys-invalidov-v-tom-chisle-okolo-25-tys-detej/>.

**Grant programmes generally succeed in ensuring ownership and commitment from grant recipients by embedding various instruments and approaches.** Despite some perceived challenges related to grant beneficiary contribution to grant programmes, almost all grant programmes have successfully incorporated a matching -contribution requirement for grant participation. While the share of contribution by grant beneficiaries varies from as low as 20 per cent to as high as 75 per cent, it is evident that this practice could be successfully implemented even in a relatively poor province like Khatlon. At the same time, we do not find any evidence that larger matching contribution requirements lead to better outcomes or sustainability or vice versa. Instead, overall success of grants (business sustainability/resilience) is less dependent on the size of the matching requirement but more of the strengthen the business plan, overall business environment, and the source of matching contribution (own savings versus loans).

In the challenging context of Khatlon, only a small share of grant beneficiaries turned to alternative sources of funding (e.g. loans) to meet grant participation requirements. An overwhelming majority of grant recipients used their own savings to make matching contributions. Where it becomes a little more challenging is the requirement for cash matching funds and/or processes to “estimate” in-kind contributions made by the grant beneficiaries. For cash poor Khatlon province, in-cash contributions may be challenging, as many grant beneficiaries (especially farmers) can still get in-kind goods (say bricks for harvest) or due to low harvest prices are unable to raise sufficient matching cash contributions. Such practices are particularly challenging for new business and somewhat less challenging for established business, yet still are a consideration that grant making agencies/implementors have to face. Donor agencies also apply different requirement for grants, such as mandatory training or mandatory creation of farmers groups as some of the ways to instill greater ownership and commitment to implement a grant.

**While pooling of grant resources generally happens at a grant project design stage, implementation of grant programmes tends to be very stand-alone with little communication and exchange of information between donors.** We see evidence that donor agencies tend to coordinate grant activities at a grant design stage. This is particularly clear in the case of “donor agency – grant implementor” models where the grant implementor is also an international agency or in the case of long-standing relations established between the donors. At the implementation stage however, there is very little evidence that grant programmes try to find any synergy and instead, they tend to compete for grant beneficiaries or local NGO implementors. While higher level coordination among donors exists and is quite efficient, there is room to improve coordination on an operational level and perhaps at least focus on developing and instituting basic information exchange and storage tools to enable better operational coordination.

## PARTNERSHIPS

**Most of the grant programmes reviewed pay some attention to establishing operational partnerships** yet only a few have a monitorable indicator. Most of the grants covering agriculture (i.e. provision of seeds, fertilizers, or equipment) or microenterprises do not really focus on building partnerships due to their nature, but they increasingly look at establishing some sort of partnerships with suppliers to allow for some skills/knowledge/training.

**Partnerships with various levels of government in Khatlon are common but can impact projects differently.** On a positive side, for certain grants, when it comes to assessing “vulnerability” and selection of beneficiaries, grant programmes appear to make organizations partner with either local governments, employment centres, or work directly in partnerships with jamoats or mahallah heads to identify potential beneficiaries. On the negative side, a few anecdotal cases highlight that such partnerships have caused concern when the local khukumat “management” was either poorly

prepared, not knowledgeable, or trying to push for specific beneficiaries. Recognizing limited abilities of regional/districts to really support SME development, their power should not be fully dismissed. Donors/grant executors could certainly work closer with local authorities where they matter the most: inspections, provision of infrastructure, and permitting.

**Larger grants aimed at SME support do usually come with a comprehensive “building partnerships” component.** Larger grants involving small to medium size businesses tend to come along with a capacity-building programme and focus on helping businesses establish productive partnerships. Such partnerships can include actors along the supply chain (say milk, or greenhouses), sales chains (retailers, wholesalers, market), available resource centre (for information or skills), or NGOs/BDS providers helping with marketing, business planning, procedures (e.g. exports), and in some cases even regulators (e.g. tax authorities).

**A model that is increasingly gaining traction and brings results is focused on building partnerships between grant beneficiaries.** Practices by AKF (see Box 4), GIZ, and the World Bank show that there is a growing body of evidence that grant making to a group of people may be a preferred way for grant making in Tajikistan and Khatlon in particular. From so-called Farmers Groups to Community-based saving groups or alike, building partnerships and trust between prospective grant recipients is gaining traction.

#### **Box 4: Community based savings groups in Khatlon by AKF**

The Aga Khan Foundation (AKF) – one of the active organizations working in Khatlon since 2002. The main feature of AKF’s grant implementation approach boils down to long-term multiyear and multi-input approach aiming at improving quality of life. For sustainability purposes, AKF usually starts with capacity-building (community mobilization, establishing voluntary social unions for community development) and cultivating trust and a special focus on women. At least 2,400 from 2,700 of the established CBSGs still function in all regions of Tajikistan. Under ESCoMIAD, 200 CBSGs were established across four districts of Khatlon (Hamadoni, Farkhor, Panj, Jaihun). In response to the success of these groups, more than 60 new CBSGs have been formed and sustained themselves without any project’s support upon completion. Over 200 facilitators have been trained in the CBSG model and are able to support help groups to get established and maintain operations. Many of them continue to provide volunteer guidance to new and existing groups, despite the fact that their project salaries were terminated months earlier.

**The benefit of forging partnerships by those with grant programmes that do support such activities for its grant recipients is quite apparent.** Instilling greater confidence among grantees, forging/nurturing relationships, and greater business resilience (chances of survival) are the main overall benefits of partnerships. From numerous interviews with grant beneficiaries it became apparent that in supporting grantees to establish commercial partnerships or partnerships within community members, grants actually provide a valuable confidence building “instrument”. Access to existing businesses (e.g. milk processors), wholesalers and market aggregators (for agriculture grants), service/information providers (i.e. industry associations), allows grantees to feel that their business undertaking has an anchor and/or an assured customer. Partnerships were referred to as a contributor to overall business resilience/sustainability by the grant recipients.

**Partnerships between donors have room for improvement.** Both the donor workshop and interviews revealed that unless driven by individuals within certain donor agencies, donors do not tend to partner and seek economies of scale in delivering grant programmes even for like-for-like programmes. While some donor coordination “vehicles” exist, such as the Donor Coordination Council, their extent usually does not go beyond the exchange of basic programmatic information. While there is plenty of evidence donors do try to “pull” resources and partner on grant



programmes, this rarely goes beyond project design and is almost non-existent at the operational level, leaving plenty of room to potentially improve efficiency of project delivery, facilitate the design and justification of future projects, avoid duplication, and improve coverage.

**Grant beneficiaries appreciate the support aimed at strengthening their ability to forge productive partnerships.** From the review of available evidence and from the interviews conducted with recipients of grants, it is clear that grant recipients value grant funding as much as the opportunity to be connected to potential partners, allowing them to strengthen and expand their businesses (see Box 5 for case-study). Often this component is embedded in the capacity-building programmes yet specific reference is made, particularly, by SMEs. Consideration of such practices may benefit any grant programmes that aims at creating jobs and supporting SMEs in their difficult survival quest in the Tajik context.

**Box 5: World Bank Agriculture Commercialization Project – forging partnerships along the supply chains**

Within a few select supply chains supported by the project, grants are issued to Farmer Groups and each Farmer Groups, usually comprised of up to 25 people, implements a grant. As an example, milk supply chain grants are given to the entire Farmer Groups to buy speciality breed cows with better milk production, to allow households to maintain internal consumption of milk, buy medication, forage for cows, and produce enough milk to be collected at the local milk collection points, also supported by the grant. In turn, the Project facilitates signing of the milk supply agreements with one of the local milk processing SMEs, also a recipient of the grant to expand their business. The project also monitors execution of such agreements and ensures proper and fair procedures are in place to track volumes of milk supplied, its quality and prices paid by the milk processor. This is a win-win situation for a milk processor who was suffering from the lack of consistent supply of milk needed to expand production or variety of products, while Farmer Group (in this case entirely women led) is sure that their excess milk will find its market at a reasonable price, enabling small scale income generation.

## SUSTAINABILITY<sup>30</sup>

**Grant programmes in Khatlon certainly provide much needed support and relief to grant recipients, and donors have been trying to embed various sustainability mechanisms but with mixed results.** Looking at the volume and the number of grant programmes in Khatlon, it becomes clear donors have been consistent with providing much needed grant support to the province in many shapes and forms. While focus on private sector development, income generation, and job creation are a relatively new phenomena, donors usually pay extra attention to the sustainability of such programmes. As such, development partners experimented with various sustainability approaches due to plentiful lessons from other parts of the world. Yet surprisingly, not many donor agencies track sustainability of their efforts beyond input-output-outcome framework. While almost all development agencies undertake internal and independent evaluation/impact assessment, we are yet to come across any evidence of longer-term impact assessments that would take a critical look at sustainability of interventions. This comes as surprise as almost all donor agencies running grant programmes have a long-term presence in Tajikistan, run multiyear programmes and are quite familiar with the increasing demands for accountability, better reporting and sustainability. While there are “success stories”, and many tools being tried (like Farmer Groups, Village Organisations,

<sup>30</sup> For the purposes of this research we define “sustainability” as the ability of the grants to be (i) replicated, scaled up, maintained, and strengthening local/country institutions, both formal and informal; (ii) instituting systems/processes to have lasting impact on beneficiaries.

community-based savings groups), we recognize that the very nature of grant programmes makes it difficult to sustain without long-term interventions, a lot of hand holding for grant beneficiaries, capacity-building and often “next generation” support to improving the doing business environment. In context of Tajikistan, any sustainability efforts are complicated by consistently large outmigration and increasingly challenging business environment for any formal SMEs to operate and expand.

**Sustainability of grant supports is highly contextual, with pockets of excellence and yet far from being assured.** We note mixed results with the sustainability of grant support covering three key areas in focus. Smaller grants (especially in subsistence agriculture) are a concern. While clearly having a short-term impact (e.g. seed distribution, fertilizers), the sustainability of such grants is quite challenging. Some donors clearly recognize this challenge and structure their interventions to capitalize on past projects. The nature/focus (and even titles) of such projects could be very different, yet it is clear that projects, at a minimum, attempt to build off of results achieved, beneficiaries supported, and capacities built in order to take their interventions to another level – USAID and AKF are cases that demonstrate this point.

**Sustainability of capacity-building is a concern.** One common theme raised by the development partners and grant recipients is the sustainability of capacity-building efforts and training. While “live” grant programmes usually succeed with the design and implementation of the capacity-building activities, and spend considerable funding and effort producing materials, or in some cases co-fund BDS services in some shape or form, their sustainability of access to or use of such materials post implementation is contested. While resource centres do exist, and materials are being distributed to direct beneficiaries, the coverage (beyond direct beneficiaries) and overall access is limited, as there are no institutions that can take this up on a consistent basis. We document quite clearly that grant beneficiaries attach high value to having access to knowledge and know-how. Despite this clear need, especially in rural areas like Khatlon, we are yet to see any efforts or evidence of efforts to institutionalize, at least, the process of collecting the wealth of information being produced, let alone enabling consistent access to beneficiaries. The issue of overlaps and duplication of capacity-building materials, while not in scope of this research, yet anecdotal evidence suggests that it could be an issue as donors engage consultants with different experiences, views and approaches, and there is no general process of ensuring quality control and verification. This is especially evidenced in technical issues related to agriculture, such as growing techniques, use of fertilizers, pest control, growing methods, etc.

**There is early evidence that grant making to support microenterprise and SME development in Khatlon can be sustainable.** For other grant programmes aimed at micro enterprises and SME support, there is encouraging evidence that grants can be sustained. Projects by IOM, AKF, GIZ, and World Bank are specific cases in point. Over 90 per cent of grants are still “operational” after grant completion – an important indicator for grant sustainability and a proxy for business and grantee resilience. Roughly 50 per cent of the respondents stated that they are still “in-business” after one year after grant completion. Another 45 per cent of respondents mentioned that grants are being implemented and their business is under one year old. Around 5 per cent of grant beneficiaries interviewed aimed at supporting microenterprises, and SMEs are still operational after three years. Such observation should however be treated with a grain of salt as the share of such grantees in the overall sample was small to start with due to lack of information about such beneficiaries. These achievements, however, are greatly impacted by the overall doing business environment both for individual entrepreneurs and SME with urgent need to ensure donors continue to pursue simplification of regulatory framework (especially tax) for such businesses.

## CONCLUSIONS

Grant schemes in support of private sector development in Tajikistan, and Khatlon in particular, do not have enough of a history or data to fully assess their impact and effectiveness to date. It is only in the last 4–5 years such grants have been supported by the donors, however, there are a few donors that have been implementing projects longer than that. This report, therefore, is an attempt to collect, summarize, systematize and present key messages using both qualitative and quantitative data from donors and grant beneficiaries.

One key observation is that grant schemes are highly relevant and will likely remain relevant in the future as they tend to focus on microenterprises and SMEs, agricultural farms and basic services. Grants tend to serve as one of the “forms of financing” of business undertakings given associated risks and high costs of capital in Tajikistan. They also encourage and generally succeed with inclusion of female grantees and, increasingly, people with disabilities that otherwise are excluded from meaningful business support activities. In addition, grant schemes increasingly focus on more “conventional” grants to support emerging private sector enterprises such as export-oriented businesses, supply chains, business incubators, larger SMEs, and in some cases even thematic areas (i.e. climate resilience and energy efficiency).

Despite a challenging implementation environment driven by low skills and experience of grantees to develop, monitor, and report on grants, donor agencies tend to succeed in terms of ensuring grants are delivered to the targeted beneficiaries and the overall objectives are met. We see evidence that grants have a positive short-term impact through supporting small-scale family-based business activity, improving harvests, and increasing revenues. Impact on job creation remains limited, but grants still play an important role “maintaining” jobs, especially in agriculture. In many cases, grants also have a range of positive non-economic externalities (such as curbing migration or integrating deported labour migrants, social integration, and cohesion).

Overall results are quite mixed as evidenced by grant completion/evaluation reports making grant performance highly contextual. A multitude of approaches and methods to design, deliver, and assess impact of grant programmes in Khatlon make overall assessment quite challenging. One observation however is clear: Sustainability of grant schemes is far from being assured without general business-friendly reforms that would further support increased business activity. Key grant management challenges are donor-specific but could, nonetheless, be grouped: (i) ensuring quality applicants; (ii) challenges with monitoring of beneficiaries; (iii) delays in project delivery/timeframes and often ambitious project-end goals; (iv) low skill and grant implementation knowledge by grantees requiring extra time and resources for capacity-building and better grantee profiling and selection. On the bright side, and as evidenced by the grant beneficiary survey, grants sustainability, as proxied by the time period when businesses/farmers maintain their operations after grant completion tends to be quite high (over 50% of business operate one year after grant completion). Many of the grantees purchase additional equipment and expand their services to nearby markets and clients. Around half of grant beneficiaries are thinking of expanding business even in the conditions of high interest rates suggesting grants contribute to business resiliency and the resiliency of those jobs that are being created/supported by grants.

Despite these challenges, grants implemented by the donor agencies (execution agencies) tend to produce better results compared to “government” or “quasi-government” grants, both in terms of outcomes, transparency, and reporting. Governance of donor implemented grants also tends to be better although vulnerability and potential misuse of grants is still possible should clear procurement and financial management processes and safeguards be absent or not properly

monitored. Addressing such issues comes at a cost of increased funding requirements and creating project specific grant “delivery” infrastructure, including that of monitoring and evaluation, thus, increasing overall grant programme funding requirements. Some grant schemes are exploring options to partner with the MFIs but with various degree of success. While potentially bringing clear benefits to grantees and donor agencies, such modality also tends to create additional challenges as suggested by donors and grantees. Nonetheless, such arrangements could be further explored, especially when it comes providing donors with ideas for potential grant beneficiaries, helping build financial/credit history, and potentially with monitoring.

There appears to be some “perceived” misalignment between grant programme eligibility criteria, including requirements for matching contributions. While in most of the cases general grant eligibility criteria are indeed donor driven, we did not find any cases of gross misalignment. While it is advisable to have some sort of baseline or capacity to pay assessment or general stocktaking of on overall pool of potential grantees prior to grant design (even at a grant concept note), we found only general rationale for grant programmes available. Usually, such rationales do not go beyond stating just general trends and numbers. This can cause some misalignment, raising expectations and operational challenges as districts in Khatlon are quite diverse requiring more nuanced data for grant programmes to be successfully targeted. We also found that the practice of requiring matching contributions is almost universal across donor agencies and the overall range for contributions vary by donor. While this practice was voiced as a point for concern among beneficiaries, we did not find any evidence or a correlation between the requirement for matching grants and increased likelihood of grant failure. Nor did we find any evidence that matching contributions bring better results compared to cash grants/in-kind grants (limited to agriculture), apart from increased likelihood of grant misuse, and difficulties with monitoring grants in case of the former.

Capacity-building and training is also a near universal feature of grant programmes in Khatlon. Donors have long recognized that funding such activities as part of grant delivery in Khatlon is important for success. At the same time, grantees also value such opportunities, but the level of appreciation tends to be very gender sensitive with women valuing more practical skills, while men lean more toward business skills. This might be just a reflection of grant design and objectives. Worth mentioning is that grant programmes could benefit from working closer in this space through improved collection of capacity-building materials, ensuring ongoing access to resources to avoid duplications, or in some cases producing contradicting materials given a multitude of thinking and approaches to specific issues (i.e. business planning, harvesting techniques, and project justification). It is also clear that some more thinking may be required to ensure development and greater uptake in business development services. Grantees in Khatlon tend to not see much value in such services, especially if they are fee-based. A number of resource centers have been created in Tajikistan, with some in Khatlon, but their sustainability critically hinges on grant support for the reasons above. Last, but not least, grants in Khatlon tend to perform better if attention is paid to building lasting partnerships both between grantees or with key business enablers, such as the government, larger producers in the same supply chain, wholesalers, business intermediaries, or just clients. Supporting grantees establish and maintain such partnership has a direct implication on grant outcomes.

## KEY RECOMMENDATIONS

<b>Relevance</b>	<ul style="list-style-type: none"> <li>• A more detailed justification/analysis of risks and opportunities specific to grant programmes during the design stage is warranted. Often such justification is based on simple criteria (i.e. low income or those who simply meet criteria) creating risk of different levels and opening grant programmes to various real challenges (e.g. local political capture, fraud, etc.).</li> <li>• Tailoring grant programmes to local conditions and capacities with participation of expected beneficiaries supported by a strong prior communication campaign as part of the grant design could bring interesting insight into grant scheme design and better results compared to the grants programme with top-down “approaches”.</li> <li>• Future grant programmes in Khatlon can benefit from a more streamlined approach or consideration of what market failure it is trying to address. Grant programmes are relevant only as much as their attempt to address an underlying market-failure.</li> </ul>
<b>Effectiveness</b>	<ul style="list-style-type: none"> <li>• DCC/lead donor to institute a process to more closely coordinate activities between grant making agencies focusing on creating a donor-maintained repository of key data/reports/materials pertaining to grants, starting with all ongoing projects and all future) and capitalizing on project data collected with this assignment.</li> <li>• Institute a process to collect, store, and systematize all capacity-building/training activities produced within grant programmes by developing an operational framework and approach to ensure access to these materials by grant beneficiaries and beyond.</li> <li>• Given the low capacity for entrepreneurship in Khatlon, grant schemes should consider either a stand-alone element for capacity-building or, better, develop and ensure access to a basic “business development guide” to be available to any aspiring businessperson, covering key topics and examples of how to do business planning, marketing, client service, etc.</li> <li>• While the practice of requiring in-kind/cash contribution should be maintained to ensure competitive selection and ownership, the level of contribution should be carefully considered based on some basic “capacity-to-pay” analysis. Most grants establish a threshold based on “prior” experience and without the regard of beneficiary income prospect situation.</li> <li>• Make baseline assessment of grant beneficiaries an integral part of grant scheme and conduct M&amp;E using expanded KPIs beyond high-level performance indicators.</li> <li>• Grant design and structure should be flexible enough to adapt to unforeseen difficulties of grant beneficiaries as well as to changing environments and external shocks, especially given the target audience of such grant programmes (vulnerable groups).</li> <li>• Most successful grant programmes feature “before-during-after” application handholding for grant recipients. Any future grant programmes should either consider funding such arrangements or providing for such opportunities for grant recipients.</li> <li>• Make efforts to prepare and test grant scheme related materials in local languages (applications form, reporting, and contacts).</li> <li>• As grant programmes expand to larger SMEs, eligibility criteria must be accompanied by a formal due diligence process to ensure proper selection of beneficiaries not connected to local authorities, family members, or inner circles. Such situations could undermine the trust of beneficiaries and confidence in transparency of processes.</li> </ul>

	<ul style="list-style-type: none"> <li>• Some reasonable flexibility and simplification to grant implementation could be introduced, especially when it comes to potential financial risks associated with matching contributions, inclusion, and sustained access to grant programmes.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>• Develop and agree on an acceptable criterion for “sustainability” of grant schemes focusing on private sector development (separate for agriculture and other types of interventions); and also design an operational system to track such select indicators after grant completion.</li> <li>• (Co)-invest in creating a province-wide network of Business Development Consultants to allow access to cost-reasonable business and advisory services to businesses focusing on key/essential knowledge and skills.</li> <li>• Mapping of all resource centers in Khatlon and referencing potential grant beneficiaries to use resource centers. Sustainability of such resource centers is very low, and hence, creation and operation of such centres should integrate clear exit strategies over a reasonable period. These resource centres should also be anchored on strengthening either state-agencies or be private sector led.</li> <li>• Very few grant programmes feature a clear exit strategy, or even longer-term initiatives. While not a pre-cursor for success, at least a discussion of a potential exit strategy could at least help direct the grant implementation toward establishing options for grant beneficiaries.</li> <li>• Involving financial intermediaries into grant making schemes could greatly contribute to sustainability of grant programmes (beyond giving concessions loans/grants to MFIs to lend). Building such relationships between grant recipients and MFIs (operating on Islamic finance principles), building history/track record should be explored further as any credits to SMEs are still extended on prohibitively high rates (between 15-30%) making any further effort of SMEs to expand nearly impossible.</li> </ul>
<b>Partnerships</b>	<ul style="list-style-type: none"> <li>• There is often scope for synergies with other projects that are rarely exercised but could certainly improve the sustainability of grant schemes. This is especially evidenced in the case of synergies between “soft” projects<sup>31</sup> aimed at PSD or “hard” grant schemes.</li> <li>• Apart from a few select cases, a stronger communication campaign using the most appropriate channels in Khatlon but geared toward target beneficiaries could help improve up-take for the programmes – something that most grant programmes, surprisingly, are struggling to achieve.</li> <li>• Looking at several quantitative results exhibited by grantees (only output based, such as increase in revenues, harvest, volume of production), grant programmes in Khatlon provided to groups of beneficiaries (either savings groups or farmers groups) versus individual grant recipients tend to be more successful. Grant programmes could benefit from exploring the adoption of “join and solidary responsibility” (community based/supply chain based) approaches to grant programme design.</li> </ul>

<sup>31</sup> “Soft” projects include a range of grant projects that target “soft” components of grants, such as training, capacity-building, analytical work (research), legal or regulatory reforms aimed at private sector development.

### **Bottom-line:**

We recognize that most of the proposed recommendations might result in larger costs to administer and manage grant programmes. However, we also see an opportunity to reduce grant management costs through better information collection, sharing and joint grant monitoring among the donors to mitigate some of the costs. It is high time for donors to engage in this dialogue and see what can be materially done given the main results of this research and gaps identified. This should almost certainly include capacity-building efforts being undertaken by donors.

Better grant project justification/risk analysis and related strengthening of the bottom-up approaches to grant design (i.e. what the local needs are or what drives a particular district/supply chain economics) versus a top down approach (e.g. general focus of say small subsistence farms or small SMEs) leading to general grant participation requirements that may not be applicable to a targeted beneficiary group. Such bottom-up approaches, coupled with better (applied) “market failure” analysis and assisting grantees with building partnerships to help grant beneficiaries address market-failures identified as part of the grant design (e.g. cost of capital or lack of access to markets, infrastructure limitations) or a capacity-building programme designed to address “soft” market failures (such as regulations, licencing barriers, and lack of information/skill), might help to have a much higher chance of grants to be successful and, ultimately, sustained.

Engaging governments (local, district, jamoat) and committing them to help address some of the “hard” or “soft” market-failure described above before grant programme launch could help grant executors minimize grant design/management costs and risks related to grant implementation while improving chances of grants to succeed. For example, if the “hard” market failure is a lack of access to electricity to support mini agricultural processing business or an “excessive” SME inspections in the projected project “area” (revealed as part of deeper justification/risk analysis), or lack of consistent “water supply” for small agricultural farms, grant programmes would benefit from addressing these root causes in cooperation with the local “authorities”. Local governments might be equally, if not more, interested to ensure such activities take place in their districts and are more willing to support grant implementation.

Better grant results might also mean that donors are probably better off continuing managing grant programmes by themselves while strengthening internal controls. While engaging various government structures is certainly a welcome pattern, given the current governance environment in Tajikistan, however, it is best left to be limited to a partnership to help grants succeed (i.e. address market-failure where the governments can make a material difference) while leaving grant implementation and procurement to dedicated grant implementors. Merging or capitalizing on government co-funding/direct participation might serve more as a deterrent, not a facilitator of grant implementation.

## Appendix 1: Assessment methodology, approach to sampling and research limitations

The research team collected available data on grant programmes (and loans with grant components) from the Aid Information Management System (AIMS) of the State Committee for investments and State Property Management. In the case of Tajikistan, in addition to pure-play grant programmes provided primarily by the bilateral development agencies, larger international financial institutions (IFIs) provide, in addition to grants, concessional loans (with grant components in them), so such projects are in scope of this research.

### **Grant programmes in scope:**

Grants implemented in Khatlon province 2000–2019 and covering the following key areas:

1. Private sector development (including micro enterprises, SMEs, and entrepreneurship), including capacity-building grant programmes in support of private sector development;
2. Grant programmes aimed at job creation;
3. Grant programmes aimed at income generation (including those covering agriculture).

Based on these criteria, we narrowed the list of projects in scope from 1,300 to 116 (see appendix 4).

A donor workshop was then conducted with key donor agencies operating in this space to discuss and validate objectives of the assignment, expected outcomes, data needs and an overall approach to this assignment. The workshop served to initiate individual meetings with each donor agency to complement and clarify any grant programme related issues. A quick desk review and a refined methodology was then prepared, discussed, and agreed with the IOM and DFID based on insights from the workshop.

The research team conducted 10 individual meetings with each active donor agency implementing grant programme in Khatlon (Tajikistan) as semi-structured interviews (see list of questions) and, to the extent possible, collected information pertaining to list of beneficiaries, project-level documents (including description, implementation reports, completion reports, and evaluation reports).

Furthermore, the research team developed a list of all grant beneficiaries (made available), that totalled to over 1,500 direct grant beneficiaries and a dozen of distinct grant partners, that formed the base for sampling of grant beneficiaries to be interviewed to gain both qualitative and some quantitative data on grant effectiveness (see list of questions for grant recipients). Ultimately 60 grant beneficiaries were selected to represent all participating donors across all three key focus areas (see final list of selected grant beneficiaries).



## Detailed summary of data requirements and sources

Khatlon project data collection (2000–2019)	Baseline impact data coverage (2000–2019)	Project-related qualitative data (select case studies/semi-structured interviews)
<ol style="list-style-type: none"> <li>1. List of grants (by type)</li> <li>2. Description of objectives/outcomes (by year and donor and USD funded)</li> <li>3. Grants: <ul style="list-style-type: none"> <li>– Breakdown of grants proving matching versus non-matching funding</li> <li>– in cash grants versus in kind grants</li> <li>– with capacity-building/training and not</li> <li>– gender lens, where possible</li> <li>– type of training offered and modes of delivery</li> </ul> </li> <li>4. Project completion data (impact), i.e. reports, evaluations, list of grant recipients</li> </ol>	<ol style="list-style-type: none"> <li>1. Number of SMEs (registered and liquidated); Coverage: nation versus Khatlon Type of SMEs: firms and dehkhan farms</li> <li>2. Migration numbers in Khatlon (to/from)</li> <li>3. Average incomes (wage and non-wage) of Khatlon households and consumption rates (in somoni)</li> <li>4. Doing business (World Bank) data (with country averages and Khatlon specific data for comparisons)</li> <li>5. Number of jobs created: national versus Khatlon (by sector) (source: tate data, Khatlon level/khukumat data, economic department and donor data)</li> </ol>	<ul style="list-style-type: none"> <li>– <b>Two groups of interviews:</b> (1) Donors; and (2) Grant recipients</li> <li>– Interviews with village organizations, jamoats, or project implementing agencies (NGOs, etc.)</li> <li>– <b>Selection of case studies approach:</b> purposeful selection</li> <li>– Pending data availability, focus on “earlier” grants (2000–2010) to gain better insights into grant impact (clearly define what impact is).</li> <li>– Focus on IOM and World Bank Grants as information is either available or can be obtained relatively easier</li> <li>– Semi-structured interviews with grant recipients up to 50 individual interviews (5 for each project) with preference to individual interviews</li> <li>– 30 per cent agriculture versus 70 per cent other</li> </ul> <p>Case studies (projects) will be selected based on the following criteria</p> <ol style="list-style-type: none"> <li>1. Availability of background data</li> <li>2. Availability of grant recipient lists</li> </ol> <p>Addressing bias: to the extent possible we will select case studies based on principles of size and length of implementation, thematic areas, and type of beneficiaries.</p> <p><b>List of questions for semi-structured interviews (donors and grant recipients)</b></p>
<p><b>Source of data:</b></p> <ul style="list-style-type: none"> <li>– Aid Information Management System (AIMS) of the State Committee for investments and State Property Management;</li> <li>– Donor’s reports: list of grant recipients, grant recipients contacts, and location.</li> </ul>	<p><b>Source of data:</b> data to be cross-checked with Tajikistan Statistics Agency; and data from local khukumats and project level data (where is available)</p>	

## **Core list of questions for donor semi-structured interviews**

### **Relevance**

1. Please describe how your grant programmes have evolved since 2000?
2. Please explain how you developed and designed your grant programme?<sup>32</sup>
3. Please describe your process of structuring grant programmes and how they may have evolved.<sup>33</sup>
4. Were there any unintended outcomes and impacts? (If yes, how, and did you document)?

### **Effectiveness**

5. Did you have to adjust/correct any of the grant related processes (goals/KPI, implementation arrangements) during grant implementation? (If yes, please explain how and what, and why they were adjusted.)
6. In your assessment, how effective were the grant interventions<sup>34</sup> in delivering the results?
7. Please outline grant programme governance, reporting, and assessment processes, and how they impacted implementation.<sup>35</sup>

### **Efficiency**

8. Were you able to reach set grant goals? (If yes, how do you assess and please provide evidence.)
9. How could value for money be improved in the programme and costs contained without affecting delivery?
10. Do you track management costs of your grant programmes? If yes, please indicate what % of the total grant costs.

### **Partnerships**

11. Please describe what kinds of partnerships have been created as a result of grant programmes (for beneficiaries and among any other donor agencies, if any?).

### **Sustainability**

12. What kind of sustainability mechanisms and approaches did you embed, if any, when designing and implementing your grant programmes?
13. Do you foresee any changes to the way you are looking at it ensure sustainability of your grant interventions?
14. What are the main lessons learned from implementation of the grant programme that you can share with us?

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<sup>32</sup> Including links to national strategies/other programmes and efforts to avoid duplication.

<sup>33</sup> 1) Cash versus in kind; (2) training component; 3) matching grants – and how they are being evaluated/uptake.

<sup>34</sup> Review log frame, M&E data Annual Progress Reports and other M&E documentation including of disaggregation and counterfactuals (secondary data); Reality Check on provided Outputs. Capacity needs assessment.

<sup>35</sup> Include any completion, evaluation, baseline reports, etc.

## Core list of questions for grant recipients semi-structured interviews

Questions	Yes	No
1. Was the grant given to you within reasonable timeframe (when you needed it the most)		
1.1. If no, please mark below: 1. Slower than anticipated. 2. Faster than anticipated (was early). 3. Grant was approved but delivered late. 4. As expected, and as planned.		
2. How relevant (important) was the grant for your livelihood in terms of meeting living needs and/or generating additional income?		
2.1. If yes, please mark below: 1. Important. 2. Very important. 3. Not important.		
3. Did you have to change/adjust grant main activities?		
3.1. If yes, why, please mark below: 1. Business plan changed. 2. Market conditions changed. 3. The grant was passed to someone else.		
4. Looking back at the grant you received, would you do something different to ensure the grant would have been more useful for your household?		
4.1. If yes, please suggest what the implementer could have changed, or what you would change.		
5. Would you implement your business idea if no grant was extended to you?		
5.1. If yes, whom you would refer for funding your idea? 1. Bank loan. 2. Borrowing from friends/relatives. 3. Partnership.		
6. Was the overall grant process efficient in your view (i.e. time and money spent)		
6.1. If yes, then: 1. Very efficient. 2. Efficient. 3. Somewhat efficient.		
7. Did you experience any challenges preparing your grant application?		
7.1. If yes, please indicate what kinds of challenges?		
8. Did the grant improve your business skills and income generating abilities?		
8.1. If yes, please choose from below: 1. Improved a lot. 2. Improved. 3. Somewhat improved.		
9. If you did provide an input (no matter financial or in kind) in order to get the grant, what has changed during this process? 1. Got new skills/knowledge 2. Nothing changed 3. Household conditions worsened		
10. As grant was implemented (completed or during implementation), did you undertake business expansion or think of expanding (Probe for answer: e.g. my business now covers other Neighboring communities/markets or diversifies products/services, or purchased new/additional equipment.)	YES	NO
Questions	Yes	No
11. Have you received any training during the course of grant implementation?		
11.1. If yes, were they useful to you? 1. Very useful. 2. Useful. 3. Somewhat useful.		
11.2. What kind of training/capacity-building did you receive?		
12. Did you borrow money to provide your contribution in order to receive the grant?		
12.1. If yes, where from? 1. Bank. 2. Friends/relatives. 3. Other sources (please indicate).		
13. Did you continue your business after grant financing completion?		
13.1. If yes, how long did you continue your business?		
13.2. If not, what are the reasons:		

<ul style="list-style-type: none"> <li>1. No adequate financing.</li> <li>2. Market conditions changed (high competition, etc.).</li> <li>3. Bankruptcy.</li> <li>4. Plans changed.</li> </ul>	
14. Did the grant provide you with new knowledge/technologies for your business?	
14.1. If yes, what are they (please specify)?	
15. Did you have opportunity to ask questions and get advice during grant implementation and after grant completion?	
16.1. If yes, please describe?	
17. Did this grant help you to build partnerships or networking useful for your business?	
17.1. If yes, please describe: <ul style="list-style-type: none"> <li>1. Suppliers/providers. 2. Consumers 3. New markets.</li> <li>4. Financers.</li> </ul>	
18. What would you suggest to funding agencies for future grant programmes?	

## Appendix 2: Grants in Khatlon – viewpoint from the donor community

**Overall, donor community views grant programmes implemented in Khatlon as being aligned with national development strategies and efficient in meeting beneficiaries' needs.** Donor interventions in the Khatlon province of Tajikistan are generally aligned with priorities of the economic development agenda of the government, and include improvement of the business and investment climate, improvement of local development and regional competitiveness, increased participation of citizens in local development, and the provision of income and employment opportunities for persons/livelihoods. Starting in the late 90s donor grant programmes in Khatlon were mostly directed towards eliminating hunger, integration of refugees (fled to Afghanistan during the civil war and returned back), and civil war post conflict rehabilitation. With time passing, grant programmes were directed at poverty reduction and rehabilitation of key physical and social infrastructure (roads, energy plants and transmission lines, water supply facilities, schools and so on). Currently grant programmes are mostly directed to solving development issues, including meaningful job creation, private sector development, agribusiness, and increasingly, export promotion and tourism.

Given limited fiscal space in Tajikistan, let alone abilities of a province like Khatlon to have resources to meaningfully support private sector developments or agriculture in a very centralized fiscal system, grant programmes are in high demand among the beneficiaries. For many vulnerable groups such as youth, families with people with disabilities, returned migrant workers, and women-headed households, grant programmes are viewed as one of the most tangible sources of support that could help improve their incomes and well-being.

Donors note an overall positive impact of grant programmes but most of the evaluations fall short on focusing only on outputs and outcomes with many programmes missing an element of impact assessments despite covering large number of beneficiaries (relative to a community or a jamoat) and a reasonable time frame for implementation (on average 2-3 years). Based on the review of donor reports made available, a few notable impacts are being highlighted in particular:

- Institutional capacity of government to support private sector development increased;
- Opportunities for vulnerable persons/livelihoods in income generation increased;
- Business knowledge for rural population increased; and,
- Businesses and investments created and developed in the region.

**Despite substantial effort and resources spent on capacity-building for Khatlon officials, grant implementation remains quite challenging.** Implementation of grant programmes almost universally involve local authorities at different levels and there are dedicated departments that are responsible for coordination of activities and “leading” development process. However, such “support” infrastructure is often limited to provincial authorities while local/city/jamoat often simply do not have enough capacity, the tools or the knowledge to support grants beyond providing basic information and at most coordinating mobilization or raising awareness programmes. Due to low capacity and high staff turnover (small salaries, ineffective motivation systems, lack of best practices just to name a few), the implementation of long-term development projects, grants included, remains challenging. It is vital to strengthen the understanding of local governments’ role in local economic development in the context of a market economy through exchange programmes, coaching, cross-region workshops/trainings led by well-qualified local experts and supported by good knowledge products (e.g. CD/electronic toolkit, best practices compilation, etc.). Sustainability of the district development planning process is still not ensured, due to weak economic analysis capacities, missing links between the district development plans and regional visions of economic development, and underdeveloped relations between the planning and budgeting processes in Tajikistan. On the bright

side, several grants are being currently implemented that specifically investigate these kinds of synergies and linkages. Such efforts should certainly be scaled up.

**Grant programmes are still exposed to potential local government capture and grants continue to face such pressures**, especially if grant implementation modalities involve participation of government agencies. For larger grants aimed at supporting SMEs and farms, it's not uncommon for the grants to face the pressure of favouring certain enterprises or farms that are often linked either to government officials or their relatives. Greater exposure to "inspections" by various law-enforcement agencies, especially tax authorities is a concern for grants where government agencies are involved (World Bank ACP is an example of such pressure). Grant programmes generally succeed with undertaking proper due diligence and avoiding such situations, yet there is anecdotal evidence that the implementation of grant programmes could be severely impacted. As grant support to larger enterprises is likely to expand, grants may benefit from undertaking deeper due diligence of beneficiaries to avoid potential conflicts of interest and avoid the risk of undermining the trust of other beneficiaries. It's fair to assume that "better" connected beneficiaries could be excluded as a result of stricter due diligence who may be better positioned to implement grants. At the same time, given the size of grants it's fair to assume that community relations and the ability of grant recipients to effectively implement grants should not really depend on their connection to authorities. In fact, what could be true is that "regular" beneficiaries enjoy much wider support of the community for their business undertakings. While we do not have hard evidence to infer one or the other, we just would like to highlight that it's clear from the beneficiary interviews that overall selection of beneficiaries is crucial for the success of the grant programmes.

**Khatlon is ready for grant and development support with an extensive network of partners and change agents created but these capabilities are rarely capitalized on or known to other donors, or made available to beneficiaries**. Given project level objectives, donors engaged all levels of government in Khatlon. Some donors are very active at the district level while others are active at the jamoat level. For example, UNDP assists several districts of Khatlon in preparation of their midterm development programmes, while AKF helps to develop 3-year village development plans. While the donor community has managed to nurture and establish a network of partners among private sector and civil society organization in Khatlon, we are yet to see consistent use of these resources/change agent by donors beyond their own projects.

**The following key challenges impacting grants are highlighted by the donor community implementing grant programmes in Khatlon:**

**Lack of knowledge and low skill level of grant beneficiaries to follow through the grant programme cycle**. People in Khatlon still tend to have an older mentality of relying on the government to solve day-to-day challenges. Compared to other provinces of the country and despite accounting for the largest share of enterprises across the country (primarily due to the number of agricultural farms), the level of general entrepreneurial activity is rather small. The level of skill available is also much lower compared other provinces.<sup>36</sup> There is a substantial knowledge gap, especially in basic financial literacy and business planning skills. Thus, donors have often cited difficulties with finding suitable beneficiaries for their programmes and ensuring their participation without an extra effort to "develop" grant recipients.

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<sup>36</sup> Enterprise survey (2013): BEEPS, EBRD and World Bank, 2013.

<https://www.enterprisesurveys.org/data/exploreeconomies/2013/tajikistan#workforce>.

(indicator on percent of firms (retails, manufacturing and "other services" identifying an inadequately educated workforce as a major constraint to business development, disaggregated by province (359 firms surveyed across country).

**Challenges with interacting and coordinating with local government authorities.** There is a general feeling that a lack of coordination between different local authorities (tax, customs, and others), and missing internal coordination structures hinder efforts aimed at meaningful (large scale) private sector development in Khatlon even if the intention is there. Further, local authorities are often not in a position to duly implement, or lagging behind with the implementation of key reforms to help nascent private sector develop (i.e. electronic tax submission, permitting, licensing, and single window implementation) adding to higher costs, time, and burden.

**Lack of business development support (BDS) infrastructure/institutions.** Weak local intermediary organizations and the lack of institutions to help support businesses with day-to-day operations is a tremendous challenge to any grant programme. While there are NGO's, associations, and unions that have been created in Khatlon, most of them are struggling to survive post-project (post-funding) due to many reasons including lack of demand, limited capacity to pay, or perceived lack of value by beneficiaries. Such circumstances push many grant making agencies to develop bypass and project-based solutions which impact time frames, cost of programme delivery, and overall efficacy of projects.

**Capacity-building activities continue to be an important success factor for grant programmes.** While not all grant programmes come with an explicit capacity-building element, those that do tend to be successful as they build on the continuous support to beneficiaries throughout the grant implementation. While not all training activities are formally evaluated, those evaluations that were made available point to several key messages: (i) focus on practical skills rather than general training and materials; and, (ii) timing of training is equally important (harvest season, length of training). There is a great demand for exchange programmes to visualize best cases in other countries or other parts of the country, or having access to ongoing mentorship programmes for SMEs. Grants to agricultural producers are of critical importance and most of the agricultural grants tend to focus on either supply of agricultural inputs or provision of small-scale machinery along with skill building. As experience with running agricultural grants in Khatlon expands, we see efforts of grants to strengthen needed general capacity and foundations to operate in highly risky environments for agriculture. Such projects include ensuring ongoing access to affordable know-how for small scale processing and packaging, quality seeds, pesticides and fertilizers, equipment and other agriculture inputs through trialing localized agriculture support centers and working through agriculture supply chains. While this effort is currently being addresses within a few larger loan programmes (mainly the IFIs), a few pilots could be supported by grants, at least initially before such institutions become commercially viable.

**Donors are aware of the sustainability challenge associated with grant programmes and see increasing operational collaboration as a critical component to improve sustainability of interventions.** Donors have expressed increasing concern about seemingly low impact and the sustainability of grant programmes. However, what needs to be highlighted is that only a handful of donors go as far as defining what sustainability means for their projects in project documents. In many cases, sustainability simply means if the grant recipient is still operating a farm or a business a short while after the grant closure at best, or, more often, no reference to sustainability is made at all. Completion/evaluation reports also can't quite get at a heart of the issue as such reports are usually prepared shortly after grant programme completion. Lack of budgets to undertake "sustainability" analysis by grant implementors (or any other third party for that matter) is also one of the reasons very little information is available on the subject. Some grant implementors have adopted "risk assessment frameworks", such as IOMs' Most Significant Changes assessment to help determine the overall "health" of the project during implementation. In addition, IOM programme staff from other project/programme can occasionally visit grants that have been completed and are in the vicinity of the field trip to troubleshoot or as a "friendly visit" given relationships developed, but still no

structured approach to systematically monitor if the grant recipient is still in business say 2–3 years after the grant completion.

With this in mind, the need to collaborate closer and exchange information among donors to help better coordinate efforts in this space is voiced by more than a few. In part, sustainability of grant programmes is influenced by an overall unfavourable business environment in Tajikistan, and Khatlon specifically. However, there is also room to improve the design of grant programmes to address the underlying market failures that limit private sector development and, indirectly, grant sustainability. Admittedly, grant programmes are probably not the best avenues to address such failures (such as access to finance, business inspections, etc.). While these are best addressed by concerted government efforts or through projects supported by the multilateral development partners, there is still scope for grants to play a role. Such grants focusing on the “soft” side of PSD may help focus on implementation of specific “doing business” reforms on a local level such as digitization of local collateral records, streamlining licensing process, one stop shop implementation, permitting, and connection to utilities.

**Beneficiary contributions are increasingly seen as important to solving grant sustainability challenges and increasing the ownership of the projects.** Donors exhibit almost universal agreement that beneficiary contributions are key to grant programme success and are often included as eligibility criteria with the level of contributions can vary anywhere from 30 to up to 70 per cent in Khatlon. While there is no empirical evidence to confirm that beneficiary contributions (or the level thereof) impact the level of grant project success, there is evidence that beneficiaries may have difficulties meeting higher matching contribution obligations and turn to loans to ensure they meet grant eligibility criteria. This may pose undue complications especially for SMEs/entrepreneurs with not enough experience handling elevated levels of financial planning and commitments.

**Grant implementing agencies are forced to invest into and/or develop custom monitoring and evaluation systems for grant programmes in the absence of alternatives to effectively meet increasing reporting requirements.** There is also a consensus among the donor agencies that regular monitoring of grant implementation contributes to better outcomes. Donor agencies utilize a range of tools to ensure monitoring and evaluation, often requiring additional staff, engagement of partners, and development of databases to monitor progress and outcomes. IOM’s Most Significant Changes (MSC) approach or World Bank’s reliance on a local NGO to collect project level data that feeds an overall project monitoring database are cases in point. While it is not that unusual for grant implementation agencies to develop/maintain internal M&E systems customized for each grant programme, it may “take away” funds from actual grant programmes as the overall “grant” portfolio/programmes have usually limited funding, especially if it involves local transport, collection of data, monitoring, vehicles, etc. In a way, it has become a necessary element for grant implementors to have an extensive in-house M&E system, as some of the other options used, such as engagement of local NGOs, relying on self-reporting, did not usually yield desired quality of M&E according to an overwhelming share of donors.

**While donors still prefer to be directly involved in grant management, many donors are increasingly turning to beneficiary-led or MFI-led type grant management.** While there are clear advantages and disadvantages of each approach, donor agencies active in Khatlon have successfully experimented with supporting alternative methods of delivering grants, mainly beneficiary led (i.e. savings groups or through MFIs as part of the larger support to SME-type projects). Engaging formal financial intermediaries certainly helps with the administrative, beneficiary selection, and monitoring functions but also helps address underlying market failure (access to capital in this case) as it builds the history and helps with risk profiling of beneficiaries. While many MFIs still offer their beneficiaries rather high interest rates on funds that are actually provided to the MFIs at highly subsidized rate, there are cases



when such programmes were able to cut the interest rates to under 15 per cent, enabling greater penetration and better and cost-efficient risk profiling of beneficiaries. Donors, however, highlight that such arrangements could make the relationships between grant programmes and MFIs much more complicated (including those related to governance and M&E capacities). At the same time, such arrangements may help create a valuable relationship between the MFIs and grant beneficiaries in terms of building financial literacy, building banking “history” in addition to growing recognition that MFIs are often closer to the beneficiaries than grant implementing agencies. As MFIs become more sophisticated in Tajikistan, and given proliferation of programmes funded through the MFIs, grant beneficiaries and grant implementing agencies could benefit from many of the customized (and thematic) loan programmes, like energy efficiency to grant recipients thinking to expand their business upon completion of the grant programme. For grant executors the relationship with the MFIs could also be beneficial in terms of extra data on potential beneficiaries, time saved for due diligence, or at least providing an additional lens to the due diligence and, in many cases, potential efficiencies conducting monitoring and oversight.

### Appendix 3: Grants in Khatlon – grant beneficiary viewpoints

**Summary:** Overall, grant schemes are viewed as highly relevant by micro/SME and agricultural grantees in addressing their most pressing needs. Most grants are closely monitored, are generally used for the stated purposes and rarely get changed by the grantees unless driven by some personal/family emergencies or a decision to migrate. Overall, grant-related processes appear to be efficient (application, reporting, etc.) and exhibit a high degree of participation and ownership by grantees.

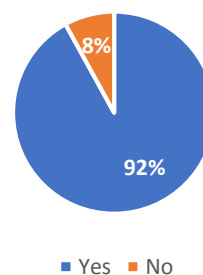
Given the capacities of rural businesses, grant making agencies do a great job providing capacity-building/training and general hand holding during grant implementation. In turn, grant recipients value such efforts on part of donors and consider training as a valuable component leading to grantees obtaining much required technical and business skills needed to sustain their businesses/income generation. In fact, there is evidence that grant schemes in Khatlon exhibit early signs of sustainability and are greatly impacted by the capacity-building and focus on helping grantees build lasting partnerships with key business stakeholders. The entrepreneurial spirit in Khatlon is quite high with many grantees seeking ways and succeeding in expanding their businesses, attempting to diversify services/goods and investing in expansion. Grant recipients wouldn't mind turning to formal financial intermediaries to help them expand or implement projects even if there are no grants available and generally lack avenues to seek further business development services after grant programme completion.

**Overwhelmingly, grant beneficiaries consider grants are generally issued in a timely manner and when they needed it the most.**

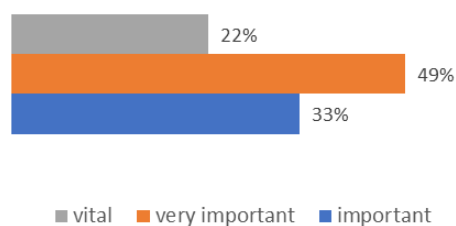
Perhaps not surprisingly, over 90 per cent of respondents consider grants were issued when they needed them the most. Slightly less than 10 per cent, who responded negatively, mainly referred to the fact that the grant took longer than expected to be disbursed while citing that their application was approved reasonably quickly. Such responses suggest that grant programmes generally are well focused and targeted and address the most pressing needs of grant recipients when they need it the most regardless of the type of grants (SMEs, agriculture, income generation).

**Even more convincingly, grant beneficiaries consider grants as important in helping address their needs.** Almost unanimously, 97 per cent of respondents consider their grant as relevant to what they set out to achieve. Grants continue to serve as an important boost to entrepreneurial activity and income generation given limited opportunities to secure other types of support, especially in rural Khatlon. Furthermore, over 20 per cent consider grants as having played a vital role for them and their livelihoods. Interestingly, almost 70 per cent of men and only 30 per cent of women interviewed consider grants as vital and this feeling is, not surprisingly, more prevalent for grants extended to farmers (agriculture related grants). Another 50 per cent

Graph 5.1: Was the grant provided at the time you needed it the most?



Graph 5.2: How important was the grant for your livelihood in terms of immediate living needs?



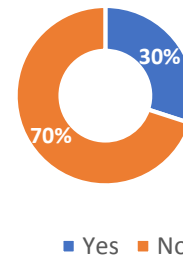
consider grants as “very important”, followed by “important” (1/3 of respondents).

**Grant implementation in Khatlon tends to, generally, follow original design and grantees tend to abide by the agreed grant purpose and scope.**

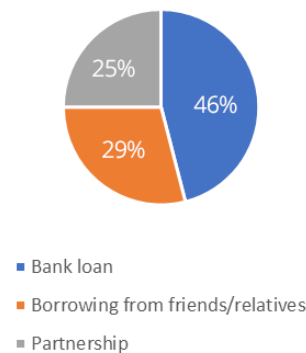
Only a small share of respondents (7%) indicated that they have had to alter original activities and the main reason for that is the changing business environment or circumstances. There are cases when grant management was passed to other family members but those are rare and more so related to emergency family situations. At the same time, around 70 per cent of respondents are generally happy with the grants’ conditions and would not change anything in terms of grant purpose, structure or aims. A third of all respondents would like more flexibility during grant implementation that mainly has to do with an opportunity to change specification for equipment, or change it all together, or replace with better ones. Again, women are less likely to change main activities and those grants that cover agriculture tend to be more prone to alternations. Grant beneficiaries of USAID appear to be most concerned with the ability to change activities, while IOM beneficiaries appear to be the most satisfied with grant structure.

**Grant programmes have a lot of room to be expanded in Khatlon as improving access to financial intermediation could help with such expansion.** Well over 2/3 of respondents stated that they would have continued finding a way to access funding to implement their business ideas suggesting there is plenty of entrepreneurial spirit in Khatlon province. At the same time, a significant share – around 30 per cent – would rely on grants potentially pointing to weak business inclinations or a realization that without some sort of grant support it is difficult for Khatlon businesses to start or operate. Nonetheless, those eager to fund potential sources of funding are more likely to apply for a bank loan (over 45%), another 30 per cent would borrow from relatives/friends or will look for a partner (25%). This points to a potential future direction that grant programmes could take, specifically encouraging partnerships and financial intermediation/access to loan (with grant components as a risk mitigation measure).

Graph 5.3: Would you do something different with the grant to make it more efficient?



Graph 5.4: Whom you would refer to for funding your idea?



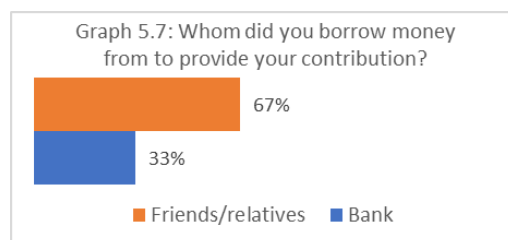
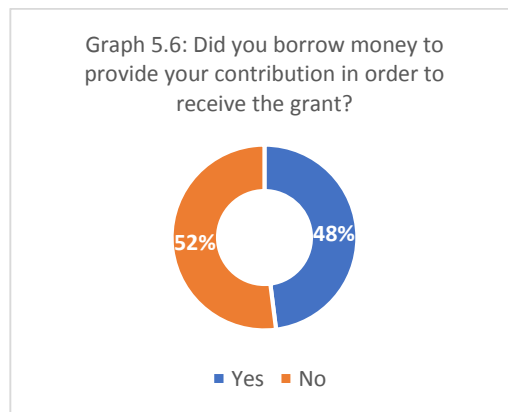
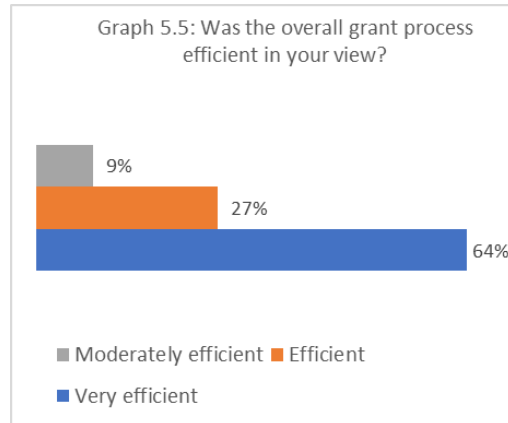
**Grant recipients positively assess grant effectiveness yet there is room to fine-tune grant application processes in terms of clarity and communication with potential grant recipients.**

There is almost a unanimous opinion among grant beneficiaries that grant processes are, overall, efficient. This is true for different types of grant schemes, regardless of gender and donor agency. This, of course, may be a very subjective opinion rooted in a culture of appreciation in Tajikistan. At the same time, almost 2/3 of respondents found grant-related processes, such as time to prepare an application, costs and effort, as very efficient and another 25 per cent as efficient. Around 10 per cent assesses their grant process effectiveness as moderately efficient. Overall, only a small share of respondents (less than 10%) noted difficulties particularly with the application process and among the most cited challenges, grant beneficiaries highlighted the following 3 key ones:

- Challenges meeting financial eligibility requirements or taking a loan to meet in-kind/cash contribution requirements.
- Time burden to prepare an application.
- Confusing process and misunderstanding between grant staff and potential beneficiaries.

**Not all grants require matching contributions in Khatlon, and those who do, mainly borrow from family/friends.** Roughly half of respondents had to provide matching in-kind or cash contributions and mainly include grants aimed at micro/SMEs support that almost universally come with the requirement to match funding. Most of the recipients that did not provide matching funds cover small subsistence-type grants to support agricultural activities. Those who did not have to contribute with matching funds mostly fall under agriculture grants programmes and the SME support grant programmes. Women are also less likely to borrow to meet matching grant requirements. This could be explained by a few factors like general lack of access to finance, smaller grant size or lack of knowledge/abilities to apply for a loan among women.

In addition, and in support of previous observations, less than 20 per cent of grant recipients had to borrow money to be able to provide matching funds suggesting grant recipients generally can contribute. Of these 20 per cent, almost a third of respondents turned to formal financial institutions for loans in



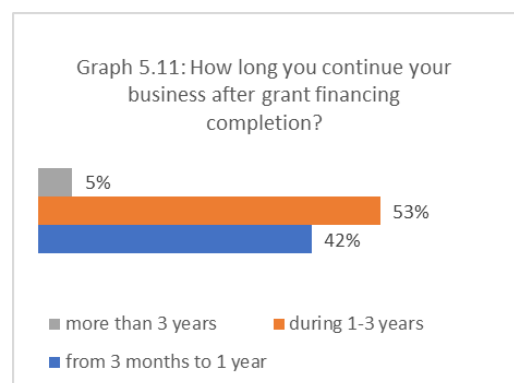
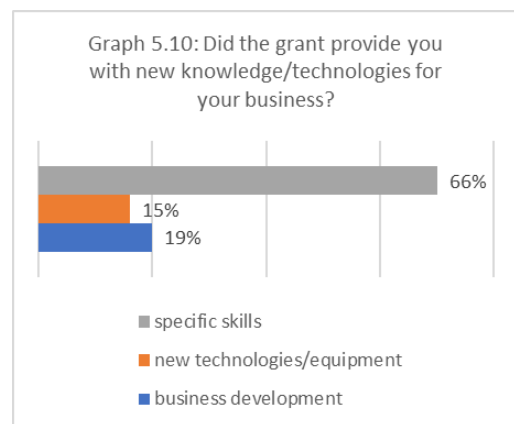
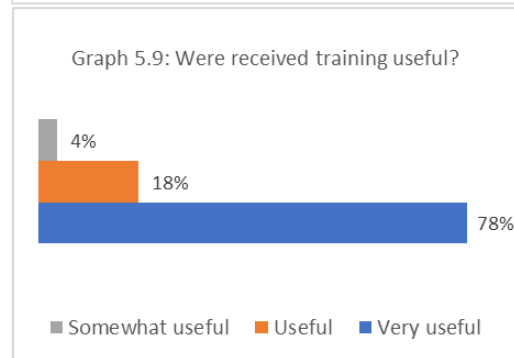
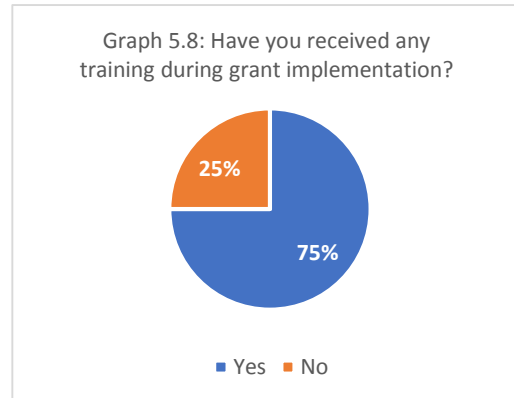
order to secure grants financing, while turning to family and friends was a preferred option to meet matching contribution requirements for almost 70 per cent of those who had to borrow money.

**Donors appear to pay attention to capacity-building/training and grant beneficiaries appear to appreciate and value these efforts.** Three quarters of grant recipients confirmed they were provided with training opportunities during grant implementation. This is quite a commendable practice by donors given, overall, low capacity of grant beneficiaries in either grant related procedures or specific thematical issues. Of the 25 per cent who did not receive training, roughly the same share of men and women (60/40) and mostly limited to agriculture grants.

At the same time, almost 80 per cent of beneficiaries stated training was very useful and another 20 per cent as useful showing that training quality is quite high. Less than 5 per cent of respondents stated that training was somewhat useful. The most frequent types of training included training of business skills (like business planning, marketing, etc.) and then other half are topical/technical skills (like planting, gardening, improving harvest yields, etc.).

It is worth highlighting that an impressive 90 per cent of grant recipients stated that they received new knowledge/equipment that helped them succeed. Specific skills (better gardening, drying, etc.) lead the way with 2/3 of respondents referring to the value of these skills, followed by business development skills (20%) and innovation/equipment. Interestingly, business development skills were highlighted the most by men (90% versus 10%), and a roughly similar share of men/women specifically highlighted their training on practical skills particularly valuable.

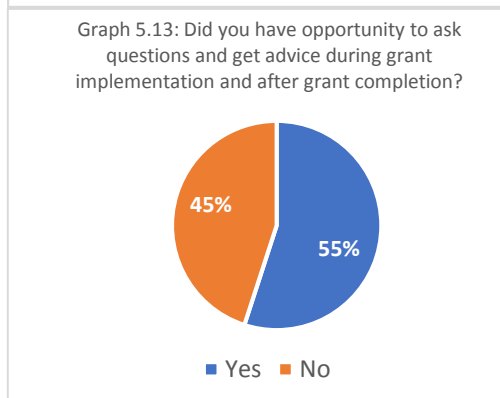
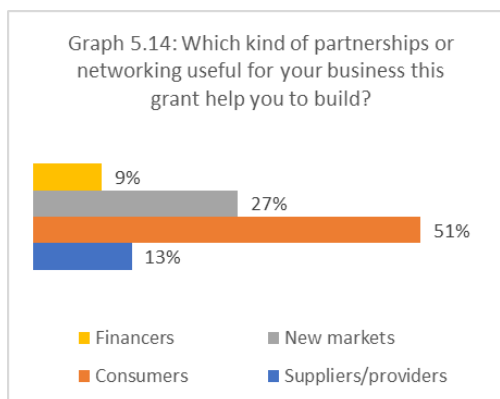
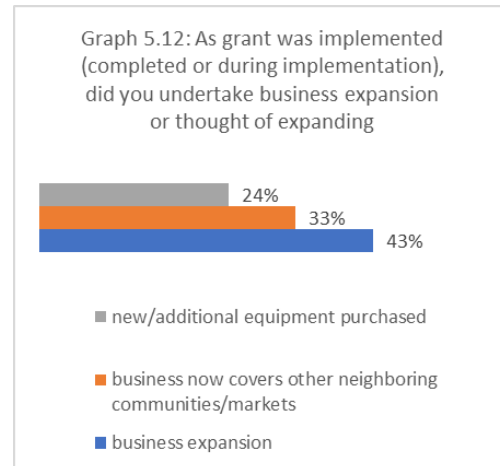
**There is seemingly an encouraging trend that grant-making in Khatlon can be sustainable.** Most of the grants covered by research were implemented within the last few years and access to earlier grants made it challenging to fully assess sustainability of grants in Khatlon. Despite this, existing evidence suggests that 95 per cent of grant recipients continue with their business upon formal grant completion. This is a very encouraging sign. In fact, more than half of grant recipients stated that they have been operating their business for 1-3 years after



completion, and another 40 per cent have been operating it for under a year already after completion. Another 5 per cent have been in business for over 3 years after completion. Of those beneficiaries that stopped activities right after grant completion, 2/3 stated it was caused by a lack of access to funding; and women were more prone to stop activities as 2/3 of all projects that were closed were extended to women.

**Perhaps even more encouragingly, there is evidence that grant recipients use grant funding with the thinking to expand in the future.** Almost 25 per cent of respondents stated that they have purchased additional equipment during/after grant completion; expanded to neighboring communities (33%) or have expanded their businesses by sales/turnover (43%). This applies equally to men and women, SMEs/microenterprises and agriculture related grants, confirming grants provide an important boost to entrepreneurial activity. This could potentially point to the ability of grants to create more resilient jobs and business resiliency (such as grantees making additional investment in new equipment). IOM beneficiaries are among the leading ones while USAID beneficiaries are less likely to think about expansion. There could be subjective reasons for it and further research may be required to better understand any differences.

**Greater grant sustainability in Khatlon can partly be attributed to the focus of grant programmes on providing ongoing support to grant recipients during grant implementation and facilitating creation of long-lasting partnership for the businesses.** Capacity-building programmes have some room to improve as only around half of grant beneficiaries stated they have had an opportunity to get continuous advice during and after the project. While providing support during grant implementation is more natural, we found evidence that the practice of supporting grantees even after the programme closes is still quite uncommon and certainly points to the direction of the need to address post-closure support of grantees in a more structured way. In addition, almost 90 per cent of grant recipients highlighted that grant schemes have helped them establish useful partnership relations with customers, supplier, financiers, or establish connections in new markets.



## Appendix 4: Khatlon – Map of grant programmes reviewed, 2000–2018

### USAID

1. Food and Agriculture Consortium for Tajikistan (FACT 2) Project
2. Development of handicraft as the factor to increase the living conditions in migrants to Nosir Khusrav district D07-0056
3. Family Farming Project
4. Farmer Advisory Service in Tajikistan (FAST)
5. Feed the Future Tajikistan Agriculture and Water Activity
6. Feed the Future Tajikistan Land Market Development Activity
7. Land reform and market development project
8. Land Reform Project
9. Potato Production Support and Research to Improve Food Security in Khatlon
10. Productive Agriculture Project
11. Strengthening of Mahalla Committees to Facilitate High Quality Seed Provision to Community Members in Qumsangir District
12. Tajikistan Nutrition-Sensitive Vegetable Technologies Project
13. Community Action Investment Program
14. Consulting Information Center for women-farmers
15. Development of a labour market
16. Support and social adaptation of migrants of the Nosir Hisrav District of RT
17. A Multi-Input Area Development (MIAD)
18. Small and Medium Enterprise Growth
19. Solving the problem of girl's employment in remote rural regions of Tajikistan, D07-0055
20. Women's Entrepreneurship for Empowerment Project
21. A Multi-Input Area Development (MIAD)
22. Development through Regional Cooperation (Ploshadka)
23. A Multi-Input Area Development (MIAD)
24. Food Security Programme
25. Student Motivation Learning Project
26. Tajikistan Nutrition-Sensitive Vegetable Technologies Project
27. Food and Agricultural Consortium for Tajikistan Project (FACTI)
28. Women's Entrepreneurship for Empowerment Project

### OSCE

29. Contribution to improving the investment climate
30. Improvement of the knowledge and skills of entrepreneurs on how to start a business, on business legislation, taxation, credit and marketing 5500298
31. Support to Women Resource Centers
32. B.2.2 SED 5500217 – Information Centres for Agricultural Businesses and Farms
33. Actions taken were Information Centres for agricultural Business and Farms (2006) – Land Reform support
34. Labour migration resource centres (Kurgan-Tyube, Shahrtuz and Kulyob) (2009) – in coordination with IOM Small Business and Agricultural Resource Centres (2010) – in partnership with MEDT and EBRD
35. Cross-border Trade Resource Centres on the Tajik-Afghan border (2010-2017) (Shahrtuz)
36. Business Resource Centres (Shartuz, Kulyab) (2015-2019) Strengthen operational management of all four Free Economic Zones (Pyanj and Dangara for the Khatlon region) (2012-2018). Support the Khatlon Consultative Council (2014-2015)
37. Research on competitive advantages of Khatlon region's economy and developing investment guidelines of specific sectors(2018)

## **IOM**

- 38. Enhancing Development Impact of Migrant Remittances in Rural Areas
- 39. Tajik-Afghan Integration, Resilience and Reform

## **GIZ**

- 40. MSDSP (a project of Aga Khan Foundation)
- 41. Supporting inclusive economic and social development in Tajikistan
- 42. Towards Rural Inclusive Growth and Economic Resilience (TRIGGER)
- 43. Mountain Societies Development Support Programme 1 (MSDSP) EDIT
- 44. Supporting inclusive economic and social development in Tajikistan
- 45. TJK-World Bank-AMFOT Supporting the micro finance association AMFOT in the Sughd, Khatlon and GBAO regions
- 46. Contributing to the sustainability of the urban centres of Tajikistan through increasing consumer awareness of, and access to, energy efficient materials
- 47. Establishing professional social work education at three branches of the National Adult Education Center in Tajikistan. – P.345-001/2011
- 48. GREAT / FFPSD project

## **JICA**

- 49. The Project for Livelihood Improvement in Tajik-Afghan Cross-border Areas (LITACA I and II)

## **UNDP**

- 50. Tajik Afgan Poverty Reduction Initiative (TAPRI)
- 51. Providing market-demanded professional skills for rural poor
- 52. Providing professional and sociolegal skills and knowledge for unemployed and labour migrants in Tajikistan
- 53. Support to Local Economic Development initiatives in Khatlon
- 54. LITACA I
- 55. LITACA II

## **FAO**

- 56. Emergency assistance to raise food security and reduce livelihood vulnerability of very poor households in the Khatlon Region TCP/TAJ/3101 (E)
- 57. Support to adoption and promotion of modern crop management practices
- 58. Promoting inclusive economic growth through matching grants for migrants' households in Tajikistan

## **World Bank**

- 59. Agriculture Commercialization Project and Additional Financing Agriculture Commercialization Project
- 60. Community Agriculture and Watershed Management Project CAWMP.CS.7
- 61. Community Development for improved access to Quality Seed Programm (Japan Social Development Fund)
- 62. Emergency Food Security and Seed Import Project
- 63. Project "Community Agriculture development and watershed management"
- 64. Public Employment for Sustainable Agriculture and water Management Project (P119690)
- 65. Second public employment for sustainable agriculture and water resources management project (PAMP ii)
- 66. Project on creation of social-economic opportunities for Youth of Tajikistan TF#090468
- 67. "Land registration and cadastre system for the agriculture sustainable development project", H157-Tj



68. Agriculture Commercialization Project and Additional Financing Agriculture Commercialization Project
69. Community Agriculture and Watershed Management Project CAWMP.CS.7
70. Emergency Food Security and Seed Import Project
71. Community agriculture development and watershed management project
72. Project on creation of social-economic opportunities for Youth of Tajikistan TF#090468
73. Public Employment for Sustainable Agriculture and water Management Project (P119690)

#### **ADB**

74. Sustainable Cotton Subsector Project
75. Sustainable Cotton Subsector Project
76. Water Resources Management in the Pyanj River Basin Project
77. Building climate resilience in the Pyanj River Basin Project (Output 4)
78. Strengthening Technical and Vocational Education and Training Project

#### **KFW**

79. Shuroobad Cross-Border Market
80. Rural Housing Project
81. Rural Finance Project

#### **EU**

82. Sustainable Food Security Improvement in Eastern Khatlon
83. Businesses to enhance Tajikistan's Economic Resources for Vulnerable Groups in South-Western Khatlon
84. Enabling communities to reduce poverty in Khatlon Province
85. Enhancing individual incomes, improving living standards in Khatlon, Tajikistan – TJKA 63
86. Improving Food Security in Selected Rural Areas of Tajikistan through Enhanced Livestock Production and Pasture Rehabilitation-OSRO/TAJ/605/EC
87. Improving food security in Tajikistan: Strengthening the social, human and physical capital food insecure rural households in Sughd and Khatlon provinces-110-690
88. Improving the Livelihoods of Vulnerable Populations in Farkhor and Hamadoni Districts of Khatlon, Tajikistan in a Participatory and Sustainable Way
89. Long-Term Food Security Through Community-Directed Development B2004-21-0202000-C1-AIDCO, 105-258
90. Promotion of Rural Development through Building Think Tank Capacity of Local Civil Society Organizations – DCI-NSAPVD/2010/254-215
91. 241-976 Supporting poverty alleviation in rural communities of Khatlon and Sughd Provinces
92. Food Security Programme
93. Improving Income and Living Conditions in Rural areas of Eastern Khatlon through Natural Resource Management DCI-ASIE/2010/241-986
94. Improving Livelihoods through community action in Khatlon, Tajikistan – EC, ILCA-II and III, #147-215, 202-095
95. Improving Livelihoods through Community Action in Khatlon (ILCA I ), # 091-026
96. Income, Independence, Inclusion – Supporting economic development and welfare in Kulob district, Tajikistan (Grant #144-919)
97. "CANDY - IV" Advanced Support Programme to Central Asian Business Intermediary Organisations – Specialized and Integrated Services for Export-Oriented Food Processing SMEs
98. Improving the livelihoods of vulnerable rural populations in Khatlon and Sugd in a participatory and Sustainable Way-161-054
99. Supporting Cooperation and Opportunities for Regional Economic Development (SCORED)

100. Supporting Cooperation and Opportunities for Regional Economic Development (SCORED) (AKF Tajikistan part)
101. Integrated Food Security in Eastern Khatlon
102. Long Term Food Security through Community Directed Development
103. 241-976 Supporting poverty alleviation in rural communities of Khatlon and Sughd Provinces
104. Businesses to enhance Tajikistan's Economic Resources for Vulnerable Groups in South-Western Khatlon
105. Civil Society for Disaster Risk Reduction: Linking Agents of Change for Disaster Risk Management in Tajikistan
106. Enabling communities to reduce poverty in Khatlon Province
107. Enhancing individual incomes, improving living standards in Khatlon, Tajikistan – TJKA 63
108. Enhancing individual incomes and improving living standards in Eastern Khatlon
109. Improving Food Security in Selected Rural Areas of Tajikistan through Enhanced Livestock Production and Pasture Rehabilitation-OSRO/TAJ/605/EC
110. Improving Income and Living Conditions in Rural areas of Eastern Khatlon through Natural Resource Management DCI-ASIE/2010/241-986
111. Improving Livelihoods through community action in Khatlon, Tajikistan – EC, ILCA-II and III, #147-215, 202-095
112. Improving Livelihoods through Community Action in Khatlon (ILCA I ), # 091-026
113. Improving the Livelihoods of Vulnerable Populations in Farkhor and Hamadoni Districts of Khatlon, Tajikistan in a Participatory and Sustainable Way
114. Improving the livelihoods of vulnerable rural populations in Khatlon and Sugd in a participatory and Sustainable Way-161-054
115. Income, Independence, Inclusion – Supporting economic development and welfare in Kulob district, Tajikistan (Grant #144-919)
116. Long-Term Food Security Through Community-Directed Development B2004-21-0202000-C1-AIDCO, 105-258

## Appendix 5: Select grant beneficiaries selection criteria and Key Performance Indicators

Agency	Grant beneficiaries Selection Criteria
<b>IOM</b>	<p><u>TAIRR – Tajik-Afghan Integration, Resilience and Reform</u></p> <ul style="list-style-type: none"> <li>• Individuals (vulnerable persons, including youth, families containing people with disabilities, returned migrant workers) and registered legal entities (SMEs – Small business) from 9 districts of the Khatlon region</li> <li>• Beneficiaries must provide technical specification for the requested equipment</li> <li>• Beneficiaries must provide their contribution to the project.</li> </ul> <p><u>Grants to improve the socioeconomic situation of returned migrant workers:</u></p> <ul style="list-style-type: none"> <li>• Only for individuals</li> <li>• Returned migrant workers: those who were deported and denied entry into the Russian Federation from 3 to 5 years</li> <li>• Additional markers during selection: number of dependents, level of education, belonging to vulnerable groups of the population.</li> </ul>
<b>UNDP</b>	<p><u>LITACA (Livelihood Improvement in Tajik – Afghan Cross Border Areas)</u></p> <ul style="list-style-type: none"> <li>• Registered Non-Profit Public Organizations, Associations of Dehkan Farms; individuals could apply for grant via such organizations</li> <li>• Preference is given to women, persons with disabilities, youth, it is imperative to create new jobs and contribute to the development of rural areas</li> <li>• Supported initiatives: procurement of agro and non-agro equipment; construction and/or rehabilitation of agro and non-agro infrastructure; capacity- building (training and technical assistance) activities related to vocational and entrepreneurship skills development</li> <li>• Beneficiaries must provide full proposal for the grant</li> <li>• Beneficiaries provide contribution to the project (from 5 to 20% in kind or cash).</li> </ul>
<b>USAID</b>	<p><u>The Tajikistan Agriculture and Water Activity (TAWA)</u></p> <ul style="list-style-type: none"> <li>• Farmers in 12 districts of Khatlon province</li> <li>• Focus on agriculture extension services, vegetable production, orchard production, dairy production, and irrigation water management</li> <li>• Beneficiaries must provide their contribution to the project (from 50 to 70%).</li> </ul>
<b>AKF</b>	<p><u>Thrive Global Development Alliance and Economic and Social Connections: A Multi-Input Area Development Financing Facility for Tajikistan (ESCoMIAD)</u></p> <ul style="list-style-type: none"> <li>• Village organizations (VO) – voluntary social unions for community development</li> <li>• AKF criteria for selecting villages for establishment of MCs and Thrive interventions include: demand, community commitment/willingness, need, feasibility, conflict (project interventions will not increase conflict, e.g. over water), presence of educational and health facilities, poor social and economic infrastructure/assets, agricultural potential, and limited access to markets.</li> <li>• The Aga Khan Agency for Habitation (AKAH) ’s assessments will complement AKF’s assessments of community demand, commitment, need, and organizational (Mahalla Committees) capacity to manage the systems, or else MC willingness to hand over the systems to private operators.</li> <li>• Local governance institutions</li> <li>• Smallholder farmers and entrepreneurs</li> <li>• Micro lending organizations (MLO)</li> </ul>
<b>GIZ</b>	<ul style="list-style-type: none"> <li>• Registered legal entity</li> <li>• Visibility of the project</li> <li>• Own contribution/share of participants (40% in cash)</li> <li>• Profitability</li> <li>• Sustainability</li> <li>• Tendency to expand the business</li> <li>• Creation of new job place</li> </ul>

	<ul style="list-style-type: none"> <li>At least 50 per cent of own contribution in cash.</li> </ul>
<b>World Bank</b>	<u>Agriculture Commercialization Project (ACP)</u> <ul style="list-style-type: none"> <li>Farmers Groups, consisting from small and most vulnerable farmers</li> <li>Mandatory in-kind contribution from Farmers Groups (up to 25 people) that averages 25 per cent of the total grant needs.</li> </ul>

<b>Agency</b>	<b>Key Performance Indicators</b>
<b>IOM</b>	<ul style="list-style-type: none"> <li>Increase in Turnover</li> <li>Profit of 30-50 USD / Month</li> <li>Employment of RMW – returned migrant workers.</li> </ul> <p>Non-Economic Outcomes:</p> <ul style="list-style-type: none"> <li>Increase in Self Esteem;</li> <li>Hope for the future;</li> <li>Reduction in conflict;</li> <li>Better social integration.</li> </ul> <p>MSC (Most Significant Changes) was implemented – how the grant affected the change in the life of the beneficiary.</p>
<b>UNDP</b>	<ul style="list-style-type: none"> <li>Number of Small Grants Applications received</li> <li>Number of direct and indirect beneficiaries</li> <li>Percentage of women among beneficiaries</li> <li>Number of permanent and seasonal jobs created, percentage of these jobs are occupied by women</li> <li>Number of people, received business development training, and attended vocational training.</li> </ul>
<b>USAID</b>	<ul style="list-style-type: none"> <li>Number of households benefiting directly from USG assistance</li> <li>Farmer’s gross margin per hectare, per animal, or per cage obtained with USG assistance</li> <li>Number of individuals who have received USG-supported short-term agricultural sector productivity or food security training</li> <li>Number of farmers and others who have applied improved technologies or management practices with USG assistance</li> <li>Number of hectares of land under improved technologies or management practices with USG assistance</li> <li>Value of small-holder incremental sales generated with USG assistance</li> <li>Number of for-profit private enterprises, producers’ organizations, water users’ associations, women’s groups, trade and business associations, and CBOs that applied improved organization-level technologies or management practices with USG assistance</li> <li>Number of firms or CSOs engaged in agricultural and food security-related manufacturing and services that have increased profits or become financially self-sufficient with USG assistance</li> <li>Value of new private sector capital investment in the agriculture sector or food chain leveraged by Feed the Future implementation</li> <li>Total quantity of targeted nutrient-rich value chain commodities produced by direct beneficiaries with USG assistance that is set aside for home consumption</li> <li>Number of vulnerable households benefiting directly from USG assistance</li> <li>Number of people implementing risk-reducing practices/actions to improve resilience to climate change as a result of USG assistance.</li> </ul>
<b>AKF</b>	<ul style="list-style-type: none"> <li>Number of Mahalla Committees (MCs) with Village Development Plans (VDPs) established</li> <li>Number of Community Based Savings Groups (CBSGs) receiving technical assistance</li> <li>Number of Common Interest Groups (CIGs) receiving technical assistance</li> <li>Number of Community Based Health Financing (CBHF) schemes functioning</li> </ul>

	<ul style="list-style-type: none"> <li>• Number of community members reached by Community Health Promoters (CHP)counselling on nutrition and WASH</li> <li>• Number of individuals reached through mHealth messages</li> <li>• Number of community education groups established</li> <li>• Number of community education group members mentored</li> <li>• Number of drinking water supply systems constructed</li> <li>• Number of water samples meeting national government water quality standards</li> <li>• Number of adequate and equitable sanitation facilities constructed</li> <li>• Number of beneficiaries with improved energy services due to USG assistance</li> <li>• Number of personnel trained on maintaining and managing the off-grid electricity network</li> <li>• Number of individuals who complete USG-assisted workforce development programmes</li> <li>• Number of Entrepreneurship and Social Entrepreneurship course graduates who advance to AP acceleration, or other business investment opportunities</li> <li>• Number of firms receiving USG-funded technical assistance for improving business performance</li> <li>• Amount of capital and in-kind technical assistance received from third parties by small and growing businesses (SGBs) supported by Thrive</li> <li>• Number of producer groups (PGs) established in the selected value chains</li> <li>• Number of Village Advisors providing fee-based advisory and extension services</li> <li>• Number of farmers benefitting from improved productive agriculture infrastructure</li> <li>• Number of productive infrastructure construction or rehabilitation projects implemented</li> <li>• Number of events for sharing research findings with academics, research partners, project partners, and local communities</li> <li>• Number of research projects completed.</li> </ul>
<b>GIZ</b>	<ul style="list-style-type: none"> <li>• Number of Business Groups established in Khatlon</li> <li>• Turnover of Producer groups (PGs)</li> <li>• Number of end beneficiaries</li> <li>• Number of jobs created</li> <li>• Farmers sell more produce (production increased)</li> <li>• Sell produce of higher value-added (quality of production improved).</li> <li>• Reduce their production costs (operational cost reduced).</li> </ul>
<b>World Bank</b>	<ul style="list-style-type: none"> <li>• Number of Farmers Groups</li> </ul>

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