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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX**

to the Commission Implementing Decision on the financing of the annual action plan in favour of Tajikistan for 2023

**Action Document for Green Transition through the Cotton Value Chain**

**ANNUAL PLAN**

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

## 1 SYNOPSIS

### 1.1 Action Summary Table

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	Green Transition through the Cotton Value Chain OPSYS number: ACT-62256 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Central Asia, Republic of Tajikistan, Kathlon and Sughd
<b>4. Programming document</b>	Multi-Annual Indicative Programme – EU Tajikistan 2021 - 2027
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<b>SO 1</b> Boost agriculture as driver for green economic growth and employment making use of digital technologies and solutions; <b>ER 1.1:</b> Improved policy, legal, implementation and monitoring framework for sustainable and climate-smart agriculture. / <b>ER 1.2:</b> Increased agricultural productivity for employment creation in sustainable, and climate-smart and digitalised value-chains.  <b>SO 2</b> Create a business environment conducive to the development of Micro-, Small and Medium-sized Entreprises and innovation, in selected sectors, with a particular focus on green economy and digitalisation; <b>ER 2.2:</b> Enhanced role of the private sector (in particular MSMEs) in the development of the business environment in Tajikistan. / <b>ER 2.3:</b> Tajik MSMEs are positioned at local and international level to develop value chains in selected sectors, with particular emphasis on digitalisation and green economy.
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	<b>PA1</b> Inclusive Green and Digital Economy; Sectors: Agriculture ( <b>DAC code 311</b> ) and Industries ( <b>DAC code 321</b> )
<b>7. Sustainable Development Goals (SDGs)</b>	<b>Main SDG:</b> SDG 8 Decent Work and Economic Growth <b>Other significant SDGs</b> (up to 9) and where appropriate, targets: SDG 1 No poverty; SDG 2 Zero hunger; SDG 5 Gender equality; SDG 6 clean water and sanitation; SDG 12: responsible consumption and production; SDG 13 Climate action; SDG 15 Life on land.

<b>8 a) DAC code(s)</b>	31110 – Agricultural policy and administrative management – 50% 32110 – Industrial policy and administrative management – 50%				
<b>8 b) Main Delivery Channel</b>	Recipient government - 12000				
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance				
<b>10. Markers</b>  (from DAC form)	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Inclusion of persons with Disabilities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
		Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		YES <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
Connectivity @		<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
		YES	NO		

	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	/
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): BGUE-B-2023-14.020130-C1-INTPA Total estimated cost: EUR 19 880 000 Total amount of EU budget contribution EUR 19 880 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing<sup>1</sup></b>	<b>Direct management</b> through Procurement <b>Indirect management</b> with a Member State Organisation to be selected in accordance with the criteria set out in section 4.3.2			

## 1.2 Summary of the Action

The proposed Action aims to promote a green transition in the cotton value chain of Tajikistan by supporting both certified sustainable production in cotton-based farm systems and the processing into high-quality cotton for new export markets and creating opportunities for domestic private sector development in the sector. The Action will specifically support the Better Cotton Initiative (BCI) and the EU organic cotton production standard with the aim of bringing together several fundamental aspects for the development of the country.

The Action will increase competitiveness of the cotton value chain by developing inclusive value chains for cotton through upscaling of safer, efficient and climate-smart cultivation techniques in cotton-based farm systems, by exploiting market niches for sustainably sourced certified cotton and alternative crops, and by strengthening cotton-producing membership organisations and their cooperation with local and international buyers.

The Action will underpin capacity-development and gender-sensitive approaches by supporting political, safety, security and economic governance and developing human capital with the aim of bringing more equity between men and women and unleash the huge potential for economic contribution of women to society. Technical Assistance will be provided to the beneficiary ministries and relevant agencies to improve policy development as well as support sectoral coordination and exchange between ministries and different levels of administration.

The Action will systematically promote sustainable and climate-smart agriculture, by adopting specific measures concerning plant protection, soil, water and biodiversity management within a landscape approach. The Action will promote digital tools for advisory services, land management, or marketing. Specific measures will include integrated /biological pest management, the rational use of fertiliser, efficient irrigation techniques, erosion control, and other measures. The Action will thus make a direct contribution to climate change adaption. Based on a climate risk assessment, the Action will support participatory climate-sensitive land use planning on local, regional and national level that addresses both productivity and income and food security aspects. This is crucial for long-term resource conservation, adaptation to climate change and for improving productivity and livelihoods of farming communities. Crop rotation and diversification will reduce dependencies on the cotton crop, completing farm income and facilitating access to affordable food crops.

<sup>1</sup> Art. 27 NDICI

The Action will therefore also contribute towards achieving the adaptation commitments and mitigation targets outlined for the Agriculture, Forestry and Other Land Use (AFOLU) sector in Tajikistan's Nationally Determined Contributions and through sustainable land management and agroecology also contribute towards the country's Land Degradation Neutrality targets under the United Nations Convention to Combat Desertification (UNCCD).

The Action is aligned to the government's political priorities as expressed in the National Development Strategy 2030, and to the objectives of the Medium-term Development Programme (MtDP) for the period 2021-2025, with a vision to unlock Tajikistan's potential in agriculture, ensuring an agroecological transition, diversify the economy, and create decent jobs and spur inclusive economic growth. The Action will promote partnerships of lead firms with investors and buyers in international niche markets and mobilise high-level expertise for capacity-building of management, product design, optimisation of technical processes, digitalisation, energy-efficiency, waste management, human rights and gender equality in the agriculture sector.

Overall, the Action is expected to help address the negative impact of the economic crisis linked to repercussions of Russia war of aggression against Ukraine and to mitigate the risk of radicalisation by improving the employment and economic prospects of key vulnerable groups.

The Action will be implemented in complementarity with the ongoing programmes in health, education and rural development, funded under the previous and current MIP.

## 2 RATIONALE

### 2.1 Context

The COVID-19 outbreak, which resulted in the country's GDP shrinking between 2.5 to 3%, was followed by a destabilisation of the economic and geopolitical situation after Russia's full-scale invasion of Ukraine. Russia's economic isolation is putting pressure on the main economic indicators of Tajikistan, which obtains 30% of its GDP from remittances, mainly from Russia.

The agriculture and agri-food systems of Tajikistan face many constraints, including a challenging business environment, the absence of an extension system, limited access to high quality inputs and export markets, an unsustainable use of natural resources, and high vulnerability to climate impacts.

Traditionally, the cotton sector has played a paramount role in the rural economy of Tajikistan but characterised by an array of problems like wasteful water use and an overreliance on pesticides. However, in recent years, national decision-makers have attached more importance to diversification and the environmental sustainability to cotton production.

After wheat, cotton has the largest share of crop area in Tajikistan, cultivated on 18% of the cropped area. The development of the cotton and textile industry is one of the priorities for accelerated industrialisation as reflected in the National Development Strategy of Tajikistan (NDS-2030). This will help the Government of Tajikistan (GoT) to promote the agroecological transition and sustainable climate-smart production models based on a landscapes approach, carry out institutional reforms, create jobs, form a local competitive infrastructure in the cotton and textile industry and contribute to green, resilient economic growth of the country.

Tajikistan has made progress in gender equality, but significant challenges remain. Women's labour force participation is comparatively low, about 69% of working age-women are not working for pay, and women's contribution to gross national income is 4.5 times less than that of men. 7% of men aged 15-24 are not in education, employment or training (NEET), while this is the case for 49% of young women<sup>2</sup>.

The proposed Action will make a significant contribution to the implementation of the "National Strategy for the development of the cotton and textile industry (2023-2032)" and will support the upscaling of sustainable cotton production practices, such as the BCI standard, the world's largest multi-stakeholder initiative for sustainable cotton production, as well as the EU organic and possibly the Fairtrade standard.

<sup>2</sup> <https://www.adb.org/sites/default/files/publication/663141/womens-role-irrigated-agriculture-tajikistan.pdf>

The Action fits into the long-standing support that EU and development partners are being delivering in reforming the water sector and will contribute to promote and stimulate water use efficiency.

The Action will apply a landscape approach within cotton-based farming systems because cotton production is embedded in diverse farming systems and landscapes. Based on a climate risk assessment, the Action will support participatory climate-sensitive land use planning that addresses both productivity and income and food security aspects, and which bring most benefit in a given location. This will increase productivity, strengthen the resilience of the cotton farming systems and shield the households which depend on them against the impacts of climate change.

The Action will therefore also contribute towards achieving the adaptation commitments and mitigation targets outlined for the AFOLU sector in Tajikistan's Nationally Determined Contributions (mitigation as co-benefit) and through sustainable land management also contribute towards the country's Land Degradation Neutrality targets under the United Nations Convention to Combat Desertification (UNCCD).

The Action will also promote an increased share of sustainably produced cotton in the processed volumes, consistently with the "farm to fork" strategy<sup>3</sup> which is at the heart of the European Green Deal.

The Action contributes to the implementation of the Global Gateway Strategy<sup>4</sup> via investments in sustainable agri-food systems and water as part of the investment priority "Climate and Energy". A climate-smart green transition through the cotton value chain will enable job creation, attract private sector investments (smart, clean and secure according to the Global Gateway principles) and enhance digital solutions in the agricultural sector. Progress will be in line with the country's ambition to pace up its green and digital transition, for example through the introduction of new information technologies, modernisation of equipment and new competitive products for national and international markets.

The Action is aligned to the government's political priorities as expressed in the National Development Strategy 2030, and to the objectives of the Medium-term Development Programme (MtDP) for the period 2021-2025, with a vision to unlock Tajikistan's potential in sectors such as agriculture, ensuring ecological transition, diversify the economy, and create jobs and spur economic growth. The MtDP identifies a number of goals e.g., deepening of the agrarian and water reforms in view of developing high-income agricultural production in the country; increasing sustainable access of agricultural enterprises to financial and credit resources, as well as necessary marketing information; and improving agribusiness and value chain infrastructure and logistics.

The Action fully aligns with above-mentioned sector policies emphasising the need for sustainability, green private sector investments and digital technologies. The Action is equally relevant for Tajikistan's climate change mitigation and adaptation objectives, contributing to the implementation of its Nationally Determined Contribution (NDC). Implementation of these ambitions is however lagging behind due to the limited fiscal space for public investment and economic governance deficiencies that discourage private sector investment. This Action thus aims to address these challenges. Moreover, this Action represents an opportunity to promote the ambition of the EU with respect to the Green Deal, a key priority of the European Commission, and is in line with the Strategy for Green Economy Development in the Republic of Tajikistan for 2023-2037.

Through the support to one of the top priority value chains in the country, the Action will reinforce the role of the EU as a key partner for water, energy and environment and will position itself as the privileged interlocutor of the Tajikistan government, strengthening the influence of the EU on agri-business reforms necessary for the economic development of the country.

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<sup>3</sup> European Union, European Commission (2020). Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0381>

<sup>4</sup> European Union, European Commission (2022). Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank - The Global Gateway <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021JC0030&qid=1653525883495>

## 2.2 Problem Analysis

The cotton crop remains a mainstay of Tajikistan's rural economy. However, both in Central Asia and in Tajikistan particularly, conventional production methods of cotton have had a profoundly negative environmental and social impact which need transformative action toward more sustainable practices. Conventional cotton is wasteful with increasingly scarce water resources and relies on inadequate use of synthetic pesticides. Inefficient use of mineral fertilisers is widespread, and in general, too little emphasis has been given to crop rotation and diversification. Moreover, discrimination against women and neglect of the social impact persist. These challenges are compounded by noticeable effects of climate change (such as water shortages or heat stress). Regional exchange and coordination on crucial issues related to water, climate and protection of landscapes is lacking. The regional exchange will build on the broader regional Team Europe Initiative on Water, Energy and Climate Change in Central Asia.

The specific problem to address is the currently too narrow perspective on optimisation of volumes (partly imposed by production quotas) and yields of cotton, whereas a more comprehensive to the resource management in cotton-based farm/households and their environment is urgently needed. The BCI standard is addressing this challenge in its "landscape approach", including soil management, biodiversity plans and water stewardship; these practices can be systematised and scaled up. The revised BCI criteria are giving more emphasis to gender equality and climate change adaptation and mitigation. This initiative needs to be backed up by policy process that address land use planning in a national and regional context. An enabling policy environment and cross-sectoral exchange need to be strengthened. Currently, there is a general lack of information on climate change impacts on land use types which are neither adequately reflected in planning processes nor integrated into comprehensive management approaches. Through specific field-level measures directed at the management of cotton farm systems and the ecosystem services in their natural environment, the Action will demonstrate the future viability of green cotton farming and feed the experiences back to ongoing policy processes (Nationally Determined Contribution, Rio conventions etc.)

Regarding gender aspects, it can be highlighted that in 2018, 69% of women in Tajikistan were officially employed in the agriculture sector, compared to 41% of men. Women make up the majority of the labour force in agriculture, but they have limited knowledge about agriculture and farming, new technologies, new crops, fertilisers and their utilisation<sup>5</sup>. In addition, their access to land (control over-ownership) is very limited having an impact on loans for business development.

The Textile and Cotton (T&C) processing sector in Tajikistan faces many structural challenges owing to an overall unfavourable investment climate. Until now, only a part of the sustainably produced cotton in Tajikistan is absorbed by the local industry, owing to the difficult access to higher quality markets. However, the Action will specifically support processing companies to shape the conditions that will further diversify their business relationships. Some leading national companies have started to explore successfully higher-value niche markets that require the respect of international recognised production standards, which opens new opportunities of value addition within a green cotton value chain in Tajikistan.

The two main political partners of the Action will be the Ministry of Industries (MINT, the lead agency in the ongoing development of the national cotton and textiles strategy) and the Ministry of Agriculture (MoA). These two ministries are mandated to develop and enforce policies related to the production of cotton (and other crops) and the processing industry, respectively.

Other public stakeholders include the Ministry of Economic Development and Trade (MoeDT), the Ministry of Energy and Water Resources (MEWR) and the Committee of Environmental Protection (COP) which are concerned with export policies, environmental conservation, hydrometeorology and land use policies, respectively.

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<sup>5</sup> <https://capacity4dev.europa.eu/library/gcp-tajikistan>

Cotton farming households are the main beneficiaries of the Action, which will benefit from more sustainable and climate-resilient production practices and income diversification/increase, specifically women and youth through directed support to productive investments for crop diversification.

Non-commercial membership-based cooperatives which organise the production of certified cotton will benefit from organisational development, an increase in their membership base and improved financial autonomy. Cotton processing companies and their permanent and temporary workers will benefit from higher competitiveness through the transparent and competition-based selection of support activities.

Other stakeholders include the specialists and managers in the relevant ministries and other state authorities concerned with agricultural development, light industries and land use policies. Finally public and financial institutions will also be important stakeholders in the development of the private sector in the cotton sector as well as civil society organisation and women organisation which will represent the different voices of the right holders (individuals in all their diversity).

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The Overall Objective of this action is to contribute to the socio-economic development of Tajikistan and the reduction and eradication of poverty by boosting sustainable productivity growth, climate resilience and cotton-based value chains.

The Specific Objectives of this Action are to

1. To boost an inclusive agricultural sector reform by supporting agroecological and sustainable production methods in cotton-based farm systems within a landscapes approach and value chains; increase the benefits for women and men farmers as well as to reduce the environmental footprint of cotton farming.
2. Support private sector development in sustainable cotton processing and incentives for investments in the processing phase of cotton.

The Outputs to be delivered by this Action contributing to the corresponding Specific Objectives are:

- 1.1. Integrated land use management approaches are anchored at regional, national and local levels by focusing on entire landscapes including the adaptation to climate change and water management, gender responsive;
- 1.2. Cotton-based farm systems are diversified and environmentally, economically and socially more resilient and inclusive;
- 2.1. Commercial links between producer organizations and processors are strengthened to increase the processed volumes using sustainably produced cotton in Tajikistan;
- 2.2. The capacities of selected processing companies to enter international markets are strengthened.

#### 3.2 Indicative Activities

Activities relating to Output 1.1:

- Technical advice to improve institutional capacities and evidence-based and gender sensitivity, coherent policies on climate-resilient land use with a focus on cotton farm systems (nexus of land, climate, environment, and water).
- Sectoral gender analysis on land use management is carried out.
- Support to cross-sectoral coordination and exchange between ministries and different levels of administration.

- Support to regional exchange formats on land-use and climate change (including civil society organisation and women organisations)
- Integration of the land-based targets in the three Rio Conventions (UNFCCC, UNCCD) into land use planning through the development of integrated land use managements plans in cotton farming systems, and the support to the reporting.
- Strategic capacity building and exchange between key actors in governmental and civil society institutions and organisations on transformation processes in land use systems via networking of academia, civil society and policy makers (e.g. via the Green Central Asia Expert Network, CAREC and ICSD).
- Support to Gender Leads and Gender Committees.
- Support to the access to investment and financing for the scaling-up of successful approaches to strengthening climate resilience and agroecology in land use systems (via incentives and specific policy instruments to mobilise public and private investments in transformation processes towards integrated land use.)

#### Activities relating to Output 1.2:

- Upscaling of the BCI and organic/Fairtrade training and certification of women and men farmers through their membership organisations or service providers
- Sectoral gender analysis of the cotton sector
- Diversification of the cotton farm system through alternative/rotational crops and their marketing
- Setting up small-scale matching grants to enhance farmers' productivity with particular attention to vulnerable farmers, young people and women farmers
- Small-scale irrigation water infrastructure rehabilitation to increase farm-level water access
- Conducting climate-risk analysis on subnational level as a prerequisite for investment decisions in production
- Set-up of climate advisory services including e-advisory services and strengthening the capacities of women and men farmers to use them
- Conservation/restoration measures upstream in the watershed (regeneration of vegetation/reforestation etc.) within an integrative landscape approach
- Promotion of practices related to improved water and soil management and climate change adaptation (remote sensing technologies, water efficiency measures, climate smart farming techniques including digital skills for precise farming, soil conservation, integrated/biological pest management)

#### Activities relating to Output 2.1:

- Facilitation of strategic partnerships between producer groups/ membership organisations producing organic / Fairtrade/ BCI cotton and the buyers/ exporters actors in the processing sector
- Support to the processing of BCI and of organic cotton in the country
- Capacity-building of the management of the membership organisations of cotton farmers
- Diversification of income-generating activities of the organisations
- Improvement of the service package to farmers, including digital tools
- Asset-building and increase of the financial autonomy of the organisations
- Digitalisation of documentation and management procedures

#### Activities relating to Output 2.2:

- Establishment of strategic partnerships of the Action with lead firms via a competitive approach (based on calls for proposals)
- Facilitation of linkages to investors and buyers in international niche markets
- Mobilisation of high-level expertise for capacity-building of management, product design, optimisation of technical processes, digitalisation (e.g. digital literacy), energy-efficiency, waste management etc.)
- Linking up to finance for strategic investments into equipment, product development etc.
- Support to sector-wide quality management (e.g., standardisation and lab services)

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**



**Outcomes of the SEA screening** (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

**Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

**Outcome of the CRA (Climate Risk Assessment) screening** (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

**Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the project aims at improving women's participation in the cotton value chain and in the cotton-based farm systems through adopting gender transformative approaches. The Action will capture data disaggregated by sex. The Action will contribute to the implementation of the EU Gender Action Plan III<sup>6</sup>, notably its key thematic priority 3 "strengthening economic and social rights and the empowerment of girls and women" and "climate change and environment". Lessons learnt from other projects have shown that shifting from conventional cotton farming to sustainable/organic farming can have a very positive impact on the involvement of women and their employment opportunities. Within the cotton value chain, women are involved mostly in sowing, weeding and harvesting, and they make of the bulk of the work force in the cotton processing sector where there are opportunities for further skills development. Under the Better Cotton Initiative, numerous activities are geared toward reducing the gender gap which will be mainstreamed through the Better Cotton Standard System. Gender Lead or Gender Committees will be designated to support concrete action toward equal participation and recognition of women. Moreover, sectoral analysis will be elaborated to understand the gender challenges in deep. The criteria on decent work also benefit women specifically, e.g., via explicit non-discrimination against women and anti-harassment, training of women, equal pay and minimum wage etc.

**Human Rights**

Human rights-based approach and its key principle (participation, non-discrimination, accountability and transparency) will be integrated throughout the action. Analysis and assessments will be conducted to incorporate business conduct. Particular focus will be given to inclusive policies targeting women and persons living in vulnerable situations, including those left behind due to labour migration, and persons with disabilities.

**Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the action does not specifically target disability, but it will make sure all activities are accessible for individuals with disabilities.

**Reduction of inequalities**

Resource poor farmers are the most vulnerable actors in the cotton value chain. Basically all organic cotton farmers and the majority of BCI farmers are smallholders. Fluctuation of world market prices and price hikes of agricultural inputs are compounded by resource degradation and more frequent climate change induced weather events that affect productivity. Especially young farmers and women lack decision-making power and have relatively less access to information and financial resources to boost productivity. The Action addresses these key challenges through measures that will specifically improve the resilience of resource poor farmers and reduce inequalities. Based on a socio-economic survey, the vulnerable farmers will receive advice on context-specific, climate-smart planning and good practice for their farming operations through the existing network of technical advisors and benefit from matching grants to support productive investments into tools, equipment and basic facilities, in particular to diversify crops and income. Moreover, measures within the landscapes approach geared at reducing

<sup>6</sup> European Union, European Commission (2020). Joint Communication to the European Parliament and the Council: EU Gender Action Plan (Gap) III – an Ambitious Agenda for Gender Equality and Women's Empowerment in EU External Action. [https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final\\_en.pdf](https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf)

erosion, improving water access and efficiency and long-term conservation of soils will disproportionately benefit those farmers with the lowest coping capacity.

#### **Democracy**

Not targeted. The project will not directly be engaging on issues around democracy and no negative effects are expected.

#### **Conflict sensitivity, peace and resilience**

Not targeted. The project will not directly be engaged on issues around conflict sensitivity, peace and resilience, and no negative effects are expected.

#### **Disaster Risk Reduction**

The project through its strong focus on climate change adaptation and promotion of sustainable agriculture within a landscape approach addresses underlying causes of vulnerability to disasters which will contribute to the prevention of disasters experienced by farmers who are ultimately the main final beneficiaries of the Action together with SMEs.

#### **Other considerations if relevant**

N.A.

### 3.4 Risks and Lessons Learnt

<b>Category</b>	<b>Risks</b>	<b>Likelihood (High/ Medium/ Low)</b>	<b>Impact (High/ Medium/ Low)</b>	<b>Mitigating measures</b>
External environment	Fluctuating world market prices of cotton	Low	High	Support to the diversification of the client base of cotton producing/ processing companies and to the improvement of the financial autonomy of the membership organisations through diversification of income-generating activities.
	Climate change-related risks (extreme weather events, such as droughts, cold spells or extreme heat, early rains)	High	Medium to High	Specific measures in land management (climate-smart agriculture – varietal choice, planting calendar, water management upstream) based on climate risk assessments.
Planning, processes and systems	Fraud in organic certification (on international level)	Low	Medium	Minimising reputational risks through dealing with market actors only that have a proven track record of integrity.
	Excessive costs of bank credits (organic cotton cooperative)	High	Medium	Support to the diversification of the clients and mobilisation of traders' prefinance

People and organisation	Changes of personnel in key Government stakeholders	Medium	Medium	Close cooperation with partners in relevant institutions to ensure consistency of knowledge regarding the modalities and goals of the Action and the continuity of engagement and support in case of personal fluctuations.
	Management failures in membership organisations	Medium	High	Capacity development measures with regard to the operational and financial management of the meso level organisations
	Limited social accountability and monopolisation of political and economic power	Medium	Medium	Ensure that implementing partners reach vulnerable segment of farmer beneficiaries. Ensure transparency in support decisions to companies (e.g., through competitive calls for proposals)
Legality and regulatory aspects	Non transparent and arbitrary policies regarding production quota, taxation, inspection etc.	High	Medium	Through close cooperation and dialogue, creating awareness of partners in respective relevant political institutions about the challenges for the private sector actors.
	Deficient skills and capacity gaps with public sector partners causing delays in implementation	High	Medium	Implementing a multilevel approach in the area of capacity development and measures to strengthen the relationship between meso and micro level actors and enable the support from meso for micro level actors.

#### **Lessons Learnt:**

Certification to international standards of cotton (organic, Fairtrade, BCI) has been subsidised notably by GIZ over years. Efforts to strengthen the financial autonomy of membership organisations have shown encouraging results. This should be pursued in order to further professionalise the partnering membership organisations. Subsidies to production should focus on the soft indicators of standard (i.e. no strict requirements) related to the management of natural resources by farming communities within a climate-smart landscapes approach.

Complementary actions to boost diversification and productivity through small-scale grants to farmers within their farmer groups (tied to the provision of services to fellow farmers) have proven successful and low-risk in the current Rural Development Programme II financed by the EU. This approach allows to reach also the more vulnerable groups and women.

Upscaling of sustainable production certification needs to be commensurate with an increase in domestic and international demand. Collaboration with individual companies should be based on competition (e.g., through a Calls for Proposals mechanism). It will be important to promote investments into the modernisation of production equipment

and high-level technical and management expertise, but these should include a significant contribution (financial and others) by partnering companies that are geared toward the achievement of Key Performance Indicators.

### 3.5 The Intervention Logic

For Tajikistan, cotton is the most important cash crop, cheap and easy to store and the leading agricultural export commodity (16% of total exports), which is particularly important given its contribution to family income and rural livelihoods. Tajikistan is giving increased attention to value chain development, beyond agricultural production, with a stronger focus on processing and value addition to agricultural products for exports. The EU can be a key reference partner in this endeavour, by boosting the economic value while reducing the environmental impacts and enabling a green and climate-smart and inclusive transition in the sector.

The underlying intervention logic for the Action is that IF cotton farming communities (women and men in all their diversity) are trained and certified in cotton production methods according to internationally recognised voluntary sustainability standards AND climate-smart planning and decision-making processes regarding alternative crops for income diversification are technically and financially supported AND complementary actions in the farming environment such as restoration of degraded lands, erosion control, higher water efficiency and water infrastructure rehabilitation are carried out AND IF the policy environment on land use is conducive to public and private investments into sustainable land use THEN the climate resilience, and productivity and income of supported cotton-based farming households will be sustainably improved.

IF the membership organisations which promote and supervise the cotton farm certifications are supported to pursue financially sound business models AND IF the global cotton market outlook as well as domestic industrial and fiscal policies will not deteriorate AND the textile and clothes sector is effectively supported to expand its market outreach to niche markets where sustainably produced cotton is in demand (in particular in the EU, US etc.) through directed support to an upgrade of the financial, managerial and technical capacities of selected processing companies, THEN the value addition in the Textile and Cotton sector in Tajikistan will have significantly increased and a substantial contribution to a green transition of the Tajik economy via the cotton value chain will have been achieved.

In order to achieve these objectives, the Action will stimulate policy-based and gender sensitive policies and budgeting and monitoring, foster linkages with inclusive and sustainable industrialisation and innovation policies as well as promote digitalisation both to enhance information management and governance as well as for digital skills development.

### 3.6 Logical Framework Matrix

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	The Overall Objective of this action is to contribute to the socio-economic development of Tajikistan and the reduction and eradication of poverty by boost sustainable productivity growth, climate resilience and cotton-based value chains.	1 (GERF 1.1 SDG 2.3.2) Average income of small-scale food producers, by sex and indigenous status	1 Tbd	1 Tbd	1 Tbd	<i>Not applicable</i>
<b>Outcome 1</b>	1. The agricultural sector reform by supporting sustainable production methods in cotton-based farm systems within a landscapes approach and value chains is boosted; the benefits for farmers are increased and the environmental footprint of cotton farming is reduced	<p>1.1 (GERF 2.1) Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land (disaggregated by sex, age and disability if any)</p> <p>1.2 (BMZ St.Ind. KT5.3) Number of people who have benefited from natural resources that are used or managed in a way that conserves biodiversity (disaggregated by sex, age and disability if any)</p> <p>1.3 (BMZ St.Ind KT 2.4) Number of farms benefiting from access to financial services, inputs or agricultural advice.</p>	<p>1.1 Tbd</p> <p>1.2 Tbd</p> <p>1.3 Tbd</p>	<p>1.1 Tbd</p> <p>1.2 Tbd</p> <p>1.3 Tbd</p>	<p>1.1 Tbd</p> <p>1.2 Tbd</p> <p>1.3 Tbd</p>	

<b>Outcome 2</b>	2. The private sector development in sustainable cotton processing and incentives for investments in the processing phase of cotton is supported.	<p>2.1 (GERF 2.6) Number of MSMEs applying Sustainable Consumption and Production practices with EU support (% sex of MSME owner – GAP III)</p> <p>2.2 Percentage of sales of environmentally certified <i>cotton</i> out of the total sales made by MSMEs targeted by the EU-funded intervention(% sex of MSME owner – GAP III)</p>	<p>2.1 Tbd</p> <p>2.2 Tbd</p>	<p>2.1 Tbd</p> <p>2.2 Tbd</p>	<p>2.1 Tbd</p> <p>2.2 Tbd</p>	
<b>Output 1 relating to Outcome 1</b>	1.1 Integrated land use management approaches are anchored at the regional, national and local levels by focusing on entire landscapes including the adaptation to climate change and water management	<p>1.1.1 (GERF 2.9) Areas of terrestrial and freshwater ecosystems under (a) protection, (b) sustainable management with EU support (km2)</p> <p>1.1.2 (IPA PF 2.11) - Number of public policies <i>on land use</i> developed and/or revised with internal and external consultations with EU support</p>	<p>1.1.1 Tbd</p> <p>1.1.2 Tbd</p>	<p>1.1.1 Tbd</p> <p>1.1.2 Tbd</p>	<p>1.1.1 Tbd</p> <p>1.1.2 Tbd</p>	
<b>Output 2 relating to Outcome 1</b>	1.2 Cotton-based farm systems are diversified and environmentally, economically and socially more resilient	<p>1.2.1 Number of MSMEs that obtain firm-specific sustainability standards certification, disaggregated by sex and age group of the owner, enterprise size (% sex of MSME owner – GAP III)</p> <p>1.2.2 Number of <i>cotton growing communities/dekhan farms</i> using new skills/knowledge or practices to improve resilience to climate-related security risks</p> <p>1.2.3 (GERF 2.2) Areas of agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support</p>	<p>1.2.1 Tbd</p> <p>1.2.2 Tbd</p> <p>1.2.3 Tbd</p>	<p>1.2.1 Tbd</p> <p>1.2.2 Tbd 1.2.3 Tbd</p>	<p>1.2.1 Tbd</p> <p>1.2.2 Tbd</p> <p>1.2.3 Tbd</p>	

<b>Output 1</b> <b>relating to Outcome 2</b>	2.1 Commercial links between producer organisations and processors are strengthened to increase the processed volumes using sustainably produced cotton in Tajikistan.	2.1.1 Number of new formalised partnerships in the cotton value chain (between the economic actors)  2.1.2 Membership organisations improve their KPI (e.g. increase of membership base, diversification of income generating activities, outreach and quality of services to members etc.)	2.1.1 Tbd  2.1.2 Tbd	2.1.1 Tbd  2.1.2 Tbd	2.1.1 Tbd 2.1.2 Tbd	
<b>Output 2</b> <b>relating to Outcome 2</b>	2.2 The capacities of selected processing companies to enter international markets is strengthened.	2.2.1 Number of green investments of cotton processing companies facilitated through EU support  2.2.2 Number of new products /innovations introduced / markets conquered by cotton processing companies through EU support	2.2.1 Tbd 2.2.2 Tbd	2.2.1 Tbd  2.2.2 Tbd	2.2.1 Tbd  2.2.2 Tbd	

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Tajikistan.

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this Action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the Action with EU restrictive measures<sup>7</sup>.

#### 4.3.1 Direct Management (Procurement)

The EU will provide technical assistance (TA) to the Tajik government authorities and in particular the Ministry of Agriculture and the Ministry of Industry, among others, for a dedicated advisory/technical support. The technical assistance will provide policy support for introducing and lobbying sustainable and inclusive cotton production systems and value chains at policy level as well as capacity building to the various ministries and agencies.

TA is foreseen for Specific Objectives 1 and 2. It will be implemented through direct management as TA (procurement). The TA will focus on capacity building of the beneficiary ministries and relevant agencies to improve policy development and support sectoral coordination and exchange between ministries and different levels of administration. The TA will work on developing the skills, knowledge and competencies of these ministries and institutions to implement reforms in the policy areas of this programme in a sustainable long-term perspective. It will support the Ministry of Agriculture in the context of its MoU signed with the Better Cotton Initiative and the Ministry of Industry in the implementation of its national strategy for the development of the cotton and textile industry gender and human rights responsive. For both ministries and agencies the TA will support Monitoring and Evaluation capacity.

#### 4.3.2 Indirect Management with an entrusted entity

This Action may be implemented in indirect management with an entity, which will be selected by the Commission services using the following criteria: an entity having successful record of cooperation with Tajikistan and the Tajik Government in the areas of

- a) sustainable economic development and employment creation (in particular in agriculture and in the cotton sector); and
- b) trade facilitation and working with the private sector; and
- c) sustainable land use; and

<sup>7</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.



d) broad experience in testing and adapting business development and product processing in the agriculture sector; and

e) the promotion of innovation in value chains, incentives for investments, marketing assistance and advice to improve the governance of local institutions and regional interconnectivity as well as respect human rights and women rights.

The implementation by this entity entails:

- To boost the agricultural sector reform by supporting sustainable production methods in cotton-based farm systems within a landscape approach and inclusive value chains; increase the benefits for farmers (women and men in all their diversity) as well as to reduce the environmental footprint of cotton farming (S.O.1).
- Support private sector development in sustainable cotton processing and incentives for investments in the processing phase of cotton (S.O.2).

#### 4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the implementation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.5 Indicative Budget

Indicative Budget components <sup>8</sup>	EU contribution (amount in EUR)	Third-party contribution, in EUR
<b>Indirect management</b> – cf. section 4.3		
<b>Indirect management with an entrusted entity</b> - cf. section 4.3.2	16 600 000	N.A
<b>Specific objective 1:</b> <i>To boost the agricultural sector reform by supporting sustainable production methods in cotton-based farm systems within a landscape approach and value chains; increase the benefits for farmers as well as to reduce the environmental footprint of cotton farming.</i>	9 600 000	N.A
<b>Specific objective 2:</b> <i>Support private sector development in sustainable cotton processing and incentives for investments in the processing phase of cotton.</i>	7 000 000	N.A
<b>Procurement (direct management)</b> – cf. section 4.3.1	3 000 000	N.A.

<sup>8</sup> N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

<b>Evaluation</b> – cf. section 5.2	280 000 <sup>9</sup>	N.A.
<b>Audit</b> – cf. section 5.3		
<b>Contingencies</b> <sup>10</sup>	N.A	N.A.
<b>Totals</b>	19 880 000	N.A

## 4.6 Organisational Set-up and Responsibilities

Organisational set-up and responsibilities will be negotiated and agreed upon with the entrusted entity and will be relevant to their proposal. The European Union Delegation to Tajikistan will be closely involved in the discussion together with the partner country and will participate in any Steering Committee in order to ensure the appropriate steer and leverage.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this Action and ensuring effective coordination.

# 5 PERFORMANCE MEASUREMENT

## 5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Indicator values will be measured depending on the nature of the activities, including gender disaggregation. All monitoring and reporting shall assess how the Action is taking into account the human rights-based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The entrusted entity will be in charge of reporting progress on indicators based on data collection, analysis and monitoring in coordination with government ministries and agencies. This will be more detailed at the time of contracting. Baseline, targets, sources of data and assumptions of the Logical Framework Matrix will be quantified and provided at the time of signature of the contract at the latest.

## 5.2 Evaluation

Having regard to the nature of the action, a mid-term and final evaluations will be carried out for this Action or its components via independent consultants contracted by the Commission.

<sup>9</sup> Where the action is not covered by a financing agreement (see section 4.1), but 'will be covered by another Decision' as it is unlikely that evaluation and audit contracts on this action would be concluded within N+1. These contracts have to be authorised by another Financing Decision.

<sup>10</sup> Consider that for contracts where no financing agreement is concluded, contingencies must be covered by individual and legal commitments by 31 December of N+1.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to maximise the sustainability and impact of the project.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account particular aspects of the project such as the leverage for incentives for investments in the processing phase of cotton in Tajikistan.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination<sup>11</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract. An additional assessment regarding the respect of human rights and gender equality can be commissioned, for which specific expertise will be allocated. The implementation of the five working principles of the human rights-based approach (participation, non-discrimination, respects to all rights, transparency and accountability) will be assessed and evaluated.

### 5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## 6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

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<sup>11</sup> See best [practice of evaluation dissemination](#)

## Appendix 1 REPORTING IN OPSYS

A Primary Intervention<sup>12</sup> (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

<b>Action level (i.e. Budget Support, blending)</b>		
<input checked="" type="checkbox"/>	Single action	
<b>Group of actions level (i.e. top-up cases, different phases of a single programme)</b>		
<input type="checkbox"/>	Group of actions	
<b>Contract level</b>		
<input type="checkbox"/>	Single Contract 1	
<input type="checkbox"/>	Single Contract 2	
	(...)	
<b>Group of contracts level (i.e. series of programme estimates, cases in which an Action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)</b>		
<input type="checkbox"/>	Group of contracts 1	Indirect management with an entrusted entity Procurement (direct management)

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<sup>12</sup> For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'Action' and 'Intervention' where an 'Action' is the content (or part of the content) of a Commission financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).