

FINANCIAL MANAGEMENT ASSESSMENT OF MINISTRY OF FINANCE (EXECUTING AGENCY)

1. The Ministry of Finance (MOF) is in the best position to serve as the Executing Agency (EA) of the Access to Green Finance Project (AGFP).
2. MOF is the ministry responsible for fiscal and budget planning, disbursement, economic policy, and financial management within the government. MOF is the issuer of treasury bills and an agent of foreign debts as to exercise fiscal policy.
3. The latest Public Expenditure Financial Accountability (PEFA) assessment conducted in 2012 revealed considerable improvement in public financial management. The score on the performance indicators most relevant to the project—PI-22: Accounts reconciliation (M2)—was a B+, reflecting the monthly (or more frequent) reconciliation of all central government and treasury- managed bank accounts.
4. MOF has experience in executing foreign-assisted projects and has the capability to carry out accounting and auditing procedures. This will ensure efficient management of the imprest account that will be established for this project. It also has sufficient capacity to carry out periodic assessments and independent audits of fund disbursements.
5. However, recognizing that MOF does not currently have sufficient number of staff to perform financial management and other tasks for which the EA is responsible under this project, the government, assisted by ADB's grant, has agreed to create a project management unit (PMU), which will oversee and manage the implementation of the project as well as the credit lines of two other ADB projects with microfinance components—the Rural Development Project and Building Climate Resilience in Pyanj River Basin Project.
6. The PMU will be responsible for managing two imprest accounts - one for the credit line to MFIs (\$8.8 million) and another for the administrative costs of the PMU (\$1.2 million). The primary responsibility of the PMU is to administer the microcredit component of the project. Competent technical staff will be recruited by the PMU to manage the project and provide support services. The PMU's immediate task is the selection of participating microfinance institutions (MFIs) that meet ADB's financial and operational eligibility criteria to serve as financial intermediaries to finance energy efficient and environment-friendly products (Smart Green Energy Solutions (SGES)). The PMU will follow ADB's standard disbursement and repayment procedures in administering the credit line.
7. The government has appointed a qualified staff member of MOF as PMU Head and the ADB has indicated that it has no objections to her appointment. The project team assessed her as sufficiently knowledgeable and experienced in financial management and will be able to exercise her management and oversight functions as the PMU Head, including ensuring that the PMU will implement sound financial policies, adequate accounting records, and proper systems of internal controls.
8. A large portion of the PMU support from the grant funds (\$478,800) will be used to hire 12 consultants (of which 10 will work on a full-time basis for the full 5-year implementation period of the project and 2 will work for 48 months). Three of the consultants—a Budget, Finance & Credit Manager, a Disbursement Specialist, and a Monitoring and Evaluation Specialist—will perform tasks directly related to ensuring proper maintenance of accounting

records, monitoring of project progress and results, and timely reporting to the EA and ADB. Consultants will be hired in accordance with ADB's *Guidelines on the Use of Consultants*.

9. The project team believes that the proposed staff composition of the PMU is adequate to perform financial management and other functions of the PMU, and that (considering the local labor market and the budgeted remuneration levels) it will be able to attract well-qualified staff. In making this determination, the project team consulted with staff of the Tajikistan Resident Mission and considered the proven capability of the National Bank of Tajikistan (NBT), which was the executing agency for the previous ADB financial intermediation loan project—Tajikistan: Microfinance Systems Development Program (MSDP) (Loan 2001-TAJ), to attract qualified PMU staff with similar responsibilities and functions.

10. The PMU, supported by grant funds, will be well equipped to perform its function effectively. All procurement will be conducted in accordance with the shopping provisions of ADB's *Procurement Guidelines*. The PMU will have sufficient budget (including from the grant funds) for operating expenses such as staff travel, vehicle maintenance, and fuel costs.

11. The PMU will be audited on an annual basis by an external audit firm which will audit the PMU's financial accounts and statements in accordance with International Standards on Auditing (ISA).

12. In order to ensure that the PMU is able to properly exercise its responsibilities in requesting disbursements of funds from ADB and adequately documenting to ADB the use of such funds (all in accordance with ADB's *Loan Disbursement Handbook*), training will be provided as necessary.