

**Validation Report**  
February 2022

# Tajikistan: Access to Green Finance Project

Reference Number: PVR-826  
Project Number: 45229-001  
Grant Number: 0346



*Raising development impact through evaluation*

## ABBREVIATIONS

ADB	–	Asian Development Bank
DMF	–	design and monitoring framework
JFPR	–	Japan Fund for Poverty Reduction
MFI	–	microfinance institution
MOF	–	Ministry of Finance
PCR	–	project completion report
PMU	–	project management unit
SGES	–	smart green energy solutions
TA	–	technical assistance

## NOTE

In this report, “\$” refers to United States dollars.

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## PROJECT BASIC DATA

Project number	45229-001	PCR Circulation Date	8 Jul 2021	
Grant number	0346	PCR Validation Date	Feb 2022	
Project name	Access to Green Finance Project			
Sector and subsector	Finance	Inclusive finance		
Strategic agenda	Environmentally sustainable growth Inclusive economic growth			
Safeguard categories	Environment		FI-C	
	Involuntary resettlement		FI-C	
	Indigenous peoples		FI-C	
Country	Tajikistan		Approved (\$ million)	Actual (\$ million)
ADB financing (\$ million)	ADF: 10.00	Total project costs	11.12	11.05
	OCR: 0.00	Grant	10.00	9.96
		Borrower	0.14	0.10
		Beneficiaries	0.00	0.00
		Others	0.98	0.98
Cofinancier		Total cofinancing		
Approval Date	25 Jun 2013	Effectiveness date	19 Aug 2013	03 Oct 2013
Signing Date	19 Aug 2013	Closing date	30 Jun 2019	30 Mar 2020
Project Officers	W. J. Seol A. Mukhamedyarova M. Boboev	Location ADB headquarters ADB headquarters Tajikistan Resident Mission	From Sep 2013 Mar 2015 Mar 2017	To Mar 2015 Mar 2017 Mar 2020
IED review Director Team Leader	N. Subramaniam, IESP A. Avenia Evaluation Specialist, IESP <sup>a</sup>			

ADB = Asian Development Bank, ADF = Asian Development Fund, FI = financial intermediary, IED = Independent Evaluation Department, IESP = Sector and Project Division of the Independent Evaluation Department, OCR = ordinary capital resources, PCR = project completion report.

<sup>a</sup> Team members: E. Gozali (quality reviewer), F. De Guzman (senior evaluation officer), and C. Dingcong (consultant).

## I. PROJECT DESCRIPTION

### A. Rationale

1. In Tajikistan, over 73% of the population live in rural areas, with limited electricity (i.e., lighting and heating in short supply) during the winter season. In addition, more than 50% of the country's housing units were built in the 1960s and 1970s, which needed improvements to increase energy efficiency and reduce household spending on fossil fuels. Many of these homes were in the rural areas and their residents formed a large part of the 46.7% families who live below the poverty line.

2. The problem of energy poverty was complicated by inefficient energy transmission, consumption, and lack of household understanding on how to use energy in a cost effective and

environmentally friendly manner. In 2008, the country's total energy bill was estimated at \$1 billion, which was 20% of the country gross domestic product for the year.<sup>1</sup> This left insufficient energy for other productive investment activities; thus, limiting the country's growth potential. Rural households depended on fuels such as kerosene, gasoline, firewood, coal, and manure for their energy needs. Women in these household spent a significant amount of time gathering firewood. These fuels exposed families to health hazards caused by indoor pollution.

3. The Access to Green Finance Project (the project) was formulated to provide better financial access to smart green energy solutions (SGES).<sup>2</sup> It addressed two key barriers affecting effective demand for SGES: the lack of affordable financing and insufficient buyer and lender awareness about SGES. The project provided loans through selected microfinance institutions (MFIs) to households in order for them to purchase and install affordable SGES. It was also aimed at supporting the commercial viability of SGES. The grant modality was used to leverage Tajikistan's sound microfinance system in providing credit to households for energy-efficient and environment-friendly homes. Technical assistance (TA) grant was also provided to build capacity of participating MFIs and to promote energy efficiency, particularly for rural households and women.

## **B. Expected Impact, Outcome, and Outputs**

4. The project's envisaged impact was increased energy efficiency in Tajik households. The expected outcome was increased access to finance for SGES in Tajikistan. The expected outputs were increased outreach by MFIs for green finance, particularly to women borrowers; increased public awareness of energy efficiency; increased usage of SGES most helpful to women, such as energy-efficient cooking stoves, heating units, and solar water heaters; and increased private sector participation.

## **C. Provision of Inputs**

5. The project was approved in June 2013 and became effective in October 2013. As planned, the project was physically completed in December 2018. The actual closing date was extended from June 2019 to March 2020 due to delayed payment to external auditors and the refund of outstanding imprest account to ADB.

6. At appraisal, the project cost was estimated at \$11.1 million, with \$10.0 million grant financing from ADB, about \$0.1 million from government, and almost \$1.0 million from subborrowers. At completion, the total actual cost was \$11.0 million, i.e., within the planned budget. Individual national consultants for 432 person-months were recruited, below the targeted 756 person-months of planned consulting services. ADB disbursed almost \$10.0 million or 99.7% of the grant proceeds for the project, of which \$8.8 million was for the credit line to MFIs and almost \$1.2 million for support to the project management unit (PMU).

7. The project was categorized as a financial intermediary for environmental and social safeguards. It was treated C for environment, involuntary resettlement, and indigenous peoples subcategories. The project was categorized effective in gender mainstreaming. A gender action

<sup>1</sup> United Nations Development Programme. 2011. *Energy Efficient Master Plan for Tajikistan: Energy Efficiency for Economic Development and Poverty Reduction*. Dushanbe.

<sup>2</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Administration of Technical Assistance Grant to the Republic of Tajikistan for the Access to Green Finance Project*. Manila.

plan was formulated to address issues on labor time, health issues resulting from the use of unclean energy sources, insufficient knowledge of women on the different forms of SGES, the use of these equipment and fixtures, and capacity to purchase SGES.

8. The Japan Fund for Poverty Reduction (JFPR) provided a technical assistance (TA) grant of \$750,000 to help improve stakeholders' capacity in implementing the project and enhance the project's sustainability. The technical assistance completion report assessed the TA successful in view of the improvement on the stakeholders' capacity to implement the project; the public awareness campaign on the benefits of SGES; and the institutional strengthening to promote SGES.<sup>3</sup> The TA utilized only 30% of planned budget largely due to significantly lower consultancy services costs than projected.

## **D. Implementation Arrangements**

9. As envisaged, the Ministry of Finance (MOF) was the project's executing agency. A PMU was established under the MOF which was to be responsible for the day-to-day implementation of the project. The MOF established a green finance fund<sup>4</sup> of \$8.8 million from the ADB grant to provide credit lines to MFIs for onlending to qualified subborrowers. The credit line to eligible MFIs were in local currency with tenors of 5 years at an interest rate equal to the National Bank of Tajikistan's refinancing rate.<sup>5</sup> The subloans to subborrowers were intended for the purchase and installation of SGES. These were denominated in local currency in principal amounts of up to \$5,000 equivalent for tenors of up to 5 years with interest rates determined by the MFIs. At the start of the project, four MFIs were identified as eligible for participation to the project.<sup>6</sup> However, the government, with ADB concurrence, selected Arvand and IMON International as these were the only ones that offered a SGES loan product. The institutional arrangements were adequate to deliver the expected outputs.

10. Of the 14 grant covenants, 13 were complied with. There were delays, however, in the submission of the participating MFIs' annual financial statements due to protracted negotiations with external auditors.<sup>7</sup> The covenant on performance indicators (portfolio at risk, return on assets and return on equity) was waived due to the systemic bank crisis that hit Tajikistan throughout 2016–2017.

## **II. EVALUATION OF PERFORMANCE AND RATINGS**

### **A. Relevance of Design and Formulation**

11. The project completion report (PCR) rated the project relevant.<sup>8</sup> It indicated that project's design was based on four pillars: (i) channeling concessionary credit lines through participating financial institutions for onlending; (ii) provision of a TA for capacity building of participating

<sup>3</sup> ADB. 2021. *Technical Assistance Completion Report: Access to Green Finance Project in Tajikistan*. Manila.

<sup>4</sup> Green Finance Fund is the title of the imprest account for the credit line to MFIs.

<sup>5</sup> At appraisal, the refinancing rate was 6.5%. The interest rates on subloans were annually adjusted based on National Bank of Tajikistan's then-current refinancing rate.

<sup>6</sup> The other eligible MFIs were Humo and Oxus.

<sup>7</sup> The 2014–2015 audited financial statement for Arvand and IMON International and 2016 for Arvand were delayed because ADB requested resubmission due to a missing opinion on financial covenants as well as lack of separate opinions on the use of grant proceeds, imprest account, and statement of expenditures for fiscal year (FY) 2014, FY2015, and FY2016. There were also delays from the project implementation unit side owing to contract negotiations with auditing firms.

<sup>8</sup> ADB. 2021. *Completion Report: Access to Green Finance Project in Tajikistan*. Manila.

financial institutions for green financing; (iii) provision of a TA to selected SGES suppliers for microfinance-related outputs; and (iv) training potential subborrowers on financial literacy and SGES product usage. Based on these pillars, the project was able to address gaps on both the demand and supply sides.

12. This validation notes that the project was aligned with ADB's Strategy 2020, which included three strategic agenda of inclusive growth, environmentally sustainable economic growth, and regional integration.<sup>9</sup> It was in line with ADB's country partnership strategy for Tajikistan, 2010–2014 that supported the government's efforts to provide a sustainable energy-efficient environment.<sup>10</sup> The project also supported ADB's Energy for All Initiative to develop innovative approaches to affordable, modern, and clean energy and to scale up to the use of energy-efficient products for poor households.<sup>11</sup> The project was consistent with the country's energy conservation requirements and the need to improve socioeconomic development, in accordance with Presidential Decree No. 653 of 24 April 2008 on achieving energy efficiency in housing and communal services by 2020.

13. The project was appropriately designed to achieve the intended outcome of increased access to finance for SGES. It addressed the two key constraints that limited effective demand for SGES, which were the lack of affordable financing, and insufficient buyer and lender awareness about SGES. The loans, through selected MFIs to households, provided the financing needed to purchase and install SGES. The public awareness campaign increased the level of awareness and appreciation of SGES and promoted knowledge sharing among stakeholders. The associated JFPR TA that focused on capacity building and public awareness complemented the credit line to MFIs and contributed to the delivery of expected outputs. The indicators in the design and monitoring framework (DMF) were measurable and appropriate. This validation however notes that in terms of the credit line, the indicators were heavily oriented toward outreach and loans disbursed. There was no indicator used that measured the quality of MFIs' loan portfolio. The DMF outputs complemented each other and logically linked to the outcome statement. The inclusion of women in the design was suitable in view of the burden they carry in providing fuel for household use, exposure to health hazards due to use of unclean energy sources, insufficient knowledge on SGES, and lack of financial literacy. In view of the suitability of the design in addressing the identified constraints and alignment with the country's development priorities, this validation assesses the project relevant.

## **B. Effectiveness in Achieving Project Outcome and Outputs**

14. The PCR rated the project effective, based on the outcome and outputs that were achieved. This validation assesses that the envisaged outcome of increased access to finance for SGES was achieved. The outcome target was to achieve an increase of at least 12,000 in cumulative MFI loans for SGES by 2019, from a baseline of 6,200 in 2012 and increase the volume of loan from \$5.0 million (2012 baseline figure) to \$16 million. By 31 December 2018, the target was exceeded with 12,381 cumulative loans granted by MFIs for SGES (equivalent to \$15.8 million).

15. Output 1 on increased outreach by MFIs for green finance, particularly to women borrowers, was delivered. As of 31 December 2018, SGES loans reached 12,381 (\$15.8 million)

<sup>9</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

<sup>10</sup> ADB. 2010. *Country Partnership Strategy: Tajikistan, 2010–2014*. Manila.

<sup>11</sup> ADB. 2008. *Technical Assistance for Energy for All Initiative*. Manila; and ADB. 2009. *Energy Policy*. Manila.

at an average loan size of \$1,274, surpassing the target of at least 4,500 loans (\$8.8 million) by 2019. The target for women was likewise exceeded, with 42.5% (\$6.1 million) of loans delivered to women vis-a-vis the target of 30% (\$1.8 million).

16. The targets for Output 2 on increased public awareness of energy efficiency were met. In October 2016, an extensive marketing and public awareness campaign was launched resulting in increased awareness of energy efficiency with more than 20% of households aware of and understand the benefits of energy efficiency.<sup>12</sup> The number of persons that received training on SGES was 2,179, which was substantially higher than the target of at least 400 persons. Women comprised 57% of the participants, exceeding the target of at least 50%.

17. Output 3 on increased usage of SGES most helpful to women, such as energy-efficient cooking stoves, heating units, and solar water heaters, was partially achieved. Of the two targets, one was fully met, and the other was not met. The first target was to reach at least 1,000 homes of women with credit lines for the installation of energy-efficient cooking stoves, heating units, and solar water heaters by 2019. The PCR reported only the number of loans disbursed, which was 1,207 as of 31 December 2018.<sup>13</sup> It is possible, however, that a woman borrower can have more than one SGES loan. There was no data presented on the number of unique women borrowers reached. Hence, this validation considers this target not met. The second target was met, i.e., based on a survey in 2018, the amount of time spent by women in collecting firewood and manure decreased by 2–3 hours per day, compared to 5–6 hours prior to the project.<sup>14</sup>

18. Output 4 on increased private participation was partly met. The number of skilled workers engaged in jobs related to SGES increased by 12% during implementation period, which was lower than the target of 15%. The PCR indicated that number is expected to rise after project implementation.

19. In terms of safeguards, the financial intermediary C categorization was appropriate. There was no adverse impact on the environment, resettlement, and indigenous peoples. The targets of the gender action plan were all achieved. Access of women to green finance increased. The usage of SGES helped decrease the incidence of respiratory diseases among women by 18%. Women were trained in the use of SGES products. On the whole, most of the targeted outputs of the project were met and the outcome of increased access to finance for SGES was realized. Thus, this validation assesses the project effective.

### **C. Efficiency of Resource Use**

20. The PCR rated the project efficient, based on the output targets achieved particularly the targets on loan disbursements, women borrowers, use of credit line, and agreements with the two MFIs. This validation finds that the rating was not well-justified since it was not based on how well resources were utilized to achieve the outcome and/or on efficiency of processes. At appraisal, the economic internal rate of return of the project was estimated but the PCR did not recalculate this metric at completion based on actual costs and benefits. The PCR could have at least provided indicative estimates on energy cost savings of the project.

21. In terms of process, this validation notes that the project had no major delays and physical implementation was completed on time. In terms of the utilization of resources, the project was

<sup>12</sup> Based on the assessment conducted by the PMU.

<sup>13</sup> Includes energy-efficient cooking stoves, heating units, solar water heaters, etc.

<sup>14</sup> ADB. 2021. *Completion Report: Access to Green Finance Project in Tajikistan*. Manila (footnote 17).

implemented within the planned budget. The outcome of increased access to finance for SGES was achieved with no cost overrun. The funding for the credit line of \$8.8 million was disbursed by the MFIs for SGES loans within 2 years and recycled 1.8 times during the implementation period. The resources were well utilized, and the processes were facilitated on time during project implementation. This validation assesses the project efficient.

#### **D. Preliminary Assessment of Sustainability**

22. The PCR rated the project likely sustainable. The PCR highlighted that proceeds<sup>15</sup> of the loan operations would allow MOF through the PMU to continue the SGES loan facility beyond the project period. Further, the PCR indicated that the PMU has obtained the necessary skills and knowledge to perform financial due diligence and risk assessment of potential MFIs that would access the SGES facility.

23. The PCR identified risks to the sustainability of the project. The first pertained to the ability of the participating MFIs to offer SGES in a sustainable way due to lack of green finance funding. It indicated that the MOF would continue to provide funds to interested and eligible MFIs after project completion. This validation notes that it is not clear how funding will be expanded and sustained, given that government relied on the ADB grant and other development partners for green financing.<sup>16</sup> Second was on the risk of maturity mismatch that could cause liquidity shortages of participating MFIs, which in turn, could affect further disbursement of loans. For example, in the case of Arvand, monthly repayments were made on the 3-year loan to MOF while subloan terms were up to 5 years, which was a mismatch in maturity.<sup>17</sup> Third was on the weakness in the supply of high quality and locally manufactured SGES for the market. This validation notes that there are no clear measures on how these risks will be addressed and mitigated going forward.

24. This validation also observes that there is no information presented in the PCR on the portfolio quality of MFIs' SGES loans. The on-time repayment of loans by borrowers affects continued delivery of loans. How well these borrowers are repaying the loan is not reported, which is a serious shortcoming. ADB's review missions revealed a portfolio at risk below 5%, which indicates good quality of the portfolio.<sup>18</sup> This kind of data should have been required from MFIs and reported in the PCR. During 2016–2017, Tajikistan's finance sector suffered from a systemic crisis resulting in high nonperforming loans among banks of 25%–28%.<sup>19</sup> Because of this crisis, a waiver of compliance with the covenants on portfolio at risk, return on assets, and return on equity was approved by ADB. This indicates that the portfolio quality, profitability, and sustainability positions of participating MFIs were no longer in line with the performance standards set for the project, which affect the sustainability of operations. Further, MFIs are faced with substantial funding constraints, especially in local currency, which also has implications on their ability to continue the SGES loans (footnote 15). While the MOF recycles the interest and principal repayments made by the MFIs back to the MFIs, the sustainability risks remain and have not been adequately mitigated as the crisis in the financial sector lingered on even after project

<sup>15</sup> Principal amount plus interest payments.

<sup>16</sup> The German development cooperation through GIZ and the Habitat for Humanity have also undertaken pilot projects for green finance.

<sup>17</sup> Arvand and IMON International had relatively short time frames for repayment to MOF. The first tranche had a 5-year term, and the second larger tranche had a 3-year term due in 2018. Both MFIs were repaying these loans monthly from client repayments, which affected the MFIs' liquidity position.

<sup>18</sup> Based on comments provided by the operations department during circulation of the draft validation report.

<sup>19</sup> International Monetary Fund. 2016. *Republic of Tajikistan Financial System Stability Assessment*. Washington, DC.



completion.<sup>20</sup> In particular, nonperforming loans of banks reached 28% while interest rates remained high of up to 30%, with lending deposit spreads of 10% for local currency (footnote 20). As of end-September 2021, nonperforming loans ratio was reduced to 14.9%.<sup>21</sup> While this was a positive development in the banking system, it does not guarantee sustainability as there is no evidence of the project gaining traction with other MFIs and banks. There were no additional MFIs or banks that used their own capital to finance SGES acquisition by households and businesses. It is unclear how funding for SGES will be expanded and sustained given that government relied mainly on development partners for green financing. In addition, there is risk of liquidity shortages among MFIs arising from maturity mismatch, and weakness in the supply of high quality and locally manufactured SGES for the market. Taking all these in consideration, this validation assesses the project less than likely sustainable.

### III. OTHER PERFORMANCE ASSESSMENTS

#### A. Preliminary Assessment of Development Impact

25. The PCR rated the development impact of the project satisfactory as borrowers experienced better living standards through the installation of energy-saving doors and windows, insulated roofs, LED lamps, and other household SGES. This validation notes that there was no data presented in the PCR that showed the impact indicator is likely to be achieved by 2021. The envisaged impact was to reach more than 20,000 households using energy efficient and clean SGES by 2021. The data presented in the PCR reported only the number of loans disbursed, not the number of households reached. As of 31 December 2018, the PCR reported that 18,381 SGES loans were disbursed. Households can have multiple SGES loans, and the number of households reached by these loans is not known. Hence, it cannot be concluded that the impact target was met or likely to be met.

26. In terms of institutional development, this validation notes that the project helped improve the capacity of participating MFIs and the MOF, particularly the PMU, in facilitating green finance intermediation and promote energy efficiency in the country, particularly for women and rural households. The introduction of SGES to women helped reduce the time spent on gathering firewood and other fuels for cooking and heating. In terms of health, the incidence of respiratory diseases among women beneficiaries decreased by 18%, and incidence of gastrointestinal diseases among women and their children decreased by 28%. Financial literacy of women increased through training provided by the project. While the project evidently had positive contributions to institutional, social, and women development, there is no evidence that the envisaged impact of 20,000 households using SGES was met. Arvand and IMON International continued to issue SGES loans using their resources. However, it cannot be established that the impact target of 20,000 households was achieved since the said indicator was not monitored. This validation assesses the project's development impact less than satisfactory.

#### B. Performance of the Recipient and the Executing Agency

27. The PCR rated the performance of the recipient and executing agency satisfactory. The MOF performed its duties and responsibilities, as specified in the implementation arrangements. The PMU under the MOF performed satisfactorily in its day-to-day operations. Most of the output targets were met. Required reports were submitted regularly although delays were experienced

<sup>20</sup> International Monetary Fund. 2019. *Republic of Tajikistan Article IV Consultation*. Washington, DC.

<sup>21</sup> Based on official data provided by the operations department during circulation of the draft validation report.

in the submission of MFIs' annual financial statements. This validation assesses the performance of the MOF satisfactory.

### C. Performance of the Asian Development Bank and Cofinanciers

28. The PCR rated the performance of ADB satisfactory. ADB fielded nine review missions. Supervision and monitoring of the project by ADB were adequate. The delegation of the project to the resident mission was appropriate, as this facilitated closer and timely coordination with the PMU and participating MFIs. This validation assesses the performance of ADB satisfactory.

### D. Others

29. There were no governance and fiduciary issues encountered during implementation.

## IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

### A. Overall Assessment and Ratings

30. The PCR rated the project successful. This validation assesses the project relevant, efficient, effective, and less than likely sustainable. The project design was suitable in addressing the identified constraints and was aligned with the country's development priorities. The project was effective as the envisaged outcome was achieved and most of the output targets were met. It was efficient as resources that were utilized achieved the envisaged outcome. There were no significant implementation delays. The project is less than likely sustainable as sustainability risks remain high and no clear mitigation measures are in place after project completion. There is also no evidence of the project gaining traction with other MFIs and banks.

#### Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance	Relevant	Relevant	
Effectiveness	Effective	Effective	
Efficiency	Efficient	Efficient	
Sustainability	Likely sustainable	Less than likely sustainable	Sustainability risks remain and there are no strong indications that these have been mitigated. Also, there is no evidence that the project gained traction on other MFIs and banks (paras. 23–24).
<b>Overall Assessment</b>	<b>Successful</b>	<b>Successful</b>	
Preliminary assessment of impact	Satisfactory	Less than satisfactory	There was no data that showed the impact target was met para. 25–26).
Borrower and executing agency	Satisfactory	Satisfactory	
Performance of ADB	Satisfactory	Satisfactory	
Quality of PCR		Less than satisfactory	Para. 35.

ADB = Asian Development Bank, IED = Independent Evaluation Department, MFI = microfinance institution, PCR = project completion report.

Source: ADB (IED).

## **B. Lessons**

31. The lessons presented in the PCR are suitable. Strong relationship should have been built between the MFIs, the SGES suppliers, and the borrowers for the provision and adoption of green finance. There is a need to develop MFI loan officers into semi-experts on SGES products, technologies, quality standards and specifications, supplier assessment, and SGES technology-related risks. The short repayment schedule under the financing agreement with the MOF caused challenges for MFIs and subborrowers to avail of green finance loans. New financing arrangements need to include a grace period of at least 2 years and be long enough to allow for adequate recycling of the loan funds by MFIs.

32. At the project level, this validation offers the lesson on the importance of robust product development for green finance. The process of assessing the environmental and institutional context, market research, developing the prototype, costing, and pricing, and pilot testing are important steps for developing loan products that are responsive to market demand. Loan products that are demand driven and responsive to the preferences of clients or borrowers are more sustainable than those that are supply driven. On monitoring, embedding critical MFI performance indicators in the project monitoring system promotes transparency and allows assessment of performance and corrective actions when needed. Indicators should go beyond measuring disbursements and outreach. Monitoring the quality of the portfolio, profitability, and efficiency of MFI operations are equally important aspects of measuring MFI performance. At the sector level, the use of credit line can only do so much when faced with widespread problems in the finance sector. During project implementation, banks were saddled with high nonperforming loans of up to 28%, which affect the appetite for lending. Interest rates were high of up to 30% with lending–deposit spreads of 10% for local currency, reflecting poor business environment and elevated credit risk (footnote 17). These affect the delivery of financial services and affordability of the financial product and should be incorporated in the project's design.

## **C. Recommendations for Follow-Up**

33. The recommendations presented in the PCR are appropriate. About 94% of Tajikistan's energy needs are supplied by natural resources, mainly hydroelectricity. ADB and other development partners should work together to support Tajikistan towards having 100% renewable resources, possibly making it the first in Asia. Further development and mainstreaming of green finance are needed. Participating MFIs should have additional financing from MOF to ensure sustainability of outputs achieved by the project. Additional MFIs with more varied geographic presence can be recruited to participate in the green financing initiative to expand outreach. The market for SGES may be expanded with financing of a larger variety of SGES beyond households, including commercial products that would allow larger loan sizes and longer loan terms beyond 2 years. In addition, this validation notes that a stronger assessment of the awareness campaign with the use of a survey could be undertaken to examine the extent of awareness and understanding of the benefits of energy efficiency.

## **V. OTHER CONSIDERATIONS AND FOLLOW-UP**

### **A. Monitoring and Reporting**

34. The MOF through the PMU monitored the project. Monitoring of project performance was based mainly on the DMF. This validation notes that monitoring of performance was heavily oriented towards outreach, disbursements, and activities undertaken. There was a lack of monitoring on the performance of participating MFIs particularly on portfolio quality, profitability,

and efficiency of operations. How well borrowers were repaying their loans cannot be assessed because repayment rates and portfolio-at-risk indicators were not reported. Monitoring of participating MFIs' performance was inadequate. Further, the number of households reached, which was part of the DMF, was not reported.

## **B. Comments on Project Completion Report Quality**

35. This validation assesses the quality of the PCR less than satisfactory. There was no adequate evidence presented to substantiate the ratings for relevance, efficiency, and development impact. Also, there were paragraphs that were not properly placed in the sections. For example, paras. 55–59 on the PMU and selection of MFIs should have been placed more appropriately in the section on implementation arrangements. Also, para. 73 which discusses the compliance with covenants should have been placed in the section on monitoring and reporting rather than in the sustainability section. Further, paras. 62–64 which describe the design and development of green finance products are misplaced in the effectiveness section. The appendixes provided supporting information and were useful.

## **C. Data Sources for Validation**

36. The sources of this validation were the report and recommendation to the President and its linked documents, the PCR, back-to-office reports, aide-mémoires, and staff review meeting minutes.

## **D. Recommendation for Independent Evaluation Department Follow-Up**

37. None.