

ADAPTATION
BLENDED

PROJECT NAME	Private Sector Investments to support Gender-Responsive Climate-Resilient Investments in Tajikistan¹
COUNTRY/REGION	Tajikistan
SECTOR	Multi-sector (Agriculture, Energy, Water)
PROJECT/INVESTMENT AMOUNT	Co-financing \$ 7.6 million; CIF Contribution: \$5 million; (Source: EBRD)
DEVELOPMENT PARTNER(S)/STAKEHOLDERS	European Bank for Reconstruction and Development (EBRD)
BENEFICIARY MINISTRY/ INSTITUTION	Government of Tajikistan
INVESTOR(S) AND FUNDERS	EBRD, Climate Investment Funds (CIF)
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTORS	Bilateral, Multilateral & Development Finance Institutions
PROJECT OVERALL GOAL	The objective of the project is to set up a financing facility to specifically target Tajikistan's private sector and provide finance and technical support to farmers, small businesses, and households to enable them to adopt new water-efficient and energy-efficient technologies that will help to make their operations more resilient to the projected impacts of climate change on energy and water resources.
PROJECT OUTCOMES	<p>Funds have accelerated financing for adaptation solutions through intermediated finance that extends beyond local banks to include microfinance institutions.</p> <p>CLIMADAPT also made significant strides in gender mainstreaming in Tajikistan. Women beneficiaries surveyed reported social and economic improvements as a result of accessing these loans in the areas of: time poverty (92 percent); productivity (82 percent); and the ability to influence financial decisions on assets (60 percent) and equipment (77 percent).</p>
ALIGNMENT WITH COUNTRY IDENTIFIED CLIMATE STRATEGIES, NDCs, ETC. (IF APPLICABLE)	Investments were developed in partnership with the Government of Tajikistan through the Strategic Programme for Climate Resilience (SPCR), which identifies threats to energy and water resources as amongst the most critical climate change vulnerabilities facing Tajikistan.
CONTRIBUTION OF THE PROJECT TO THE UN SDGs	<p>Support to Tajikistan through CLIMADAPT makes contributions to:</p> <ul style="list-style-type: none"> ● SDG1 (No Poverty) ● SDG2 (Zero hunger) ● SDG 5 (Gender Equality) ● SDG 13 (climate action).
SOCIOECONOMIC IMPACT	CLIMADAPT provided almost USD 10 million of financing through local partner financial institutions (PFIs) across all regions of Tajikistan and helped finance over 3,400 sub-projects. The project portfolio includes larger assisted investments (greenhouses, cold storage facilities, and cotton oil production technologies) representing 18% of disbursed sub-loans, as well as smaller projects based on the list of eligible technologies (windows, irrigation systems, insulation materials and other) representing 82% of disbursed sub-loans. Up to ten new climate-resilient, water and energy use technologies are being used by businesses, farmers, and households.

¹ This case was provided by the Climate Investment Funds (CIF) as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

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ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	See socioeconomic and environmental impacts above.
ENABLING ENVIRONMENT (SUPPORTING POLICIES)	N/A
TECHNICAL ASSISTANCE (IF PROVIDED)	TA was used to raise awareness on climate-related vulnerabilities and risks and was key in scaling up the use of new technologies, both for firms and residential borrowers who are mostly women. Financial literacy and business management trainings were also provided and helped enhanced women's access to finance.
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	<p>One of the key conditions of CLIMADAPT was that the loans be made available for climate adaptation in Tajik priority sectors and to identified vulnerable groups. Specifically, this condition stipulates that the local banks provide financing to small businesses for sustainable technologies and practices for climate adaptation, thus enabling private sector investment in building climate resilience.</p> <p>The program placed a strong emphasis on encouraging women sub-borrowers to adopt climate-resilient technologies and incentivized during design through various approaches. These included setting the target of reaching 30% of women customers, a dedicated gender training for PFIs, and introducing awards for the PFIs which would demonstrate efforts in increasing outreach to women sub-borrowers. In addition, there was a requirement to collect gender-disaggregated data as part of the project design and report semi-annually.</p> <p>To overcome the affordability constraints of local businesses and households, the CIF provided US\$5 million of concessional finance, which is blended with EBRD's commercial finance.</p>
RATIONALE FOR FINANCING MODEL/APPROACH	The approach taken manages and spreads lending risk in two ways: firstly, by funding a variety of recipients: directly to communities, and indirectly to associations, big projects, water catchment agencies, etc. Secondly, funding is divided between grants and concessional loans.
FINANCIAL INSTRUMENT(S) (LOANS (COMMERCIAL/ CONCESSIONAL), EQUITY, GUARANTEE)	Loan, including concessional loan from CIF.
DIAGRAM OF THE FINANCING STRUCTURE	Not provided

Executive Summary: Climate change poses huge risks to energy security in Tajikistan due to the almost total dependency on hydropower (98% of electricity generation). This is exacerbated by the extreme vulnerability of Tajikistan's aging hydropower facilities to climate change impacts such as shifts in precipitation and snowmelt patterns, glacial melting, and extreme weather events such as floods. Tajikistan's unreliable energy supply is seen as a major constraint on private sector development. Agricultural production and agri-processing, reliant heavily on access to process water and a reliable energy supply is of critical importance to Tajikistan's agricultural sector and has significant export potential.

CLIMADAPT, an intermediated finance facility specifically targeting Tajikistan's private sector, was launched in 2016 by the EBRD in partnership with the Pilot Program for Climate Resilience (PPCR) of the CIF, the Government of the United Kingdom and the multi-donor EBRD Early Transition Countries Fund. The facility provides finance and technical support to farmers, small businesses, and households to enable them to adopt new water-efficient and energy-efficient technologies that will help to make their operations more resilient to the projected impacts of climate change on energy and water resources.

CLIMADAPT started by on-lending to local banks through the creation of concessional finance facilities and conditions for loans to end beneficiaries. A key condition was that loans be made available for climate adaptation in Tajik priority sectors and to identified vulnerable groups. Specifically, this condition stipulates that the local banks provide financing to small businesses for sustainable technologies and practices for climate adaptation, thus enabling private sector investment in building climate resilience. To overcome the affordability constraints of local businesses and households, the CIF are providing US\$5 million of concessional finance, which is blended with EBRD's commercial finance.

Since its launch, CLIMADAPT provided almost USD 10 million of financing through local partner financial institutions (PFIs) across all regions of Tajikistan and helped finance over 3,400 sub-projects.

These funds have also accelerated financing for adaptation solutions through intermediated finance that extends beyond local banks to include microfinance institutions, demonstrating that microfinance can be an important by-product of intermediated finance. Moreover, it shows that microfinance for adaptation is a product of mature domestic institutions and policy. Maturity here stems from an enhanced and institutionalized understanding of adaptation investments for resilience, and a financial services market that recognizes the value of multilateral finance institutions.

CLIMADAPT also made significant strides in gender mainstreaming in Tajikistan. It initiated gender disaggregated reporting in PFIs and monitors the share of women sub-borrowers of the project which is equal to almost 30% and representing 14% of total volume of disbursed loans. A study found that 60% of women borrowers reported having more influence on decisions about family assets.

The project highlights how well targeted concessional finance can play a vital role in enabling private participation in adaptation activities.

Analysis

<p>WHAT MADE THIS PROJECT SUCCESSFUL?</p>	<p>More than half of CLIMADAPT's sub-borrowers report greater climate resilience, such as more reliable energy supplies (55%), lower water and energy costs (66%), and reduced soil erosion (54%). CLIMADAPT loans have improved economic outcomes, leading to higher agricultural productivity (>80%), increased income (78%), and business expansion (79%) among sub-borrowers. CLIMADAPT is also succeeding at promoting gender equality across its loan portfolio. As of June 2018, 29% of its customers were women, nearly meeting the project's 30% target. Additionally, the number and size of loans by female borrowers have continued to increase.</p> <p>CLIMADAPT has been able to generate substantial climate resilience benefits because:</p> <ul style="list-style-type: none"> • It invested in technical assistance and capacity building. An evaluation showed that technology demonstration workshops were highly effective at reaching new customers and helping sub-borrowers find the most appropriate mix of technologies to reduce climate risks • It established a comprehensive list of pre-approved technologies and suppliers (the Technology Selector). The standardized list has helped PFIs market solutions to potential customers. Sub-borrowers reported high satisfaction (>90%) with the technologies they accessed <p>The project has also been successful at increasing gender-responsive financial access for Tajik households, farmers, and small businesses because:</p> <ul style="list-style-type: none"> • It leveraged concessional finance to offer below-market interest rates on its loans. Only 15.1% of commercial sub-borrowers and 7.6% of residential sub-borrowers found that the interest rates were too difficult to manage. CLIMADAPT was then able to lower interest rates for repeat borrowers • PFIs have been flexible in adapting to customer needs. For example, to improve access for women, PFIs have accepted jewellery, store inventory, and commercial assets as collateral • PFIs were cooperative and experienced partners in ensuring women had access to their products. PFIs collected gender-disaggregated data and hired female staff, who were trained to support the needs of female borrowers
<p>TO WHAT EXTENT IS THIS MODEL SCALABLE?</p>	<p>The project was able to finance over 3,400 sub-projects spanning all Tajik regions, disbursing \$9.8 million over two years. The on-lending structure, supported by a relatively small amount (\$5 million) of concessionary debt, is scalable provided there are established local financial institutions who can disburse loans, provide technical assistance, and market products to potential customers.</p>
<p>WHAT ARE THE NECESSARY CONDITIONS TO MAKE IT REPLICABLE IN OTHER COUNTRIES/REGIONS?</p>	<p>Partnership with established local banks and microfinance institutions were key to CLIMADAPT's success at reaching many households and small businesses across all Tajik regions. PFIs leveraged their existing customer base and market expertise to catalyze private sector investment. Replicability in other regions will depend on the presence of PFIs that have experience working with women clients and promoting new technologies and solutions to an unfamiliar client base.</p>



CONSTRAINTS/DRAWBACKS OF FINANCING MODEL	On lending through local banks and financial institutions can increase challenges in measuring impact and achieving financial additionality; robust standards, tracking and governance is necessary. Limited government and community technical capacities in the target countries could constrain the project's size and impact measurement.
LESSONS LEARNT	<ul style="list-style-type: none">● Set clear and achievable gender-based targets for loan portfolios, and ensure that processes for gender-disaggregated data collection and outreach are set up early during project development● Offer flexibility around collateral requirements, repayment periods, and repayment plans tailored to the needs of customers● Ensure there are partners who can provide technical assistance and build capacity appropriate to the local context● Leverage existing lists of climate technologies that have been assessed and pre-approved to facilitate outreach and reduce the perception of risk