

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) has been among Tajikistan's most significant development partners in microfinance. To date, ADB has approved two projects and one Japan Fund for Poverty Reduction (JFPR) grant that directly supported the development of a healthy microfinance industry in Tajikistan. These efforts in turn have had a positive impact on private sector development, women's empowerment, and poverty alleviation. The \$4.4 million program loan component of the Microfinance Systems Development Project (MSDP)¹ helped to establish an enabling policy and regulatory framework for the microfinance sector, including the country's first microfinance law. MSDP, which was implemented between 2003 and 2008 and was rated "highly successful,"² also provided \$400,000 in technical assistance (TA) to microfinance institutions (MFIs) for capacity development and to the National Bank of Tajikistan to facilitate the development of sound regulation and supervision of MFIs.³ MSDP's \$3 million credit line component provided long-term funding to 14 MFIs. Under the ongoing Rural Development Project (RDP),⁴ \$3.5 million in credit lines are being provided to MFIs that operate in five rural districts. The JFPR 9008-TAJ: Tajikistan Poverty Reduction Project was the original precursor of the microfinance market and helped establish both Humo and The First MicroFinanceBank–Tajikistan. Implemented between 2002 and 2004, the JFPR was rated highly successful in increasing and diversifying the incomes of poor households, increasing access to finance, and engaging nongovernment organizations to deepen business skills.

2. Other development partners in Tajikistan in microfinance and energy efficiency include the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and German development cooperation through GIZ and KfW (Table 1). KfW and EBRD have principally provided debt and equity to individual MFIs; GIZ has been a long-term provider of TA; and IFC has provided loans to MFIs and TA and business advisory services.

Table 1: Major Development Partners in Microfinance and Energy Efficiency (2005–2013)

Development Partner	Beneficiaries (MFIs <i>italicized</i> ; banks <u>underlined</u>)	Amount (\$ million)
Program Lending		
ADB–MSDP (2005–2006)	Republic of Tajikistan	4.40
Debt and/or Equity		
ADB–MSDP (2007–2008)	<i>Borshud, Furuz, Gender, Haft Ganj, Haqiq, Imkoniyat, Imkoshim, Kiropol, Madina, Mehnatobod, Oxus, Pakhtaobod, Service-Credit, Vorukh</i>	3.50
ADB–RDP (2006–2014)	<i>Arvand, IMON</i>	4.00
AKF, AKAM (2003)–Equity	<u>FMFB</u>	4.90

¹ ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistant Grant to the Republic of Tajikistan for the Microfinance Systems Development Program*. Manila.

² ADB. 2009. *Completion Report: Microfinance Systems Development Program in Tajikistan*. Manila; ADB. 2010. *Validation Report: Microfinance Systems Development Program in Tajikistan*. Manila.

³ ADB. 2008. *Technical Assistance Completion Report: Institutional Strengthening of Microfinance Systems in Tajikistan*. Manila.

⁴ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant and Technical Assistance Grant to the Republic of Tajikistan for the Rural Development Project*. Manila.

Development Partner	Beneficiaries (MFIs <i>italicized</i> ; banks <u>underlined</u>)	Amount (\$ million)
EBRD (2005–2013)	<i>Arvand</i> , <u>FMFB</u> , <i>Humo</i> , <i>IMON</i>	20.50
Habitat for Humanity–housing loans	<i>IMON</i>	2.00
IFC–Loans, equity (2003–2013)	<u>AccessBank</u> , <i>FINCA</i> , <u>FMFB</u> , <i>IMON</i>	14.50
KfW–equity (2003); loan (2012) (€1.5m)	<u>FMFB</u>	2.80
KfW–Senior/subordinated loans (TAFF)	<i>Arvand</i> , <i>Humo</i> , <i>Oxus</i> , <i>Phoenix+</i>	5.00
KfW–Senior (€1.5m) and subordinated (€5.0m) loans (2004, 2008)	<u>FMFB</u>	8.00
Technical Assistance–Smart Green Energy Solutions		
ACTED (housing improvements)	<i>Oxus</i>	
CESVI (Italy) (metal heat exchangers and clay stove upgrades)	Sughd province	
GERES (EU)–Energy Efficiency in Homes (2008–2009)		
Bioclimatic Houses (2011–2013)	402 households in Sughd province	
GIZ–Warm Comfort: Microloans for Thermal Insulation (2008–2012) (€1.5m)	<i>Haqiqi Jahon</i> , <i>Madina</i> , <i>Rushdi Ishkashim</i> , <i>Rushdi Vodii Zerafshan</i>	2.00
Warm Comfort (Phase II) (2012–2016)	MFIs nationwide	
Habitat for Humanity (2011–ongoing)	<i>Arvand</i> , <i>IMON</i>	
JICA–Solar Panel Demonstration Project (2011–2014)	Ministry of Health	4.00
WHH (metal heat exchangers and clay stove upgrades)	Households in Sughd province	
Technical Assistance–Other		
ADB–Small-Scale TA for the Rural Financial Systems Development (2000)	National Bank of Tajikistan (NBT), NGOs	0.15
ADB–Rural Poverty Reduction Project (JFPR) (2001–2004)	Farmers and women in 8 districts	2.90
ADB–Institutional Strengthening of Microfinance Systems	More than 20 MFIs	0.40
GIZ–Microfinance Sector (€2.5m)	NBT, Association of Microfinance Organizations of Tajikistan (AMFOT), many MFIs	3.40
IMF (€1.5m)	NBT	2.00
TAFF (EBRD, EU)–Agricultural lending	<i>Arvand</i> , <i>Humo</i> , <i>IMON</i> , <i>Oxus</i>	
Advisory Services		
IFC–Azerbaijan-Central Asia Financial Markets Infrastructure Advisory Services Project (2009–present)	Credit Information Bureau	
Azerbaijan-Central Asia Leasing Facility Project (2001–2011)		
Azerbaijan and Central Asia MicroFinance Transformation Support Project (2008–2012)	<i>Arvand</i> , <i>FINCA</i> , <i>IMON</i> , NBT	
Agribusiness Finance and Business Environment Project	<i>Arvand</i>	
Agri-Finance and Regulatory Reform in Tajikistan (2010–2013)	Various	2.10
Central Asia Housing Finance (2005)		
FMFB (2005–2014)	<u>FMFB</u>	2.00
FMFB–Business Advisory Services (2013–2016)	<u>FMFB</u>	...

ACTED = Agence d'Aide à la Coopération Technique et au Développement (Agency for Technical Cooperation and Development), ADB = Asian Development Bank, AKAM = Aga Khan Agency for Microfinance, AKF = Aga Khan Foundation, AMFOT = Association of Microfinance Organizations of Tajikistan, EBRD = European Bank for Reconstruction and Development, EU = European Union, FMFB = The First MicroFinanceBank–Tajikistan, GERES = Groupe Energies Renouvelables–Environnement et Solidarités, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, IFC = International Finance Corporation, IMF = International Monetary Fund, JFPR = Japan Fund

for Poverty Reduction, JICA = Japan International Cooperation Agency, MSDP = Microfinance Systems Development Program, NBT = National Bank of Tajikistan, NGO = nongovernment organization, RDP = Rural Development Project, TAFF = Tajik Agricultural Finance Framework, WHH = Deutsche Welthungerhilfe.
 Note: All amounts denominated in euros have been converted to US dollars at the rate of €1 = \$1.35.
 Source: Asian Development Bank staff.

B. Institutional Arrangements and Processes for Development Coordination

3. In processing this project, ADB consulted with the Department for International Development of the United Kingdom, EBRD, IFC, GERES, GIZ, Habitat for Humanity (HfH), the Japan International Cooperation Agency, KfW, and the United Nations Development Programme. All development partners fully endorsed ADB's proposed intervention. ADB will consult regularly with development partners and work actively with those involved in smart green energy solutions (SGES), especially GIZ (which is expanding nationwide its Warm Comfort home insulation program that has been implemented in the Gorno-Badakhshan region) and HfH (which has worked with two MFIs—Arvand and IMON—to provide housing improvement loans). GIZ and HfH have stated that ADB's role will be crucial in scaling up their energy efficiency-focused pilot programs nationwide. Regular consultations also take place at Donor Coordination Council meetings.

C. Achievements and Issues

4. With the assistance of many development partners, Tajikistan's microfinance sector has made enormous progress over the past decade. One of the current challenges is to expand the loan products offered by MFIs. Small pilot projects implemented over the past 5 years demonstrate that SGES have potential for growth. In addition, there are real public goods benefits to lowering energy use and increasing clean energy production and use. However, SGES microloan growth requires both large amounts of medium-term credit to MFIs for lending and significant targeted TA to be provided to scale-up this product.

D. Summary and Recommendations

5. The proposed project will fill two important roles in promoting the use of SGES in Tajikistan. First, ADB will be the first donor to provide credit to a number of MFIs for a wide range of energy efficient and environmentally friendly products for households. Second, ADB will provide a comprehensive package of TA to (i) facilitate demand for these products, (ii) help ensure that they are of good quality, and (iii) promote private sector development through increasing employment in the local manufacture of SGES and in related installation and maintenance activities.