



Completion Report

Project Number: 52312-001
Technical Assistance Number: 9667
September 2020

Kazakhstan: Scoping the Green Investments Finance Program

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 9667-KAZ: Scoping the Green Investments Finance Program		Amount Approved: \$225,000	
		Revised Amount: Not applicable	
Executing Agency: Damu Entrepreneurship Development Fund	Source of Funding: Technical Assistance Special Fund-Other Sources	Amount Undisbursed: \$29,225	Amount Used: \$195,775
TA Approval Date: 26 November 2018	TA Signing Date: 26 November 2018	TA Completion Date	
		Original Date: 31 October 2019	Latest Revised Date: 31 January 2020
		Financial Closing Date: 20 July 2020	Number of Extensions: 1
TA Type: Knowledge and support TA	Nature of Activity: Capacity development	TA Arrangement: Small-scale	

Description

Kazakhstan is one of the largest emitters of greenhouse gas in Central Asia and Europe with total annual national emissions of 255.8 metric tons of carbon dioxide (2017).¹ Based on purchasing power parity, Kazakhstan consumes two times more energy per unit of gross domestic product (GDP) than the Organization for Economic Co-operation and Development (OECD) average (including countries with similar harsh winters).² This reflects a number of structural factors: the dominance of energy-intensive industries, a harsh winter climate, and a vast and sparsely populated area. Even as these factors are taken into consideration, Kazakhstan's economy is substantially more resource-intensive than those of advanced market economies, using more energy, water, and raw materials per unit of output, thus undermining the country's competitiveness.

Given these factors, the Government of Kazakhstan made transitioning to a more resource-efficient and greener economy as one of its strategic priorities. In line with this priority, Damu Entrepreneurship Development Fund (Damu)³ requested assistance from the Asian Development Bank (ADB) to develop a financing mechanism to promote wider adoption of green technologies among micro, small and medium enterprises (MSMEs). As neither Damu nor ADB had sufficient understanding of the market of green technologies and green finance in Kazakhstan, it was recommended to start with a small-scale technical assistance (TA) to:

- (i) Conduct a scoping study to analyze the market of green technologies and green loans, assess the existing policy and regulatory framework, perform a demand assessment for green loans, propose recommendations on the design of the green loan products. This study was the first research covering the above-mentioned topics in Kazakhstan.
- (ii) Build up the expertise of Damu on the subject through training and provision of training modules. The trainings were to provide Damu with a better understanding of the green economy, green technologies, and green finance thereby strengthening its capacity in lobbying for the potential Kazakhstan Green Investments Finance Project with the Ministry of Economy, Ministry of Finance, and other government institutions.

Expected Impact, Outcome, and Outputs

The TA's impact is enhanced resilience of Kazakhstan's economy to climate change. The outcome is commitment of the executing agency to develop green investments financing mechanism increased. The outputs are (i) Damu's knowledge on the concepts of green economy, green investments/technologies and green finance enhanced, and (ii) knowledge products developed.

Implementation Arrangements

The TA was implemented as per original arrangements except for the timing of its commencement and completion. The consultancy firm was mobilized on 26 April 2019, instead of the original end February 2019. This was due to

¹ International Energy Agency. <http://energyatlas.iea.org/#!/profile/WORLD/KAZ>.

² World Bank. 2018. *A new growth model for building a secure middle class. Kazakhstan Systematic Country Diagnostic*. Washington. <http://documents1.worldbank.org/curated/en/664531525455037169/pdf/KAZ-SCD-April-2018-FINAL-eng-with-IDU-05012018.pdf>.

³ Damu is the state agency tasked with supporting the development of small and medium enterprises (SMEs). It implements the government's credit programs for SMEs and provides nonfinancial support through information services, training, and consulting services.

the deferral of the consulting firm's engagement until January 2019 pending discussions with Damu on another ongoing project.⁴ The TA completion date was extended from 31 October 2019 to 31 January 2020 to enable consultants to deliver expected results. The TA was completed within the extended completion date and originally approved budget. The scope of TA inputs and outputs remained unchanged during implementation.

The consulting firm, Frankfurt School of Finance and Management, was engaged using the quality- and cost-based selection procedure with a 90:10 quality–cost ratio. The consultants' team consisted of five international consultants (for total 7 person-months) and three national consultants (for total 6 person-months). To reduce administrative burden and improve efficiency and value for money, output-based contract was applied. As originally planned, Damu was the executing agency. The TA was administered by the Public Management, Financial Sector and Trade Division of ADB's Central and West Asia Department, in close collaboration with the Kazakhstan Resident Mission.

Conduct of Activities

There was no deviation from the original arrangements except for the timing as mentioned above. The TA delivered two expected outputs. The first output of enhancing Damu's knowledge on the concepts of green economy and green finance was achieved. The consultants trained 159 of Damu's employees. The training modules covered the (i) Fundamentals of Green Economy Investments, (ii) Legal and Regulatory Framework of Green Economy in Kazakhstan, (iii) Green Technologies & Their Application, and (iv) SME/MSME Sectors & Green Technology Investments. The satisfaction level among the trainees was in the range of 4.85–4.92 (using the scale of 1 [poor] to 5 [very good]). As a result of the provided trainings, Damu improved its capacity to implement the Kazakhstan Green Investments Finance Project, which is in ADB's country operations business plan for Kazakhstan, 2020–2022.⁵

The second output of developing of knowledge products was also delivered. The findings of the scoping study were presented to Damu, financial sector representatives, development partners, and state agencies during the final workshop on 21 November 2019 in the conference center of Damu. This workshop was attended by 32 participants. The scoping study has been published in ADB's website.⁶

The transferred knowledge and the findings of the scoping study strengthened the executing agency's commitment to develop a green MSME lending project in cooperation with ADB. The concept paper for the Green Investments Finance Project was approved by ADB on 30 June 2020.⁷ Board approval is scheduled in the second quarter of 2021 subject to obtaining grant funding from the Green Climate Fund.

Performance of ADB during project implementation was *satisfactory*. TA supervision unit conducted two review missions to monitor the progress and ensure the delivery of the projected outputs. Performance of executing agency was also *satisfactory*. Damu was cooperative and provided all necessary support for the consultants' activities, including in-kind support to the project. The performance of the Frankfurt was likewise satisfactory.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The project remained <i>relevant</i> throughout its implementation. The TA's outcome of increasing Damu's commitment to implement green investment finance project remains closely aligned with the government's strategy ⁸ and ADB's Strategy 2030. ⁹ The TA provided Damu and ADB with the required knowledge to proceed with preparation of the Green Investments Finance Project, and also enhanced Damu's capacity as the executing agency of the project.	Relevant

⁴ Prepayment of a participating financial institution under loans 3093, 3231, and 3261, Small and Medium Enterprise Investment Program.

⁵ ADB. 2019. *Country Operations Business Plan: Kazakhstan, 2020–2022*. Manila.

⁶ ADB. 2019. *Scoping the Green Investments Finance Program*. Consultant's report. Manila (TA 9667-KAZ). <https://www.adb.org/projects/documents/kaz-52312-001-tacr>.

⁷ ADB (Central and West Asia Department). 2020. KAZ: Green Investments Finance Project—Request for Approval of Project Concept Paper. Memorandum. 30 June (internal). <https://www.adb.org/projects/52312-002/main#project-overview>.

⁸ Government of Kazakhstan. 2013. *Concept for transition of the Republic of Kazakhstan to Green economy*. Astana.

⁹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

Criterion	Assessment	Rating
Effectiveness	The TA outputs and outcome were effectively met in line with the TA objectives. The performance target indicators for all the outputs were achieved as per the design and monitoring framework (Appendix 1).	Effective
Efficiency	TA resources were utilized efficiently. The outputs were delivered within the extended period and with savings of \$29,225. This savings came from training (\$19,010) brought by Damu's provision of venue, equipment and materials during trainings and workshops, and from contingency (\$8,900).	Efficient
Overall Assessment	The TA was <i>successful</i> having achieved its outcome and outputs as defined under the TA's DMF.	Successful
Sustainability	Activities under the TA are <i>likely</i> to have long lasting effect. The findings of the scoping study will be actively used in the proposed Green Investments Finance Project, which is scheduled for approval in 2021. The knowledge transferred to 159 of Damu's personnel improved its capacity as an executing agency to the Green Investments Finance Project.	Likely sustainable

Lessons Learned and Recommendations

Design and/or planning	The design of the TA was extensively discussed with Damu during the preparation stage, thus ensuring the executing agency's strong ownership of the project and the TA's overall success.
Implementation and/or delivery	The strong component of national consultants, who interacted with Damu on a regular basis, likewise ensured that the TA's deliverables were tailor-made to Damu's needs.
Management of staff and consultants	Well prepared and detailed terms of references are crucial to ensure proper performance of consultants.
Knowledge building	An assessment of Damu's knowledge on the topic was made prior to the conduct of trainings to ensure that they are tailored-fit to its needs and role as the project's executing agency.
Stakeholder participation	Damu's strong ownership over this project ensured the success of the TA. This is demonstrated by the executing agency's in-kind support to the project (provision of the conference room and equipment for presentation).

Follow-up Actions

The scoping study produced for the introduction of the sustainable green lending mechanism in Kazakhstan indicates further steps to be taken and need for the additional technical support. Thus, further deeper engagement with Damu and other state agencies (International Green Investments and Technologies Center under the Ministry of Ecology) is recommended.
--

Prepared by:
Ruslan Kurmanbekov

Designation and Division:
Investment Specialist, PSFI

DESIGN AND MONITORING FRAMEWORK

Impact Enhanced resilience of Kazakhstan's economy to climate change		
Results Chain	Performance Indicators with Targets and Baselines	Achievements
Outcome Commitment of the executing agency to develop green investments financing mechanism increased	At least one investment project supporting green investments via Damu included in the ADB pipeline (2018 baseline: none)	Achieved. GIFP is included in ADB's country operations business plan for Kazakhstan, 2020–2022 ^a and Damu will be the executing agency.
Outputs 1. Knowledge on the concepts of green economy, green investments/technologies and green finance enhanced 2. Knowledge products developed	By end May 2019: 80% of participants of the trainings considered their understanding of green economy, green investments and green finance improved (baseline:0) By mid-October 2019: Scoping study on the Green Investments Finance Program is carried out, published and presented to ADB, Damu, the financial sector, and other relevant stakeholders (baseline:0)	Achieved. The trainings were attended by 159 Damu employees. As per a post-training survey conducted among participants, 90.35% of the trainees found information delivered during the project as very useful. Achieved. The findings of the scoping study were published ^b and presented to the executing agency, financial sector representatives, development partners, and state agencies during the final workshop on 21 November 2019 in the conference center of Damu. The workshop was attended by 32 participants.
Actual Key Activities with Milestones 1. Knowledge on the concepts of green economy and green finance enhanced. 1.1 Recruited and mobilized consultants in April 2019. 1.2 Conducted a needs assessment for training for Damu staff in areas related to green investment finance, credit processes, monitoring systems and identify the training content in May 2019. 1.3 Designed a training plan for Damu and prepared training materials in May 2019. 1.4 Delivered trainings and conducted post-training survey in June–November 2019. 1.5 Explored potential for further strengthening of Damu's institutional capacity through knowledge sharing partnership with Global Green Growth Institute, Green Climate Fund, and similar institutions in May 2019. 2. Knowledge products developed 2.1 Assessed existing policy and regulatory framework in relation to green finance and their financing, prepared a list of realistic and achievable policy-based actions to address the various gaps in the legal and regulatory environment that hamper the development of the green investments finance in Kazakhstan in August 2019. 2.2 Carried out a review of the current market of green technologies that is available to SMEs, its affordability in terms of price and geographical presence of vendors and installers, assessed regulatory and non-regulatory barriers for the development of green technologies market, and proposed recommendations, developed the list of eligible green technologies to be financed through green loans to SMEs in August 2019. 2.3 Carried out a review of current market practices among SMEs in relation to green investments; SME's awareness of green investments, willingness of SMEs to invest in green investments, assessed regulatory and non-regulatory barriers preventing SMEs to invest more in green technologies and proposed recommendations, assessed potential demand on green loans and proposed key selling points to persuade SMEs in investing in green technologies in August 2019. 2.4 Carried out a review of current market practices among FIs in relation to green investments: FIs' awareness on green investments, willingness and capacity of FIs to finance green investments, assessed regulatory and non-regulatory barriers preventing FIs from financing green investments, proposed recommendations on design of green loan products and risk-sharing structures in August 2019. 2.5 Carried out a review of current market of financial risk management products: assessed awareness and willingness of insurance and reinsurance companies, guarantee companies, FIs and similar institutions to provide financial risk management products for green investments, affordability of such products, identified		

<p>regulatory and non-regulatory barriers for developing and providing these products, proposed recommendations on the design of financial risk management product tailored for GIFFP in August 2019.</p> <p>2.6 Assessed Damu's institutional capacity to act as implementing agency for the GIFFP, proposed recommendations and action plan for Damu on GIFFP's implementation in August 2019.</p> <p>2.7 Consolidated findings in the draft scoping study on GIFFP and presented it for commenting to ADB and Damu in August 2019.</p> <p>2.8 Produced the final version of the scoping study in November 2019.</p> <p>2.9 Conducted a workshop for the government, Damu, the banking sector and other related stakeholders to discuss the findings of the scoping study and recommendations proposed in November 2019.</p>
<p>Actual Inputs</p> <p>Asian Development Bank: \$195,776 Technical Assistance Special Funds (TASF-other sources).</p> <p>Government: \$4,000 estimated in-kind contribution from Damu in the form of office premises to conduct trainings and final workshop.</p>

ADB = Asian Development Bank, Damu = Damu Entrepreneurship Development Fund, FI = financial intermediary, GIFFP = Green Investments Finance Project, SME = small and medium-sized enterprises.

^a ADB. 2020. *Country Operations Business Plan: Kazakhstan, 2020–2022*. Manila. <https://www.adb.org/documents/kazakhstan-country-operations-business-plan-2020-2022>.

^b ADB. 2019. *Scoping the Green Investments Finance Program*. Consultant's report. Manila (TA 9667-KAZ). <https://www.adb.org/projects/documents/kaz-52312-001-tacr>.

Source: Asian Development Bank.

TECHNICAL ASSISTANCE COST**Table A2.1: Technical Assistance Cost by Activity**
(\$'000)

Item	Amount		
	Original	Revised	Actual
1. Consultants	196.1	0.0	194.8
2. Training, seminars and/or conferences	20.0	0.0	1.0
3. Contingency	8.9	0.0	0.0
Total	225.0	0.0	195.8

Source: Asian Development Bank.

Table A2.2: Technical Assistance Cost by Fund
(\$'000)

	Particulars	TASF-Others	Total Cost
1.	Original	225.0	225.0
2.	Revised	0.0	0.0
3.	Actual	195.8	195.8
4.	Unused	29.2	29.2

TASF = Technical Assistance Special Fund.

Source: Asian Development Bank.