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Report No: 43839-TJ

FOOD PRICE CRISIS RESPONSE TRUST FUND

PROJECT PAPER

ON A

PROPOSED ADDITIONAL FINANCING GRANT

UNDER THE GLOBAL PRICE CRISIS RESPONSE PROGRAM

IN THE AMOUNT OF US$4.0 MILLION

TO THE

REPUBLIC OF TAJIKISTAN

FOR THE

COMMUNITY AND BASIC HEALTH PROJECT

May 27, 2008

Human Development Sector Unit
Central Asia Country Unit
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 22, 2008)

Currency Unit = Tajikistan Somoni
TJS 3.4308 = US$1.00

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CBHP	Community and Basic Health Project
FAO	Food and Agricultural Organization
FM	Financial Management
GFPCR	Global Food Price Crisis Response
IDA	International Development Association
IFI	International Financial Institutions
IFRs	Interim Un-audited Financial Reports
MCH	Mother and Child Health
MDG	Millennium Development Goals
MOH	Ministry of Health
NGO	Non-Governmental Organization
PDO	Project Development Objective
PHC	Primary Health Care
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish International Development Cooperation Agency
UN	United Nations
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Vice President:	Shigeo Katsu
Country Director:	Annette Dixon
Sector Director:	Tamar Manuelyan-Atinc
Task Team Leader:	Pia Schneider

PROJECT PAPER DATA SHEET

Date: May 27, 2008 Country: Republic of Tajikistan Project Name: Additional Financing to the Community and Basic Health Project Project ID: P112136	Team Leader: Pia Schneider Sector Director: Tamar Manuelyan Atinc Country Director: Annette Dixon Environmental Category: C
Recipient: Republic of Tajikistan Responsible agency: Ministry of Health	

Revised estimated disbursements (Bank FY/US$m)

FY	**2006**	**2007**	**2008**	**2009**	**2010**
Annual	.64	1.64	8.00	6.72	3.00
Cumulative	.64	2.28	10.28	17.00	20.00

Current closing date: March 31, 2010
Revised closing date [if applicable]: N/A

Does the restructured or scaled-up project require any exceptions from Bank policies?	○ Yes X No
Have these been approved by Bank management?	○ Yes ○ No
Is approval for any policy exception sought from the Board?	○ Yes X No

Revised project development objectives/outcomes ***[If applicable]***

Not applicable. The PDO will remain the same: that is, increase access to, utilization of, and patient satisfaction with health services in project-supported areas, and to build capacity and efficiency at national and selected oblast and rayon levels in administering the basic package of health benefits.

Does the scaled-up or restructured project trigger any new safeguard policies? No
If so, **click here** to indicate which one(s) *[selection box like the one in the new ISR]*

For Additional Financing

[ ] Loan [ ] Credit [X] Grant
For Loans/Credits/Grants:
Total Bank financing (US$m.): US$4.0 million
Proposed terms: IDA acting as Trustee for the Food Price Crisis Response Trust Fund

Financing Plan (US$m.)

Source	Local	Foreign	Total
Recipient	0.0	0.0	0.0
Additional Financing FPCR Trust Fund	4.0	0.0	4.0
Total	4.0	0.0	4.0

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I. INTRODUCTION

1. Tajikistan is suffering from multiple stresses, compounded by the global food crisis. The extremely harsh winter of 2007-08, combined with power shortages and high energy prices, has already imposed great hardship and rising expenses on the population, particularly in rural areas. The sharply rising prices of imported food have exacerbated the difficulties for the poor. The country now faces a food shortage, high food prices, and a locust infestation. A United Nations (UN) Flash Appeal was conducted to address the humanitarian crisis following the severe winter, including measures to address the food crisis. More recently, the Food and Agricultural Organization (FAO), the World Food Programme (WFP) and the United Nations Children's Fund (UNICEF) are conducting a needs assessment which has identified urgent priorities including: i) nutrition (special emphasis on children), and ii) the provision of agricultural inputs to the most needy and vulnerable the country. The Government of Tajikistan has made an urgent plea for support from the international community.

2. The Bank proposes to provide support through: (i) additional financing for the Community and Basic Health Project; and (ii) a separate emergency operation to provide agricultural inputs to the most needy and vulnerable groups. The latter will channel resources through the UN system. Both activities will be financed from the Food Price Crisis Response Trust Fund.

3. The Project Paper seeks the approval of additional financing in an amount of US$4.0 million (P112136) to the Tajikistan Community and Basic Health Project (CBHP) (P078978).

4. The proposed additional financing would help finance the costs associated with an additional intervention that will provide nutritional supplements and nutrition education to pregnant and lactating women, and investment in growth monitoring in primary health care centers. This is a scaled-up activity of Component C of the CBHP to enhance the impact of the well-performing CBHP.

5. Partnership arrangements: Swedish International Development Cooperation Agency (SIDA) and the Swiss Agency for Development and Cooperation (SDC) are co-financing the ongoing project.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING IN THE AMOUNT OF $4.0 MILLION.

Food crisis and reasons for urgent need of funds

6. Tajikistan is suffering from multiple stresses, compounded by the global food crisis.

- The extremely harsh winter of 2007-08, combined with power shortages and high energy prices, has already imposed great hardship, including stress on health, and rising expenses on the population, particularly in rural areas.
- The sharply rising prices of imported food have exacerbated the difficulties for the poor.
- The availability of credit for all farmers is now very low, but small scale farmers are particularly affected, and are at risk of not being able to acquire needed inputs for the next production cycle.

7. In 2007, food price inflation was 27.5 percent. Within the food basket, the price of bread rose by 49.6 percent in 2007, reflecting the rapid global rise in wheat prices. Such a large increase in the price of bread will affect the living standards of the poor, because it comprises a large share of their consumption basket. Improving the health of the population is a core objective of the Tajikistan Poverty Reduction Strategy Paper (PRSP). Similarly, improvement in sector performance and health status are key objectives of the government's reform program and efforts to meet the Millennium Development Goals (MDGs). Tajikistan reports relatively weak results for child health and nutrition indicators (Table 1). The current food crisis is threatening to aggravate these health outcomes particularly among low-income groups, who have little funds available to pay for food and other pressing needs.

Table 1: Child health, 2005-2006

	Tajikistan	Kazakhstan	Kyrgyzstan	Turkmenistan	Uzbekistan
Under 5 Mortality per 1,000 live births	**68**	29	41	51	43
Infant Morality Rate per 1,000 live births	**56**	26	36	45	38
Diarrheal disease, % children <5	**22**	48	22	25	28
Low birth weight % live births	**10**	6	5	4	5
Iodine deficiency % households	**46**	92	76	87	53
Underweight prevalence* - % moderate and severe	**17**	4	3	11	5
- % severe	**4**	1	0	2	1
Stunting prevalence* - % moderate and severe	**26.9**	12.8	13.7	14.5	14.6
- % severe	**9.1**	4	3.7	4.4	4.3
Wasting prevalence* - % moderate and severe	**7.2**	3.8	3.5	6.2	3.3

Source: Unicef Statistics, 2005 and 2006, www.childinfo.org.
Note: * in % of children under 5 years of age

8. The Government notified the international financial institutions (IFIs) of these circumstances and is seeking assistance to mitigate the situation. The Government requests additional financing to fund the scale-up of preventive health care activities associated with nutritional health to enhance the development impact, and mitigate the risk of increased malnutrition as a result of the food price crisis.

Proposed bank response and strategy:

9. There is an urgent need to supply food and agricultural inputs to the most needy and vulnerable. Currently FAO, WFP and UNICEF are conducting a needs assessment (to be completed by May 23, 2008) looking at: i) nutrition (special emphasis on children), ii) household food security; and iii) the agriculture sector as a whole.

10. **Using ongoing IDA-funded Community Based Health Project (CBHP) to support nutritional supplementation and nutrition education, as well as investment into growth monitoring of children in PHC centers:**

11. The **development objective of the CBHP** is to increase access to, utilization of, and patient satisfaction with health services in project-supported areas, and to build capacity and efficiency at national and selected oblast and rayon levels in administering the basic package of health benefits (BBP) and per capita financing for primary health care (PHC). There have not been any changes to the development objective or project design.

12. **CBHP has the following components:**

- **Component a)** finances training, local and international technical assistance, workshops/seminars, study tours and minor civil works to help strengthen coherence and coordination in policymaking, policy analysis and the management of donor support by Ministry of Health (MOH).
- **Component b)** finances training, local and international technical assistance, workshops/seminars and study tours to help support the implementation of per capita financing for primary health care and implementation of the Basic Program of Medical Care Services.
- **Component c)** finances local technical assistance, training, medical equipment and civil works to help renew the primary health care (PHC) infrastructure in two to four rayons in Sughd and Khatlon oblasts and support complementary measures to improve service delivery and outreach.
- **Component d**) finances equipment, operating costs and local technical assistance for a Project Implementation Unit (PIU) consisting of a Director, Deputy Director, Financial Management Specialist, Procurement Specialist, Procurement Assistant, Chief Accountant, Cashier, Legal Advisor, Office Manager and Assistant, Translator, drivers and other auxiliary staff

13. **Overall CBHP project progress is satisfactory, and provides an excellent opportunity to successfully implement the additional funds.** Project implementation is managed by a very strong PIU. The total loan amount for CBHP is US$19.7 million equivalent, of which $11.29 million is from IDA, US$7.71 from SIDA Sweden and US$0.72 from SDC Switzerland. Of IDA funds, US$4.7 million (44.5%) have been disbursed. Disbursement rates for SIDA funds are 34% and for the Swiss funds 29%. All activities supported by the project are underway and disbursement is on time as projected with about 40% of total project funds of disbursed as of May 20, 2008. The CBHP became effective on April 18, 2006. The Mid-Term Review of the CBHP is scheduled for October 2008; and the expected Closing Date is March 31, 2010.

Institutional and organizational capacity in the health sector is weak

14. Although the ongoing CBHP and other donor-funded activities support the provision of health care in public facilities, the delivery system suffers from deficiencies including the lack of well-trained staff, insufficient funds to pay for salaries and other operational costs, and corruption and informal payments charged by health staff which all set barriers in access to care. Therefore, it is proposed that existing NGOs are used to support PHC centers in the distribution of nutritional supplements to mothers.

III. PROPOSED CHANGES:

15. **The development objective of the Project remains unchanged.** The Additional Financing will help to improve the nutritional status of women and children focusing on two forms of malnutrition (i) under-nutrition caused by inadequate intake of quantity of calories and protein, including through inadequate breastfeeding; and (ii) specific deficiency resulting from a lack of Vitamin A deficiency, and iron and folate deficiency. Improved nutrition is expected to improve health outcomes. Investment in growth monitoring in PHC centers will help early detection of wasting and stunting among children and allow immediate actions for treatment.

16. **The additional intervention is to provide** nutritional supplements and nutrition education to pregnant and lactating women, infants and small children. This could be done effectively using the existing Primary Health Care system, and NGOs, many of which have extensive experience with Mother and Child Health (MCH). These NGOs include Mercy Corps, Aga Khan Foundation, and Save the Children. Similarly as in Afghanistan and other countries, performance-contracts could be signed with NGOs who will deliver nutritional supplements and education to the target groups. Growth monitoring of children in PHC centers will be strengthened to identify whether the food crisis is leading to increased wasting rates, which should trigger immediate actions to care for the acutely malnourished children. Thus grant funds will be used to provide the necessary equipment to PHC centers including scales, measuring boards and patients registers. WHO and UNICEF are providing training to health workers on the new WHO growth standards, and the MOH has revised the treatment protocol. The implementation of this intervention can be supported under the public relations component of CBHP that targets health information to the population on relevant topics.

17. **We propose additional financing to Component C of the Project, "Strengthening Primary Health Care (PHC)", which is on-going in Selected Rayons in two Oblasts** (originally US$8.06 million baseline cost) of the CBHP.

18. **Operationally**, the additional funds added to Component C would have to cover expenses related to central procurement of commodities by the PIU; temporary storage of commodities by the MOH; the full cost of delivering services throughout the country (i.e. NGO costs incl. overheads, storage, staff time, fuel, etc.); administrative costs for the overall program; and some provision for independent oversight and external monitoring of the NGOs (possibly in combination with a performance-based contract for the NGOs themselves, to stimulate performance), similarly as this was done in Afghanistan. A three-phased approach is suggested. First, health facilities in the current CBHP rayons in the two oblasts (Kathlom and Sughd) are targeted with these additional funds. Then, the activity will be scaled-up to the remaining rayons in the same two oblasts, with a population of 4.5 million. Third, the remaining oblasts in Tajikistan are provided selected additional activities to complement support by UNICEF and WHO.

Estimated Costs

19. Costs are estimated using the figures from Component C, where we already have NGO proposals for similar work.

20. The table below presents estimated costs for the provision of nutritional supplements and nutrition education (costs reflect 2006 estimates). These estimates are based on the following assumptions. Tajikistan has a population of 7 million. Approximately, 1.7 million women are in

reproductive age. About 10% of them - who are pregnant or lactating that is approximately 200,000 women - are targeted for nutrition education and for micro-nutrients supplements (Vitamin A). Iron and folic acid will only be distributed to 80,000 pregnant and lactating women in Khathlom and Sughd oblasts. Growth monitoring equipment will be delivered to 1,200 PHC centers in the two CBHP oblasts. UNICEF covers the rest of the country. Women who are undernourished and visit a PHC center for prenatal care, delivery or child vaccination will receive during each visit of these three visits a food package including 2kg of oil, sugar, rice and flour. About $200,000 per year of the total additional funds are estimated to be spent on overheads and distribution. An additional $200,000 per year are planned for Monitoring and Evaluation, including co-financing together with UNICEF the national nutrition survey which will be carried out by the national statistics office. Table 2 provides an overview.

Table 2: Estimated costs to implement additional financing of US$4 million

	Unit cost (US$) per unit	Estimated Beneficiaries per year	Year 1 (in US$'000)	Year 2 (in US$'000)	Total (in US$'000)
C3. Nutrition education, nationwide	0.5	200,000	100	100	200
C3. Vitamin A supplement to postpartum women, nationwide	0.5	200,000	100	100	200
C3. Iron & folic acid supplements for pregnant & lactating women in Khatlon & Sughd	1.5	80,000	120	120	240
C4. Growth monitoring equipment in PHC centers in Khatlon & Sughd:	500	1,200	600		600
C5. Food package for undernourished women receiving prenatal care, delivery, or vaccination in PHC centers in poorest rayon	10	120,000	1,200	1,200	2,400
Sub-total			**2,120**	**1,520**	**3,640**
Monitoring & Evaluation			80	80	160
Overhead: storage and distribution costs			100	100	200
TOTAL in US$'000			**2,300**	**1,700**	**4,000**

Source: The World Bank (2006). Repositioning nutrition as central to development: a strategy for large scale action

IV. CONSISTENCY WITH CAS:

21. The Project (including the activity financed through the Additional Financing) remains consistent with the current Country Assistance Strategy for Tajikistan, which also aims at improving delivery of social services to the population. By focusing on improving the nutritional status of women and children with supplements and investment in growth monitoring in PHC centers, the Additional Financing would complement activities in PHC centers that are being supported by the World Bank CBHP.

22. The additional nutrition component will contribute to the prevention of illness, and allow mothers to nourish their children and contribute to the socio-economic wellbeing of their households. Prevention of illness will protect households from expenditures caused by ill-health

that could eventually push some near-poor households into poverty and poor households deeper into poverty.

V. APPRAISAL OF SCALED-UP PROJECT ACTIVITIES

Technical

23. The strategy to for improving the nutritional status of women and children is in line with the poverty reduction strategy and the overall Joint Donor Support Strategy for Tajikistan. The planned activities also build on the experience accumulated during the implementation of the ongoing CBHP and the previous health project, and can eventually be incorporated into the new health project that is currently being prepared and scheduled to become effective in FY10. International assistance under the different health projects will provide guidance on the best options to reach effectively the target groups.

Economic

24. The intervention is justified to correct a failure of the existing food and nutritional situation which could cause weakest society members among them pregnant women, mothers and small children, to be excluded from a healthy diet and negatively affect their health (and for children, their cognitive) status. The additional nutrition component is expected to contribute to the prevention of illness, and allow mothers to nourish their children and contribute to the socio-economic wellbeing of their households. Prevention of illness will protect households from expenditures caused by ill-health that could eventually push some near-poor households into poverty and poor households deeper into poverty. Based on this activity we expect that the economic hardship caused by the food crisis particularly for poor households, will be slightly mitigated, as prevention with nutritional supplements will lead to fewer illnesses – and more importantly, will reduce long-term cognitive deficits caused by inadequate/low quality nutrition at the most critical stages of brain development.

Institutional

25. Project implementation arrangements of the Tajikistan CBHP have worked very well over the past years and will be continued for the Additional Financing activities. The implementing agency will continue to be the Ministry of Health (MOH), and collaboration with other organizations including PHC centers and NGOs will be intensified. The Project Implementation Unit (PIU) which is established in the MOH, will execute activities planned under the additional financing. The MOH will continue to have overall responsibility for the Project including the technical oversight of all activities.

26. Because of the experience and strong capacity of its existing staff, the PIU will also coordinate the future activities envisaged to be implemented under the new health project which is scheduled to become effective in FY10. The combined operational costs will be reduced.

Fiduciary

Procurement

27. Procurement for the additional financing will be carried out in accordance with the rules applied to the ongoing health project (CBHP). The procurement plan will have to be updated to include the additional activities done under Component C.

Financial Management and Disbursement Arrangements

28. The financial management responsibilities for the Additional Financing will remain with the PIU within the MOH which is in charge of implementing CBHP. The PIU will be responsible for the flow of funds, accounting, reporting, and auditing. There would be no changes in financial management and disbursement arrangements. To facilitate timely disbursements for eligible expenditures on goods, services, operating costs and training under this Project the Recipient will open and operate, under terms and conditions acceptable to IDA, a Designated Account in US dollars in a commercial bank acceptable to IDA. The ceiling of the Designated Account will be US$800,000. The CBHP PIU will be responsible for submitting applications documenting advances from the Designated Accounts on a monthly basis.

29. With the proposed Additional Financing, total project funds will be amounting to about US$20 million (including co-financing) which highlights the importance of reporting to ensure that all financial management arrangements for the additional financing will be acceptable.

30. The financial management arrangements of the CBHP PIU have been reviewed periodically as part of project supervision and have been found to be satisfactory. According to the latest Fiduciary Portfolio Review of the CBHP in May 2008, the financial management arrangements of the Project continue to be satisfactory and the control procedures are in place. Audits of Project financial statements for the CBHP have been submitted within due date, and audit opinion for the year ended December 31, 2006 was clean and there were no internal control issues in the management letter. The quarterly financial monitoring reports are submitted timely and provide reliable financial information. The PIU is adequately staffed and appropriate controls and procedures have been instituted.

31. Additional internal controls would be implemented by the PIU, including (a) selection of new NGOs, if any, using criteria as under CBHP, and most of them are large NGOs which work country-wide and are well-established (e.g. Aga Khan), (b) selection of beneficiaries, (c) purchase, storage and transportation controls of nutrition supplement at the MOH, (d) controls over distribution of nutrition supplement to NGO and beneficiaries, and (e) verification of randomly selected beneficiaries by PIU or independent consultants.

32. The existing FM capacity in the PIU is fairly large and will be adequate to cover additional activities and particularly their impact on the capacity to oversee and monitor the additional NGOs. In addition, the PIU will add additional FM staff on a contractual basis to cover any additional responsibilities.

33. Auditing and financial reporting arrangements will be the same for the Additional Financing as for the whole CBHP. The audit of the Project will be conducted by independent private auditors acceptable to the Bank, on terms of reference acceptable to the Bank. The annual audited project financial statements will be submitted to the Bank within six months of the end of

each fiscal year and also at the closing of the project. The cost of the audit will be financed from the proceeds of the project funds.

34. Interim Un-audited Financial Reports (IFRs) will be submitted quarterly. The existing formats of the IFRs will be used. The PIU will submit them to the Bank no later than 45 days after the quarter end.

35. The financial management arrangements of the Project are acceptable to the Bank. The overall FM risk for the Project is moderate.

Environmental and Social

36. The Additional Financing will invest in nutritional supplements and education targeted to mothers and children. No safeguard policies are envisaged to be triggered; therefore, an Environmental Category "C" is expected to be established by our Regional Safeguards Unit.

VI. EXPECTED OUTCOMES:

37. The PDO will remain the same that is increase access to, utilization of, and patient satisfaction with health services in project-supported areas, and to build capacity and efficiency at national and selected oblast and rayon levels in administering the basic package of health benefits. It is expected that the activities financed by the additional funds will contribute to better prevention of illness among mother and children that would otherwise most likely be caused by the food crisis; and to identify the impact of the food crisis on the growth status of children. Therefore, the proposed changes will not affect the Project's expected outcomes.

38. Progress towards the development objectives supported by the Additional Financing will be monitored with the following new indicators that will be proposed for monitoring and evaluation. However, the exact indicators will have to be confirmed once we have identified the specific micro-nutrients that are missing, which may be different than the Vitamin A and iron tablets mentioned below:

1) % of mothers who received a **high-dose vitamin A supplement** before their infant reached 8 weeks of age
2) % of pregnant women (groups at risk) covered by **distribution of iron tablets**
3) % of women and children with **access to foods fortified** with vitamin A
4) % of women and children with **access** to (and/or consuming) **iron-fortified foods**
5) % of pregnant women receiving at least one formal nutrition education session during their pregnancy
6) % of women with children <1 receiving at least one formal nutritional education session in the post-natal period
7) % of women exclusively breastfeeding at six months
8) % of undernourished women who received food package
9) Prenatal visit rates in poorest rayons
10) Delivery rates at PHC centers in poorest rayons
11) Stunting prevalence
12) Wasting prevalence
13) Underweight prevalence

VII. BENEFITS AND RISKS:

39. The main benefits are related to better prevention of the health status of vulnerable low-income groups that the Project would support. They include improved compliance rates for micro-nutrients and a decrease in Iodine deficiency. The following table presents an overview on the possible risks, and measures to mitigate the impact of these risk factors.

Risk	Risk Rating	Risk Mitigation Measure
Risks to Additional Project Financing for Component 2		
Economic and environmental crises in the country which could trigger political instability and unrest	M	Develop a program to minimise the impact of the economic and environmental crises
Women will not take the micro-nutrients provided to them and their children	M	Provision of educational and information activities targeted to the population on the health benefits of the supplements to ensure the proper intake of the micro-nutrients.
Nutrition education program does not lead to behavioral change	M	UNICEF involvement in design of materials using formal behaviour communication change models; emphasis on breastfeeding rather than change of dietary habits

Risk Rating: H-High; S-Substantial; M-Moderate; N-Negligible or low risk

VIII. FINANCIAL TERMS AND CONDITIONS FOR THE ADDITIONAL FINANCING

40. The original financing was provided on IDA grant terms. The Additional Financing would be provided as a grant from IDA acting as Trustee for the Food Price Crisis Response Trust Fund.