



# Project Administration Manual

Project Number: 45229

Grant Number: \_\_\_\_\_

June 2013

## Republic of Tajikistan: Access to Green Finance Project

**Important Note:** This Project Administration Manual is an active document. It will be updated and revised progressively as and when necessary during each review mission and following any changes in project costs, scope, or implementation arrangements. The contents herein are intended to assist and facilitate project management and implementation. If there is any conflict with any other legal agreement(s) related to this grant project, the provisions in the legal agreements will prevail.

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing agency, Ministry of Finance (MOF), and the project management unit (PMU) are responsible for the implementation of ADB financed project, as agreed jointly between the recipient and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff are responsible to support implementation including compliance by the participating financial institutions (MFIs) of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations the recipient and ADB shall agree to the PAM and ensure consistency with the Grant Agreement and the Project Agreements. Such agreement shall be reflected in the minutes of the Grant Negotiations. In the event of any discrepancy or contradiction between the PAM and the Grant Agreement and the Project Agreements, the provisions of the Grant Agreement and the Project Agreements shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

## ABBREVIATIONS

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
AFS	=	audited financial statements
AML/CFT	=	anti-money-laundering/controlling the financing of terrorism
APA	=	audited project accounts
APFS	=	audited project financial statements
AS	=	authorized suppliers
DMF	=	design and monitoring framework
EA	=	executing agency
EOI	=	expression of interest
ESMS	=	environmental and social safeguards management system
GAP	=	gender action plan
IA	=	implementing agency
IARS	=	imprest account reconciliation statement
IDD	=	integrity due diligence
IFRS	=	International Financial Reporting Standards
ISA	=	International Standards for Auditing
JFPR	=	Japan Fund for Poverty Reduction
M&E	=	monitoring and evaluation
MDO	=	micro deposit organization
MFI	=	microfinance institution
MOF	=	Ministry of Finance
NBT	=	National Bank of Tajikistan
NGO	=	nongovernment organization
PAI	=	project administration instruction
PAM	=	project administration manual
PAR	=	portfolio at risk
PFS	=	project financial statement
PIU	=	project implementation unit
PMU	=	project management unit
PRBP	=	Building Climate Resilience in the Pyanj River Basin Project
QCBS	=	quality- and cost-based selection
RDP	=	Rural Development Project
ROA	=	return on assets
ROE	=	return on equity
RRP	=	report and recommendation of the President
SGES	=	smart green energy solutions
SLA	=	subsidiary loan agreement
SME	=	small and medium enterprise
SPS	=	Safeguard Policy Statement
SOE	=	statement of expenditure
TA	=	technical assistance
TJS	=	Tajikistan somoni
TOR	=	terms of reference
TJRM	=	Tajikistan Resident Mission
UNDP	=	United Nations Development Programme

## I. PROJECT DESCRIPTION

1. **Energy challenges coupled with inefficient energy environment.** Tajikistan depends on hydroelectric sources for 98% of its electricity needs. In summer, when demand is low but glacial melt is high, there is an electricity surplus. In winter, since rivers freeze, hydroelectric power generation declines by 50%. This results in power outages of up to 18–20 hours per day during winter in grid-connected areas. The situation is worse for the 24,000 households located in remote off-grid areas. Over 73% of the population lives in rural areas<sup>1</sup> and spends much of the winter with limited electricity, with lighting and heating in short supply.<sup>2</sup> In addition, more than 50% (over 500,000 households) of the country's housing units were built in the 1960–1970s. Many of these homes are in rural areas, and their residents include a large number of the 46.7% of families who live below the poverty line.<sup>3</sup> These homes need improvements to increase energy efficiency and reduce household spending on fossil fuels.<sup>4</sup>

2. The problem of energy poverty is complicated by inefficient energy transmission, consumption, and inadequate household understanding about how to use energy in cost-effective environmentally friendly ways.<sup>5</sup> The United Nations Development Programme (UNDP) estimates that the country's total energy bill was about \$1 billion in 2008, which amounted to 20% of the country's gross domestic product that year.<sup>6</sup> This leaves insufficient energy for other productive investment activities, limiting economic growth potential. Rural households depend on fossil and solid fuels such as kerosene, diesel, gasoline, firewood, coal, and manure for their energy needs. Women in these households spend a significant amount of time gathering firewood. Use of these fuels exposes families to health hazards caused by indoor air pollution. Families are unaware of available options to lower energy costs and improve household living conditions.

3. **Pilot interventions by other donors.** German development cooperation through GIZ and Habitat for Humanity have undertaken pilot projects for green finance. The Warm Comfort program implemented by GIZ has installed thermal insulation and energy-efficient solutions in about 200 households in the Gorno-Badakshan region.<sup>7</sup> In this program, home improvement solutions for energy efficiency were manufactured and supplied by local cooperatives.<sup>8</sup> The Habitat for Humanity program for home energy efficiency improvements collaborates with two MFIs—IMON and Arvand—for household loans to cover costs for energy-efficient roofing and other carpentry works (doors, windows, flooring). The program has so far reached over 6,000 households since 2011. Key lessons learned from both projects are that (i) home improvements reduce heating requirements up to 40%, resulting to energy savings; (ii) strengthening public awareness of energy efficiency and better energy consumption patterns are necessary; and (iii) MFIs' credit assessment capacity for home improvement loan clients must be strengthened. Both pilot projects cannot expand due to lack of funds, particularly in local currency.

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<sup>1</sup> Asian Development Bank (ADB). 2012. *Tajikistan Fact Sheet*. Manila.

<sup>2</sup> United Nations Development Programme (UNDP). 2011. *Energy and Communal Services in Kyrgyzstan and Tajikistan: A Poverty and Social Impact Assessment*. Bratislava.

<sup>3</sup> International Monetary Fund (IMF). 2012. *Republic of Tajikistan: Poverty Reduction Strategy Paper—Progress Report*. IMF Country Report No. 12/33. Washington, DC.

<sup>4</sup> Government of Tajikistan, Agency for Construction and Architecture. 2012. *Country Profiles on the Housing Sector: Tajikistan*. Dushanbe.

<sup>5</sup> Tajikistan's transmission and distribution loss was 17.2% in 2011. ADB. 2012. *Central Asia Regional Economic Cooperation (CAREC): Power Sector Regional Master Plan*. Consultant's Report. Manila.

<sup>6</sup> The energy bill includes the country's expenditure on petroleum products, coal, gas, electricity, and heating from district heating systems. UNDP. 2011. *Energy Efficiency Master Plan for Tajikistan: Energy Efficiency for Economic Development and Poverty Reduction*. Dushanbe.

<sup>7</sup> The Warm Comfort program partnered with a microfinance institution, Madina, in the Gorno-Badakhshan region.

<sup>8</sup> GIZ confirmed that local cooperatives are fully operational and making sustainable profits.

4. **Need to scale up and expand pilot interventions.** Although small-scale interventions have been initiated by these donors, more than 50% of the country's households are still in need of home improvements for energy efficiency or off-grid clean power generation. A larger-scale intervention with a focus on energy efficiency and environment-friendly solutions—smart green energy solutions (SGES)—can help address the energy challenges that Tajikistan faces. The proposed project will engage the country's microfinance system to provide affordable credit for SGES.<sup>9</sup> SGES can decrease energy consumption by 15%–50%, enabling these households to consume less fossil fuel.<sup>10</sup> A household survey commissioned by the Asian Development Bank (ADB) also indicated potential demand for solar SGES, with 48% of households expressing interest in acquiring a solar SGES.<sup>11</sup> Some 91% of these households indicated that they would borrow to purchase solar SGES if loans were available.<sup>12</sup>

5. **Provision of better financial access to smart green energy solutions.** The project will address the two key barriers limiting effective demand: lack of affordable financing, and insufficient buyer and lender awareness about SGES. The project will provide loans through selected MFIs to households and micro entrepreneurs to purchase and install affordable SGES. Innovative promotion and delivery mechanisms will be used to help make SGES widely acceptable and affordable to low-income households.<sup>13</sup> The project will improve understanding about SGES by increasing public awareness and by providing TA to MFIs. The MFI support will include capacity building and technical advice to MFIs and their clients from SGES experts and engineers who will complete needs assessments, discuss options with clients, and advise on structuring of SGES loans.

6. The cost of SGES varies widely. For example, a small household may be able to replace all of its incandescent lightbulbs with more energy-efficient bulbs for less than \$100. However, the cost of other SGES is several multiples of the average monthly income of low-income Tajik households. Many SGES are unaffordable if they must be paid up front, but are feasible for families if credit is made available on reasonable terms and tenor. To achieve meaningful household energy savings, complementary SGES products can be bundled together. For example, a household renovation may include energy-efficient roofs, double-glazed windows, insulated doors, and insulated ceilings and floors. High-cost SGES (such as energy-efficient water pumps) may be shared by multiple households borrowing from an MFI as a group. SGES

<sup>9</sup> For purposes of this project, SGES are defined as products acquired by households that improve household energy efficiency, or that consume energy more efficiently than existing products, or that generate energy utilizing an environment-friendly technology. Appendix 5 contains a nonexclusive list of these products that includes energy-efficient roofs and doors, double-glazed windows, advanced water pumps, solar water heaters, and systems generating electricity by solar power. The list will be amended from time to time by agreement between ADB and the government, including following the introduction of new technologies or in response to requests by MFIs participating in the project.

<sup>10</sup> The List of Smart Green Energy Solutions Products (Appendix 5). A household survey showed that about 30% of off-grid households currently use diesel generators. They would benefit from solar home solutions, as the operation and maintenance cost is lower than generators. 20% of households that currently use firewood and coal for heating purposes expressed interest in credit to purchase solar water heaters, which can be used year-round and have low operation and maintenance expenses.

<sup>11</sup> Tajikistan's geography and high horizontal solar irradiance (4 kilowatt hours per square meter per day) are particularly suited for harnessing solar energy solutions, especially in off-grid areas. Solar solutions can include solar panel-based electrification solutions and other solar products.

<sup>12</sup> ADB undertook a survey of 560 households in April–May 2012 in on-grid and off-grid areas of 15 districts in Tajikistan, which found that expenditure for kerosene, diesel, propane, wood, coal, manure, and candles for lighting, heating, and cooking needs averaged \$200 per annum.

<sup>13</sup> A previous ADB project was instrumental in the creation of a sound microfinance system in Tajikistan. ADB. 2009. *Completion Report: Microfinance Systems Development Project in Tajikistan*. Manila.

loan size per product financed under the project is expected to range from \$200 to \$5,000 equivalent to accommodate ranges of household income and SGES preferences.<sup>14</sup>

7. **Sustainable green finance.** During the project, the MFIs will borrow from a Green Finance Fund set up by the Ministry of Finance (MOF) with an \$8.8 million grant provided by ADB for the credit line. The credit line will be lent by the MOF to MFIs under subsidiary loans with subsidiary loan interest and principal repayments being revolved on a perpetual basis during and after the project's implementation period. The Green Finance Fund will provide credit line support to MFIs for energy efficiency initiatives. In addition, the project's credit lines to MFIs will be in local currency for 5 years. This will help MFI borrowers without exposing them to currency risk, as well as provide longer-term liquidity to MFIs. By taking loans to invest in household energy efficiency, clients will experience measurable savings in energy expenses. This will help people understand, afford, and develop a perception of the benefits of investments for energy efficiency.

8. The project aims to support commercial viability for SGES. This approach is recognized as an important component of the government's strategy to provide a sustainable energy-efficient environment.<sup>15</sup> Pilot interventions (para. 3) have helped develop supplier capacity to meet market demand. Once the commercial viability of green finance is proven, it is anticipated that MFIs and banks will use their own capital to finance SGES acquisition by households and businesses.

9. The project will help strengthen MFI lending for energy-efficient products, supporting MFI portfolio diversification strategies. MFIs that are interested in developing or expanding their SGES loan portfolios must meet the eligibility criteria agreed by the MOF and ADB (paras. 21–24).<sup>16</sup> MFIs selected for the project will benefit from knowledge and capacity building for SGES product lending, strengthening of client selection and portfolio management, and public information campaigns.

10. **Benefits to women.** The project will have significant benefits for women. Introducing SGES such as energy-efficient cooking stoves, heating units and solar water heaters, and water purifiers will reduce time spent in gathering firewood and other fuels for cooking, heating, and safe drinking water, and increase women's borrowing options.<sup>17</sup> SGES enables better household health conditions by providing clean heating, cooking, and water, and warmth in winter. The project will also increase women's financial literacy through the provision of targeted training services to actual and potential clients.

11. **Private sector development.** Although nascent, a few SGES solutions are currently assembled and manufactured locally through local cooperatives and skilled workers. By making credit and information available, the project will help create more effective demand. This will stimulate growth in SGES production and trade. To ensure that the quality and service being delivered by the private sector meet appropriate technical standards, the project will provide international and national experts to help set and prioritize quality benchmarks and facilitate local cooperative links with other institutions that have relevant experience and knowledge.

<sup>14</sup> The average annual cash income of households surveyed by ADB ranged from \$383 to \$2,917 equivalent for the lowest two quartiles. The average household size in Tajikistan is seven persons.

<sup>15</sup> ADB. 2010. *Country Partnership Strategy: Tajikistan, 2010–2014*. Manila.

<sup>16</sup> ADB. 2007. Lending and Grant Policies (Asian Development Fund). *Operations Manual*. OM D2. Manila; ADB. 2003. Financial Intermediation Loans. *Operations Manual*. OM D6. Manila.

<sup>17</sup> Most rural households boil water using firewood or coal to make it safe to drink.



12. **Environmental, social, and other benefits.** Use of SGES will result in improved local environmental and health benefits for rural households by substituting fossil and wood fuels with clean alternatives or by lowering the volumes of fossil and wood fuels used. These benefits include reduced exposure to indoor air pollution, reduced pressure on forestry and coal resources to meet household heating and cooking needs, and reduced greenhouse gas emissions. Other benefits include reduced time spent by households to purchase, transport, and store diesel, kerosene, coal, and wood in remote areas for power generation, heating, and cooking; improved education opportunities for children during dark hours, and less eye strain as a result of better household lighting.<sup>18</sup> The project will enable (i) reduction of carbon emissions, (ii) support for the development of supply chains for SGES, and (iii) demonstration of households' willingness to pay for energy solutions, thereby providing a baseline for pricing energy produced by the formal power network.<sup>19</sup> As the first ADB project of its type (product-based financial intermediation for household SGES improvements), this project may also provide meaningful lessons for other similar interventions.

#### **A. Impact and Outcome**

13. **Impact.** The impact will be increased energy efficiency in Tajik households. The outcome will be increased access to finance for SGES in Tajikistan.

#### **B. Outputs**

14. The outputs will be:
- (i) increased outreach by MFIs for green finance, particularly to women borrowers;
  - (ii) increased public awareness of energy efficiency;
  - (iii) increased usage of SGES most helpful to women, such as energy-efficient cooking stoves, heating units, and solar water heaters; and
  - (iv) increased private sector participation.

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<sup>18</sup> A 2008 World Bank study found that replacing kerosene lamps with electric lighting had daily health benefits estimated at \$2.50 per household. Source: World Bank. 2008. *The Welfare Impact of Rural Electrification: A Reassessment of the Costs and Benefits*. Washington, DC.

<sup>19</sup> While the project will have a positive impact on climate change through mitigation, the precise measurement of the effect cannot yet be assessed as the selection and financing of SGES products is a borrower decision.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Activity	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Responsible Unit
Establish project implementation arrangements	✓												ADB, MOF, MFIs
Grant negotiations		✓											ADB, MOF
ADB Board consideration			✓										ADB
Grant Agreement (GA) signing					✓								ADB
Government legal opinion provided						✓							MOF
Signed GA submitted to ADB						✓							
Grant effectiveness							✓						ADB, MOF
Set-up joint project management unit with Rural Development Project and Building Climate Resilience in the Pyanj River Basin at MOF		✓											MOF
Signing of first two Subsidiary Loan Agreements (SLAs) and Project Agreements (PAs)							✓						ADB, MOF, MFIs
Project implementation units established in first two MFIs								✓					MFIs
Signed SLAs, PAs, and legal opinions submitted to ADB								✓					ADB
Selection of additional MFIs										✓			MOF

## B. Overall Project Implementation Plan

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INDICATIVE ACTIVITIES	2013				2014				2015				2016				2017				2018			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
<b>Output 1: Increased outreach by MFIs for green finance, particularly for women borrowers</b>																								
1.1 Initial two MFIs sign subsidiary loan and project agreements (by October 2013)																								
1.2 Orientation for MFI managements on green finance (by December 2013)																								
1.3 Loan officers of initial two MFIs trained for credit decisions on green finance (December 2013).																								
1.4 Internal targets set for developing green finance, including outreach to women subborrowers, and strategy developed by MFIs (by December 2013).																								
1.5 Additional MFIs apply for, are selected, and sign subsidiary loan and project agreements (December 2013-September 2014)																								
1.6 SGES loans delivered, used, and repaid with monitoring and reporting of project results (through December 2018).																								
<b>Output 2: Increased public awareness on energy efficiency</b>																								
2.1 Awareness workshop and/or seminar in each quarter (first seminar in December 2013).																								
2.2 First gender sensitive product awareness training, including training on livelihood development from SGES for women (January 2014-December 2018)																								
2.3 First gender sensitive technical training (January 2014-December 2018)																								
<b>Output 3: Increased usage of SGES most useful to women, such as energy-efficient cooking stoves, heating units, and solar water heaters</b>																								
3.1 First batch of technicians' training on SGES most useful to women (March 2014-2018)																								
3.2 Loan officers trained for credit decisions for SGES useful to women (December 2013-September 2014)																								
3.3 MFI internal targets set for outreach to women subborrowers for SGES most useful to women (February 2014-September 2014)																								
<b>Output 4: Increased private sector participation</b>																								
4.1 Public awareness campaign in all participating regions (December 2013-June 2018)																								
4.2 First batch of technicians' training in participating regions (February 2014-June 2018)																								
4.3 Establish first distribution of SGES (February 2014-March 2018)																								
4.4 Energy efficient equipment quality benchmarks adopted by MFIs (November 2014)																								

MFI = Microfinance Institution, SGES = smart green energy solutions

### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Stakeholders—Roles and Responsibilities

Project Stakeholders	Management Roles and Responsibilities
Ministry of Finance (EA)	<ul style="list-style-type: none"> <li>Act as executing agency for the Project. Provide overall policy direction and guidance, and facilitate cooperation and coordination among the concerned MFIs</li> <li>Establish adequately staffed project management unit (PMU)</li> <li>Appoint one of its staff as PMU head who can oversee its operations and, approve and sign official documents. Salary will be paid by MOF</li> <li>MOF through PMU will establish and manage two imprest accounts: one for the credit line and the other for PMU support</li> <li>Sign subsidiary loan agreements with MFIs. Provide ADB with the audited project financial statements for use of ADB funds by an independent external auditor acceptable to ADB within 6 months of close of each financial year. Audited project accounts to comply with requirements of OM J7/PAI 5.07</li> </ul>
Steering Committee	<ul style="list-style-type: none"> <li>Dialogue with partners to help ensure an enabling framework for household energy efficiency</li> <li>Review project progress and advise on policy matters</li> </ul>
Project Management Unit (PMU) (MOF)	<ul style="list-style-type: none"> <li>Select MFIs meeting Project eligibility criteria in consultation with ADB and with ADB no objection. Drafting of subsidiary loan agreements</li> <li>Ensure work for MFI strengthening in terms of products, SGES client understanding and assessment of needs, safeguards, and AML/CFT is satisfactorily completed</li> <li>In consultation with MFIs and other stakeholders, develop and implement public awareness campaigns for smart green energy solutions and capacity building of MFIs and suppliers</li> <li>Prepare annual reports and complete monitoring and evaluation of project overall outputs and inputs per the DMF, monitoring of safeguards compliance and reporting plus any technical support from staff</li> <li>Oversee and monitor MFI compliance with the subsidiary loan agreements (SLAs)</li> <li>Ensure timely access to MFIs of ADB grant funds by making such grant funds available to them in their specially-designated accounts with a commercial bank acceptable to ADB</li> <li>Prepare withdrawal applications and forward to MOF for review and signature of authorized representative</li> <li>Implement and monitor compliance with Grant Agreement conditions and covenants</li> <li>Monitor MFIs' compliance with SLA and Project Agreement conditions and the achievements of the grant's development framework targets</li> </ul>

Project Stakeholders	Management Roles and Responsibilities
Microfinance Institutions/Project Implementation Unit (PIU)	<ul style="list-style-type: none"> <li>• Prepare and submit annual project financial statements in accordance with ADB requirements (OM J7/PAI 5.07) and Section 4.03 of the draft Grant Agreement (these would include reporting on the use of funds for the PMU support component of the Project)</li> </ul>
	<ul style="list-style-type: none"> <li>• Prepare a consolidated project completion report to ADB within 6 months from project closing date</li> </ul>
	<ul style="list-style-type: none"> <li>• Act as implementing agencies for the credit line component of the Project; comply with Project Agreement obligations</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish PIU and assign qualified staff to perform functions and ensure all correspondence and submissions to the ADB are in English</li> </ul>
	<ul style="list-style-type: none"> <li>• Coordinate among the three projects to be managed by the PMU; manage all accounts, performance, reporting, monitoring and evaluation, and audits in accordance with each project's requirements</li> </ul>
	<ul style="list-style-type: none"> <li>• Conduct credit appraisal of subborrowers for affordable SGES, focusing on their debt servicing capacity, suitability of the green energy investment, and safeguards compliance</li> </ul>
	<ul style="list-style-type: none"> <li>• Implement and manage the onlending activities, budgeting, financial planning, accounting, and auditing related to project implementation</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that at least 30% of the number of loans and 20% of the credit line goes to women subborrowers</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish and manage the imprest subaccount</li> </ul>
	<ul style="list-style-type: none"> <li>• Submit to PMU and ADB a quarterly progress report in jointly-agreed format within one month of the end of each quarter</li> </ul>
Asian Development Bank	<ul style="list-style-type: none"> <li>• Submit to PMU and ADB annual audited MFI financial statements and audited project financial statements in relation to ADB funds relented by them in a manner satisfactory to ADB within the first 6 months from the close of each calendar year</li> </ul>
	<ul style="list-style-type: none"> <li>• Submit to PMU and ADB an annual monitoring and evaluation report on project benefits within the first month from the close of each calendar year</li> </ul>
	<ul style="list-style-type: none"> <li>• Throughout project implementation period, maintain adherence to NBT regulatory requirements and prudential financial ratios agreed with MOF and ADB</li> </ul>
Asian Development Bank	<ul style="list-style-type: none"> <li>• Responsible for overall coordination and monitoring of grant and TA projects</li> </ul>
	<ul style="list-style-type: none"> <li>• Provide guidance and assistance throughout project implementation; timely processing of withdrawal applications</li> </ul>
	<ul style="list-style-type: none"> <li>• In coordination with MOF, the PMU, and MFIs, monitor (i) MFIs' compliance with Project Agreement conditions, (ii) the achievements of the project's targets established in the design and monitoring framework (DMF), and (iii) the quality of the subloans provided to the end-borrowers</li> </ul>

## B. Key Persons Involved in Implementation

### Executing Agency

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## C. Project Organization Structure

15. MOF as the executing agency (EA) has established a PMU to be shared with the Rural Development Project (RDP) and the proposed Building Climate Resilience in the Pyanj River Basin Project (PRBP). In accordance with ADB's policies and guidelines, the PMU will be responsible for coordinating, monitoring and reporting for the projects to ensure efficient financial intermediation, beneficiary outreach, and public awareness, particularly of SGES benefits for this project. Implementation will be coordinated by the head of the PMU, who is a funded staff appointed by MOF with ADB concurrence. MOF will establish a steering committee comprising key agencies including the National Bank of Tajikistan (NBT), the Ministry of Energy and Industry and other relevant stakeholders (to be identified during project inception) to facilitate successful project implementation. This steering committee will meet semiannually to

review the project's progress and advise on policy matters. The MFIs will be the implementing agencies (IAs) for the activities financed under this Project. As agreed with the Government, each MFI will establish a project implementation unit (PIU) adequately staffed and acceptable to ADB. The PIUs will ensure successful development and delivery of SGES products and services to clients, support public awareness of SGES, ensure safeguards, gender, and AML/CFT requirements are met, manage reporting and monitoring for project financial and operational matters, and respond to any concerns.

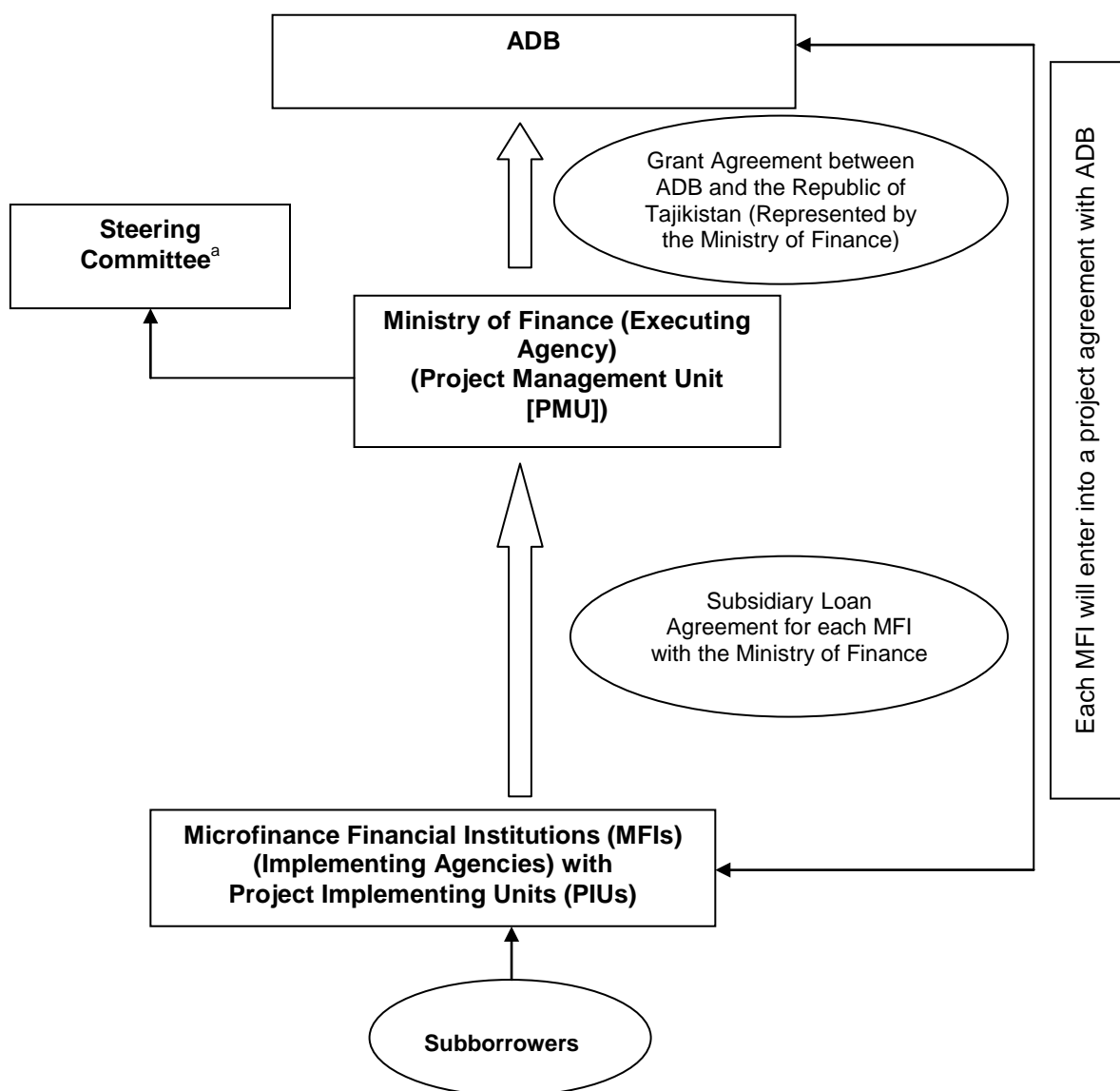
16. MOF shall ensure that, throughout the project implementation, the PMU remains adequately and fully staffed with national professionals. The Government has agreed to recruit PMU staff in accordance with ADB's procedures for recruiting individual consultants.<sup>20</sup>

17. The PMU will be supported by JFPR technical assistance (TA) comprising international and national consultants. A total of 19 person-months of international and 66 person-months of national consulting services, financed by JFPR TA grant funds, will be provided. The JFPR TA will be administered by ADB to facilitate the project.

18. The firm consultant selection shall be by quality- and cost-based selection, and both the firm and individuals will be selected in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The TA resources will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Goods and works will be procured in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). The outline terms of reference and a personnel schedule for the above project specialists are included in Section VI.

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<sup>20</sup> ADB. *Guidelines on the Use of Consultants by ADB and Its Borrowers* (2010, as amended from time to time). Manila.



<sup>a</sup> Key agencies including NBT, MOE, and other relevant stakeholders.



#### **D. Lending and Onlending Arrangements**

19. The PMU under the MOF will establish a Green Finance Fund in a commercial bank acceptable to ADB (see para. 62) and will lend \$8.8 million equivalent of the grant funds in Tajik somoni (TJS) to MFIs for tenors of 5 years, with the interest rate (reset every year) at NBT's refinancing rate (currently at 6.5%), for onlending to subborrowers. The government, with ADB concurrence, has selected two MFIs that have existing SGES loan products—MDO IMON International, LLC (IMON International) and MDO Arvand, LLC (Arvand)—to receive 20% of the total credit line amount (10% each). The remaining 80% will be allocated by the PMU, subject to ADB concurrence, in accordance with competitive and transparent criteria among (i) the four MFIs on which ADB has already performed due diligence (Arvand, MLO Humo and Partners LLC (Humo), IMON International, and MLO Oxus, LLC (Oxus)) and has determined that they meet the eligibility criteria (subject to implementing certain AML/CFT actions as outlined in Appendix 8) and (ii) other eligible MFIs that express interest in participating, as described in paras. 20–26 below.

20. Promptly after grant effectiveness, MOF will enter into subsidiary loan agreements with Arvand and IMON International. ADB will enter into project agreements with Arvand and IMON International following project approval by ADB's Board. Within 90 days after grant effectiveness, the PMU will notify all legally registered MFIs of the availability of the remaining credit line (i.e. \$7.04 million) under the project. The notification will include (among other things):

- (i) a description of the principal terms of the credit lines (e.g., tenor, interest rate, and maximum subloan size);
- (ii) the definition of SGES products under the project, and the list (amendable from time to time) of the SGES products that may be financed under the credit lines (listed in Appendix 5);
- (iii) the targets contained in the Design and Monitoring Framework (DMF) and Gender Action Plan (GAP) that are relevant to credit delivery by MFIs; and
- (iv) the latest draft project agreement between ADB and participating MFIs that has been agreed upon between ADB and the government.

21. The notification will also request the submission of an expression of interest (EOI) from any MFI that meets all of the following 4 basic eligibility criteria, with an assumption that new applicants on this program meet financial and due diligence eligibility criteria used in determining first preselected MFIs, as shown in paras. 22 and 24 below. The basic eligibility criteria are:

- (i) interest in participating in the project;
- (ii) substantial outreach in low income urban and rural areas;
- (iii) audited financial statements (AFS) for at least the last 2 completed fiscal years; and
- (iv) either:
  - (a) compliance with all of the financial eligibility criteria set forth in para. 22; or
  - (b) compliance with at least 5 of the 7 financial eligibility criteria set forth in para. 22 below, and submission of an action plan to achieve the unfulfilled criteria.

22. The financial eligibility criteria are:

- (i) compliance with capital adequacy requirements and other prudential requirements established by the NBT;
- (ii) equity equal to at least 12% of its total assets;
- (iii) a ratio of return on assets (ROA) greater than zero;
- (iv) a ratio of return on equity (ROE) of at least 10%;
- (v) an intermediation cost ratio of less than 33%;
- (vi) a portfolio at risk (PAR) over 30 days of less than 5%; and
- (vii) a write-off ratio of less than 5%.

23. The EOI will include:

- (i) a copy of the MFI's annual financial statements for the last 3 years (or 2 years, if only 2 years are available) and two years of independent audits by certified and recognized audit firms;
- (ii) calculations by the MFI demonstrating its compliance with all of the financial eligibility criteria set forth in para. 22, or if such MFI complies with only 5 or 6 of the financial eligibility criteria, such calculations together with an action plan to fulfill the unfulfilled criteria;
- (iii) a list of the SGES products that the MFI is already financing, if any, together with information on the related loan programs (the organizations and SGES suppliers or manufacturers with which it is working);
- (iv) a list of the potential SGES products that the MFI is interested in financing using funds provided under the credit line along with projections of loan delivery amounts over the five year period;
- (v) a list of the districts in which the MFI proposes to make loans for SGES products using funds provided under the credit line;
- (vi) the interest rate, or range of interest rates, on loans and the tenor to be extended by the MFI for each SGES product that the MFI is interested in financing using funds provided under the credit line; and
- (vii) the amount of the credit line requested by the MFI.

24. Promptly upon the expiration of the deadline for receiving EOIs (which shall be between 45 and 90 days after the issuance of the request), the PMU will review the EOIs received and determine which of the MFIs from which an EOI has been received meet the 4 basic eligibility criteria set forth in para. 21. For each such MFI which has not already undergone due diligence as part of the preparation of the project (a Non-Pre-Screened MFI; Arvand, Humo, IMON International, and Oxus are the Eligible Pre-Screened MFIs, para. 26), the PMU will promptly conduct due diligence to determine whether such MFI meets the following due diligence criteria:<sup>21</sup>

- (i) financial soundness as evidenced by adequate capital, asset quality, liquidity, and profitability;
- (ii) adequate credit and risk management policies, operating systems, and procedures;
- (iii) compliance with prudential regulations, including exposure limits and AML/CFT rules and requirements;

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<sup>21</sup> Specific MFI due diligence will not be publicly disclosed for commercial reasons.

- (iv) corporate, financial, management and governance practices acceptable to ADB and MOF including, among other things, transparent financial disclosure policies and practices;
- (v) sound business objectives and strategy and/or plan, including sufficient absorptive capacity to effectively engage in the project and provide subloans for SGES products;
- (vi) autonomy in lending and pricing decisions;
- (vii) adequate policies, systems, and procedures to assess and monitor the economic, social, and environmental impact of subprojects in accordance with parameters established by ADB for this purpose; and
- (viii) satisfactory results on ADB's integrity due diligence.

25. The PMU will then provide ADB with a copy of its evaluation report and request that ADB concur in its determination. Any Eligible Non-Pre-Screened MFI for which ADB provides concurrence will be considered an Eligible Screened MFI.

26. After completing due diligence on Non-Pre-Screened MFIs, the PMU will review the EOIs, score them for each of the EOI requirements, and then make a preliminary allocation of the total remaining credit line funds among (i) the Eligible Pre-Screened MFIs that submitted an EOI and (ii) the Eligible Screened MFIs (collectively, the Eligible MFIs) that submitted an EOI. In determining such allocations, the PMU will consider the information contained in the EOIs and the results of the due diligence conducted by ADB and the PMU, which will include the PMU's estimate of the actual absorptive capacity of each MFI in making SGES loans. The PMU will then discuss the rankings and proposed amounts with ADB to seek concurrence. Following agreement, the PMU will then notify the Eligible MFIs of the proposed allocated amounts and commence loan negotiations with the Eligible MFIs that remain willing to participate in the project. The allocation of any Eligible MFI that does not remain willing to participate in the project, whether before or after loan negotiations, will be reallocated by the PMU among the remaining Eligible MFIs. Each Eligible MFI with which loan negotiations are successfully concluded will be referred to as a Selected MFI. After finalization of negotiations the PMU will submit the final allocations and draft subsidiary loan agreements to ADB for its concurrence.

27. Following ADB agreement, MOF will enter into subsidiary loan agreements with the Selected MFIs and ADB will enter into project agreements with the Selected MFIs. Arvand, IMON International, and the Selected MFIs will make loans to creditworthy households for the purchase and installation of SGES.<sup>22</sup> These loans, which will be denominated in TJS in principal amounts of up to \$5,000 equivalent for tenors of up to 5 years, will bear interest at rates determined by the MFIs within the rates proposed in the EOI. MOF will recycle the interest and principal payments made by MFIs back to the same or different Eligible MFIs to enable them to make additional loans for SGES.

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<sup>22</sup> Prior review of first three subloans proposed by each MFI will also be conducted by ADB, a practice consistent with OM D6 para. 7.

#### IV. COSTS AND FINANCING

28. The project is estimated at \$11.12 million equivalent. ADB will provide a grant of \$10 million from its Special Funds resources (the Asian Development Fund [ADF]) (Table 1). ADB's financing includes PMU support. The cost of PMU support is to be shared with RDP and PRBP and the government. ADB's financing includes costs associated with operation of PMU including recurrent costs, to facilitate the project's implementation in Tajikistan.<sup>23</sup> In addition to the project grant, the Japan Fund for Poverty Reduction (JFPR) will provide a technical assistance grant of \$750,000 to be administered by ADB.

**Table 1: Project Investment Plan**

Item	Amount (\$ million)	Share of Total (%)
A. SGES subprojects <sup>a</sup>		
1. Credit line to MFIs <sup>b</sup>	8.80	79.1
2. Contributions from subborrowers	0.98	8.8
<b>Subtotal A</b>	<b>9.78</b>	<b>87.9</b>
B. PMU Support <sup>c</sup>	1.31	11.8
C. Taxes and Duties <sup>d</sup>	0.03	0.3
<b>TOTAL (A+B+C)</b>	<b>11.12</b>	<b>100.0</b>

MFI = microfinance institution, PMU = project management unit, SGES = smart green energy solutions

<sup>a</sup> For SGES subprojects, at least 10% of the subproject costs shall be met by cash contributions from subborrowers. The balance of the subproject costs shall be financed by sub-loans from the MFIs.

<sup>b</sup> The credit line component is not subject to taxes or duties (e.g. stamp duty type taxes upon subloan issuance).

<sup>c</sup> Includes in-kind government contribution, remuneration of PMU staff (consultants), office furniture and equipment, and other associated costs.

<sup>d</sup> Taxes and duties on PMU-related expenditures will be financed from government sources in the form of an exemption.

Source: Asian Development Bank estimates.

**Table 2: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (grant)	10.00	90.0
Government <sup>a</sup>	0.14	1.0
Subborrowers' share	0.98	9.0
<b>TOTAL</b>	<b>11.12</b>	<b>100.0</b>

<sup>a</sup> Includes in-kind contributions and exemptions of taxes and duties on PMU related expenditure. The government contribution will be increased when an expected parliamentary approval is obtained for a waiver of taxes on smart green energy solutions products.

Source: Asian Development Bank estimates.

<sup>23</sup> ADB policy and ADB's country partnership strategy for Tajikistan permit financing of recurrent costs. ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila; and footnote16.

**A. Detailed Cost Estimates by Financiers**

Item	ADB		MOF		Subborrowers		Total Cost (\$ million)
	Amount (million)	% of cost category	Amount (million)	% of cost category	Amount (million)	% of cost category	
1. SGES subproject							
a. Credit line to MFIs	8.80	100	-	-	-	-	8.80
b. Subborrowers' 10% share	-	-	-	-	0.98	100	0.98
<b>Subtotal</b>							<b>9.78</b>
2. PMU support							
a. PMU cost financed by ADB	1.20	100	-	-	-	-	1.20
b. In-kind government contribution			0.11	100	-	-	0.11
<b>Subtotal</b>							<b>1.31</b>
3. Taxes and duties <sup>a</sup>	-	-	0.03	100			0.03
<b>Total</b>	<b>10.00</b>		<b>0.14</b>		<b>0.98</b>		<b>11.12</b>

<sup>a</sup> Taxes and duties on PMU-related expenditure will be financed in the form of an exemption.

**B. Allocation and Withdrawal of Grant Proceeds**

Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
		Category	
1.	Credit line to MFIs <sup>a</sup>	8,800,000	100% of total expenditure claimed <sup>b</sup>
2.	PMU Support	1,200,000	100% of total expenditure claimed <sup>b</sup>
	<b>Total</b>	<b>10,000,000</b>	

<sup>a</sup> Subject to the conditions for withdrawal described in para. 5 of Schedule 2 of grant agreement.

<sup>b</sup> Exclusive of taxes and duties imposed within the territory of the recipient.

**C. Contract and Disbursement S-curve**

29. The projected disbursements were based on the projected demands by the MFIs.

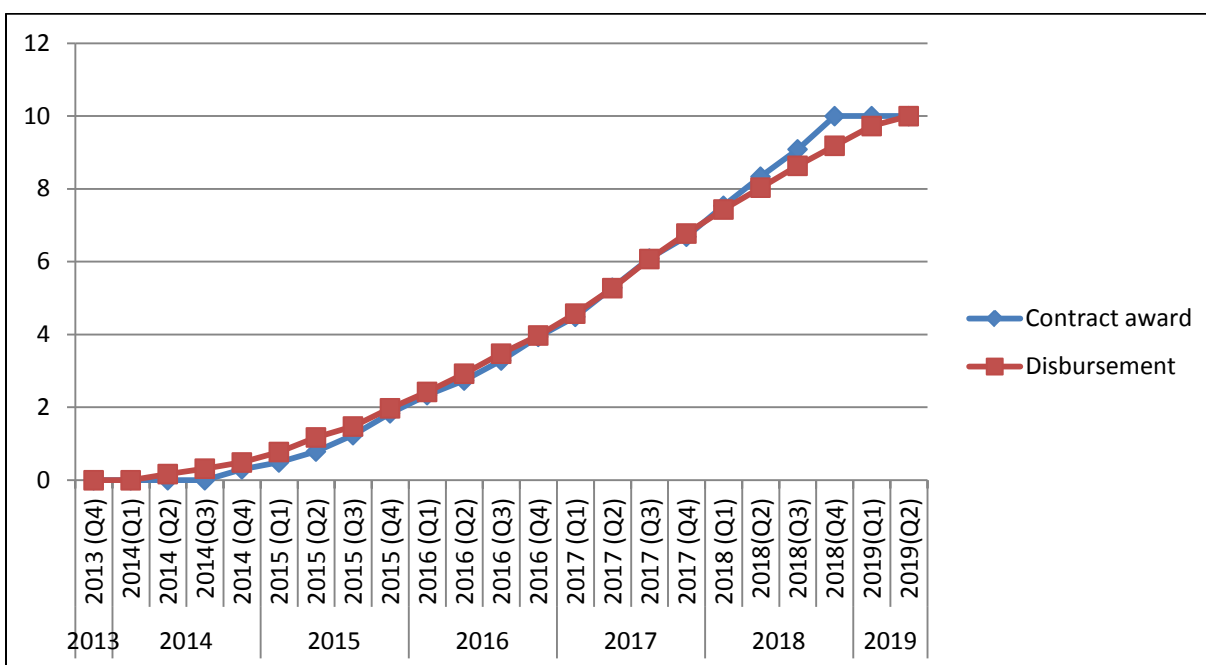
**Table 3: Projections for Contract Award (\$million)**

Year	Q1	Q2	Q3	Q4	Total
2013	0.000	0.000	0.000	0.000	0.000
2014	0.000	0.000	0.000	0.300	0.300
2015	0.188	0.300	0.450	0.600	1.538
2016	0.500	0.400	0.550	0.650	2.100
2017	0.550	0.800	0.800	0.600	2.750
2018	0.850	0.800	0.750	0.912	3.312
2019	0.000	0.000	0.000	0.000	0.000
<b>Total</b>					<b>10.000</b>

**Table 4: Projections for Disbursements (\$million)**

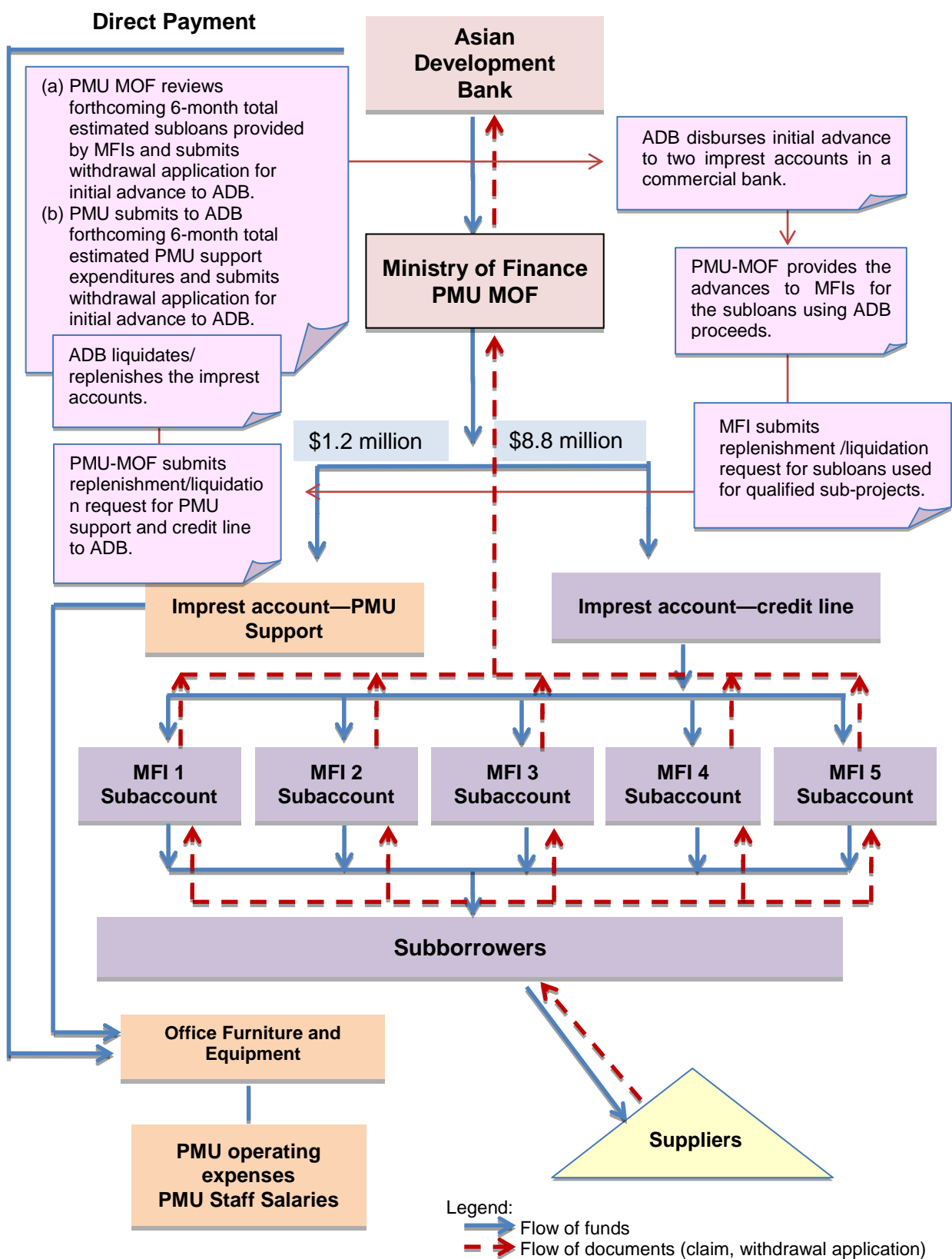
Year	Q1	Q2	Q3	Q4	Total
2013	0.000	0.000	0.000	0.000	0.000
2014	0.000	0.170	0.148	0.170	0.488
2015	0.288	0.400	0.300	0.500	1.488
2016	0.450	0.500	0.550	0.500	2.000
2017	0.600	0.700	0.800	0.700	2.800
2018	0.660	0.600	0.600	0.550	2.410
2019	0.542	0.272	0.000	0.000	0.814
<b>Total</b>					<b>10.000</b>

**Projected Contract Awards and Disbursements S-Curve**



30. Projection of subloan commitment and disbursements will be confirmed with MFIs once selection is finalized. The PAM will be updated accordingly.

## D. Fund Flow Diagram



## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment of MFIs

31. As of February 2013, there were 126 licensed microfinance institutions (MFIs) and microfinance banks in Tajikistan. They provided microcredit with varying purposes, loan sizes, outreach, efficiency, self-sufficiency, profitability, and impact. The Access to Green Finance project will help meet demand for green finance, while promoting efficient financial intermediation consistent with ADB requirements. The PMU under the Ministry of Finance (MOF) will lend \$8.8 million equivalent of the grant funds in TJS to MFIs for tenors of 5 years for onlending. The PMU established by MOF will (i) allocate \$1.76 million on a 50/50 basis to Arvand and IMON International at inception; and (ii) select and allocate \$7.04 million among MFIs in accordance with agreed selection and allocation criteria (see section III, subsection D) and subject to ADB concurrence. ADB conducted financial due diligence on several MFIs and found that Arvand, IMON International, Humo, and Oxus met the agreed selection criteria (subject to undertaking certain AML/CFT actions as discussed in Appendix 8). The final selection of MFIs for participation under this project will be conducted by the PMU in accordance with the guidelines set forth in the Project Administration Memorandum (PAM) and will be subject to ADB's concurrence.

32. Among the 4 MFIs referenced above, Humo<sup>24</sup> and Oxus are licensed by NBT as microloan organizations (MLOs) and hence can only perform lending activities. IMON International and Arvand are registered as micro deposit organizations (MDOs) and hence can perform both lending and deposit-taking activities. Oxus was one of the MFIs that received a loan under a previous ADB project, the Microfinance Systems Development Program.<sup>25</sup> IMON International has been a recipient of loans from EBRD, IFC, and other institutions; Arvand and Humo have been recipients of loans from EBRD, KfW, and other institutions. All 4 of these MFIs meet the necessary financial ratios and have successfully completed ADB's due diligence for financial intermediaries (Table 5). ADB's integrity due diligence found no evidence that they have engaged in money laundering or other illegal activities.

33. The 4 MFIs' internal audit systems are appropriate to their organizations. The internal audit departments (IADs) report independently to audit committees under their boards of directors and are structured based on the relevant articles of the microfinance law and their internal audit policies. The 4 MFIs also diligently apply reasonable credit appraisal procedures. All four have constituted credit and/or credit approval committees, which in most cases include board members for the purpose of assessing and approving high-value loans. All 4 MFIs have also established asset-liability management committees which ensure that asset-liability mismatches are properly assessed and managed. Policies and practices are also in place for treasury and other operational functions.

<sup>24</sup> In case of HUMO, the mission concludes that HUMO passes IDD provided that HUMO demonstrates appropriate governance mechanisms to ensure that robust conflict of interest provisions are implemented over time.

<sup>25</sup> ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance Grant to the Republic of Tajikistan for the Microfinance Systems Development Program*. Manila.



**Table 5: Assessment of Tajikistan MFIs with Agreed-Upon Requirements (2012)**

Item	Requirement	IMON	Arvand	Humo	Oxus
All NBT prudential requirements complied with?	Yes	Yes	Yes	Yes	Yes
Equity/Total Assets	≥12%	24.2%	13.6%	23.2%	20.3%
Return on Assets	>0%	6.5%	5.0%	9.0%	3.4%
Return on Equity	≥10%	26.2%	30.6%	38.7%	16.7%
Intermediation Cost Ratio (Operating Expenses/Total Assets)	<33%	26.8%	28.8%	32.9%	31.2%
PAR (Portfolio at risk)>30 days	<5%	2.2%	0.2%	1.2%	0.7%
Write-off Ratio	<5%	0.3%	0.1%	0.3%	1.2% <sup>a</sup>
ADB financial intermediary due diligence ok?	Yes	Yes	Yes	Yes	Yes
ADB integrity due diligence ok?	Yes	Yes	Yes	Yes	Yes
Substantial outreach in rural areas?	Yes	Yes	Yes	Yes	Yes
<b>Summary</b>	<b>Ok</b>	<b>Ok</b>	<b>Ok</b>	<b>Ok</b>	<b>Ok</b>

ADB = Asian Development Bank, MFI = microfinance institution, NBT = National Bank of Tajikistan

<sup>a</sup> 2011 data.

Sources: Asian Development Bank Staff; Association of Microfinance Organizations of Tajikistan (AMFOT). 2013. *Analysis of Statistical Data of AMFOT Members*. Dushanbe.

34. The 4 MFIs' financial statements are prepared and maintained according to International Financial Reporting Standards (IFRS) and are audited according to International Standards on Auditing (ISA) by NBT-accredited audit firms (for 2012, Baker Tilly [Arvand and IMON International], BDO [Humo], and Finconsult [Oxus]). ADB's project agreements with the selected MFIs will include a provision for their external auditors to certify that ADB's loan funds were used by them only for the permitted purposes.

35. ADB's loan will finance subprojects for the purchase of smart green energy solutions (SGES). Subprojects will comply with the requirements of Tajikistan's environmental legislation and regulations and conform to ADB's safeguards policies. MFIs will finance only those subprojects which have minimal or no adverse social or environmental risks. Subprojects that fall under ADB's environmental and social safeguard categories A and B or which specifically require environmental assessment clearances by the Government of Tajikistan will not be financed under the project. ADB's prohibited investment activity list will apply (Appendix 3).

36. A key risk that participating MFIs will face is credit risk. The risk of lending for SGES can be managed through careful client selection and assessment. The low levels of delinquency and write-offs for their existing loan portfolios indicate that MFIs manage credit risk well. The risk will be distributed among a relatively large number of customers. MFIs selected to participate in this project will be allowed to set their interest rates for SGES loans based on full cost and risk recovery (i.e., taking into account their cost of capital, administrative expenses, and expected loan losses).

## **1. Project Implementation Units (PIUs)**

37. The members of the PIUs for each selected MFI will be identified once the MFI is selected for a subloan. Staff will be trained and supported to ensure they can correctly assess and manage credit risks, safeguards, and integrity processes to ensure project results.

## **2. Risks and Mitigating Measures**

38. The summary of risks and mitigating measures is provided in Table 6.

**Table 6: Summary Risks and Mitigating Measures**

<b>Summary Risks</b>	<b>Mitigating Measures</b>
<b>Macroeconomic Risks</b>	
1. High capital cost of imported equipment and spare parts due to devaluation	Some SGES are made locally, which reduces the risk of price increases due to currency devaluation. Increased development of local SGES manufacturers should moderate cost increases.
2. Affordability problem due to high interest rates on loans for SGES	MFIs will work with technology partners, such as those developed by GIZ and Habitat for Humanity, to manage costs; MFIs and the JFPR TA will help households understand and prioritize their SGES needs; providing local currency credit lines to multiple MFIs to improve affordability.
<b>Information Asymmetry Risks</b>	
3. Lack of knowledge about SGES	Increased public awareness campaigns and capacity building of MFIs and their clients will increase knowledge of the costs and benefits of SGES.
<b>Business Risks</b>	
4. Poor quality SGES	The project will only include SGES products that meet high-quality technical standards developed with assistance provided under the JFPR TA. MFIs will work with clients and monitor selected SGES installations to ensure product quality and use.
5. MFI default risk	Extensive financial due diligence will be performed on MFIs that apply and are selected for credit lines under the project. Only MFIs that meet ADB's eligibility criteria will be selected.

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction, MFI = Microfinance institution, PMU = project management unit, SGES = smart green energy solutions, TA = technical assistance.

Source: Asian Development Bank.

## **B. Financial Management Assessment of Ministry of Finance (Executing Agency)**

39. The Ministry of Finance (MOF) will serve as the Executing Agency (EA) of the project. NBT, which was the executing agency for the previous ADB financial intermediation loan project—Tajikistan: Microfinance Systems Development Program (MSDP),<sup>26</sup> was considered, but felt to have a conflict of interest in implementing a credit line to organizations it supervises.

40. 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, and exercises fiscal policy.

41. The latest Public Expenditure Financial Accountability 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.

42. 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.

43. 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

<sup>26</sup> *Ibid.*

project, the government, assisted by ADB's grant, has agreed to create a 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 the Building Climate Resilience in Pyanj River Basin Project.

44. 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 project, and the microcredit components of the three projects. 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. The PMU will follow ADB's standard disbursement and repayment procedures in administering the credit line.

45. 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. She 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.

46. A large portion of the PMU funds under the project (\$466,800) 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 and 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 *Guidelines on the Use of Consultants by ADB and its Borrowers* (2010, as amended from time to time).

47. 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 experience of the NBT as former EA to attract qualified PMU staff with similar responsibilities and functions at lower remuneration levels than the current project.

48. 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* (2010, as amended from time to time). The PMU will have a significant budget (also from the grant funds) for operating expenses such as staff travel, vehicle maintenance, and fuel costs. The project team considers the proposed operating expense budget to be sufficient.

49. 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).

50. 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 (in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time), the project team has assumed that the ADB staff will provide training during the inception mission and subsequently as necessary. In addition, a JFPR TA grant will provide capacity support to the PMU and the MFIs.

51. To summarize, under the proposed implementation arrangements (including the financial management systems to be setup by the PMU), the EA is capable of providing accurate and timely information on the progress of the project's implementation and operation.

## **C. Disbursement**

52. The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),<sup>27</sup> and detailed arrangements agreed upon between MOF, the MFIs, and ADB. Each MFI will have its own separate project agreement with ADB and subsidiary loan agreement with MOF. ADB's imprest account and SOE procedures<sup>28</sup> will be used for disbursement under the grant.

53. Before the submission of the first withdrawal application, MOF should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the recipient, together with the authenticated specimen signatures of each authorized person. Considering that disbursements are of small value, in order not to lower the imprest account turnover, the minimum amount per withdrawal application only for reimbursement and liquidation/replenishment of the imprest account for PMU support will be \$50,000 equivalent, unless otherwise approved by ADB. The minimum amount per other withdrawal application will be \$100,000 equivalent.

54. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),<sup>29</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS and Schedule 3 of the Grant Agreement. All MFIs will ensure that their investments made with subloans to borrowers (a) are in compliance with applicable national laws and regulations and the subsidiary loan and project agreements, (b) do not involve involuntary resettlement impacts within the meaning of the SPS, (c) do not involve environmental or indigenous peoples impacts which can be categorized as A or B and (d) do not involve any activities on the prohibited investment activities list (Appendix 3) to subprojects financed by ADB.

### **1. PMU Support**

55. MOF as executing agency will use \$1,200,000 of the ADF grant to finance PMU expenditures in consultation with ADB to facilitate project implementation. RDP and PRBP will also share in the PMU operations and costs to facilitate cost-effective and consistent management of this project and the microfinance components of the other projects. RDP is anticipated to provide an additional \$300,000 for PMU support. The RDP funds can help the PMU fund and implement startup activities and to help RDP in early implementation of its microfinance component, as the RDP project is already operational. PRBP is anticipated to provide \$141,000 to contribute to the costs of managing its microfinance component in this joint PMU. The PMU will be the nodal organization responsible over the 5-year project

<sup>27</sup> Available at: <http://www.adb.org/documents/loan-disbursement-handbook.pdf>

<sup>28</sup> Details about these procedures are available at (<http://www.adb.org/documents/loan-disbursement-handbook>).

<sup>29</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

implementation period for the overall management of the Access to Green Finance project and for management of the credit lines of the three projects.

## **2. Subloans**

56. The credit line under the project to be allocated to selected MFIs is \$8.8 million. MOF will relend this amount in TJS to selected MFIs for tenors of five years. MFIs will make subloans to creditworthy subborrowers for the purchase and installation of SGES (see footnote 13). These loans will be denominated in TJS in principal amounts of up to \$5,000 equivalent for tenors of up to 5 years.

57. For each subproject financed under the project by MFI, at least 10% of the subproject cost shall be met by equity contribution from the sub-borrower. The balance of the subproject cost will be financed 100% by way of a subloan from the MFI using proceeds of the grant from MOF.

58. For every replenishment of subaccounts, MFIs should submit to PMU (for submission to ADB as part of the replenishment of the imprest account) the list of subloans made to subborrowers which will be attached to the withdrawal application.

59. The Selected MFIs will be the implementing agencies under separate project agreements with each MFI. Each MFI will establish a project implementation unit (PIU) adequately staffed and acceptable to ADB. The head/project director of the PIU of each MFI will be responsible for (i) updating and preparing yearly disbursement projections, (ii) preparing and keeping records of subloans financed by ADB funds, and (iii) preparing and sending withdrawal applications to ADB through MOF. In addition, the MFI will appoint an AML/CFT Manager who will work with the PIU.

60. MOF will recycle perpetually the subloans repaid by MFIs back to the same or additional MFIs to enable them to make new subloans for SGES after the project implementation period.

## **3. Conditions for Withdrawal**

61. No withdrawals shall be made from Grant Account under the credit line for a subsidiary loan to MFI until:

- (a) the relevant MFI has established a PIU in accordance with the requirements set forth in the PAM and to the satisfaction of ADB and MOF;
- (b) MFI has established an environmental and social safeguards management system (ESMS) and appointed a qualified officer to implement the ESMS, in each case in accordance with the requirements in the PAM and to the satisfaction of ADB; MFI and recipient have entered into subsidiary loan agreement on terms and conditions satisfactory to ADB;
- (c) the relevant MFI has established an anti-money-laundering and countering the financing of terrorism (AML/CFT) controls and measures to implement such controls, in each case acceptable to ADB;
- (d) the relevant MFI and the recipient have entered into a subsidiary loan agreement on terms and conditions satisfactory to ADB;
- (e) the execution and delivery of such subsidiary loan agreement on behalf of the relevant MFI and recipient shall have been duly authorized or ratified by all necessary corporate, administrative and government action;

- (f) an opinion satisfactory to ADB counsel has been furnished to ADB, on behalf of the MFI that the subsidiary loan agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the relevant MFI and is legally binding upon the relevant MFI in accordance with its terms;
- (g) the relevant MFI has entered into a project agreement with ADB on terms and conditions satisfactory to ADB;
- (h) the execution and delivery of such project agreement on behalf of the relevant MFI shall have been duly authorized or ratified by all necessary corporate action; and
- (i) an opinion satisfactory to ADB counsel has been furnished to ADB, on behalf of the relevant MFI that the subsidiary loan agreement and the project agreement have been duly authorized or ratified, and executed.

#### **4. Imprest Fund Procedure**

62. Promptly after grant effectiveness, MOF through the PMU will establish and administer two imprest accounts: one for the credit line and the other for PMU support, both in US dollars. MOF will open the imprest accounts at a commercial bank selected by MOF, acceptable to ADB provided that it is capable of the following: (i) executing foreign exchange and local currency transactions; opening letters of credit and handling a large volume of transactions; and issuing detailed monthly bank statements promptly.<sup>30</sup> The imprest account for the credit line shall contain only the proceeds of the grant from ADB, exclusively for the share of eligible expenditures. MOF will establish the imprest accounts in its name and is accountable and responsible for the proper use of advances to the two imprest accounts including advances to the subaccounts.

63. Each MFI will manage and open a subaccount in TJS at the commercial bank selected by MOF to facilitate the subloan to be provided to subborrowers. Subaccounts shall contain only the proceeds of the subsidiary loan from the MOF. The subaccounts are to be used exclusively for the share of eligible expenditures.

64. The ceiling of the imprest account for PMU support will not at any time exceed 10% of the grant allocated for the category of PMU support. The ceiling of the imprest account for credit line will not at any time exceed 6 months estimated cash flow required for the payments to be made to subborrowers for eligible projects. MOF (PMU) may request for initial and additional advances to imprest accounts based on an estimate of expenditure sheet setting out the estimated expenditures through the accounts for the forthcoming 6 months. The imprest accounts and subaccounts will be established, managed, replenished, or liquidated in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) and detailed arrangements agreed by the Government and ADB. ADB's *Loan Disbursement Handbook* describes which supporting documents should be submitted to ADB and which should be retained by the government for liquidation and replenishment of an imprest account. Procedures shall be explained further or training shall be done during the inception mission to ensure all parties understand and correctly operate, manage, and keep correct records for the imprest accounts.

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<sup>30</sup> Bank charges incurred in the operation of the imprest account may be financed from grant proceeds.

## **5. Statement of Expenditures**

65. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation/replenishment of advances to the imprest accounts for PMU support and for the credit line and advances to subaccounts. The ceiling of the SOE procedure is the equivalent of \$5,000 per individual payment. In the SOE procedure, an application for reimbursement and liquidation/replenishment by MOF (PMU) and MFIs (PIU) is supported by a statement of expenditures instead of normal full documentation. The statement of expenditures includes a certification that expenditures have been incurred and paid for the proper execution of PMU expenditures and MFI subloans.

66. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement and liquidation/replenishment of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

67. The PMU is to consolidate claims of the PIUs of MFIs to meet the limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members except the SGES goods, and are eligible for ADB financing. All signed withdrawal applications together with summary sheets and the required supporting documents, will be submitted in original to the Tajikistan Resident Mission for onward transmission to ADB Headquarters for processing.

68. For SGES subprojects financed by MFIs, at least 10% of the subproject costs shall be met by cash contributions from the subborrowers. The balance of the subproject costs shall be financed by loans from the MFIs.

### **D. Accounting**

69. The PMU will maintain, or cause to be maintained, separate financial records for the project, by funding source, for all expenditures incurred on the project and prepare consolidated project financial statements in accordance with financial reporting arrangements acceptable to ADB.

70. The PMU will be responsible for (i) preparing disbursement projections, (ii) requesting budgetary allocations for counterpart funds, (iii) collecting supporting documents, and (iv) preparing and sending withdrawal applications to ADB.

### **E. Auditing**

71. MOF through the PMU will cause the detailed consolidated project financial statements (PFS) to be audited annually in accordance with International Standards on Auditing by an independent auditor whose qualifications, experience, and terms of reference are acceptable to ADB. MOF through the PMU will submit the audit opinion, audited PFS, and management letter in English to ADB within 6 months of the end of the fiscal year. The annual audit report will include an audit management letter and auditor's opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant

proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) compliance with the imprest fund procedure; and (v) compliance with use of the SOE procedure certifying (a) to the eligibility of those expenditures claimed under SOE procedures, and (b) proper use of the procedure in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) and the project documents.

72. ADB also requires audited annual financial statement (AFS) and audited project financial statement (APFS) for each MFI associated with the project. The MFIs shall (i) prepare their AFS and APFS in accordance with international financial reporting standards (IFRS); and (ii) have their AFS and APFS audited annually by an independent auditor whose qualifications, experience, and terms of reference are acceptable to ADB in accordance with international standards on auditing (ISA). The AFS, audit opinion and management letter will be submitted in the English language to ADB within 6 months of the end of the financial year by the implementing agencies.

73. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

74. The government, MOF and MFIs have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>31</sup> New MFIs will be made aware before signing of subloan and project agreements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower/grantee), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

75. Public disclosure of the consolidated PFS, including the audit opinion on the PFS, will be guided by ADB's Public Communications Policy (2011).<sup>32</sup> After review, ADB will disclose the audited consolidated PFS and the opinion of the auditors on the consolidated PFS within 30 days of the date of their receipt by posting them on ADB's website. The AFS, including the opinion of the auditors thereon, of each MFI will also be posted on ADB's website.

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<sup>31</sup> ADB Policy on delayed submission of audited project financial statements is as follows:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

<sup>32</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.



**F. Integrity Due Diligence**

76. Integrity due diligence (IDD) was conducted on Arvand, Humo, IMON International, and Oxus. This IDD was based on ADB's guidelines and in compliance with ADB's policy on combating money laundering and the financing of terrorism. The 4 MFIs generally met ADB's IDD requirements, except that each of them must make certain AML/CFT improvements prior to receiving its first disbursement under a subloan. If other MFIs are selected by the PMU to participate in the project, then IDD must be completed on these MFIs before ADB can concur in their participation.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting and Retroactive Financing

77. There is no retroactive financing or advance contracting under the project.

### B. Procurement of Goods, Works and Consulting Services

78. Procurement to be financed under the project grant will be carried out in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time). [Following section to be confirmed if approved by ADB's Board.] Regarding the purchases made under subloans for SGES, in light of Tajikistan's extensive trade with non-ADB members and the relatively small size of individual SGES purchases from many different suppliers over the whole country, it will be difficult and expensive for MFIs to ensure that all procurement is of equipment and goods originating in ADB members. For example, many energy-efficient wooden doors and windows manufactured in Tajikistan (including those made by suppliers in GIZ's project) are made using timber sourced from non-ADB countries (principally the Russian Federation) because regionally grown timber is not of sufficient quality. Accordingly, approval from ADB's Board of Directors is requested for procurement by subborrowers of equipment and goods from non-member countries using the proceeds of the grant used for the credit line only.<sup>33</sup> The procurement of goods and services will (i) be of reasonable price, given time of delivery, quality, and efficiency; and (ii) in accordance with established private sector commercial practices which are acceptable to ADB.

79. All consultants including the PMU personnel (excluding the PMU head who is financed by MOF) financed under the project grant and JFPR will be recruited by ADB according to ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).<sup>34</sup>

80. The Project will provide office equipment, office furniture, and two vehicles for the PMU. These items will be procured using the Shopping method in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time). The country eligibility waiver referred to in paragraph 2 above does not apply to such procurement.

81. The 18-month procurement plan indicating thresholds and review procedures is in Section C.

82. The JFPR TA will require the services of international consultants for a total of 19 person-months, and national consultants for a total of 66 person-months to train and support the PMU and MFIs, build capacity and transfer knowledge to enable the PMU and MFIs to implement the project sustainably. The firm consultant selection shall be by quality- and cost-based selection, and both the firm and individuals will be selected in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time). The TA resources will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Goods and works will be procured in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time).

<sup>33</sup> The Board of Directors must approve the waiver by a vote representing not less than two-thirds of the total voting power of the members of the Board.

<sup>34</sup> Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

83. The consumers who will purchase and install SGES will apply to the selected MFIs for loans. The MFIs, following their own criteria of consumer credit worthiness, will approve credit for the purchase of one or more SGES.

## C. Procurement Plan

### 1. Process Thresholds, Review and 18-Month Procurement Plan

84. **Project Procurement Thresholds.** Except as the Asian Development Bank (ADB) may otherwise agree, the following thresholds shall apply to procurement of goods and works.

**Table 7: Procurement of Goods and Works**

Method	Threshold
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

85. **ADB Prior or Post Review.** Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
<b>Procurement of Goods and Works</b>		
NCB Works	Prior	
NCB Goods	Prior	
Shopping for Works	Prior	Minimum of 3 quotations required
Shopping for Goods	Prior	Minimum of 3 quotations required
<b>Recruitment of Consulting Firms</b>		
Quality- and Cost-Based Selection (QCBS)	Prior	80:20
Quality-Based Selection (QBS)	Prior	
Other selection methods: Consultants Qualifications	Prior	
(CQS), Least-Cost Selection (LCS), Fixed Budget	Prior	
(FBS), and Single Source (SSS)	Prior	
<b>Recruitment of Individual Consultants</b>		
Individual Consultants	Prior	

### 2. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000

86. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (cumulative) US\$	Number of Contracts	Procurement / Recruitment Method	Comments
<b>Goods</b>				
Office /IT equipment	27,000	1	Shopping	
Office Furniture	11,000	1	Shopping	
Vehicles (2)	80,000	1	Shopping	
Accounting software—1C	15,000	1	Shopping	
<b>Consulting Services</b>				
PMU Staff	466,800	Multiple	National—ICS	
Audit	75,000	1	National—LCS	
<b>Consulting Services<sup>a</sup></b>	tbd	Multiple	ICS	

<sup>a</sup> For JFPR TA consultants

### 3. Consulting Services Contracts Estimated to Cost More Than \$100,000

87. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Contract Value (cumulative-\$'000)	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
Multiple <sup>a</sup>	750	QCBS/ICS	3QTR 2013	International/ National	For JFPR TA consultants

<sup>a</sup> QCBS if by a firm, and by rules for selection of individual consultants if by individuals, in accordance with ADB procedures.

#### D. Consultant's Terms of Reference

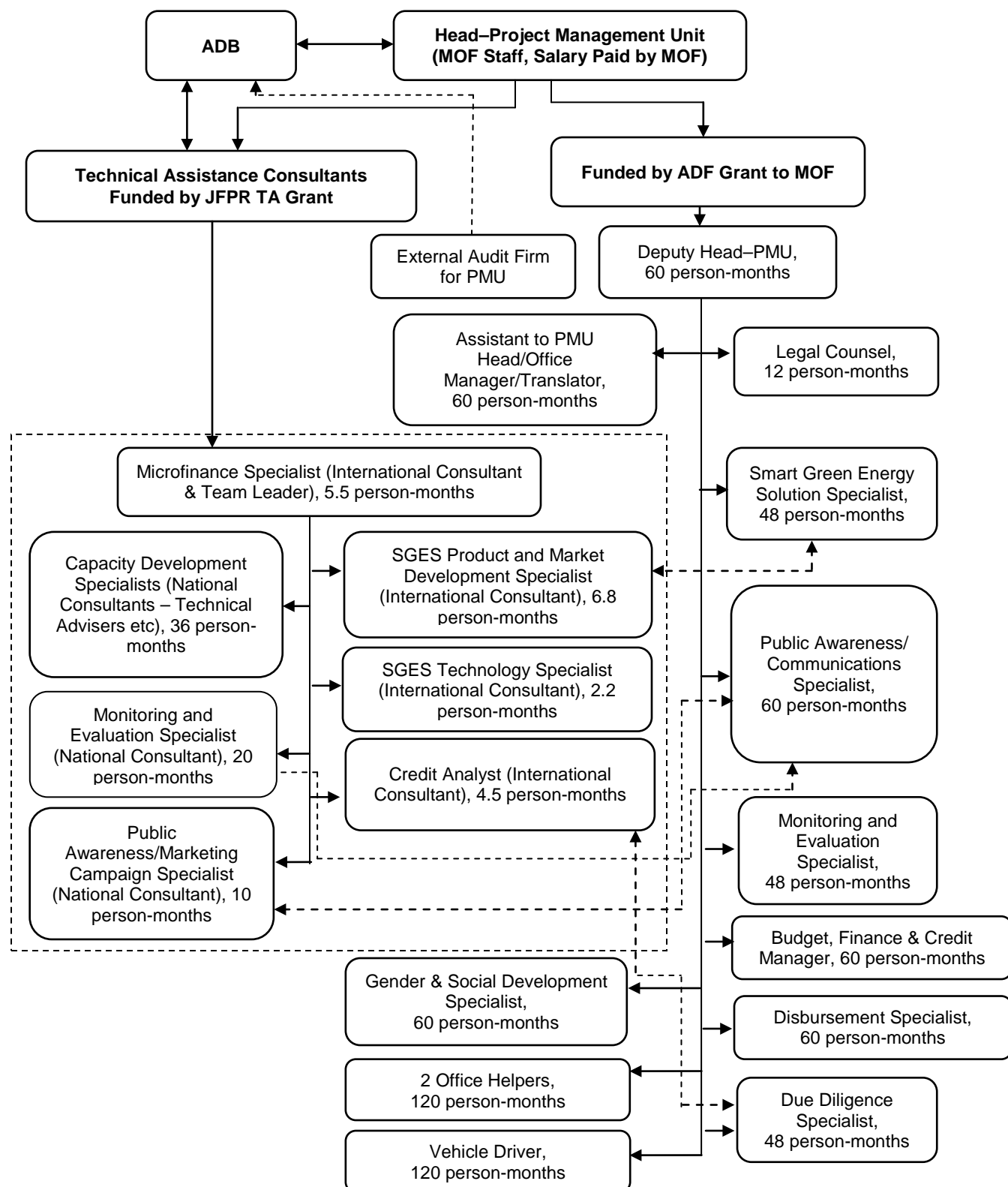
##### 1. Project Management Unit

88. The PMU will be headed by an official of MOF to undertake the implementation, monitoring, and evaluation of the project.

89. The PMU will be staffed with locally hired professionals as consultants as indicated in Figure 1 below. The duration of the consultant contract will be determined by the PMU head in consultation with the ADB. A preliminary cost structure of the PMU is indicated in Table 8 below showing PMU consultants' remuneration, PMU office furniture and equipment, and specified PMU operating expenses. These are the PMU support to be financed from the ADF grant.

90. The responsibilities of PMU are: (i) select MFIs and authorized SGES suppliers in consultation with ADB; (ii) disburse credit line to and receive payment from MFIs; (iii) implementing public awareness campaigns together with MFIs and authorized SGES suppliers; (iv) work closely with MFIs to ensure client and SGES financial product effectiveness and that their PIUs meet project management, safeguards, gender, AML/CFT, financial and performance monitoring and reporting requirements; and (v) provide planning, operational and logistical support to TA consultants in executing training and capacity building programs, conferences and workshops, and also monitoring and evaluation of the project.

Figure 1: Proposed Structure of PMU



Note: JFPR TA envisages 85 person-months of consultancy comprising 19 person-months of international consultancy and 66 person-months of national consultancy.

**Table 8: Estimated PMU Costs<sup>35</sup>**

<b>PMU Human Resources</b>			
<b>Staff Salaries</b>	<b>Quantity</b>	<b>Monthly Salary (\$)</b>	<b>Total (\$)</b>
Deputy Head—PMU	1	1,000	60,000
Assistant to PMU Head/Office Manager/Translator	1	900	54,000
Legal Counsel (Intermittent, 12-person-months)	1	800	9,600
Monitoring and Evaluation Specialist (48 months)	1	700	33,600
Budget, Finance & Credit Manager	1	900	54,000
Disbursement Specialist	1	700	42,000
Smart Green Energy Solutions Specialist (48 months)	1	500	24,000
Public Awareness Campaign/Communications Specialist (including training and capacity building)	1	700	42,000
Due Diligence Specialist (48 months)	1	700	33,600
Gender and Social Development Specialist	1	500	30,000
Office Cleaner	2	250	30,000
Vehicle Driver	2	450	54,000
<b>PMU Human Resources Subtotal (A)</b>			<b>466,800</b>

<b>PMU Office Furniture and Equipment</b>		
<b>Item</b>	<b>Quantity</b>	<b>(\$)</b>
Office Equipment		27,000
Accounting Software including Training	1	15,000
Office Furniture		11,000
Vehicle Purchase (4x4)	2 @ \$40,000	80,000
Minor Rehabilitation of Office Space as necessary		5,000
<b>PMU Office Furniture and Equipment Subtotal (B)</b>		<b>138,000</b>

<b>PMU Operating Expenses</b>			
<b>Item</b>	<b>Quantity</b>	<b>Monthly Expenses (\$)</b>	<b>Total at 5 years (\$)</b>
Staff Local Travel Expenses	4	400	96,000
Office Space	1	3,600	216,000
Other Office Expenses	1	1,400	84,000
Vehicle Fuel Expenses	2	400	48,000
Vehicle—Maintenance	2	100	12,000
<b>PMU Operating Expenses Subtotal (C)</b>			<b>456,000</b>
<b>External Audit (D)</b>	5	15,000 (annual)	<b>75,000</b>
<b>Contingency (E)</b>			<b>64,200</b>
<b>Grand Total (A+B+C+E)</b>			<b>1,200,000</b>

## **2. Terms of Reference—Project Management Unit**

### **a. PMU Head (full-time staff)**

91. The PMU will be headed by a current MOF staff throughout project's implementation period. His/her salary shall be paid by the MOF. The PMU head will be the principal authorized signatory of the PMU and will be responsible for making decisions on behalf of MOF and officially signing documents related to project implementation. All official documents of the PMU need to have the signature of the PMU head in order for them to be recognized as official. The PMU head is required to be fluent in English, Tajik, and Russian with strong writing and

<sup>35</sup> PMU costs reflected are only for the Access to Green Finance project. Additional costs for the microfinance components of the Rural Development Project (\$300,000) and the proposed Building Climate Resilience in the Pyanj River Basin (\$140,000) will be contributed and accounted separately.

speaking skills. S/he should have experience in working with multinational teams, and prior experience in MFI or donor projects. S/he should be willing to travel in the field for regular work.

92. The PMU head will be responsible for overseeing the project setup, mobilization of PMU staff to support project implementation, public awareness campaigns, financial management, capacity building programs, monitoring and evaluation and other tasks that will be performed by the PMU. She will also ensure strong interaction and coordination between the JFPR consultants, PMU staff, and MFIs. The PMU head will also be responsible for providing regular status updates to and working in close coordination with ADB and MOF.

93. All PMU staff will report to the PMU head. The PMU head will also be responsible for liaising and coordinating with other government institutions to form a project steering committee and ensure regular meetings with minutes and follow up of defined actions. All PMU positions<sup>36</sup> listed below will be financed under the grant. Consultants are being provided to create flexibility in staffing and facilitate cost management over time. This will enable the government to continue to manage the Green Finance Fund with a core team of more experienced and knowledgeable staff over the long term, after project completion.

94. Qualifications for all positions:

- (i) higher education in related field;
- (ii) relevant work experience in international organizations and projects—at least 3 years and at least 5 years for PMU Head, deputy head, and budget, finance and credit manager;
- (iii) skills in preparation of different types of reports;
- (iv) ability to work effectively and constructively in a team of various nationalities;
- (v) good interpersonal skills and ability to work in tight schedule;
- (vi) oral and written English, Russian and Tajik language skills; and
- (vii) skills in PC usage—Internet, MS Office, etc.

#### **b. PMU Deputy Head (full-time staff)**

95. The PMU deputy head will be responsible for assisting the PMU head in the project setup, implementation and management throughout project implementation. The PMU deputy head will also assume all responsibilities of the head in his/her absence, except for signing official documents. (The MOF will identify a proxy authorized signatory in the PMU head's absence.) The PMU deputy head is required to be fluent in English, Tajik, and Russian with strong writing and speaking skills. S/he should have experience in working with multinational teams, and prior experience in MFI or donor and NGO projects. S/he should be willing to travel in the field for regular work. S/he should have relevant undergraduate degrees and at least five years of experience. S/he will ideally have an advanced degree and significant experience in managing complex financial and/or energy sector projects in Tajikistan.

96. The PMU deputy manager's tasks include but not limited to the following:

- (i) assist the PMU head in overseeing and operationalizing the project setup, implementation, public awareness campaigns, financial management, capacity building programs, monitoring and evaluation and other tasks under PMU;

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<sup>36</sup> PMU staff will undertake similar tasks for the credit lines of all three projects except for the position of SGES specialist.

- (ii) review all official documents, proposals and implementation plans related to the project for PMU head's final approval;
- (iii) manage PMU's day-to-day activities. Act as the primary contact of all the other external project stakeholders such as MFIs and authorized suppliers. Provide advice to PMU staff and TA consultants on any implementation issues with in consultation with PMU head as necessary;
- (iv) conduct an in-depth review of project finance and management as preparation for regular semiannual ADB project review missions; and
- (v) monitor the timeliness of project implementation, ensuring accountability and transparency at all levels.

**c. Budget, Finance, and Credit Manager (full-time staff)**

97. The specialist should have an undergraduate degree, preferably an advanced degree; an accountant with at least 8 years' experience in international financial reporting standards and auditing standards and experience with donor or NGO projects; must be a chartered accountant or its equivalent; and must be fluent in Tajik, and Russian, with some English; English proficiency is an advantage.

98. The budget, finance and credit manager will have specific tasks within the PMU but not limited to:

- (i) set up fund flow systems and processes, with support from the JFPR TA's microfinance specialist for the PMU; these will include defining MFI-related disbursement processes and reconcile supporting documents of all payments; These processes must follow the instructions and guidelines set forth in the Project Administration Manual (PAM) and be in accordance with ADB procedures.
- (ii) lead the JFPR credit analyst consultant and capacity building consultants in conducting training programs on disbursement procedures as necessary;
- (iii) monitor and manage loan repayment by MFIs, and report any concerns to the PMU's deputy head as necessary;
- (iv) prepare annual and quarterly budget plans for PMU's expenses to be approved by the PMU head and deputy head;
- (v) define procedure for reimbursement of expense claims from PMU staff, monitor expenses to ensure alignment with budget and report any concerns to the PMU deputy head as necessary;
- (vi) maintain and update the project financial management system to track and report project resources and expenditures, and generate the necessary reports; ensure that accounting of resources received, reporting on receipt and use of expenditures is in compliance with the requirements of the Government and ADB
- (vii) with the support of the Disbursement specialist/Cashier prepare monthly reconciliation statements for all bank accounts on a timely basis, including preparation of withdrawal applications, to ensure steady flow of funds needed; and
- (viii) arrange and facilitate audit of project funds by an external auditor, and ensure that report produced is in compliance with audit requirements of the Government and ADB.



**d. Legal Counsel (Part-time staff or short-term: 12 person-months, intermittent over a 5-year period)**

99. The legal counsel will be an authorized law practitioner in Tajikistan; with specific knowledge and a background in microfinance.. S/he must be fluent in English, Tajik, and Russian. The counsel can be recruited from a local law firm or an individual lawyer with relevant experience. Detailed tasks will include, but not be limited to:

- (i) provide legal advice and draft legal documents for the PMU in accordance with the laws of Tajikistan. Examples of such documents will include but not be limited to, subsidiary loan agreements with MFIs;
- (ii) undertake legal due diligence of potential MFIs before their selection and monitor legal status and changes of MFIs; and
- (iii) provide legal advice in matters related on creating an enabling policy and regulatory framework for the development of green finance and private sector in Tajikistan, on an as-required basis.

**e. Monitoring and Evaluation Specialist (48 person-months intermittent, over a 5-year period)**

100. The monitoring and evaluation (M&E) specialist will work closely with the monitoring and evaluation (M&E) specialist (JFPR national consultant) in conducting the baseline study and setting up a project M&E mechanism. The M&E specialist must enable the PMU and other JFPR consultants to make suitable recommendations to track project progress and results and modify the project's implementation arrangements to help ensure successful project implementation. Detailed tasks will include, but not be limited to:

- (i) leading the JFPR M&E specialist in setting up project monitoring and evaluation mechanisms for data collection, analysis and evaluation of SGES equipment installed at customers' homes. Data collected will refer to technical standards and quality of SGES equipment being installed at customers' homes, pricing of these solutions, quality of after sales service, customer feedback and others as appropriate;
- (ii) leading the JFPR M&E specialist in setting up project monitoring and evaluation mechanisms for data collection, analysis and evaluation on MFIs' loan terms, customer due diligence procedures, credit disbursal and repayment tracking and others as appropriate, of the loans provided;
- (iii) periodically evaluating data collected through the monitoring and evaluation tools, and identify corrective measures or changes needed to the implementation of the project;
- (iv) with the support of JFPR M&E specialist, define a methodology for conducting random checks and on-site inspections to MFIs, SGES suppliers and customers; conduct on-site inspections and project review field visits throughout the project implementation; prepare regular reports on findings from these inspections; and
- (v) generating socio-economic and environmental impact assessment reports as required by MOF and ADB, together with SGES product and market development specialist.

**f. Disbursement Specialist (full-time staff)**

101. This staff should have experience in accounting and auditing standards of Tajikistan. Detailed tasks will include but not be limited to:

- (i) maintain all project accounts at MOF-PMU selected commercial bank and apply internationally accepted accounting standards;
- (ii) prepare the cash position report of the PMU;
- (iii) monitor and reconcile project accounts;
- (iv) assist in preparing withdrawal applications;
- (v) maintain office petty cash under imprest accounts for PMU support;
- (vi) process payroll and staff expense claims; and
- (vii) manage financial aspects of the contracts under administration, including payment terms and purchase orders.

**g. Smart Green Energy Solutions Specialist (48 person-months, intermittent over a 5-year period)**

102. The SGES specialist is a technical specialist with a strong understanding and hands-on experience of setting up electrical equipment using solar and energy efficiency solutions. The specialist will have graduate degree in engineering (Masters will be preferred) and at least 3 years of hand-on work experience in engineering, solar and energy-efficient technologies. Detailed tasks will include, but not be limited to:

- (i) with the support of the JFPR SGES product and market development specialist and JFPR SGES Technology Specialist, lead in assessments of technical suitability of SGES and system designs developed by suppliers including:
  - propose to the PMU head definition of SGES products to be financed under the project and strategize the associated installation and servicing model;
  - propose to the PMU head updates to the approved list of SGES products with new SGES that might become available and viable in Tajikistan, and disseminate information to all relevant stakeholders once changes to the SGES list have been approved;
  - work with capacity building consultants and MFIs in setting up the SGES and loan product design, processes and delivery to end customers;
  - work and coordinate with other donor and development agencies working on private SGES products in Tajikistan, such as IFC, UNDP and World Bank, to disseminate information, evolve partnership strategies, share best practices and eliminate duplication of efforts;
  - work together with SGES Technology Specialist and other TA consultants in designing, planning and overseeing the conduct of international energy efficiency workshops, conferences and trade shows in Tajikistan, by designing aspects that enable technology transfer from advanced countries into Tajikistan; and
  - work closely with the MFIs to ensure they can engage effectively with clients to assess SGES needs and appropriate, affordable solutions along with purchase, installation and maintenance.

#### **h. Public Awareness/Communications Specialist (full-time staff)**

103. The ideal candidate will have at least 5 years of media and communications experience with specific experience on implementing public awareness campaigns for development/donor funded projects in Tajikistan (microfinance/clean energy projects work would be an advantage). The specialist will be responsible for designing, developing and implementing public awareness campaigns on the benefits of SGES equipment. The specialist will work with various project stakeholders such as MFIs, PMU and subborrowers. Detailed tasks will include, but not be limited to:

- (i) with the support of the Public Awareness Marketing Campaign Specialist (JFPR consultant), lead research on awareness/marketing gaps in Tajikistan and selecting suitable media channels to create a comprehensive and effective communication strategy for the project;
- (ii) coordinate and support in the design, development and implementation of public awareness campaigns on the benefits of SGES products;
- (iii) engage campaign designers as appropriate to develop print materials, television and radio commercials and focus group discussion concepts which can then be used to execute the public awareness and communication strategy for this project;
- (iv) coordinate and provide information, materials and data regarding this project and its implementation progress and benefits to specific MFIs and their clients to communication departments of ADB, the government and general international media; and
- (v) with the support of the JFPR capacity building consultants design and help deliver training and capacity building activities (on SGES products), including:
  - identifying target groups (from project stakeholders such as MFIs, rural consumers, government officials and policy makers and others as appropriate);
  - planning learning objectives and key training contents;
  - organizing program venues and materials;
  - conduct post training evaluation and collect feedback to assess effectiveness of training and capacity building activities under this project and preparing a post training report, including improvement options.

#### **i. Assistant to PMU Head/Office Manager/Translator (full-time staff)**

104. The assistant to the PMU head will be responsible for managing the PMU head's day to day schedule (or deputy head in his/her absence) including meeting and travel schedules, attending phone calls and documentation as required. S/he is also the office manager as well as translator/interpreter for the PMU. The ideal candidate will have an education background and work experience in office management and must be fluent in both spoken and written Tajik, Russian and English. The staff's tasks will include, but not be limited to:

- (i) prepare employment contracts, orders and labor records of the PMU staff;
- (ii) organize and carry out administrative and office daily activities, including issues on communication and office supplies;
- (iii) coordinate organizational work on project activities, meetings, and logistical support to international and local experts;
- (iv) keeping books of and controlling the use of office equipment and transport facilities;

- (v) assist in administrative arrangements for the PMU staff including:
  - preparation of Minutes during meetings and sessions;
  - arrange sessions of Project Steering Committee;
  - translate incoming and outgoing documents, technical and legal documents, materials and articles;
  - do oral interpretation during conferences, meetings and round tables;
  - provide assistance in arranging meetings for members of ADB Mission;
  - coordinate and participate in meetings with members of ADB Mission; and
  - prepare and format documents for MOF and ADB.
- j. Due Diligence Specialist (48 person-months, intermittent over a 5-year period)**

105. The due diligence specialist will be primarily responsible for conducting periodic financial and integrity due diligence on potential MFIs for selection to participate under this project. S/he should have prior experience in conducting due diligence on financial institutions. Detailed tasks will include, but not be limited to:

- (i) conduct detailed financial and integrity due diligence on potential MFIs which apply for participation under this project;
- (ii) ensure that the due diligence is conducted based on the eligibility criteria set forth by ADB; and that due diligence reports are completed in the format as required by ADB and MOF;
- (iii) ensure enforce all AML/CFT requirements and train PMU staff and MFIs as needed, on ADB requirements;
- (iv) conduct periodic reviews of MFIs previously selected for participation under this project to ensure that they constantly comply with the eligibility criteria set forth by ADB and MOF and with all conditions under the subloan and project agreements. Report to PMU head and ADB any slippage from that compliance;
- (v) support establishment of MFI's project implementation units (PIU), development, and implementation of responsibilities; and
- (vi) work closely with the credit analyst under the JFPR TA on portfolio credit management (eg. credit risk management, liquidity management).

**k. Gender and Social Development Specialist (full-time staff)**

106. The gender and social development specialist will be primarily responsible to ensure that the gender-specific targets, milestones and plans under this project (covered in the Gender Action Plan) are planned, designed and executed. Detailed tasks will include but not be limited to:

- (i) ensure the project's gender targets are reached as outlined in Gender Action Plan, working closely with the PMU and MFIs, providing guidance and training support;
- (ii) ensure collection of sex-disaggregated data on baseline surveys and other data collection activities;
- (iii) conduct a baseline study at the start of the project to enable monitoring of quantitative and qualitative improvements in women's lives as a result of the project;
- (iv) conduct training for all PMU staff on gender issues;

- (v) identify one or more NGOs which can train women borrowers on financial literacy;
- (vi) support the selected NGO(s) in designing and delivering the training on financial literacy;
- (vii) ensure that focus group discussions on needs assessment for public awareness campaigns include at least 50% women;
- (viii) ensure that trainings conducted on the use of energy to generate incomes and improve livelihoods include at least 50% women;
- (ix) ensure that trainings on improved hygiene with purified and heated water include at least 50% women;
- (x) work with the SGES Product Specialist to ensure that PMU and MFIs work to make available access to finance for SGESs that are most beneficial to women, e.g. energy-efficient cooking stoves, heating units, solar water heaters, and water purifiers;
- (xi) support MFIs in developing tools to promote the affordable SGES credit products for women;
- (xii) train MFIs in women's needs when applying for a loan;
- (xiii) support the design and delivery of a gender sensitive public awareness campaigns;
- (xiv) ensure outreach to women's groups and include women community service organizations (CSOs) and the local government women's committee;
- (xv) regularly provide information and progress reports on the implementation and positive impacts of the GAP to the EA, to gender specialists in TJRM and at ADB HQ, and to the project analysts and project officers;
- (xvi) provide inputs for the development of success stories from the project and advise ADB of any shortfalls that require corrective action and propose relevant recommendations;
- (xvii) prepare a narrative account of the implementation of the GAP and its results for publication;
- (xviii) submit required project documentation and reports; and
- (xix) ensure the implementation of ADB's safeguards policy and guidelines by all project stakeholders.

#### **I. Office Helpers/Cleaners and Drivers (full-time staff)**

107. The office helpers will be responsible for ensuring cleanliness and a healthy environment for the PMU office. S/he should have experience in cleaning and managing offices and will need to ensure the offices and furnishings are neat, clean, in good repair, and functional, noting and ensuring the office manager is informed of any problems so they can be promptly addressed. S/he may also be responsible for tea and other items for office visitors.

108. The drivers should be authorized with appropriate drivers' license and experience of at least five years in driving for international institutions. and has to ensure proper fuelling, maintenance, cleanliness, repair, licensing and insurance for the vehicles. The drivers will need to drive and park/store the vehicles safely, and work with the office manager to ensure effective and timely travel arrangements for staff, consultants as appropriate, and visiting ADB missions as required.

## 2. External Audit Firm (Contract)

109. An external audit firm will be contracted by the PMU to conduct annual audits of the PMU's financial accounts and financial statements. The audits should be in accordance with the International Standards on Auditing (ISA). Audit reports and opinions must be provided in English and Russian/Tajik. A standard TOR is being revised by Operations Services and Financial Management Department (OSFMD) and will be provided once it is available, to ensure compliance with ADB's audit requirements.

## 3. Technical Assistance Funded by JFPR Grant

110. The JFPR will provide TA equivalent to \$750,000 on a grant basis to be administered by ADB. The MOF will be the executing agency. The TA will have a 5-year implementation period. The TA grant will help improve stakeholders' capacity to implement the project and enhance the project's sustainability. The impact will be increased access to green finance.

111. The TA will have three outputs: (i) PMU capacity strengthened, (ii) public awareness campaign on SGES developed and implemented, and (iii) an enabling market and financing framework for SGES developed. A gender-sensitive community public awareness campaign will disseminate the technical features and benefits of SGES. The PMU, MFIs, and other project stakeholders will be empowered to sustain the green finance market beyond the project implementation period. ADB's Procurement Guidelines and Guidelines on the Use of Consultants by ADB and Its Borrowers (2010 as amended from time to time) will be followed for all goods and consulting services procured under the TA.

112. The TA will provide 85 person-months of consultancy comprising 19 person-months of international consultancy and 66 person-months of national consultancy, over the 5 year project implementation period as provided below:

**Table 9: TA Consultants**

Type of Services	Duration in person-months
Microfinance Specialist (International Consultant & Team Leader)	5.5
SGES Technology Specialist (International Consultant)	2.2
SGES Product and Market Development Specialist (International Consultant)	6.8
Credit Analyst (International Consultant)	4.5
Capacity Development Specialists (National Consultants—Technical Advisers etc)	36
Monitoring and Evaluation Specialist (National Consultant—NGO/firm)	20
Public Awareness/Marketing Campaign Specialist (National Consultant—NGO/firm)	10
<b>Total</b>	<b>85</b>

Source: Asian Development Bank.

## 4. Roles and Responsibilities of JFPR Consultants and PMU Staff

113. **JFPR International Consultants.** TA international consultants will bring in technical and project execution expertise from their experience in executing similar projects in other countries. Their role will be primarily working with the PMU and MFI staff in designing, strategizing and implementing various project activities such as (i) setting quality benchmarks for SGES equipment and authorized suppliers, (ii) ensuring MFIs establish PIUs with appropriate systems and skills, including any redress of gaps determined in due diligence or applications; (iii) designing capacity building programs for project stakeholders, public awareness and marketing campaigns and monitoring and evaluation of the project, (iv) working with PMU staff in

designing public awareness campaigns and planning conferences and workshops, (v) strategizing and executing activities for development of private sector SGES suppliers, and (vi) supporting MFIs and SGES suppliers in product development and delivery.

114. **JFPR National Consultants.** The TA national consultants will mainly be responsible for (i) supporting international consultants in designing, planning, and implementing capacity building and monitoring and evaluation activities by customizing them to suit local conditions, (ii) delivery of training and capacity building programs to MFIs, authorized SGES suppliers and other project stakeholders, (iii) supporting PMU and MFI staff in executing project outputs and monitoring and evaluation activities of the project through direct site visits, inspection, data collection and analysis, and (iv) supporting PMU staff in developing and executing public awareness and marketing campaigns for SGES across the country.

115. This division of roles and responsibilities among TA international consultants, national consultants and PMU staff is described in the table below, with the clear understanding that the JFPR consultants once work is completed will transfer full responsibility to the PMU staff:

**Table 10: Division of Roles and Responsibilities among TA International Consultants and PMU Staff**

Task	Role of International TA Consultants	Role of National TA Consultants	Role of PMU Staff
Due diligence and recommending MFIs	Support	-	Responsible
Selection of MFIs	Support	-	Responsible
Quality benchmarks for SGES equipment	Responsible	-	Support
Credit disbursement and management to MFIs	Support	-	Responsible
Managing fund disbursement from ADB	-	-	Responsible
Supporting MFIs in green finance product development	Support	-	Responsible
Due diligence and recommending SGES suppliers	Support	-	Responsible
Technical support for SGES product design and addition of new SGES products to the approved list	Responsible	-	Support
Designing and planning public awareness campaigns	Support	-	Responsible
Planning and execution of public awareness campaigns	Support		Responsible
Supporting MFI PIU establishment, development, and implementation of responsibilities	Support	Support	Responsible
Overseeing MFI adherence to safeguards, gender, addressing of agreed MFI improvements and subloan and project agreement conditions	Support	Support	Responsible
Designing and planning training and capacity building programs	Responsible	Support	Support
Planning and execution of training and capacity building programs	Support	Responsible	Responsible
Designing and planning workshops and international energy efficiency conferences	Support	-	Responsible
Planning and execution of workshops and international renewable energy conferences	Support	Support	Responsible
Planning and execution of SGES market development activities	Support	-	Responsible

Task	Role of International TA Consultants	Role of National TA Consultants	Role of PMU Staff
Designing monitoring and evaluation of the project	-	Responsible	Responsible
Planning and execution of project monitoring and evaluation	-	Responsible	Responsible

Source: Asian Development Bank

## 5. Costs and Financing of Technical Assistance

116. **Costs and Financing.** The breakdown of estimated costs of the TA is in Table 11.

**Table 11: TA Estimated Cost, Consultant Effort Plan, and Training and Promotion  
JFPR Technical Assistance to support TAJ: Access to Green Finance Project**

Item	Total Cost (\$ '000)
<b>Asian Development Bank</b>	
1. Consultants <sup>a</sup>	
a. Remuneration and per diem	
i. International consultants	270.9
ii. National consultants	66.2
b. International and local travel	85.0
2. Training, seminars and conferences <sup>b</sup>	117.0
3. Miscellaneous administration and support costs <sup>c</sup>	30.0
4. Contingencies	180.9
<b>Total</b>	<b>750.0</b>

<sup>a</sup> Consultant Effort Plan

Consultant Effort Plan (Person-months)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
International Consultants	8	5	4	2	0	19
National Consultants	12	15	15	14	10	66

<sup>b</sup> Workshops, local training, seminars, and conferences, promotion and marketing

	Units	Cost (\$)	Total Costs (\$)
National Conferences/Training	6	12,000	72,000
Rural Awareness Workshops	90	500	45,000
<b>Total</b>			<b>117,000</b>

<sup>c</sup> To cover promotional material and advertising expenses

Source: Asian Development Bank estimates.

## 6. Outline of Terms of Reference for TA Consultants

### a. Microfinance Specialist (International Consultant & Team Leader, 5.5 person-months, intermittent)

117. The microfinance and capacity building specialist will be responsible for working with MFIs in green finance product development, strategizing the associated credit program and overseeing the setup of operational systems and processes within PFIs for the credit program that comply with ADB standards and guidelines and will help ensure successful credit delivery and repayment for the PFIs. The specialist will also help the PFIs address any gaps identified in due diligence, including AML/CFT issues. The specialist, together with capacity building consultants (TA national consultants), will be responsible for designing, planning, and helping deliver green finance-related programs for training and capacity building of project stakeholders.

118. Specific tasks of the specialist will include, but not be limited to:



- (i) design and develop green finance products together with MFIs; this will include assisting MFIs in defining and modifying their loan packages, loan terms and conditions and credit delivery processes as may be needed;
- (ii) devise and set up operational systems and processes for MFIs' green finance credit programs that comply with ADB standards and guidelines and ensure efficient credit delivery and repayment;
- (iii) designing and planning of training and capacity building green finance-related programs for MFIs;
- (iv) oversee the actual delivery of these programs by capacity building consultants to MFIs;
- (v) work together with the SGES Technology Specialist and capacity building consultants on designing, planning and delivery of training and capacity building programs for authorized SGES suppliers, by providing microfinance related inputs;
- (vi) act as the team leader of TA consultants and help set up systems and processes for the PMU by providing microfinance related inputs; these will include defining MFI-related processes for project monitoring and evaluation, design and delivery of training and capacity building for PFIs to meet all requirements and to address gaps identified as needing redress in the due diligence or selection process;
- (vii) generate periodic project implementation status reports to ADB and providing microfinance related updates; and
- (viii) design and deliver training and capacity building of MFIs to assist them in complying with anti-money-laundering (AML) and combating the financing of terrorism (CFT) related NBT regulations and ADB guidelines; specific tasks related to AML/CFT are:
  - determine strengths and weaknesses of the MFIs' internal AML/CFT policy framework;
  - formulate plans to strengthen implementation of AML/CFT policy framework, including measures to build capacities of MFI loan officers to identify, measure and mitigate risks related to money laundering and financing of terrorism and make credit decisions accordingly;
  - assist in enhancing supervisory oversight and reporting on AML/CFT compliance and risks, which could include setting up of specialized AML/CFT supervisory units, developing internal operational manuals and procedures, and training of supervisors in off-site AML/CFT supervision and on-site inspection procedures; and
  - advise on AML/CFT strategy, coordination, and implementation within MFIs.

119. The ideal candidate will have at least 10 years of overall work experience in international development, with a track record of successfully implementing microfinance programs in developing countries in Asia, with work in Central and West Asia region an advantage. The expert will also have extensive experience in developing and implementing microfinance projects financed by multilateral development agencies such as ADB, World Bank, and UNDP. Familiarity with the microfinance sector in Tajikistan will be an advantage. Prior work on AML/CFT in microfinance is required.

**b. SGES Product and Market Development Specialist (International, 6.8 person-months, intermittent)**

120. The SGES product and market development specialist will be responsible for creating an enabling environment for growth of the local and private sector SGES supplier and manufacturer industry in Tajikistan. Responsibilities include engaging with the project's development partners such as GIZ and Habitat for Humanity, engaging in policy dialogue with the Government to create and enabling policy and regulations for SGES in the country, engaging with local banks and financial institutions to educate them on the benefits of creating financial products for SGES and coordinating with other donors and development agencies such as UNDP, IFC, and the World Bank which are working on private sector development and energy efficiency projects in Tajikistan. The specialist will work with the PMU SGES Technology Specialist, capacity building specialists and other TA consultants and PMU staff in designing, planning and overseeing the conduct of international energy efficiency workshops and conferences in Tajikistan. The specialist will also be responsible for quantifying the project's socio-economic and environmental impact from both micro and macro-economic perspectives, for reporting to ADB and MOF.

121. Specific tasks of the specialist will include, but not be limited to:

- (i) work closely with the project's development partners such as GIZ and Habitat for Humanity in development and deployment of SGES products produced by suppliers that are engaged with these organizations;
- (ii) work with GIZ and Habitat for Humanity (and any other development partner) in setting up the processes and supply chain for SGES product delivery to the market;
- (iii) work with capacity building consultants and MFIs in setting up the SGES and loan product design, processes and delivery to end customers;
- (iv) review existing policy incentives and regulatory framework for energy efficiency and renewable energy in Tajikistan and assessing their effectiveness;
- (v) engage in policy dialogue with various government agencies to bring about favorable and effective policy incentives for private sector development, such as long-term tax and tariff incentives for both renewable energy solution integrators (suppliers) and equipment manufacturers, incentives for local banks and financial institutions that lend to the energy efficiency sector as priority sector lending, development of human capital in the sector through formal and informal education and others as appropriate;
- (vi) engage with local banks and financial institutions to make capital such as trade finance and working capital available for SGES suppliers of this project and other forms of long-term capital for local manufacturers;
- (vii) work together with other donor and development agencies working on private sector development and renewable energy projects in Tajikistan, such as IFC, UNDP and World Bank, to disseminate information, evolve partnership strategies, share best practices and eliminate duplication of efforts;
- (viii) work together with SGES Technology Specialist and other TA consultants in designing, planning and overseeing the conduct of international energy efficiency workshops, conferences and trade shows in Tajikistan, by designing aspects that enable technology transfer from advanced countries into Tajikistan;
- (ix) work with the monitoring and evaluation TA consultant and PMU staff on quantifying the project's socio-economic and environmental impact from both micro and macro-economic perspectives, for reporting to ADB and MOF;

- (x) work with other TA international and national consultants on designing and planning energy efficiency related programs for training and capacity building of MFIs and other project stakeholders, by incorporating market development aspects into the programs;
- (xi) assist the team leader in generating periodic project implementation status reports to ADB, by providing SGES product and market development related updates;
- (xii) stay updated on changes in macro-economic conditions and policy and regulatory framework for energy efficiency sector in Tajikistan which might positively or adversely affect the project and recommend suitable modifications or mitigating measures; and
- (xiii) towards the end of this engagement, recommend suitable new interventions from ADB, such as technical assistance or direct financing, for enabling further development of private sector energy efficiency industry in Tajikistan.

122. The ideal candidate will have at least 7 years of overall work experience in international development, with expertise in SGES product development, market development private sector development including but not limited to institutional development, financial access to private sector, policy and regulatory framework. The candidate will also have experience of working in energy efficiency, renewable energy and public finance projects in developing countries in Asia, preferably in Central and West Asia region. The expert will also have experience of working on renewable energy projects financed by multilateral development agencies such as ADB, World Bank and UNDP. Familiarity with microfinance and energy efficiency sectors in Tajikistan will be an added advantage.

**c. SGES Technology Specialist (International, 2.2 person-months, intermittent)**

123. The SGES Technology Specialist will be responsible for SGES and other energy efficiency/renewable energy product development and strategizing their delivery model. The specialist will also be responsible for defining quality benchmarks for all energy efficiency products that will be financed under this project. The specialist will also design and plan energy efficiency related capacity building programs. Additionally, the specialist will be involved in designing and planning energy efficiency workshops and conferences in Tajikistan.

124. Specific tasks of the specialist will include, but not be limited to:

- (i) define quality benchmarks for all energy efficiency products that will be financed under this project;
- (ii) develop SGES product and strategize the associated installation and servicing model, continuous update of approved list of products with new SGES that might become available and viable in Tajikistan;
- (iii) the specialist, together with capacity building consultants (TA national consultants), will be responsible for designing and planning energy efficiency related programs for training and capacity building of MFIs and subborrowers;
- (iv) involve in designing and planning energy efficiency workshops and international conferences together with private sector development specialist and PMU staff;
- (v) oversee the work of PMU staff in selecting locations, selecting beneficiaries etc that will be financed by TA grant during the first year of project implementation; and

- (vi) oversee the actual delivery of these programs by capacity building consultants to MFIs and other project stakeholders.

125. The ideal candidate will have at least 7 years of overall work experience in international development, with a track record of successfully implementing off-grid energy efficiency programs in developing countries in Asia, preferably in Central and West Asia region. The expert will also have extensive experience in developing and implementing off-grid energy efficiency projects financed by multilateral development agencies such as ADB, World Bank and UNDP. Specific experience of working on green finance programs for financing energy efficiency installations will be an added advantage. Familiarity with microfinance and energy efficiency sectors in Tajikistan will also be an added advantage.

**d. Credit Analyst (International, 4.5 person-months, intermittent)**

126. The credit analyst specialist will be responsible for working with MFIs on their credit management of loan from MOF offered under this project, to ensure low defaults among borrowers and also to ensure that MFIs repay the loan to MOF on time. The specialist will primarily work on setting up systems and processes of activities such as credit risk management, customer due diligence, liquidity management and others as appropriate. The specialist will also liaise with ADB, MOF, PMU's credit manager and the treasury departments of MFIs to ensure that ADB's fund withdrawal process, as defined in the PAM, is understood by all stakeholders. The specialist will work with the microfinance sector specialist on green finance product development and provide credit management related inputs to other TA consultants in designing training and capacity building programs of MFIs and authorized suppliers. The specialist will be required to stay updated on changes in macro-economic conditions and policy and regulatory framework of the financial sector in Tajikistan which might positively or adversely affect the project and recommend suitable modifications or mitigating measures. The specialist is also required to explore newer products and services such as mobile banking which might enable more efficient and cost-effective delivery of green finance in Tajikistan, and recommend suitable new interventions from ADB, such as technical assistance or financing, for enabling further development of green finance in Tajikistan.

127. Specific tasks of the specialist will include, but not be limited to:

- (i) set up systems and processes within MFIs to ensure efficient credit management and credit control processes which ensure low defaults among its borrowers and also ensure timely repayment of loans by the MFI to MOF; this task might involve reviewing existing internal processes of the MFI for credit risk management, liquidity management, customer due diligence, internal audit procedures and others as appropriate and suggesting suitable changes;
- (ii) liaise with MOF, PMU, ADB and the MFI's treasury department to ensure the fund withdrawal process as detailed in PAM is understood by everyone;
- (iii) conduct training workshops together with ADB staff if required for this purpose;
- (iv) support PMU's credit manager to setup a credit disbursement and repayment process that complies with ADB standards and guidelines;
- (v) work together with the microfinance sector specialist in designing and developing green finance products by ensuring credit management best practices and macro-economic conditions are internalized in the products;
- (vi) work together with the microfinance sector specialist and SGES Technology Specialist in designing and planning training and capacity building programs for

- MFIs and providing credit management, banking sector, policy and regulatory framework and macro-economic conditions related inputs into the programs;
- (vii) assist the team leader in generating periodic project implementation status reports to ADB, by providing credit and banking sector related updates;
- (viii) stay updated with the policy and regulatory framework for the financial sector in Tajikistan, in addition to macro-economic conditions which might affect the project and recommending suitable modifications to project implementation arrangements; and
- (ix) explore innovative models such as branchless/electronic/mobile banking that can make credit delivery and management process more efficient for this project in the short-term and to the microfinance industry as a whole in the long-term.

128. The ideal candidate will have at least 9 years of overall work experience in international development, with a track record of working on credit, banking sector and microfinance programs in developing countries in Asia, preferably in Central and West Asia region. The expert will also have some experience in developing and implementing financial sector/public finance/rural finance intervention programs of multilateral development agencies such as ADB, World Bank and UNDP. Familiarity with ADB's fund disbursement and other processes and with banking and microfinance sectors in Tajikistan will be an advantage.

**e. Capacity Building Specialists (National, Technical Advisers, 36 person-months, intermittent)**

129. Capacity building specialists are primarily responsible for enhancing the capacity of MFIs and subborrowers to enable them to make the right decisions on the subborrowers' home improvement and SGES needs, while also enabling the MFIs to make the right credit decisions that could prevent defaults and over-indebtedness of subborrowers. Capacity building specialists will be hired either as several individuals or a group of individuals or a firm (whichever is most suitable), with majority of them being energy efficiency engineers. Some portion of these capacity building specialists' remuneration costs could be shared with MFIs, similar to the cost-sharing model currently in place between IMON International and Habitat for Humanity. Capacity building specialists are also responsible for delivery of all the training and capacity building programs designed by TA international consultants. The specialists will also be expected to provide inputs relevant to local context, to ensure that the training and capacity building programs designed by TA international consultants is defined within the social, cultural, regulatory, market and business framework of Tajikistan. The specialists are also expected to translate and deliver the programs in Tajik and Russian languages as appropriate and be able to devise innovative methods to deliver the programs to their target audience, such as using visual aids, live demonstrations and others as appropriate. The specialists must have an understanding of technical aspects of the project, such as technical understanding of SGES and home improvement products, microfinance and so on. The specialists should be able to customize and deliver these programs to distinct groups of target audience, such as MFI loan officers, MFI field staff, subborrowers, policy-makers and regulators.

130. Specific tasks of these specialists will include, but not be limited to:

- (i) enhance the capacity of MFIs and subborrowers to enable them to make the right decisions on the subborrowers' home improvement and SGES needs, while also enabling the MFIs to make the right credit decisions that could prevent defaults and over-indebtedness of subborrowers;

- (ii) work together with TA international consultants to adapt training and capacity building programs designed by them to suit Tajikistan's social, cultural, regulatory, market and business context;
- (iii) design and develop training programs, together with TA international consultants and PMU staff, in coordination with all project stakeholders and recipients, should ideally publish training schedule at least for 6 months in advance and deliver these programs as scheduled;
- (iv) translate training programs into Tajik and Russian languages as appropriate and devise innovative methods to increase the effectiveness of these programs;
- (v) collect data and feedback from the participants immediately after the training program to understand its effectiveness; also work with the project's monitoring and evaluation team to obtain data and feedback from the participants 3-6 months after the completion of the training program to understand its continued effectiveness and its impact on their work; and
- (vi) use this collected data and feedback to make appropriate changes to the training programs to constantly improve them throughout the project's implementation period.

131. The specialists will ideally be a local firm or a group of individuals who specialize in engineering and capacity development of home improvement, energy efficiency and other SGES products, delivering training and capacity building programs for donor funded microfinance and/or renewable energy projects in Tajikistan. The specialists will have technical staff to adapt and devise training and capacity building program content together with TA international consultants and also translate them into Tajik and Russian languages. These technical staff will also include those with experience of devising innovative training methods. The specialists should also be able to deploy field staff with experience in delivering training and capacity building programs in energy efficiency, solar and microfinance in Tajikistan. The firm or group of individuals will have at least 5 years of overall work experience in international development, with a track record of successfully implementing training and capacity building programs for donor funded projects in Tajikistan, particularly in energy efficiency, renewable energy and microfinance sectors.

**f. Monitoring and Evaluation Specialist (National, 20 person-months, intermittent)**

132. The specialist can be an individual specialized in monitoring and evaluation of donor funded microfinance and/or renewable energy projects in Tajikistan, with at least 5 years work experience in international development. The specialist will have an understanding of energy efficiency solutions' technical issues in addition to understanding of practical challenges in installation and servicing these solutions in remote areas of Tajikistan. The specialist will have experience in setting up inspection schedules, data collection, analysis and evaluation.

133. Specific tasks of the specialist will include, but not be limited to:

- (i) set up project monitoring and evaluation mechanisms for data collection, analysis, synthesis and evaluation of SGES equipment installed at customers' homes. Data collected will refer to technical standards and quality of SGES equipment being installed at customers' homes, pricing of these solutions, quality of after sales service, customer feedback and others as appropriate;
- (ii) set up project monitoring and evaluation mechanisms for data collection, analysis, synthesis and evaluation on MFIs' loan terms, customer due diligence

- procedures, credit disbursement and repayment tracking and others as appropriate, of the loans provided;
- (iii) assist the PMU M&E specialist on designing analytical tools for evaluating the data. The analysts should enable other TA consultants make recommendations regarding modification of the project's implementation arrangements to ensure successful project implementation (e.g. changes to the list of MFIs and SGES products, to the quality standards of SGES equipment or to a MFI loan product);
- (iv) setup a reporting mechanism between MFIs and SGES suppliers to the PMU;
- (v) define a methodology for conducting random checks and on-site inspections to MFIs, SGES suppliers and customers; conduct on-site inspections and review field visits throughout the project implementation; and
- (vi) assist in generating socio-economic and environmental impact assessment reports as required by MOF and ADB, together with SGES product and market development specialist.

**g. Public Awareness Campaign/Marketing Specialist (National, 10 person-months, intermittent)**

134. The public awareness campaign/communications specialist will be responsible for designing, developing and implementing public awareness campaigns on the benefits of SGES equipment. The specialist will work with various project stakeholders such as MFIs, PMU and subborrowers in designing awareness campaigns that can be most effective in communicating the benefits of SGES.

135. Specific tasks of the specialist will include, but not be limited to:

- (i) conduct research on awareness/marketing gaps in Tajikistan and selecting suitable media channels—print, television, radio, focus groups, NGOs—to create a comprehensive and effective communication strategy for the project;
- (ii) engage campaign designers as appropriate to develop print materials, television and radio commercials and focus group discussion concepts which can then be used to execute the public awareness and communication strategy for this project;
- (iii) encourage creative and innovative methods and campaigns, which can improve their effectiveness;
- (iv) oversee effective delivery of this campaign and also support the PMU's M&E team to assess their effectiveness and make changes if necessary based on feedback from the M&E team; and
- (v) coordinate and provide information, materials and data regarding this project and its implementation progress to communication departments of ADB, the government and general international media.

136. The ideal candidate will have a strong media and communications background with experience of implementing public awareness campaigns for development/donor funded projects in Tajikistan (preferably microfinance/energy projects).

## **VII. SAFEGUARDS**

137. The project will be implemented in conformity with ADB's Safeguard Policy Statement (2009) (SPS) and in compliance with Tajikistan's labor, environment, health, safety, and social laws and regulations. The project falls under the financial intermediation (FI) category with respect to environmental and social safeguards and is treated as C for all three safeguards. It will have minimal or no adverse environmental impacts (EN) and will not generate involuntary resettlement (IR) impacts or impacts on Indigenous Peoples (IP) within the meaning of the SPS. Only subprojects classified as category C for EN, IR, and IP impacts will be financed under the project's subloans. The prohibited investment activity list in the SPS will apply. Before receiving first disbursement under the proposed project, MFIs will be responsible for setting up an ESMS with screening mechanisms which will ensure that only investments which will not trigger safeguards categories A or B for EN, IR, and IP are considered for financing. Project Implementation Units in each participating MFI will be responsible for compliance and will be trained and monitored by the PMU. Detailed safeguard requirements, categorization, screening and review procedure are included in Appendix 7.



## VIII. GENDER ACTION PLAN

Objective	Activity	Indicator	Target Group	Responsibility
<b>Output 1: Increased outreach by MFIs for green finance, particularly to women borrowers</b>				
30% (by number) of all SGES loans financed under the project are to women subborrowers	Strengthen women's financial literacy (of potential MFI clients)	4 trainings in financial literacy conducted in rural areas (400 women trained, rural areas to be selected by PMU and coordinated with public awareness raising campaign) by 2015	Women in project areas	PMU
	Develop affordable credit products for women for SGES	Affordable loans for home SGES developed 30% of all MFI loans for SGES are to women subborrowers by 2018	MFI employees Women in project areas	PMU, MFIs
	Train MFIs and loan officials in dealing with women borrowers and understanding their needs	At least 30% of the number of green finance loans (1,350 subborrowers) and 20% of the credit line (i.e. \$1.76 million) to be provided to women subborrowers by 2019 (baseline 2012: zero)	MFI employees Women in project areas	PMU
	Design gender sensitive public awareness campaign	100% of loan officers of 4 MFIs trained in catering to women clients' needs by 2016 All awareness-raising and other training events held include 50% women participants		PMU
Women are aware of the existence of green finance products				
<b>Output 2: Increased public awareness of energy efficiency</b>				
Ensure that women are able to benefit fully from the opportunities offered	Proactive outreach to women potential beneficiaries	A gender specialist is employed as PMU staff from the start of the project All PMU staff receive training on gender issues in first 3 months of the project		PMU
Women's knowledge of alternative energy sources and energy efficiency is increased	Conduct needs assessment among women for public awareness campaign	Focus group discussions and key informant interviews (for needs assessment, to take place in the first 6 months of the project) comprise at least 50% women	Women in rural areas of Tajikistan	PMU
	Training and awareness-raising are held at times and places convenient for women	Modules include alternative energy sources and energy efficiency At least 50% of women in selected communities participate in training including O&M. Women's groups, committees, CSOs are involved in planning	Women in project areas	(throughout project)

Objective	Activity	Indicator	Target Group	Responsibility
Use of new energy sources for improved livelihoods	Training for women in use of energy to generate incomes and improve livelihoods	Minimum of 30% of facilitators of training and capacity building programs are women.  50% of participants are women	Women in project areas	PMU
Improved hygiene	Training in improved hygiene with purified and heated water.	50% of participants are women	Women in project areas	PMU
<b>Output 3: Increased usage of SGES most helpful to women, such as energy-efficient cooking stoves, heating units and solar water heaters</b>				
Ensure project has significant impact in improving several key dimensions of women's lives	Increase use of energy-efficient cooking stoves, heating units, solar water heaters and water purifiers	Health and air quality: Decreased incidence of respiratory diseases among women beneficiaries (and children) of the project by 15% by 2018 (baseline to be determined by a baseline survey at the time of loan disbursement)  Savings in labor time: More fuel efficient cook stoves, heating units and solar water heaters require less fuel to be collected. Time spent by women beneficiaries of the project in collecting wood and manure reduced from 6 hours per day (estimated number, to be determined by a baseline survey at the time of loan disbursement) in 2012 to 4 hours per day by 2018  Cleaner water: Decreased incidence of gastrointestinal diseases among women beneficiaries (and children) of the project by 15% by 2018 (baseline to be determined by a baseline survey before loan disbursement)	Women participating in project and their children  Women participating in project  Women participating in project, and their children	PMU, MFIs  PMU, MFIs  PMU, MFIs
Draw lessons on the impacts on women's lives	Baseline study undertaken at start of project to enable monitoring of quantitative and qualitative improvements in women's lives  Collect sex-disaggregated data of the enterprise owner/managers and individuals involved in the installation and O&M of the equipment  Post-project study records those impacts  Develop narrative account for publication	Study completed and available  Study completed and available  Record successful impacts for replication elsewhere		PMU  PMU  PMU  PMU

Objective	Activity	Indicator	Target Group	Responsibility
<b>Output 4: Increased private sector participation</b>				
Increase in number of women technicians	Train women technicians to become technical advisors on SGES to sub-borrowers	20% of technicians are women	Women in project areas	PMU

CSO = civil society organizationn, MFI = microfinance institution, PMU = project management unit, SGES = smart green energy solutions

## IMPLEMENTATION ARRANGEMENTS

138. The PMU will include a gender and social development specialist who will be employed as PMU staff for forty-eight months. The specialist shall facilitate the implementation of the Gender Action Plan (GAP) and provide necessary support to PMU. The specialist's responsibilities include but are not limited to the following:

- (i) conduct a baseline study at the start of the project to enable monitoring of quantitative and qualitative improvements in women's lives as a result of the project;
- (ii) conduct training to all PMU staff on gender issues;
- (iii) identify one or more NGOs which can deliver training to women on financial literacy;
- (iv) support the selected NGO(s) in the training on financial literacy;
- (v) ensure that focus group discussions on needs assessment for public awareness campaign include at least 50% women;
- (vi) ensure that trainings conducted on the use of energy to generate incomes and improve livelihoods include at least 50% women;
- (vii) ensure that trainings on improved hygiene with purified and heated water include at least 50% women;
- (viii) work with SGES and Market Development Specialist to ensure that PMU and MFIs work to make available access to finance for SGESs that are most beneficial to women, e.g., energy-efficient cooking stoves, heating units, solar water heaters, and water purifiers;
- (ix) support MFIs in developing tools to promote the affordable SGES credit products for women;
- (x) train MFIs in women's needs when applying for a loan;
- (xi) support the design of gender sensitive public awareness campaign;
- (xii) ensure outreach to women's groups and include women community service organizations (CSOs) and the women's committee;
- (xiii) regularly provide information and progress reports on the implementation and positive impacts of the GAP to the EA, to gender specialists in TJRM and at ADB HQ, and to the project analysts and project officers;
- (xiv) provide inputs for the development of success stories from the project and advise ADB of any shortfalls that require corrective action and propose relevant recommendations;
- (xv) prepare a narrative account of the implementation of the GAP and its results for publication; and
- (xvi) submit required project documentation and reports.

139. The cost for the implementation of the GAP are the following:

Item	Unit	Quantity	Unit Cost (\$)	Sub-Total
PMU Staff (Gender and Social Development Specialist–National Consultant) <sup>a</sup>	Person-months	48	500/month	24,000
Transportation (land) <sup>b</sup>	Roundtrip	10	500/trip	5,000
Financial Literacy Training and Public Awareness Campaign <sup>b</sup>	Lump sum	4	9,000	36,000
Report production and distribution <sup>b</sup>	Lump sum	1	1,000	1,000
Contingencies <sup>a b</sup>				6,000
<b>Total</b>				<b>72,000</b>

<sup>a</sup> Financed by project management unit budget

<sup>b</sup> Financed by Gender RETA.

140. The consultant will work closely with the EA, PMU, MFIs, TA consultant team, and ADB's gender specialist at ADB's Tajikistan Resident Mission (TJRM) and regularly report to the project officer and the gender specialist responsible for the project at ADB headquarters.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Increased energy efficiency in Tajik households	More than 20,000 households use energy-efficient and clean SGES by 2021 (baseline 2012: 6,000)	TAJSTAT  MFIs and NGOs involved in SGES  Project surveys	<b>Assumption</b> Increased public awareness of the benefits of SGES  <b>Risk</b> Low quality of products and services being provided and supplied in the country
<b>Outcome</b> Increased access to finance for SGES in Tajikistan	Cumulative number of loans by MFIs for SGES increased to at least 12,000 (totaling at least \$16 million) by 2019 (baseline 2012: 6,200; \$5 million)	MFI progress reports	<b>Assumption</b> Continued credit demand for SGES and sound functioning of microfinance institutions  <b>Risk</b> Loan delinquencies caused by poor underwriting or deteriorated economic conditions
<b>Outputs</b> 1. Increased outreach by MFIs for green finance, particularly to women borrowers	At least 4,500 loans for SGES (totaling at least \$8.8 million) made using project credit lines by 2019, of which at least 30% (totaling at least \$1.76 million, i.e., at least 20% in aggregate principal amount) are made to women borrowers	MFI progress reports	<b>Assumption</b> MFIs are able to select their clients efficiently and expeditiously  <b>Risk</b> MFIs' credit risks
2. Increased public awareness of energy efficiency	At least 20% of households are aware of and understand the benefits of energy efficiency by 2019 (baseline 2012: TBD at start-up, expected to be <1%)  At least 400 persons (of which at least 50% are women) receive training on taking advantage of SGES by 2019	Project monitoring survey conducted by the PMU  PMU progress reports	<b>Assumption</b> Effective public awareness and marketing campaigns by MFIs and SGES equipment providers (coordinated by PMU in partnership with GIZ and Habitat for Humanity)
3. Increased usage of SGES most helpful to women, such as energy-efficient cooking stoves, heating units, and solar water heaters	Loans by MFIs from the project's credit lines for the installation of energy-efficient cooking stoves, heating units, and solar water heaters in at least 1,000 homes by 2019  Time spent by women collecting firewood and manure reduced (baseline and target to be established by survey within first 3 months of project implementation)	MFI progress reports  Project surveys	<b>Assumption</b> Successful engagement with MFIs, GIZ, and Habitat for Humanity; continued government support  <b>Risk</b> Higher capital, operations, and maintenance cost of imported equipment, resulting in lower demand

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
4. Increased private sector participation	Number of skilled workers engaged in jobs related to SGES increased by 15% during the project implementation period (2013–2018) (baseline 2012: 500)	MFIs and NGOs involved in SGES  PMU progress reports	<b>Assumptions</b> Energy-efficient technology improvements, identification of profitable business models, and continued government support
<b>Activities with Milestones</b> 1.1 Initial two MFIs sign subsidiary loan and project agreements (by October 2013). 1.2 Orientation for MFI managements on green finance (by December 2013). 1.3 Loan officers of initial two MFIs trained for credit decisions on green finance (by December 2013). 1.4 Internal targets set for developing green finance, including outreach to women borrowers, and strategy developed by MFIs (by December 2013). 1.5 Additional MFIs apply for, are selected, and sign subsidiary loan and project agreements (December 2013–September 2014). 1.6 SGES loans delivered, used, and repaid with monitoring and reporting of project results (through December 2018). 2.1 Awareness workshop and/or seminar in each quarter (first seminar in December 2013). 2.2 Gender-sensitive product awareness training, including training on livelihood development from SGES for women (January 2014–December 2018). 2.3 Gender-sensitive technical training (January 2014–December 2018). 3.1 Technicians' training on SGES most useful to women (by March 2014). 3.2 Loan officers trained for credit decisions for SGES useful to women (December 2013–September 2014). 3.3 MFI internal targets set for outreach to women borrowers for SGES most useful to women (February 2014–September 2014). 4.1 Public awareness campaign in all participating regions (December 2013–June 2018). 4.2 Technicians' training in participating regions (February 2014–June 2018). 4.3 Distribution of SGES (February 2014–November 2018). 4.4 Energy-efficient equipment quality benchmarks adopted by MFIs (by November 2014).			<b>Inputs</b>  Grant  ADB: \$10.00 million  Government: \$0.14 million  Borrowers from MFIs: \$0.98 million  Japan Fund for Poverty Reduction: \$0.75 million

ADB = Asian Development Bank, MFI = microfinance institution, NGO = nongovernment organization, PMU = project management unit, SGES = smart green energy solutions, TAJSTAT = Tajikistan Statistics, TBD = to be determined.

## **B. Monitoring**

### **a. Project Performance Monitoring**

141. Project benefit monitoring and evaluation will be carried out by the PMU and ADB, based on the DMF and in accordance with the guidelines specified in ADB's Handbook on Benefit Monitoring and Evaluation. The PMU will also provide reporting on the progress of the JFPR TA consultants in capacity development of its team and the MFIs. Each MFI will be required to include in its quarterly progress reports general information on the subloans provided, namely the subloan classification by: (i) size, (ii) tenor, and (iii) subborrowers' characteristics, namely gender, region of implementation and sector of activity (see Project Monitoring Table in Appendix 1). The MFIs will conduct annual customer surveys to assess the subborrowers' feedback on the subloans and include the summary of the survey results in the annual monitoring and evaluation report on project benefits. The suggested survey inquiries are included in the pro forma annual monitoring and evaluation report (Appendix 2). These quarterly and annual reports will be ADB's basis in monitoring and updating its project performance reporting system.

142. MOF will provide to ADB the following information: (i) statistics of MFIs sector lending periodically (annual), within the first month from close of each financial year, (ii) employment statistics, within the first three months from close of each financial year, (iii) net income (loss) from the SGES lending program each year; and others as per section D para. 147 below.

### **b. Compliance Monitoring**

143. Compliance of the MFIs to the covenants will be monitored through regular ADB review missions, quarterly progress reports by the MFIs, random spot checks of subloan documents, SOE review by ADB Controllers' Department, and review of the MFIs' audited financial statements and audited project accounts.

### **c. Safeguards Monitoring**

144. Monitoring and reporting of the implementation of safeguards requirements and procedures within the established ESMS will be prepared by the PIUs of the MFIs. They will undertake the monitoring of safeguard covenants compliance to be included in the quarterly progress report. Every six months, the PMU will submit to ADB a semiannual safeguards monitoring report covering the implementation of the environment and social safeguards requirements to ADB by consolidating the reports prepared by the MFIs.

### **d. Gender and Social Dimensions Monitoring**

145. MOF and MFIs shall ensure that the Gender Action Plan will be implemented to maximize the benefits to women subborrowers and report on its progress in the annual report. GAP implementation progress matrix which reports on the status of the GAP implementation shall be included in quarterly and annual reports of MOF. The PMU has a full time staff to support both GAP implementation and monitoring.

## **C. Evaluation**

146. Shortly after grant effectiveness, ADB will conduct an inception mission to further discuss the details of the PAM with the PMU staff, revise as appropriate, and guide the MFIs'



project implementation units (PIUs) on implementation arrangements, reporting requirements and ADB disbursement procedures. The inception mission will ensure that the relevant baseline survey activities are either completed or under way. ADB will also conduct regular and midterm review missions to assess the PMU and MFI compliance with the Grant and Project Agreement covenants and evaluate its performance against targets in the project DMF, GAP, and other areas defined in the PAM. Specifically, ADB's review missions will focus on project performance timeliness and effectiveness; institutional, administrative, social and poverty impact; and financial aspects of the project and its viability. The midterm review mission will include intensive review of the MFIs performance, risk analysis of the MFIs, onlending operations, and project timeliness, responsiveness, and results. Recommendations, if any, will be made to change the project design and implementation arrangements to improve the likelihood of project achievement of results and sustainability. Within 6 months of physical completion of the Project, the MOF will submit a consolidated project completion report to ADB.<sup>37</sup>

#### **D. Reporting**

147. Each MFI will provide ADB with (i) quarterly progress reports (Appendix 1) in a format consistent with ADB's project performance reporting system; (ii) annual monitoring and evaluation reports (Appendix 2) including (a) progress achieved by output as measured against the performance targets in the DMF, GAP, safeguards and covenants compliance, and any other identified monitoring measures, and (b) key implementation issues and solutions; and (iii) a project completion report within 6 months of physical completion of the Project, to be consolidated by MOF. The quarterly progress report will include information on disbursements achievement, problems encountered during the reporting period and steps taken to resolve such problems, achievements of the covenants and performance targets, and progress expected in the next quarter. To ensure project's viability and sustainability, project financial statements and the implementing agency's audited financial statements, together with the associated auditor's report, will be adequately reviewed.

#### **E. Stakeholder Communication Strategy**

148. The following key communication objectives need to be met:

- (i) to communicate and reinforce the key messages of this SGES to a large audience of stakeholders and other beneficiaries;
- (ii) to gain support for the project, highlighting its benefits to MFIs, NGOs and CSOs, development partners, government authorities and administrators, and the public;
- (iii) to explain the project process, structure, deliverables and timeframes to all beneficiaries and key stakeholders; and
- (iv) to create an environment with a positive disposition to the project through communication and capacity-building activities.

149. SGES seeks to bring about better economic development by generating employment and by creating assets in the financial sector. The project information to be communicated includes:

- (i) amount lent to MFIs;
- (ii) projects financed and assets created in the sector;

<sup>37</sup> Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

- (iii) total incremental employment created;
- (iv) number of MFI staff trained on enhancement of their appraisal skills of MFIs;
- (v) number of women provided with loan;
- (vi) loan in the rural regions of Tajikistan;
- (vii) overall social and economic benefit that would have accrued to Tajikistan; and
- (viii) future areas and issues of development specially related to microfinance and MFIs.

150. ADB will communicate about this project and the outcome of this project through its periodic newsletters, publications, presentations and detailing about this project on its website. ADB will also communicate with MOF and MFIs through written documents. MFI will communicate to ADB through quarterly and annual written reports. MFIs can also communicate to their staff through training programs, sensitization programs, and workshops, and to borrowers through awareness programs.

151. The information related to this project may be provided by ADB, the PMU, MFIs, MOF, microfinance and small enterprise borrowers, and the public at large comprising researchers, evaluators, commentators, and representatives of media. It will need to be validated for accuracy before release to the public.

152. There would be two broad groups of audiences: internal and external stakeholders. The internal stakeholders comprises group of stakeholders that is directly impacted by this project:

- (i) ADB;
- (ii) MOF, Government;
- (iii) Participating MFIs and their staff and owners; and
- (iv) subborrowers

153. The external stakeholders, which play a role in directing, assisting, implementing, monitoring and controlling of the project, but are not necessarily directly impacted by the project, comprise:

- (i) potential subborrowers;
- (ii) other MFIs providing loans to subborrowers;
- (iii) the National Bank of Tajikistan;
- (iv) the national and international donor and social development community;
- (v) researchers, evaluators, commentators and representatives of media; and
- (vi) the public at large.

154. The frequency at which communication on this project could take place could be quarterly from subborrowers to MFIs, and from MFIs to ADB. ADB will thereafter disclose such information on its website. There could also be periodic review from and communication to the public by experts and expressed commentary from other stakeholders.

## **X. ANTICORRUPTION POLICY**

155. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.<sup>38</sup> All subprojects financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and financial statements of the executing and implementing agencies and all Project subborrowers, contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.<sup>39</sup>

156. To support these efforts, relevant provisions are included in the grant and project agreements. ADB's handbooks on Anticorruption Policy and Anticorruption and Integrity were given to the government and MFIs during grant and project agreement negotiations.

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<sup>38</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>39</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

## **XI. ACCOUNTABILITY MECHANISM**

157. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>40</sup>

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<sup>40</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

## **XII. RECORD OF PAM CHANGES<sup>41</sup>**

158. All revisions/updates during course of implementation are retained in this Section to provide a chronological history of changes to implementation arrangements.

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<sup>41</sup> The Borrower and ADB should ensure that changes to the PAM must be consistent with the grant agreement and the project agreements.

## PRO FORMA OF THE IMPLEMENTING AGENCY'S QUARTERLY PROGRESS REPORT

### A. Introduction and Basic Data

1. Provide the following:
  - (i) ADB grant number, project title, borrower, executing agency, implementing agencies;
  - (ii) total estimated project cost and financing plan;
  - (iii) status of project financing including availability of counterpart funds;
  - (iv) dates of approval, signing, and effectiveness of ADB grant;
  - (v) original and revised (if applicable) ADB grant closing date and elapsed grant period based on original and revised (if applicable) grant closing dates; and
  - (vi) date of last ADB review mission.

### B. Utilization of Funds (ADB Grant and Counterpart Funds)

2. Provide the cumulative disbursements from the ADB grant and counterpart funds (expenditure to date), and comparison with time-bound projections (targets), both for credit line and PMU support.

### C. Project Purpose

3. Provide the following:
  - (i) an assessment of the likelihood that the immediate project outputs will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements; and
  - (ii) an assessment of changes to the key assumptions and risks that affect attainment of the project outputs, and any other environmental or other changes that will affect the outputs, outcome, or impact.

### D. Implementation Progress

4. Provide the following:
  - (i) assessment of the progress of the credit line, including the validity of key operational assumptions and risks to achieving the financial targets and signing of MFIs disbursement of subloans and purposes;
  - (ii) progress or achievements in implementation, outcomes and decisions of steering committee meetings since the last progress report;
  - (iii) assessment of progress in implementing the project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (see Project Monitoring Table-Quarterly);
  - (iv) assessment of project implementation arrangements compared with those in the report and recommendation of the President (RRP) such as establishment and staffing of PMU, establishment and implementation of the subloans by the participating MFIs, consultant recruitment, implementation, and reporting, and whether major changes have occurred or will need to be made; including major events like communication plan and any new SGES products;

- (v) information relating to other aspects of the implementing agencies' internal operations, or any work of other donors and NGOs in microfinance and SGES that may impact on the implementation arrangements or project progress; and
- (vi) gender reports and safeguards.

**E. Compliance with Covenants**

5. Provide the following:

- (i) the implementing agencies' compliance with financial loan covenants including the implementing agencies' financial management, and the provision of audited project accounts and audited MFIs' financial statements; and
- (ii) the borrower's and implementing agencies' compliance with project-specific loan covenants associated with implementation.

**F. Major Project Issues and Problems**

6. Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements) along with what organizations need to take which actions by proposed deadlines.

**Table A1.1: Project Monitoring Table (Quarterly): Breakdown of Portfolio**

Item	Loan Disbursement in Previous Year				Loan Disbursement in Year of Report				Outstanding			
	Number	%	Amount (TJS)	%	Number	%	Amount (TJS)	%	Number	%	Amount (TJS)	%
<b>Economic sector</b>												
Agriculture												
Trade												
Industry and other production												
Animal husbandry												
Services												
Consumer loan												
Consumer loan for staff												
<b>Total</b>												
<b>Purpose of loan</b>												
Working capital												
Fixed assets												
Mixed												
Consumption												
<b>Total</b>												
<b>Type of disbursement</b>												
Cash												
USD												
TJS												
Transfer												
USD												
TJS												
<b>Total</b>												
<b>Collateral</b>												
Collateralized loans												
Immovable collateral												
Movable collateral												
Other guarantees												
Unsecured loans												
<b>Total</b>												
<b>Maturity</b>												
Up to 6 months												
Over 6 months to 12 months												
Over 12 months to 24 months												
Over 24 months												
<b>Total</b>												
<b>No. of jobs created by the loan</b>												



Item	Loan Disbursement in Previous Year				Loan Disbursement in Year of Report				Outstanding			
	Number	%	Amount (TJS)	%	Number	%	Amount (TJS)	%	Number	%	Amount (TJS)	%
Male												
Female												
<b>Total</b>												
<b>Type of client</b>												
No previous bank loan												
Previous loan from other bank												
Client of the bank												
<b>Total</b>												
<b>Gender</b>												
Male												
Female												
Company												
<b>Total</b>												
<b>Region</b>												
Dushanbe												
Ganchi												
Gissar												
Isfara												
Istaravshan												
Kanibadam												
Khujand												
Kumsangir												

Note: 'No. of jobs created by grant' and 'gender' items may be reported semi-annually.

## **PRO FORMA OF THE IMPLEMENTING AGENCY'S ANNUAL MONITORING AND EVALUATION REPORT**

### **A. Introduction and Basic Data**

#### **1. Provide the following:**

- (i) ADB grant number, project title, borrower, executing agency, implementing agencies;
- (ii) total estimated project cost and financing plan;
- (iii) status of project financing;
- (iv) dates of approval, signing, and effectiveness of ADB grant;
- (v) original and revised (if applicable) ADB grant closing date and elapsed grant period based on original and revised (if applicable) grant closing dates; and
- (vi) date of last ADB review mission.

### **B. ADB Grant**

#### **2. Provide the cumulative disbursements from the ADB grant (subloans to date), and comparison with time-bound projections (targets).**

### **C. Implementation Progress**

#### **3. Provide the following:**

##### **a. Project (credit line)**

- (i) Assessment of the progress of the credit line, including the validity of key operational assumptions and risks to achieving the financial targets;
- (ii) Progress or achievements in implementation since the last progress report;
- (iii) Assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (see Project Monitoring Table—Annual);
- (iv) Assessment of project implementation arrangements compared with those in the report and recommendation of the President (RRP) such as establishment and staffing of project implementation unit, and whether major changes have occurred or will need to be made; and
- (v) Information relating to other aspects of the implementing agencies' internal operations that may impact on the implementation arrangements or project progress.

##### **b. Technical Assistance (this section will be completed during the first and second annual reports)**

- (i) Type and brief description of trainings received by MFI staff and subborrowers under the ADB TA grant
- (ii) Number of staff trained by region / branches
- (iii) Number of potential subborrowers trained:

	Year 1	Year 2	Year 3
Men			
Women			
MFIs			

(iv) Percentage of trainees' (subborrowers) access to microloans

Client	Percentage		
	Year 1	Year 2	Year 3
Men			
Women			

(v) Assessment of the quality, appropriateness, adequacy and benefits of the trainings

- c. Progress on implementation of internal policy framework on anti-money-laundering (AML) and combating the financing of terrorism (CFT) and compliance with NBT law pertaining to AML/CFT.

#### **D. Compliance with Covenants**

4. Provide the following:

- (i) the implementing agencies' compliance with financial covenants including the implementing agencies' financial management, and the provision of audited project accounts and audited financial statements of MFIs;
- (ii) the borrower's and implementing agencies' compliance with project-specific loan covenants associated with implementation; and
- (iii) the participating MFIs' compliance with the subloan agreement and project agreement conditions.

#### **E. Information on Gender Action Plan (GAP) Implementation**

5. Implementation progress on the GAP will be included in this report by midterm review (See GAP table in Section VIII).

#### **F. Major Project Issues and Problems**

6. Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements) with specific responsibilities assigned to organizations and deadlines.

## ADB PROHIBITED INVESTMENT ACTIVITIES LIST

1. The following do not qualify for Asian Development Bank financing:
  - (i) production or activities involving harmful or exploitative forms of forced labor<sup>1</sup> or child labor;<sup>2</sup>
  - (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans, such as (a) pharmaceuticals,<sup>3</sup> pesticides, and herbicides,<sup>4</sup> (b) ozone-depleting substances,<sup>5</sup> (c) polychlorinated biphenyls<sup>6</sup> and other hazardous chemicals,<sup>7</sup> (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,<sup>8</sup> and (e) transboundary trade in waste or waste products;<sup>9</sup>
  - (iii) production of or trade in weapons and munitions, including paramilitary materials;
  - (iv) production of or trade in alcoholic beverages, excluding beer and wine;<sup>10</sup>
  - (i) production of or trade in tobacco;<sup>10</sup>
  - (ii) gambling, casinos, and equivalent enterprises;<sup>10</sup>
  - (iii) production of or trade in radioactive materials,<sup>11</sup> including nuclear reactors and components thereof;
  - (iv) production of, trade in, or use of unbonded asbestos fibers;<sup>12</sup>
  - (v) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
  - (vi) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats; and
  - (vii) any activity prohibited by the law of the Tajikistan.

<sup>1</sup> Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

<sup>2</sup> Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" ([www.ilo.org](http://www.ilo.org)).

<sup>3</sup> A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>

<sup>4</sup> A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>

<sup>5</sup> A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>

<sup>6</sup> A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

<sup>7</sup> A list of hazardous chemicals is available at <http://www.pic.int>

<sup>8</sup> A list is available at <http://www.cites.org>

<sup>9</sup> As defined by the Basel Convention; see <http://www.basel.int>

<sup>10</sup> This does not apply to qualified SME borrowers who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a qualified SME borrower's primary operations.

<sup>11</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

<sup>12</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

## WITHDRAWAL APPLICATION FORM FOR IMPREST FUND

WITHDRAWAL APPLICATION FORM FOR IMPREST FUND		Asian Development Bank						
<p>Date _____</p> <p>To: Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines</p> <p>Attention: Loan Administration Division, Controller's Department (CTLA)</p> <p>Sir/Madam:</p> <p>1. In connection with the Loan Agreement dated _____ between the Asian Development Bank and the _____ (Borrower), please pay from the Loan Account for the purpose of establishing/replenishing the Imprest Fund.</p>	<div style="border: 1px solid black; padding: 5px;"> <p>ADB Loan No. _____</p> <p>Application No. <span style="border: 1px solid black; display: inline-block; width: 40px; height: 15px;"></span></p> <p>Type of Disbursement</p> <p><input type="checkbox"/> Initial Advance</p> <p><input type="checkbox"/> Increase in Ceiling</p> <p><input type="checkbox"/> Replenishment</p> </div>							
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Currency</th> <th style="width: 40%;">Amount to be Paid (in figures)</th> <th style="width: 40%;">Amount to be paid (in words)</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> <td></td> </tr> </tbody> </table>			Currency	Amount to be Paid (in figures)	Amount to be paid (in words)			
Currency	Amount to be Paid (in figures)	Amount to be paid (in words)						
<p>2. The Borrower certifies and agrees as follows:</p> <ul style="list-style-type: none"> <li>a. the said amount is required for payment of eligible expenditures as described in the attached Estimate of Expenditures Sheet(s) from _____ (date/month/year) to _____ (date/month/year).</li> <li>b. any advances by the Asian Development Bank (ADB) to the Imprest Fund may be limited to a sum smaller than the amount requested for advances or replenishment, allowing the Fund to be gradually reduced and fully documented prior to loan closing date.</li> <li>c. the undersigned has not previously withdrawn or applied for withdrawal of any amounts from said Loan Account nor obtained or will obtain any loan, credit, or grant for the purpose of fully or partially meeting the expenditures described in the Estimate of Expenditures Sheet(s) or Summary Sheet(s);</li> <li>d. the expenditures described in the attached Estimate of Expenditures Sheet(s) / Summary Sheet(s) are to be made for the purposes specified in the Loan Agreement and in accordance with its terms and conditions; and</li> <li>e. promptly within 6 months after the payment(s), the undersigned will furnish proof satisfactory to ADB to liquidate and document the advance.</li> <li>f. for expenditures to be liquidated on the basis of a Statement of Expenditures (SOE), all authenticating documents will be retained in the location shown on the individual SOE Summary Sheet(s) and will be made available for review by auditors and ADB representatives upon request.</li> <li>g. as of the date of this application, there is no existing default under the Loan Agreement, the Project Agreement or the Guarantee Agreement, if any.</li> <li>h. if any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the Loan Account or, if the amount is small, applied to the next loan service payment due.</li> </ul>								
<p>3. Payment Instructions:</p> <p>A. Payee's Name and Address</p> <p style="padding-left: 40px;">Payee's Name _____</p> <p style="padding-left: 40px;">Payee's Address _____</p> <p>B. Name and Address of Payee's Bank and Account No.</p> <p style="padding-left: 40px;">Bank Name _____</p> <p style="padding-left: 40px;">Bank Address _____</p> <p style="padding-left: 40px;">Payee's Account No. _____</p> <p style="padding-left: 40px;">SWIFT Code _____</p> <p>C. Correspondent Bank (If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.)</p> <p style="padding-left: 40px;">Bank Name _____</p> <p style="padding-left: 40px;">Bank Address _____</p> <p style="padding-left: 40px;">Account No. of _____</p> <p style="padding-left: 40px;">Payee's Bank _____</p> <p style="padding-left: 40px;">SWIFT Code _____</p> <p>D. Special Payment Instructions and Other References _____</p>								
<p>4. This application consists of _____ pages including _____ pages of Summary Sheets.</p> <p>From: _____</p> <p style="padding-left: 40px;">Name of Borrower _____</p> <p style="padding-left: 40px;">Signature of Authorized Representative(s) _____</p> <p style="padding-left: 40px;">Printed Name/Position/Title of Authorized Representative(s) _____</p>								
ADB Form NO. ADB-IFP		Revised January 2007						

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**Instructions for preparing the Withdrawal Application Form for Imprest Fund  
(ADB Form No. ADB-IFP)**

**General Instructions**

1. Submit original Withdrawal Application Form (WA) to the Asian Development Bank (ADB) (or to its Resident/Regional Mission, if instructed).
2. Number WAs consecutively, not exceeding 5 digits or characters.
3. For replenishment of advances, consolidate claims until the amount being withdrawn is at least US\$100,000 equivalent or an amount advised by ADB.
4. When the application is completed, verify completeness of supporting documentation and accuracy of details before passing to the Authorized Representative(s) for signature. Mistakes and omissions result in delayed payment.

**Withdrawal References**

1. **Date:** Enter the date WA is signed by Authorized Representative(s), not the date it was prepared.
2. **Loan Number:** Show ADB loan number clearly.
3. **Application Number:** Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA. For example: A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.
4. **Type of Disbursement:** Indicate in the appropriate box the type of WA claim, whether for Initial Advance/Increase in Ceiling, or Replenishment.

**Estimate of Expenditures Sheet (ADB Form No. ADB-IFP-EES)**

**For Initial Advance:**

1. Provide all details as required in form ADB-IFP-EES. Estimated expenditures should normally be based on the amount of contracts awarded and to be awarded. Estimated expenditures should not exceed the contract amounts.
2. For expenditures related to operational costs, the amount should be linked to the Project's annual budget provision.
3. No supporting documents are required.

**For Replenishment:**

1. In addition to 1 and 2 above, before submitting the WA, submit contracts and procurement documents to ADB's Project Division concerned (contracts exceeding US\$100,000).
2. Where the Statement of Expenditures (SOE) is not allowed, submit all evidences of payment, invoices, bills of lading, or work certificates. The requirements are the same for reimbursement procedure.
3. In all cases, attach bank statement from the bank maintaining the imprest fund and the bank reconciliation of the imprest fund account.

**Payment Instructions**

1. **Payee's Name and Address:** Indicate full name and address of Payee for identification of payment.
2. **Name and Address of Payee's Bank and Account No.:** Indicate full name and address of the Payee's bank, which may include a banker/branch designation. Account number is important. Give SWIFT code if Payee's bank is a member of SWIFT.
3. **Correspondent Bank:** Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.
4. **Special Payment Instructions:** Indicate any particulars, special instructions or references to facilitate payment or identification of payment.
5. **Name of Borrower:** Fill in the name as it appears in the Loan Agreement.
6. **Authorized Representative(s):** Pass this application only to Authorized Representative(s) for signature. Verify if the list of Authorized representative(s) has been changed.

**THE LIST OF SGES PRODUCTS (AMENDABLE)**

<b>Product</b>	<b>Indicative Cost per unit (\$)</b>	<b>Potential Reduction in Fuel Consumption</b>
Solar Home Solution (for Lighting Only)	200	50%
Solar Home Solution (for Lighting and TV)	500	100%
Solar Water Heater	300	25%
Energy-Efficient Water Pump	4000	25%
Double Glazed Windows—Wooden	80	20–25%
Double Glazed Windows— Plastic	175	20%
Double Glazed Roof Windows	65	15–20%
Insulated Wooden Doors	125	10–15%
Energy-Efficient Cooking Stoves	64	50%
Energy-Efficient Combined Heating/Cooking Units	180	40%
Energy-Efficient Heat Exchanger Units	40	25–30%
Energy-Efficient Combined Water Heater/Heat Exchanger Units	75	25–30%
Home Improvements— Wall Insulation	20	20–30%
Home Improvements— Ceiling Insulation	20	20–30%
Home Improvements— Floor Insulation	15	20–30%
Solar Lanterns/Lights	20	50%
LED Lamps/Bulbs	6	50%
CFL Lamps/Bulbs	3	30%
Water Purifier	80	33%
Products included in GIZ's Warm Comfort Project and the same or similar products promoted by other donors or NGOs		
Products included in HfH's home improvement programs		
Products promoted by donors or NGOs other than GIZ and HfH that are the same or similar to the GIZ or HfH products		

CFL = compact fluorescent lamp, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, HfH = Habitat for Humanity, NGO = nongovernment organization, LED = light-emitting diode

## Notes:

1. The PMU (on behalf of the government) may propose additional products meeting the eligibility criteria to be added to the list, and subject to ADB's concurrence, the list will be revised from time to time. The PMU and ADB shall promptly respond to any requests by MFIs or others to include additional SGES products on the list. The revised list will be incorporated into the PAM and publicly disclosed.
2. For purposes of this project, SGES are defined as products acquired by households that improve household energy efficiency, or that consume energy more efficiently than existing products, or that generate energy utilizing an environment-friendly technology.
3. The Government and ADB can consider including energy-efficient programs implemented by other donors, and the list may be approved on a cluster or typology basis.

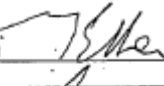
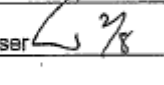
JFPR TA PROJECT PROFILE (TPP)<sup>1</sup>

## TAJIKISTAN

Access to Green Finance  
(Capacity Development TA)

Date Submitted: 9 July 2012

Batch:3

1. Country Operations Business Plan (COBP):	
• Year included in COBP:	2011
• Reference Number:	IN.327-11
• Reference Date:	13 December 2011
• Page Number:	pp. 1, 2
• In case of change in the TA title, type, or amount, please give reason:	The Access to Finance Project planned for 2012 has been reformulated and renamed to <i>Access to Green Finance Project</i> from <i>Microfinance for Renewable Energy</i> to broaden the scope of facilitation of credit lines to include solar electricity solutions (SES) and other clean energy and energy savings solutions.
• Date of the TA Concept Paper Clearance	26 July 2012
2. Project Number:	45229
3. JFPR TA Amount Requested	\$ 750,000
4. Sector:	Finance
5. Subsector:	Microfinance
6. Name of the Project Officer:	Won Jin Seol
• Local Number:	5604/ 4117
• Email Address:	wonjinseol@adb.org
7. Name of the Alternate Officer:	Radhakrishna Narasimham
• Local Number:	5552
• Email Address:	marasimham@adb.org
8. Division:	CWPF
9. Clearances:	
• Name and Signature of the Director:	Debra Kertzman 
• Date Signed by the Director:	
• Name and Signature of the Director General:	Klaus Gerhaeusser 
• Date Signed by the Director General:	
10. For Piggybacked TA Only:	
• Project No. of the Related Loan/Grant:	45229
• Project Name of the Related Loan/Grant:	Access to Green Finance
• Amount of the Related Loan/Grant:	\$6 million
• Project/TA No. of the Initiating PPTA of the Related Loan/Grant:	
• TA Title of the Initiating PPTA:	
• Amount of the Initiating PPTA:	
• Source of Fund of the Initiating PPTA:	

<sup>1</sup> The JFPR TA grant was approved by the Government of Japan on 18 September 2012. The original grant documents are included in Appendix 6. However, since the finalization of those documents, the project has been further developed. Accordingly the JFPR documents in the Appendix may deviate slightly.



## 11. Project Description:

**a) Background information**

It is proposed that ADB provide a grant of \$6 million and a technical assistance (TA) of \$750,000 to the Republic of Tajikistan for the Access to Green Finance Project (Project). The Project will leverage Tajikistan's high global horizontal irradiance (more than 300 sunny days annually) and sound microfinance system to channel credit delivery to households and microenterprises to meet their demand for solar energy solutions (SES). This pilot project, if successful, may be scaled up in Tajikistan and replicated in other Central and West Asia Department (CWRD) countries with similar solar irradiance and financial markets.

SES will help bridge Tajikistan's energy affordability gap, particularly in winter in both on-grid and remote off-grid areas. Tajikistan's reliance on hydro electricity for 98% of its energy needs and the freezing of rivers in winter results in power outages for 16–21 hours daily for on-grid areas. Moreover, there are 24,000 households in remote rural areas that are off-grid (many of them female headed). Based on Tajikistan's solar irradiance, SES is an attractive alternative option. Affordable credit for SES products and other clean energy and energy saving solutions (Green Finance) can be delivered through Tajikistan's sound microfinance system, which will also help diversify participating financial institutions' (PFIs) (microfinance banks and microfinance institutions) portfolios and outreach, thereby addressing a key constraint to SES' development.

**b) Objectives**

The objectives of the (Grant) Project are:

- (i) Provide access to credit to households and rural businesses to purchase SES;
- (ii) Assist PFIs' to diversify their portfolios and outreach by developing green finance loan products;
- (iii) Create opportunities and an enabling environment for private sector SES suppliers to develop their capacities to offer high quality solutions and after-sales services in the Tajikistan market;
- (iv) Create public awareness among Tajikistan's population about the benefits of SES and availability of green finance;
- (v) Develop SES-related technical capacities of PFIs, SES suppliers, and other project stakeholders (such as policy makers) in Tajikistan; and
- (vi) Create an ecosystem in Tajikistan consisting of PFIs, SES suppliers and manufacturers, and regulators and policy makers to create a self-sustaining market-based model for further deployment of SES in the country beyond the project implementation period.

A Technical Assistance (TA) grant of \$750,000 is being sought from Japan Fund for Poverty Reduction (JFPR) to improve stakeholders' capacity to implement the (Grant) Project, including a public awareness campaign to increase awareness among Tajikistan's population about the benefits of SES and institutional reforms to promote solar electricity and other clean energy and energy saving solutions. The TA will have 5 outputs: (i) PFIs develop green finance products; (ii) private sector supply and distribution system for SES in place; (iii) SES market developed; (iv) public awareness campaign for SES implemented; and (v) training to increase technical capacity of selected personnel undertaken. The project management unit (PMU) established by the Ministry of Finance (MOF), the executing agency (EA), under the Project will implement the TA. A public awareness campaign at the community level will be conducted to disseminate the technical features and benefits of SES equipment (SES will be demonstrated live), and manner of use and benefits. An enabling framework for SES will be developed, which will include advice on taxation (concessions on VAT, customs and import duties for SES), regulatory and policy reforms needed to increase demand and deployment of SES in the country and support in drafting policy documents for bringing about such reforms. Capacity building and knowledge will be provided to participating government agencies, private sector SES suppliers and investors, nongovernmental organization and PFIs. Such support will enhance the project's effectiveness as well as its sustainability beyond the implementation period. The TA will also support the PMU in the implementation, management, and monitoring of the (Grant) Project, to ensure that it achieves its objectives.

**c) Expected benefits from the TA**

The expected benefits of the TA are as follows:

- (i) At the household and community levels, better knowledge of the benefits of SES, facilitated by Green Finance under this Project.
- (ii) Development of institutional capacity of the government (PMU) and other project stakeholders to initiate and implement a nationwide program for SES within the Project period and beyond.
- (iii) Expanded funding and outreach of PFIs to meet credit needs of households and micro businesses for purchasing SES.
- (iv) Identification of prospective private sector SES suppliers for appointment as Authorized Suppliers (AS) of SES for the Project and assistance in developing a distribution system.
- (v) Creation of a continued enabling environment for further development and deployment of SES beyond this

implementation period.

(vi) Development of a solar electricity model that may be adapted to other countries in the region.

(vii) Through use of SES, providing households and communities with clean, economic, healthy and socially desirable alternative electricity for lighting and studying.

#### **d) Executing Agency**

Under the Project, the Asian Development Fund (ADF) grant will be provided to the government through the Ministry of Finance (MOF) as Executing Agency (EA). MOF will on-lend grant proceeds to PFIs to extend credit lines for households and rural businesses to purchase SES. Approved PFI loans will be released to borrowers in the form of purchase orders which will be presented to authorized suppliers. MOF will establish a PMU to oversee the project's successful launch, implementation, monitoring and evaluation.

#### **e) Implementing Agency**

The implementing agency for the Project and the TA will be the PMU which will help ensure (i) compliance of SES products with quality standards and technical specifications established for the Project and (ii) select PFIs that meet ADB's financial and operational eligibility criteria, and are efficient enough to provide competitive and affordable lending rates to borrowers without subsidies. An ADB reconnaissance mission<sup>2</sup> for this project has developed preliminary PMU's terms of reference and cost estimates which will be discussed with the MOF in Tajikistan during further processing.

#### **f) Specific TA Components and Key Activities**

ADB will engage consultants in accordance with its Guidelines on the Use of Consultants (ADB's Quality and Cost Based Selection (QCBS) under the TA. TA outputs are discussed above. To achieve these outputs, the TA will help the PMU and MFIs in the following ways:

##### **Output 1**

Help and support PFIs develop green finance loan product that would include institutional credit assessment capacity developed in analyzing credit risk in providing credit lines to renewable energy solutions, provide technical advisory service to the PMU in performing due diligence and selecting sound PFIs based on ADB's eligibility criteria

##### **Output 2**

Support private sector supply and distribution system for SES in place (value chain development that would include local assembly and manufacturing capacity). This will include advice on taxation (concessions on VAT, customs and import duties for SES), regulatory and policy reforms needed to increase demand and deployment of SES in the country and support in drafting policy documents for bringing about such reforms. The Tajik government has agreed to exempt VAT on SES not only used in this project but also for all eligible products.

##### **Output 3**

Provide technical advisory role to support SES market developed through defining, approving and ensuring product quality benchmarks and standards. For example, the TA will determine the requirements for the development of local manufacturing capacities of SES components by private sector suppliers.

##### **Output 4**

Provide public awareness campaign and its strategy for SES products that would include on-site demonstrations and providing on the job training sessions together with PFIs, non-government organizations, suppliers and other project stakeholders. This will demonstrate the practical application of SES products, including in JICA funded schools and hospitals as described in section 13 below.

##### **Output 5**

Training to increase technical capacity of selected personnel that would include basic training for client officers in trouble shooting, designing and delivering training courses on SES and on green finance to personnel from PFIs.

#### **12. Elements that Justify JFPR Financing**

This Project envisages the use of microfinance as a financing instrument (product) for funding households' and rural businesses access reliable sources of energy through SES (the application). In the past, there have been a number of ADB projects in microfinance and small and medium enterprises (SME) financing but no financial sector project with a specific sector focus on private sector provision of 'clean energy' for rural residents and

<sup>2</sup> To be upgraded to a fact finding mission, subject to Management approval.

microenterprises. Hence, this is an innovative pilot project that has the potential to be scaled up and replicated not just in Tajikistan but also in other countries in the Central and West Asia region.

Additionally, the SES financing model piloted by this project has also been designed to be self-sustainable beyond this project's implementation period, by including features such as PFIs lending from their own funds and recycling of repaid funds by PFIs back into the financial system for on-lending to new borrowers. The government has committed to recycling the fund from the project to extend the project cycle beyond five years. ADB will also continue to ask PFIs to scale up lending from their own funds to increase the leverage of the project.

#### 13. Japanese Visibility and Possible Collaboration with Japanese Entities:

The TA (using JFPR financing) will ensure its close coordination with JICA's head office and its country office in Tajikistan during project implementation. The PMU will partner with JICA in launching public awareness campaigns and avail of support from JICA's renewable energy experts in designing and delivering the campaign. The PMU will seek technical advice from JICA's renewable energy experts in setting technical specifications and standards for the SES products that will be supplied under this Project. The TA will demonstrate SES products in JICA funded schools and hospitals<sup>3</sup> and will partner with JICA in the public awareness campaign with solar experts deployed by JICA.

The PMU will also ensure that Government of Japan's support to this project is visible in all its publications and the public awareness campaign.

#### 14. Coordination with the Local Japanese Embassy and JICA Office

- Name and designation of the staff of the local Japanese Embassy and JICA/JBIC office whom you have briefed:  
His Excellency, Mr. Hiroyuki Imahashi  
Ambassador  
  
Ida Jiro  
Country Director, JICA
- Date of the discussion:  
25 April 2012

### RESULTS OF THE DISCUSSION

The mission met the Japanese Ambassador to Tajikistan, Mr. Imahashi. Mr. Imahashi strongly supported this Project due to its innovative nature and its aim to leverage Tajikistan's high global horizontal irradiance and its sound microfinance system. Mr. Imahashi mentioned that he will convey his supportive message to Tokyo.

#### 15. Expected Impact, Outcome, and Outputs

- **Impact:**  
The TA's impact will be increased access to green finance for solar electricity solutions in Tajikistan.
- **Outcome:**  
The TA's outcome will be an improved enabling environment for green finance.
- **Expected Outputs:**  
Its outputs are: (i) development by PFIs of Green Finance Products; (ii) establishment of private sector supply and distribution systems for SES; (iii) development of SES market; (iv) implementation of public awareness campaign for SES; and (v) training of SES stakeholders to increase their technical capacity.

#### 16. Innovation / Value Added:

There have been attempts to deploy solar electricity solutions in Tajikistan but results have not been encouraging due to (i) lack of public information and awareness of the benefits of these solutions, (ii) lack of provision of adequate financing for potential purchasers, (iii) lack of an institutional framework to support development of these products, and (iv) poor supply and distribution channels. This Project aims to systematically address these issues

<sup>3</sup> The mission visited JICA's installations sites in a hospital and had meetings with JICA staff.

through its innovative design. The TA's role in strengthening the capacity of the PMU and other stakeholders is a key feature in the successful implementation of this pilot Project.

#### 17. Potential Risks.

The Project is categorized as low risk in accordance with OM Section D11/OP because: (i) the grant is under \$200 million, (ii) Tajikistan has a well developed microfinance sector<sup>4</sup>, (iii) the MOF as EA has a proven track record for ADB projects, (iv) the project's safeguard categorization is FI, treated as C. It has no impact either on involuntary resettlement (IR) or indigenous people (IP).

Summary Risks	Mitigating Measures
High capital and operations and maintenance cost of equipment	Increased competition through the development of private sector procurement and distribution system. Tariff waiver (agreed to by government) will offset any cost increase due to devaluation.
Affordability problem due to high retail interest rates.	Selection of the most efficient PFIs with lowest interest rates. Encourage increased competition to optimize lending rates. Cost savings by substituting SES for conventional energy sources will help mitigate effects of high interest rates.
Lack of knowledge of SES	Increased public awareness will increase knowledge of costs and benefits of SES and hence increase demand.
Lack of quality SES suppliers	Prequalification of SES suppliers conforming to ADB approved technical standards and good practices to provide satisfactory installation and after sales services.

#### 18. TA Project Processing Schedule:

	Planned Date	Actual Date
• Beginning of Fact-finding/Reconnaissance Mission	May 2012	June 25th
• End of Fact-finding/Reconnaissance Mission	June 2012	End July pending concept clearance
• ADB Approval	November 2012	
• TA Implementation Period	From: Aug 2013 To: July 2018	
• TA Duration	60 months	

#### 19. Coordination / Demarcation with World Bank and Other Donors:

The mission has closely consulted and coordinated with other donors including WB, UNDP, EBRD, EU and GIZ. It was confirmed that the other donors' projects do not conflict with this Project.

#### 20. Previous and/or ongoing TA(s) on the Same Theme, in the Sector / Country / Region: NA

#### 21. Please list down all abbreviations and acronyms that you used in this project profile and define them:

Abbreviation	Name / Definition
for example, JFPR TA	Japan Fund for Poverty Reduction Technical Assistance
1. ADF	Asian Development Fund
2. BL	Base Line
3. CWRD	Central and West Asia Department
4. EA	executing agency
5. IFC	International Finance Corporation
6. MFI	Microfinance Institution
7. MOF	Ministry of Finance
8. OM	Operations Manual
9. OP	Operational Procedures
10. PFIs	participating financial institutions
11. PMU	Project Management Unit
12. QCBS	Quality and Cost Based Selection

<sup>4</sup> This project is a microfinance project whose application will be solar electricity solutions.

13. TA	technical assistance
14. TOR	terms of reference
15. SES	solar energy solutions
16. SHS	Solar Home Solution
17. SME	Small and Medium sized Enterprises
18. SWH	Solar Water Heater
19. SWP	Solar Water Pump

**Cost Estimates Table**  
(\$'000)

	<b>Total Cost</b>	<b>% of Total Cost of JFPR Financing</b>
<b>A. JFPR Financing</b>		
<b>Consultant Costs</b>		
1. Consultant <sup>a</sup>		
a. Remuneration and per diem	418.8	
i. International consultants (20pms)		
Remuneration	218.0	
Per diem	54.6	
<b>Subtotal</b>	<b>273.5</b>	
ii. Domestic consultants (72pms)	145.3	
<b>Total Remuneration and per diem</b>	<b>418.8</b>	
b. International and local travel	55.5	
<b>Total consultant costs</b>	<b>474.3</b>	<b>63%</b>
<b>Non-Consultant Costs</b>		
2. Equipment <sup>b</sup>	57.4	
3. Workshops, local training, seminars and conferences <sup>c</sup>	93.0	
4. Miscellaneous administration and support costs	30.0	
<b>Total non consultant costs</b>	<b>180.4</b>	<b>24%</b>
<b>Contingencies</b>	<b>95.3</b>	<b>13%</b>
<b>Total</b>	<b>750.0</b>	<b>100%</b>

<sup>a</sup>**Consultant Effort Plan**

<b>Consultant Effort Plan (Person-months)</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
International Consultants	10	5	3	2	0	20
National Consultants	12	15	20	15	10	72

<sup>b</sup>**Equipment**

<b>Type</b>	<b>Quantity</b>	<b>Cost (\$'000)</b>
Solar Home Solution (Small)	25	4.4
Solar Home Solution (Medium and Large)	50	27.5
Solar Water Heater	25	7.5
Solar Water Pump	5	15.0
Solar Lanterns	100	3.0

<sup>c</sup>**Workshops, local training, seminars, and conferences**

<b>Purpose</b>	<b>Number of Participants</b>	<b>Venue and Location</b>	<b>Duration</b>	<b>Cost (\$'000)</b>
Focused group discussions for increasing the public awareness of the benefits of solar home solutions	5,000	Nationwide	5 years	93.0

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Increased energy efficiency in Tajik households	More than 20,000 households use energy-efficient and clean SGES by 2021 (baseline 2012: 6,000)	TAJSTAT  MFIs and NGOs involved in SGES  Project surveys	<b>Assumption</b> Increased public awareness of the benefits of SGES  <b>Risk</b> Low quality of products and services being provided and supplied in the country
<b>Outcome</b> Increased access to finance for SGES in Tajikistan	Cumulative number of loans by MFIs for SGES increased to at least 12,000 (totaling at least \$16 million) by 2019 (baseline 2012: 6,200; \$5 million)	MFI progress reports	<b>Assumption</b> Continued credit demand for SGES and sound functioning of microfinance institutions  <b>Risk</b> Loan delinquencies caused by poor underwriting or deteriorated economic conditions
<b>Outputs</b> 1. Increased outreach by MFIs for green finance, particularly to women borrowers	At least 4,500 loans for SGES (totaling at least \$8.8 million) made using project credit lines by 2019, of which at least 30% (totaling at least \$1.76 million, i.e., at least 20% in aggregate principal amount) are made to women borrowers	MFI progress reports	<b>Assumption</b> MFIs are able to select their clients efficiently and expeditiously  <b>Risk</b> MFIs' credit risks
2. Increased public awareness of energy efficiency	At least 20% of households are aware of and understand the benefits of energy efficiency by 2019 (baseline 2012: TBD at start-up, expected to be <1%)  At least 400 persons (of which at least 50% are women) receive training on taking advantage of SGES by 2019	Project monitoring survey conducted by the PMU  PMU progress reports	<b>Assumption</b> Effective public awareness and marketing campaigns by MFIs and SGES equipment providers (coordinated by PMU in partnership with GIZ and Habitat for Humanity)
3. Increased usage of SGES most helpful to women, such as	Loans by MFIs from the project's credit lines for the installation of energy-efficient	MFI progress reports	<b>Assumption</b> Successful engagement with

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
energy-efficient cooking stoves, heating units, and solar water heaters	cooking stoves, heating units, and solar water heaters in at least 1,000 homes by 2019  Time spent by women collecting firewood and manure reduced (baseline and target to be established by survey within first 3 months of project implementation)	Project surveys	MFIs, GIZ, and Habitat for Humanity; continued government support  <b>Risk</b> Higher capital, operations, and maintenance cost of imported equipment, resulting in lower demand
4. Increased private sector participation	Number of skilled workers engaged in jobs related to SGES increased by 15% during the project implementation period (2013–2018) (baseline 2012: 500)	MFIs and NGOs involved in SGES  PMU progress reports	<b>Assumptions</b> Energy-efficient technology improvements, identification of profitable business models, and continued government support

<b>Activities with Milestones</b>	<b>Inputs</b>
1.1 Initial two MFIs sign subsidiary loan and project agreements (by October 2013). 1.2 Orientation for MFI managements on green finance (by December 2013). 1.3 Loan officers of initial two MFIs trained for credit decisions on green finance (by December 2013). 1.4 Internal targets set for developing green finance, including outreach to women borrowers, and strategy developed by MFIs (by December 2013). 1.5 Additional MFIs apply for, are selected, and sign subsidiary loan and project agreements (December 2013–September 2014). 1.6 SGES loans delivered, used, and repaid with monitoring and reporting of project results (through December 2018). 2.1 Awareness workshop and/or seminar in each quarter (first seminar in December 2013). 2.2 Gender-sensitive product awareness training, including training on livelihood development from SGES for women (January 2014–December 2018). 2.3 Gender-sensitive technical training (January 2014–December 2018). 3.1 Technicians' training on SGES most useful to women (by March 2014). 3.2 Loan officers trained for credit decisions for SGES useful to women (December 2013–September 2014). 3.3 MFI internal targets set for outreach to women borrowers for SGES most useful to women (February 2014–September 2014). 4.1 Public awareness campaign in all participating regions (December 2013–June 2018). 4.2 Technicians' training in participating regions (February 2014–June 2018). 4.3 Distribution of SGES (February 2014–November 2018). 4.4 Energy-efficient equipment quality benchmarks adopted by MFIs (by November 2014).	Grant  ADB: \$10.00 million  Government: \$0.14 million  Borrowers from MFIs: \$0.98 million  Japan Fund for Poverty Reduction: \$0.75 million

ADB = Asian Development Bank, MFI = microfinance institution, NGO = nongovernment organization, PMU = project management unit, SGES = smart green energy solutions, TAJSTAT = Tajikistan Statistics, TBD = to be determined.



**JFPR TA CHECKLIST**

<p>1. Do you foresee any concomitant social and/or environmental issues that may arise from the project? If yes, please let us know the mitigation or other measures proposed to be taken to address these.</p> <p><input type="checkbox"/> Yes / <input checked="" type="checkbox"/> No</p> <p>Response is found in Section 11</p>
<p>2. Are the consultancy fees consistent with COSO's standard remuneration rates for the expertise?</p> <p><input checked="" type="checkbox"/> Yes / <input type="checkbox"/> No</p>
<p>3. In the case of regional projects, are the proposed projects, target countries and rationale for the project such as sector analysis, etc. articulated? <b>N/A</b></p> <p><input type="checkbox"/> Yes / <input type="checkbox"/> No</p> <p>Response is found in Section .....</p>
<p>4. In the case of regional projects, will the GOJ support activities related to establishing a framework or a mechanism for regional cooperation? <b>N/A</b></p> <p><input type="checkbox"/> Yes / <input type="checkbox"/> No</p> <p>Response is found in Section .....</p>
<p>5. Will the GOJ support be utilized for projects related to other donors' initiatives already being implemented?</p> <p><input type="checkbox"/> Yes / <input checked="" type="checkbox"/> No</p> <p>Response is found in Section 12</p>
<p>6. Have the regions and sectors in which GOJ support will be implemented been identified and demarcated?</p> <p><input checked="" type="checkbox"/> Yes / <input type="checkbox"/> No</p> <p>Response is found in Section 11</p>
<p>7. For PPTAs, is the ensuing project discussed in a clear, succinct manner? <b>N/A</b></p> <p><input type="checkbox"/> Yes / <input type="checkbox"/> No</p> <p>Response is found in Section .....</p>
<p>8. Proposed JFPR activities do not include research and workshops which will not enhance partnership between Japan and target countries.</p> <p><input checked="" type="checkbox"/> Confirmed</p>

9. In the case of PPTAs and ensuing program and sector program loans, GOJ seeks confirmation that TA activities directly support policy matrix scheme and policy action implementation. <input type="checkbox"/> <b>Confirmed</b>
10. The grant will not include study tours, foreign training, car purchase, public officials' salaries, scholarship, detailed designs, or engineering works. If car purchase or lease is proposed, clear justification is included. <input checked="" type="checkbox"/> <b>Confirmed</b>
11. The grant is not being proposed to address or mitigate safeguard issues or risks caused by or related to other ADB projects. <input checked="" type="checkbox"/> <b>Confirmed</b>

## SAFEGUARDS

1. The Project has been categorized as FI treated as C for environment, involuntary resettlement, and indigenous peoples. ADB's requirements for MFIs are provided below. Therefore, all category B and A subprojects, and also subprojects in fields included in ADB's Prohibited Investment Activities List will be disqualified from financing.

### A. ADB Safeguard Requirements

2. ESMS. ADB's Safeguard Policy Statement (2009) requires MFIs to have in place or establish an appropriate ESMS to be maintained as part of their overall management system to meet national laws and/or ADB's requirements for FI projects. The ESMS will incorporate the following elements:

- (i) environmental and social policies;
- (ii) screening, categorization, and review procedure;
- (iii) organizational structure and staffing including skills and competencies in environmental and social areas;
- (iv) training requirements; and
- (v) monitoring and reporting.

3. As the FI's potential investments have minimal or no adverse environmental or social risks, the FIs need to have in place a very basic ESMS including:

- (i) screening procedure—to screen out subprojects with potential high safeguards risks;
- (ii) ESMS focal person (1 person, part-time) for coordination of ESMS within the MFI-PIU; and
- (iii) trained staff (ESMS focal point, credit officers)—to make rapid screening of potential subprojects.

4. Environment Categorization. ADB uses a classification system to reflect the significance of a project's potential environmental impacts. A project's category is determined by the category of its most environmentally sensitive component, including direct, indirect, cumulative, and induced impacts in the project's area of influence. Each proposed project is scrutinized as to its type, location, scale, and sensitivity and the magnitude of its potential environmental impacts. Projects are assigned to one of the three categories.

- (i) *Category A.* A proposed project is classified as category A if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. An environmental impact assessment is required.
- (ii) *Category B.* A proposed project is classified as category B if its potential adverse environmental impacts are less adverse than those of category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. An initial environmental examination is required.
- (iii) *Category C.* A proposed project is classified as category C if it is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.

## **B. Screening, Categorization and Review Procedure**

5. The screening procedure established under the MFI's ESMS will ensure that all subprojects are screened against the Subproject Screening Checklist (Annex 1). The checklist includes the following criteria:

- (i) subprojects that are potentially in breach of any applicable government environmental, health, safety or social laws or regulations are excluded from financing;
- (ii) subprojects that will cause involuntary resettlement impacts and to indigenous peoples are excluded from financing. Land acquisition can only be through market sales between willing buyers and sellers;
- (iii) subprojects involving business activities included in the Prohibited Investment Activities List (PIAL, Appendix 3) do not qualify for FI support using ADB funds and applications involving such activities will be rejected;
- (iv) subprojects involving any high environmental and/or social risks are excluded from financing. MFIs should consult with ADB on all types of projects of medium/high social or environmental risks. No consultation is required for activities with low or medium risks; and
- (v) subprojects with potential social impacts defined in Annex 1 are excluded from financing.

## **C. Responsibilities under FI Loan**

6. Responsibilities of MFIs

- (i) MFIs are responsible for screening and categorization of subprojects;
- (ii) Depending on the size of the MFI and its business activities, the MFI will appoint a member of its management or one staff responsible for day-to-day implementation of the ESMS to have overall responsibility for environmental and social matters, including monitoring and reporting;
- (iii) Before receiving the first disbursement under this project, MFIs will be responsible for setting up a basic environmental and social safeguards management system (ESMS) with screening mechanisms which will ensure that only investments which will not trigger safeguards categories A or B for EN, IR, and IP are considered for financing.

7. Responsibilities of PMU

- (i) Monitor the implementation and requirements of ADB safeguards policy and the required ESMS by MFIs;
- (ii) Prepare and submit to ADB annual monitoring reports covering the implementation of ADB safeguards policy and social inclusiveness of the program.

8. Responsibilities of ADB

- (i) Organize trainings for MFIs to strengthen their capacity to manage environmental and social risks before first disbursement under the project.
- (ii) Arrange for spot checks to validate MFI performance on safeguards application.

**D. Safeguards monitoring**

9. **ADB.** ADB will supervise project performance against the commitments of the borrower, as described in the legal agreements including safeguard supervision missions.

10. **PMU.** The PMU will prepare and submit the annual safeguard monitoring report covering the implementation of the environment and social safeguards requirements to ADB.

11. **MFI.** The MFI will assist PMU in preparing annual monitoring reports covering implementation of the environmental and social safeguards.

**Annex 1**

**BASIC ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM (ESMS) TEMPLATE**

**[NAME of Participating Financial Institution]**

**I. INTRODUCTION**

[This section includes an overall description of the financial institution and the nature of business operations/business activities of its existing and likely future portfolio. It also discusses the nature of the subprojects that may be financed by the financial institution using ADB's funds.]

**II. SCREENING MECHANISM**

**1. Environment Safeguard**

Only subprojects that have minimal or no environmental impacts and risks will be eligible for funding.

Please accomplish checklist in Table 1.

**2. Involuntary Resettlement Safeguard**

Only subproject with no land acquisition and resettlement impacts and risks will be eligible for funding. Subprojects that will require purchase of land for operation or expansion of operations will not be eligible for funding.

Please accomplish checklist in Table 2.

### 3. **Indigenous Peoples Safeguard**

Only subproject with no impact to indigenous people will be eligible for funding. Subproject should not entail direct or indirect impact to the dignity, human rights, livelihood systems or culture of the indigenous peoples.

Please accomplish checklist in Table 3.

### 4. **ADB Prohibited Investments and Activities List (PIAL)**

Subprojects included in the list will not be eligible for funding.

Please see list in this Project Administration Manual's Appendix 3.

## **III. INSTITUTIONAL ARRANGEMENT**

The ESMS Manager (or other designated staff) (i) communicates with the subproject owner and confirms that the subproject is in compliance with all applicable requirements of the basic ESMS; and (ii) [Name of PFI] will promptly report to the EA and ADB any actual or potential breach of the compliance requirements after becoming aware of it.

## **IV. MONITORING AND REPORTING**

The ESMS Manager (or other designated staff) reports to the [Chief Executive Officer] of [Name of PFI]. The ESMS Manager has oversight for environmental and social issues, ensures the resources are made available for environmental and social management, and should sign and submit the annual environmental and social performance report to the EA and ADB. S/he should ensure that the ADB is notified if and when the responsible staff has been changed or replaced with new staff.

## **V. APPROVAL**

The Basic Environmental and Social Management System of [Name of PFI] was approved and adopted by the Board of Directors (or signed by ..... [the President], or indicate other position/designation) on ..... [date/month/year].

**Table 1: Environmental Screening Checklist**

Screening Questions	Yes	No	Not Known	Remarks
1. Is the subproject in breach of any applicable national environmental, health, safety or social laws or regulations?				If yes, exclude from financing.
2. Is the subproject to be financed will have moderate or significant environmental impacts on:				If yes, consider exclusion from financing.
Air quality				
Surface and groundwater quality				
Soils				
Ecosystems, biodiversity				
Land use				
Infrastructure				
Historical and cultural values				
Social environment				
3. Is the subproject adjacent to or located within any of the following environmentally sensitive areas: Specially Protected Nature Areas Wildlife reserve Cultural heritage sites				If yes, consider exclusion from financing.

**ENVIRONMENT CATEGORY**

- ☐ **Category A** Significant Impact <sup>58</sup>
- ☐ **Category B** Site-specific Impact
- ☐ **Category C** Minimal/No impact

Prepared by:  
Name and Signature  
Designation:  
Date:  
Approved by:  
Name and Signature  
Designation:  
Date:

<sup>58</sup> A proposed project is classified as category A if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works.

## Social Safeguards Screening Checklist

**Table 2: Involuntary Resettlement Impact Screening Checklist**

Screening Questions	Yes	No	Not Known	Remarks
1. Will there be land acquisition using eminent domain law?				If yes, exclude from financing.
2. Will there be permanent or temporary loss of shelter and residential land due to land acquisition?				If yes, exclude from financing.
3. Will there be permanent or temporary loss of agricultural and other productive assets due to land acquisition?				If yes, exclude from financing.
4. Will there be losses of crops, trees, and fixed assets due to land acquisition?				If yes, exclude from financing.
5. Will there be permanent or temporary loss of businesses or enterprises due to land acquisition?				If yes, exclude from financing.
6. Will there be permanent or temporary loss of income sources and means of livelihoods due to land acquisition?				If yes, exclude from financing.
7. If land or private property is purchased through negotiated settlement or willing buyer-willing seller, will it result in the permanent or temporary removal or displacement of renters, or leaseholders?				If yes, exclude from financing.
8. If land or private property is purchased through negotiated settlement or willing buyer-willing seller, will it result in the permanent or temporary removal or displacement of informal land-users (people without legal rights on the land) or squatters?				
9. Will the project involve any permanent or temporary restrictions in land use or access to legally designated parks or protected areas and cause people or any community to lose access to natural resources, <u>traditional habitats</u> , communal land, or communal facilities?				If yes, exclude from financing.
10. Will the project use government land or any public land or property which will require the permanent or temporary removal of informal occupants or users (residential or economic)?				If yes, exclude from financing.

### INVOLUNTARY CATEGORY

### RESETTLEMENT

### IMPACT

- ☐ **Category A** Significant Impact<sup>59</sup>
- ☐ **Category B** Limited Impact
- ☐ **Category C** No impact

Prepared by:  
Name and Signature  
Designation:  
Date:  
Approved by:  
Name and Signature  
Designation:  
Date:

<sup>59</sup> Involuntary resettlement means physical or economic displacement as a result of land acquisition or involuntary restrictions on land use or on access to legally designated parks and protected areas. Involuntary resettlement is considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).



**Table 3: Indigenous Peoples Impact Screening Checklist**

Screening Questions	Yes	No	Not known	Remarks
<b>A. Indigenous Peoples Identification</b>				
1. Will the project be in an area (land or territory) occupied, owned, or used by socio-cultural groups who may be considered as "tribes" (hill tribes, scheduled tribes, tribal peoples), "minorities" (ethnic or national minorities), or "indigenous communities"?				If yes, exclude from financing.
2. Do such groups self-identify as being part of a distinct social and cultural group?				
3. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
4. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture and/or speak a distinct language or dialect??				
<b>B. Identification of Potential Impacts</b>				
5. Will the project directly or indirectly affect vulnerable Indigenous Peoples' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts)				If the impacts on Indigenous Peoples communities are adverse, exclude from financing.
6. Will the project negatively affect the livelihood systems of vulnerable Indigenous Peoples community/ies? (e.g., food production system, natural resource management, crafts and trade, employment status)				If yes, exclude from financing.
7. Will the project involve commercial development of the cultural resources and knowledge of Indigenous Peoples that will affect cultural integrity, identity and community of Indigenous Peoples?				If yes, exclude from financing.
8. Will the project require acquisition of lands that are traditionally owned or customarily used, occupied or claimed by indigenous peoples and cause physical or economic displacement from traditional or customary lands?				If yes, exclude from financing.
9. Will the project involve commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?				If yes, exclude from financing.
10. Will the project be located in a cultural heritage site?				If yes, exclude from financing.

**INDIGENOUS PEOPLES IMPACT CATEGORY**
☐ **Category A** Significant Impact <sup>60</sup>
☐ **Category B** Limited Impact

☐ **Category C** No impact

Prepared by:  
 Name and Signature  
 Designation:  
 Date:  
 Approved by:  
 Name and Signature  
 Designation:  
 Date:

<sup>60</sup> The significance of impacts on Indigenous Peoples is determined by assessing (i) the magnitude of impact in terms of (a) customary rights of use and access to land and natural resources; (b) socioeconomic status; (c) cultural and communal integrity; (d) health, education, livelihood, and social security status; and (e) the recognition of indigenous knowledge; and (ii) the level of vulnerability of the affected Indigenous Peoples community.

## Subproject Screening Checklist

### Environmental and Social Impact Assessment Criteria

[illegible]

SCREENING QUESTIONS	Yes	No	REMARKS
which may facilitate/ increase the risk of:			from financing
Violation of the code labor standard, including use child labor	<input type="checkbox"/>	<input type="checkbox"/>	
Marginalization of the ethnic minority groups in the project areas (related to their identity, dignity, livelihood system, cultural uniqueness)	<input type="checkbox"/>	<input type="checkbox"/>	
Human trafficking	<input type="checkbox"/>	<input type="checkbox"/>	

## Notes:

1. The Remarks field can be used to comment on screening questions A, B, C, and D. Such comments can, for example, refer to the availability of clearance, permits, or licenses currently being requested from the concerned local government agency, or clarify that SME is not substantially involved in production of or trade in alcoholic beverages, or inform that project is located at xx km distance from a specially protected area.
2. If the answer to questions A, B, C, and D is "no", the MFI may proceed with assigning environmental category to a project.
3. "Subproject" in this checklist means the investment or economic activity of the SME Borrower for which an FI Loan is provided.

## AML/CFT REQUIREMENTS

1. In order to assist PFIs participating in the projects in strengthening their AML/CFT policies and procedures, the JFPR technical assistance (TA) program will provide capacity building to PFIs aimed at increasing AML/CFT awareness, supporting the implementation of AML/CFT and ensuring adequate customer due diligence in terms of the use of loans and provision of savings where appropriate. A list of minimum AML/CFT controls and measures that PFIs will be required to adopt are listed below and in the respective Project Agreements. The PFIs will be required to commit to an implementation plan, including the activities described in the following Table.

**Table A8.1: PFIs Indicative Action Plan for Improvement of AML/CFT Systems**

Activity	Sample Deadline
Commit in writing to an Action Plan, detailing how the PFI will strengthen AML/CFT Policies, how to adapt systems in order to generate reports identifying all mandatory control transactions, and adopt AML/CFT M&E systems in line with ADB requirements	1 Sept 2013
Appoint AML/CFT Manager	7 Sept 2013
Assess methodological adjustments (possibly including IT/MIS) needed to produce reports identifying all mandatory control transactions	21 Sept 2013
Complete draft improved AML/CFT Policy with approval at Management level	21 Sept 2013
Complete AML/CFT controls methodology, including requirements for reports on AML/CFT implementation progress	26 Oct 2013
Approve AML/CFT controls methodology by the Board of Directors	23 Nov 2013
Provide suitable training to all relevant officers on implementation of the policy and controls methodology, including reporting	23 Jan 2014
Produce first internal audit report on AML/CFT implementation	29 Feb 2014
Produce first automated/semi-automated report listing all mandatory control transactions, and review of staff capacity for implementation of the policy and controls	01 Nov 2014

Source: Asian Development Bank.

2. The following areas are defined as transactions under mandatory control (relevant to MFIs) for the purposes of AML/CFT reporting:

- (i) Depositing to a savings account a check or bill of exchange, either in the form of incidental transaction or that of transactions conducted over up to seven consecutive calendar days, if the amount is of 70,000 TJS equivalent or more;
- (ii) Withdrawing or depositing cash to client's bank account, either in the form of a single transaction or that of transactions conducted over up to seven consecutive calendar days, if the amount is of 70,000 TJS equivalent or more;
- (iii) Opening a savings (deposit) account to the benefit of third parties and/or depositing money to such an account, either in the form of a single transaction or that of transactions conducted over up to seven consecutive calendar days, if the amount is of 70,000 TJS equivalent or more;
- (iv) Payments and money transfers by the client to the benefit of another person on a non-repayable basis, if the amount is of 70,000 TJS equivalent or more;
- (v) Savings or loans to legal businesses within three months of their registration, if the amount is of 70,000 TJS equivalent or more;
- (vi) Deals with immovable and other estate subject to mandatory state registration, if the amount is of 500,000 TJS equivalent or more; and

(vii) Any transaction if the amount is of 500,000 TJS equivalent or more.

3. The following are the minimum requirements for MFIs' AML/CFT controls:

(i) Customer due diligence including:

- Know Your Client Processes that include collection, and retaining of the following information for individual borrowers/savers on their account applications: surname, first name, citizenship, identity card details, bank account number (if applicable), migration card data (if applicable)
- Know Your Client Processes that include collection and retaining of the following information for borrowing legal entities: name of entity, state registration number, place of registration, address, beneficial ownership and validation that the owners are not on NBT or AMFOT black lists.
- Update of KYC information with every new loan agreement, in case of suspicious behavior or activity by the client and/or after being unverified for three years;
- Enquiry and assessment of sources of client funds needed to start his/her business or provide savings;
- KYC enquiries and risk assessment performed in house and not by third parties;
- Mechanism to assess if a potential client is a politically exposed person (PEP), either directly, or through relatives, and if so, escalate processing to the Head or Deputy Head of the PFI.

(ii) Reporting:

- Recording of all documents collected in relation to KYC or risk assessment, as well as correspondence between the PFI and the client, for at least five years after completion of the transaction or closing of the account (may be in electronic form);
- Procedures set up by the PFI on how to identify transactions under mandatory control (see A above for definition);
- Reporting of transactions under mandatory control provided to the risk department and the AML/CFT Manager, and to the NBT's Financial Monitoring Department (FMD). A report should ideally be sent monthly to the NBT's FMD, to state any (listed) or no transactions under mandatory control.

(iii) Staff selection: staff selection procedures that include cross-checking with NBT's black list, and internet and prior employer reputation checks.

(iv) Non-disclosure: PFIs will not inform clients about the content of the PFI's AML/CFT measures and policies, and will not inform clients if information about them or their transaction has been sent to NBT's FMD.

(v) Suspicious transactions:

- Suspicious transactions include: loans to or savings deposits from clients unable to provide the necessary KYC and related information; savers or businesses where the source of funds for establishing the business cannot be established; loan proposals where the proposed use of loan funds cannot be fully tied to use for the loan purpose or other legitimate,

- PFI-accepted purposes; loan or savings transactions with any offshore zones; money transfers of loan funds or savings from PFI to or from accounts which do not have full KYC information for the account holder;
- Suspicious transactions will be suspended and reported to the PFI's relevant internal management and the NBT's FMD within 24 hours. If after a further 48 hours the NBT's FMD has not advised on how to proceed, the PFI may determine itself how to proceed.

(vi) AML/CFT Training:

- AML/CFT training modules will be designed which must cover all the stipulations listed above, and are aimed at the appropriate staff within the PFI. These should be approved by the Audit Committee or nearest equivalent within the PFI;
- Training modules will be delivered by AML/CFT trainer(s) fully qualified to conduct the AML/CFT training modules as assessed by the PMU and NBT; examinations will be held to determine which trainees have successfully absorbed the materials, the exams and results to be approved by the Audit Committee. Those who do not pass the exams may not be authorized to act as AML/CFT managers or certify loans or savings accounts or clients to meet AML/CFT requirements.

4. The following are the minimum requirements for MFIs' monitoring and evaluation of the implementation of AML/CFT policies:

- (i) Assign an AML/CFT Manager whose responsibility it is to ensure that all the controls listed above are in place and are being followed;
- (ii) The Internal Audit team should produce a report every six months on progress in implementing AML/CFT policies. The report should cover the status of all the policies listed above, with particular emphasis on:
  - % of client files verified by Internal Audit that contained all the necessary KYC other checks listed in the AML/CFT Policy;
  - Inclusion in client files of all the new information now required, which may include assessment of valid origin of funds required to start the business, verification of whether client is a PEP, etc.;
  - Verification of whether any of the transactions assessed were un-flagged suspicious or mandatory control transactions, and cross-checking computer portfolio reports to ensure that all transactions above the regulatory limit are categorized as mandatory control transactions;
  - Verification of the reports on mandatory control transactions, both internal ones and those sent to NBT's FMD, for accuracy and completeness; and
  - Adequacy of measures and approaches proposed to rectify the remaining gaps in AML/CFT Policy implementation.
- (iii) the half-yearly Internal Audit reports on AML/CFT implementation should be sent to the Audit Committee and to the Ministry of Finance's Project Management Unit responsible for these ADB projects.