

**Saving Book Approach in Tajikistan
Analysis of the existing experience and
recommendations for further development and implementation**

Final Report

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Executive summary

Joint Forest Management (JFM) and similar approaches seem relevant for the management of forests, where all stakeholders benefit from their participation immediately. However, forest areas, which are severely degraded and have no direct benefits to the users, are unsuited for the JFM approach due high labour costs. As a result, these areas remain left out from JFM activities. It is against this background that the Saving Book Approach (SBA) has been developed. The main objective of the SBA is the reforestation of severely degraded forest areas. This approach was developed as an incentive system to bridge the high-labour cost/low-income phase of reforestation activities.

In Tajikistan, since 2011 and 2015, SBA was implemented in Shugnan and Panjakent districts consequently, where the State Forestry Agency was supported by the GIZ projects¹. The **objective of the consultancy** is to carry out a desk study research on developing recommendations for SBA based on the international and national experiences. The following strategic recommendations for further implementation of SBA can be concluded:

- The so far gained experience of SBA can play a crucial role in designing the successful reforestation and financial instruments (for example in the framework of the upcoming Forestry NAMA). However, cost-effectiveness evidence of SBA requires more experience and testing of different setting of the approach across different landscapes, regions, durations, ownership etc.;
- So far, SBA lacks business case and market demand perspective that need to be carefully considered in further implementation of SBA. Through microfinance institutions, these perspectives are necessary to be acknowledged. This provides a possibility for SBA to become a truly income generating approach. The technical knowledge of SFE needs to be combined with the knowledge of microfinance institutions on business development and marketing;
- If SBA would be disseminated at larger scales, the payment setting of SBA can be achieved through various forms, such as full credit, half grant and half credit, half grant and half tenants' contribution, half credit and half tenants' contribution. The setting strongly depends on the site-specific conditions of the selected area perception of the local population;
- Environmental and social benefits (positive and negative environmental impact, adaptation mitigation measures, climate change considerations) need be studied and included in the overall concept of the approach;
- Land ownership aspect plays a key role in the sustainability of the approach and should be taken into account within the preparation and implementation.
- Further dissemination of SBA requires a strong scaling-up concept and identification of partners (state, private partnerships, development partners, banks).

Furthermore, the report includes a list of key questions to guide the designing and implementation of further SBA schemes in Tajikistan and beyond.

¹ In the Shugnan district the implementation of SBA approach was supported by the Sustainable Management of Natural Resources in Gorno Badakhshan project; In Panjakent district it was supported by the Anpassung an den Klimawandel durch nachhaltige Waldbewirtschaftung project.

1 Objective of this assignment

As per the terms of reference, the objective and the specific tasks of this assignment were as follows:

Objective of the consultancy

To carry out a desk study research on developing a model for Saving Book Approach (SBA) based on the international and national (Tajikistan) experiences

Expected results

Literature research on the Saving Book Approach based on international and national (Tajikistan) experiences and formulation of recommendations for an improved Saving Book Approach (SBA).

Methodology

- To analyze international best practices related to SBA
- To analyze national experience on SBA through interviews with national experts and literature analysis (in total three interviews were conducted with the GIZ project experts (facilitating the process), one interview with the representative of the microfinance institution participating in the approach implementation in Shugnan district, two tenants representative in the Shugnan district).
- Based on the analyzed experiences, developing strategic recommendations for further SBA development in Tajikistan

2 Saving Book Approach in a nutshell

2.1 Saving Book Approach (SBA) objective

Joint Forest Management (JFM) and similar approaches seem relevant for the management of forests, where all stakeholders benefit from their participation immediately. However, forest areas, which are severely degraded and have no direct benefits to the users, are unsuited for the JFM approach due high labour costs. As a result, these areas remain left out from JFM activities. Consequently, it has often been observed that the pressure on neighboring forest areas increases over time.

It is against this background that the Saving Book Approach (SBA) has been developed. The main objective of the SBA is the reforestation of severely degraded forest areas in collaboration with the local population. This approach was developed as an incentive system to bridge the high-labour cost/low-income phase of reforestation activities. Therefore, the time horizon of SBA varies depending on the site-specific conditions. The centerpiece of the approach design is the establishment of deposit accounts for tenants participating in reforestation of a specific area. Each interested person obtains a specific area, for which year clear goals for achieving reforestation (such as fencing, planting, maintenance etc.) are formulated by the participating parties, which are a strict precondition for the withdrawal of the annual share. If the results of a joint monitoring of the activities is positive, the annual share will be withdrawn by the tenant. If not, the planned activities of the previous year can be achieved the following year, in which case the cash withdraw will include two years respectively.

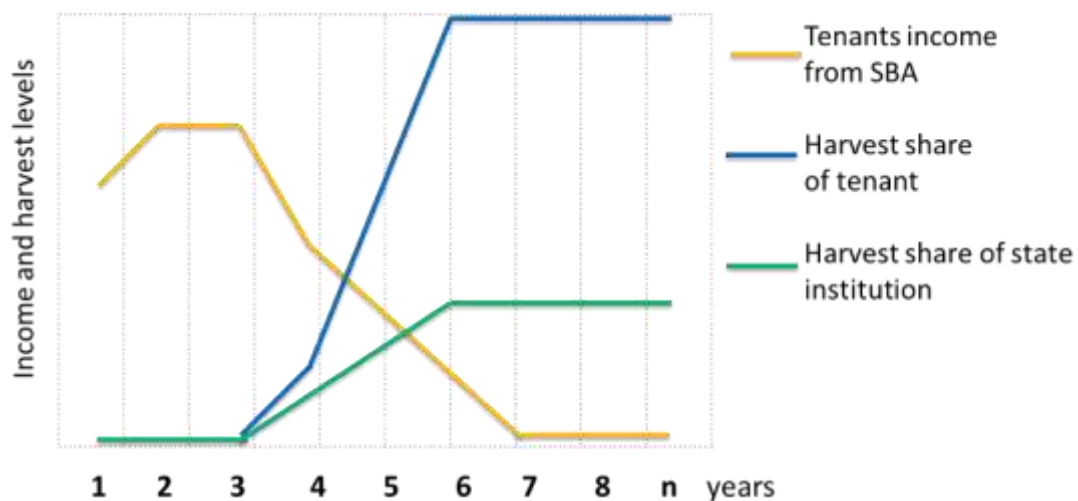


Figure 1: SBA costs and benefits in a nutshell (adapted from GIZ, 2012)

2.2 Vietnam experience on SBA

The Saving Book Approach was implemented by a project of Deutsche Kreditanstalt für Wiederaufbau (KfW) in Vietnam, starting in 1999. The Project's general objective was to contribute to afforestation and soil conservation in the Northern Provinces of Bac Giang, Quang Ninh and Lang Son. The scope included the afforestation of a total of ca. 15,500 hectares of bare lands and its management after planting. The centerpiece of the Project's design was the establishment of deposit accounts for farmer participation in planting and maintenance. Each interested farmer obtained an area between 1 and 2 hectares for afforestation. The allocation of land was certified through the so-called Red Book Certificate, providing the needed land tenure security. At the same time a deposit book was established under the farmer's name at a rural bank and the amount of US\$ 200-250 (depending on species and plot size) was credited under the farmer's name. In relation to the average per capita income in the region, which varies from 150-200 US\$ per year, the saving deposit is a sufficient incentive to involve the farmer in forestry activities.

Farmer's contributions included the preparation of the plantation site, planting of saplings and maintenance of the plantation. Seedlings were provided free of charge and the provincial and district forestry authorities advised farmers through the Project's extension service on technical matters such as site/species matching, and the use of fertilizer.

Depending on the compliance with the agreed management procedures, the holder of the deposit account received limited access to the account for a period of nine years. During the first two years, after completed planting, the holder of the deposit account could withdraw 15% of the principal amount plus interest earnings. The remaining amount plus interest earnings for each year could be withdrawn by the farmer during the following 7 years once a year and at times of highest cash income needs. However, due to the high labor input at the beginning of plantation establishment, payments of the deposit accounts did not fully compensate the farmer's labor input during the first two years. Payments from the saving deposit, however, exceed labor needs during the subsequent years, which are often critical for plantation success. The household's performance in forest management was regularly checked by the forestry authorities in the presence of representatives of the village. Non-observance of forest management regulations and procedures will result in a delay of payments from the deposit account and/or even in a closure of the deposit account (Kirchhoff and Fabian, 2009).

3 SBA implementation in Tajikistan

3.1 SBA scheme in Shugnan district

In 2009, Tajikistan's State Forestry Agency (SFA) with the support of GIZ launched a pilot project for the reforestation of a degraded 20 hectares in the Shugnan district. From this pilot project, practical experiences for the adaptation of SBA and a large-scale participatory reforestation program were intended to be gained. In Shugnan district as an incentive, the tenants who leased a degraded SFA's area got a deposit account with a total amount of 500EUR per hectare, to be withdrawn over a time period of six years. Table 1 illustrates a possible distribution of the income shares and interests for a plot of 1 hectare.

Table 1: Annual withdrawal of shares and interest from saving book in Shugnan district for 1ha (Mislimshoeva, 2011)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Sum at beginning of year (€)	500	400	275	150	75	25	
Annual share (%)	20%	25%	25%	15%	10%	5%	
Annual share (€)	100	125	125	75	50	25	500
Interest (12% per year, in €)	15*	48	33	18	9	3	126
Annual share + interest (€)	115	173	158	93	59	28	626

* As in the first year the money will be paid after 3 months, the interests for this period are lower than for the following years

Each year, a clear goal for achieving reforestation was formulated, which was a strict precondition for the withdrawal of the annual share and interest. Fencing and planting material were provided by SFE. If the holder of the deposit account complied with the agreed yearly activities, he/she got access to a share of the deposit (according to the required work input in the respective year) plus interest earnings. The withdrawal of the annual share and interest was possible every year at the end of the planting season (GIZ, 2011).

The land is owned by SFA and leased out for a period of 20 years to the local population, out of which the six first years follow the SBA scheme. The SBA scheme is presented in Figure 2.

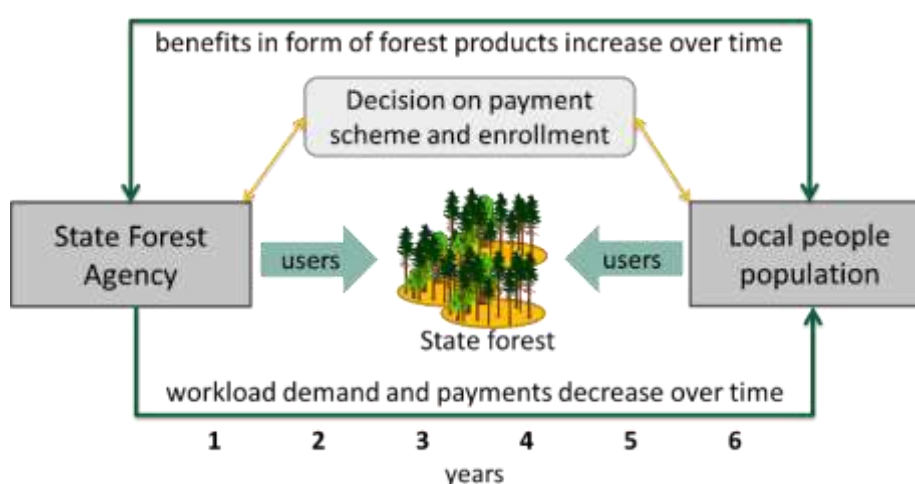


Figure 2: SBA implementation scheme in Tajikistan, Shugnan district (adapted from: Mislimshoeva, 2011)

The reforested areas under JFM and SBA were supposed to serve as firewood plantations for the local people and SFA. These plantations would:

- bring fast economic benefit for SFA and local tenants in the form of marketable NTFP
- replace the currently unsustainably and illegally cut firewood by sustainably produced firewood

These two points were expected to lead to a decrease of pressure on the remaining natural forest areas, while JFM and SBA would change the traditional understanding of receiving grants for forests rehabilitation without responsibility, replacing it with the idea of involvement of local people into forests management and responsibility in a long term.

3.2 SBA scheme in Panjakent district

SBA approach was set up in Panjakent district in 2015 by the SFE with the support of GIZ. The overall purpose was to arrange the afforestation of 50 ha bitter almond on a slope and protection of 750 ha of forest land from overgrazing. In contrast to the SBA scheme in Shugnan district, in Panjakent it followed a different approach: instead of individual contracts with tenants, the afforestation and forest protection agreement was concluded between the communities Zimtud (about 60 households) represented by the community leader and Panjakent SFE (in total 58.000TJS = 8.000EUR²). Community leaders had the right to retrieve money every three months. However, cash withdrawals were not dependent on a monitoring of the achieved activities in the forest, but rather trust. Five representatives in the village were chosen by the community that together with village leader decided on the investment of SBA money (Figure 3). The village leader and the five representative calculate how much cash is needed for the activities. Cash withdraw is possible four times a year; a maximum 3000TJS (428EUR) can be retrieved once. As there are no fixed regulation on the amount of the withdraw, the duration of the approach is therefore not explicit, however, can be estimated around 5 years if each time the maximum amount is withdrawn.

As for the area, there has been 50ha of protected forest land which is being reforested and 70ha of forest land where grazing continued to be allowed. The idea is to switch forest areas (50ha and 70ha) as soon as the 50ha is reforested and trees are big enough to allow grazing.

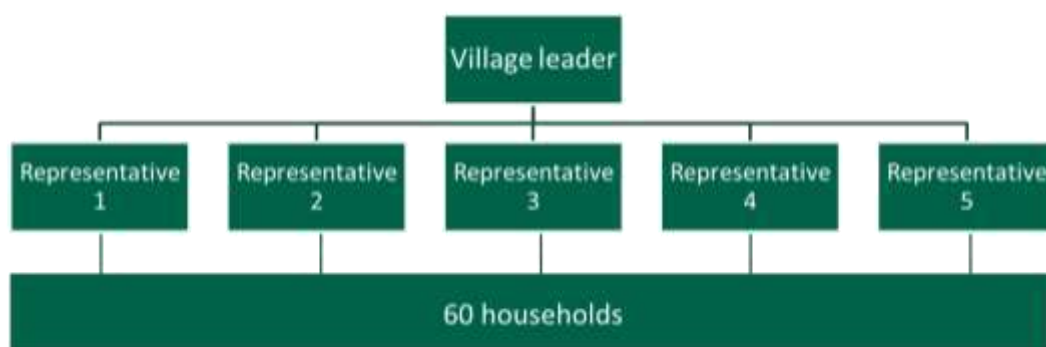


Figure 3: SBA organizational structure in Panjakent, Tajikistan (adapted from GIZ, 2016)

² Conversion was conducted according to National Bank of Tajikistan (nbt.tj) for May 2015 as the SBA contract was signed.

3.3 Gained experience in Tajikistan so far

In the Shugnan district SBA is implemented already sixth year, therefore, several conclusions can be drawn based on the so far gained experience. Here, 20ha planned for SBA were reforested, however, due to the soil conditions and water availability only around 65-70% survival rate could be observed in 2015 monitoring (monitoring expert estimation). In Panjakent no monitoring was conducted, however, according to the experts around 37ha was afforested up to now. The SBA experience there is very recent (started in Oct, 2015), thus, to draw any preliminary conclusions on its effectiveness/failure seems to be too early. Nevertheless, interviews were conducted with experts working in both districts and their views on the approach are summarized as follow, highlighting the district-specific experiences and the comparison of the two different setups of SBA:

Duration of SBA

According to the expert interviews, the duration of SBA depends on the local, site-specific conditions, thus, no “fixed duration” is possible to assess. Important is that the duration of SBA is in line with the production/harvesting cycles of NTFPs and gaining benefits. Agroforestry could be an additional option to receive faster in-kind benefits from the area.

In the Shugnan district, the natural conditions are very harsh, the soil conditions of the area and the availability of water were poor; therefore, the SBA duration of six year was relatively appropriate, however, at the same time, interviewees highlighted the need for it to be longer (around 10 years). So far, the area in the Shugnan district does not deliver income to tenants; the cost-benefit of the approach in practice remains unclear. Similar observations were made by the interviewee with regards to Panjakent experience, where the soil is very poor and bitter almond quite difficult to grow, hence five years is definitely too short.

Challenges

The main challenges highlighted by the interviewed experts:

- a) Allocation of the area to tenants: it required some time until the area was allocated to tenants. Some tenants were not present during the allocation of the plots, thus creating confusion among the tenants. It is therefore key, that all tenants are informed about the allocation date and be present during the actual allocation. Given the soil conditions, water availability, a transparent division of the area needs to be carried out;
- b) Irrigation water availability: water availability needs to be carefully assessed before the implementation. If a channel is built, a clear schedule for irrigation needs to be developed by the tenants in order to avoid conflicts; In the case of Shugnan district, building irrigation system for the plot created some conflicts among the tenants and non-tenants, who shared partly the same channel.
- c) Selection of tenants: some tenants were present during the first year, some did not have full labour force, and others did not have time to implement SBA activities. Consequently, not all tenants accomplished their annual plan. As a result, it was not possible for them to withdraw the payment for that specific year;
- d) Livestock grazing: SBA could not stop this issue; livestock could be seen in the SBA area and the fence partly was not maintained;
- e) Weak technical consultation: in some cases in the Shugnan experience, the tenants had insufficient technical knowledge (e.g. selection of tree species for the specific soil and available water, planting techniques, irrigation techniques, erosion prevention etc.).

- f) Furthermore, tenants lacked business perspective in for instance promoting NTFP for income generation;

Monitoring system

In the Shugnan district, a strict monitoring of SBA implementation was conducted. The result of this monitoring determined whether the tenant could withdrawal the payment or not. The monitoring was conducted by the SFE representative and the individual tenant annually. In contrary, in Panjakent no monitoring system was in place. Withdraw of cash was conducted independent of the accomplishment of the planned activities. SFE had no influence on the process/decision.

SBA contract (individual vs group)

In the Shugnan district, all SBA contracts with tenants were individual, while in Panjakent there was only one group contract. According to the interviewed experts, both options work well under the specific conditions. Group contracts require less time, as the area does not have to be sub-divided in smaller plots and SFE works only with one representative of the community – leader. However, this option functions only if there is a strong commitment of the community leader and if the community agrees with this type of arrangement. In this case, a very transparent reporting and incentives distribution is necessary. Under other circumstances, usually, individual contracts work better since they have stronger sense of ownership among tenants.

Grant vs credit

In both districts, SBA was given as grant. According to the microfinance expert, SBA has a strong potential to be implemented in a form of credit, however, the focus on creating short-term income (e.g. by fast growing NTFP) needs to be the core of the approach. Thus, tenants would gain motivation to obtain a credit.

3.4 Strategic recommendations

Based on the analysis of the experience of SBA in Tajikistan and work experience of the consultant team (related to reforestation and financial instrument) the following strategic recommendations for further implementation of SBA can be concluded:

- The so far gained experience of SBA (management approach/scheme, duration, type of contract, monitoring etc.) can play a crucial role in designing the successful reforestation and financial mechanisms (for example in the framework of the upcoming Forestry NAMA). However, **cost-effectiveness evidence of SBA requires more experience** and testing of different setting of the approach across different landscapes, regions, durations, ownership etc.;
- So far, **SBA lacks business case and market demand perspective** that need to be carefully considered in further implementation of SBA. Through microfinance institutions, these perspectives are necessary to be acknowledged. This provides a possibility for SBA to become a truly income generating approach. SFE's capacity and leadership in SBA needs to be strengthen in providing technical consultation on species, plating, water use, erosion prevention etc. combining with the knowledge of microfinance institutions on business development and marketing;

- SBA as a grant is a convincing option; however, if SBA would be disseminated at larger scales, the **payment setting of SBA can be achieved through various forms**, which combine credit, grant, co-financing and other forms of financial instruments. The setting strongly depends on the business case, site-specific conditions of the selected area and perception of the local population;
- **Environmental and social benefits of SBA** (positive and negative environmental impact, adaptation and mitigation measures, climate change considerations) need be studied and included in the overall concept of the approach;
- **Land ownership aspect plays a key role in the sustainability** of the approach and should be taken into account within the preparation and implementation. To set up a transparent and fair selection of tenants with such conditionalities as availability of co-financing and business plan, experience in reforestation, etc. in order to get most motivated tenants and avoid moral hazard and conflicts among local population;
- **Monitoring mechanism** of SBA needs simple to apply and transparent methodology which is in-line with measuring the indicators of specific reforestation/afforestation projects (such as Forestry NAMA);
- Further **dissemination of SBA requires a strong scaling-up concept** and identification of partners (state, private partnerships, development partners, banks) which will take the lead in further developing and promoting the approach in the country and beyond (e.g., NAMA, NAWI, KfW, CAMP4ASB);

3.5 Key guiding questions for SBA development and implementation

There are a few fundamental preconditions, which need to be met in order to implement SBA. The following **key questions are recommended to guide the planning and implementation** of further SBA schemes in the region:

Key guiding questions	
SBA scheme	development
	<ol style="list-style-type: none"> 1) What is the SBA optimal duration given the approximate local natural conditions (e.g. soil, water, after how many years the area can deliver benefits)? 2) How will the payment scheme be implemented (through microfinance, credit, grant, credit and grant, interest, annual withdraw, precondition for withdraw etc.)? 3) How to establish a transparent monitoring mechanism (who takes part, who decides on withdraw etc.) 4) Are the business and market perspectives analyzed and considered in the development of SBA mechanism?
Forest area	assessment
	<ol style="list-style-type: none"> 5) What is the size and the soil texture of the potential area for reforestation (e.g. through field visit and digital maps)? 6) How far is the required volume of fencing material (the distance to the fencing material is important for costs estimation)? 7) Which technical solutions are feasible for the water supply of the plot? How much would they approximately cost? 8) How far is the required volume of planting material (the distance to the fencing material is important for costs estimation)?
Village	assessment
	<ol style="list-style-type: none"> 9) How to best explain the SBA approach to the targeted villages around the potential SBA area? 10) Is there a need to adapt the SBA scheme (after the discussion with local population)? 11) What is the vision of the majority of the population about forestry? Short-term market oriented business development e.g. with NTFP, long-term e.g. timber etc.? 12) What is the number of households, 'willing' to enroll in SBA? 13) How much area each household receives (optimal is 1ha, max 2ha)? 14) Will the contracts be with individual tenants or a group?
Household	assessment
	<ol style="list-style-type: none"> 15) Is there at least one person in the household who can provide his/her labour force for implementing the planned activities? 16) Is there a replacement for him/her to fulfill the workload in case if he/she would leave the village in the period of SBA? 17) What is his/her occupation? Does the household cultivate farmland? How many hectares (the assumption is that families with relatively big size of agricultural land have limited capacity to conduct forestry activities)? 18) Does the potential tenant believe that he/she has the time to fulfill the workload under SBA? 19) Does the potential tenant have reforestation experiences, business perspective?

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