

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: KARM

TA No., Country, and Name TA3595-KAZ: Capacity Building for Public Investment Programming		Amount Approved: \$500,000 Revised Amount: \$500,000	
Executing Agency: Ministry of Economy and Trade (MOET)	Source of Funding: Japan Special Fund	TA Amount Undisbursed \$1,205	TA Amount Utilized \$498,745
Date of Report Approval Signing Fielding of Consultants 18 Dec 2000 17 Jan 2001 16 Apr 2001		TA Completion Date Original: 31 Dec 01 Actual: 30 Sept 2002 Closing Date Original: 31 Dec 01 Actual: 29 Sept 06	
<p>Description (Background and Rationale)</p> <p>Kazakhstan experienced economic difficulties after it attained independence in 1991. The economy recovered moderately during 1996-1997, but fell into a recession in 1998 because of the Russian economic crisis and the fall in world commodity prices. Under such circumstances, a new Government was formed in October 1999 to improve macroeconomic management and stimulate economic recovery. Recognizing the importance of developing credible PIPs for macroeconomic stabilization and sustained economic growth, the new Government made efforts to strengthen the capacity to formulate and implement PIPs.</p> <p>Government realized that it needed external assistance to further enhance its capacity for public investment programming. First, it was a need to develop a planning systems framework that would formalize the coordinating links among the state budget, PIP, and the aid coordination process, and incorporate regional government investment projects into the PIP. The process and procedures for PIP formulation and implementation needed to be improved. The assessment of the organizational structure of Department of Investment Policy of MOET was required. Government officials needed training to develop adequate skills in preparing and implementing sound PIPs.</p> <p>A sound PIP was essential for the Government to formulate an appropriate external borrowing strategy, elicit financial support from the external aid community, attract foreign capital, and spur domestic private investment.</p>			
<p>Objectives and Scope</p> <p>The TA aimed to strengthen the capacity of the Government to formulate and implement PIPs that are consistent with the country's development priorities and are closely linked to the State budget.</p> <p>The TA was comprised four components: (i) development of an effective planning systems framework, (ii) strengthening PIP process and procedures, (iii) organizational assessment and recommendations for Department for Investment Policy (DIP), and (iv) training government officials.</p>			
<p>Evaluation of Inputs</p> <p>International and domestic specialists were engaged through the international consulting firm <i>Teamwork International</i> for 14 person-months and 8 person-months, respectively. The TA was implemented in accordance with the terms of reference (TOR). ADB staff maintained close contact with the Government and the consultants and provided regular guidance during review missions and tripartite meetings - which helped improve reports quality. Significant additional inputs were provided by the consultants within the TA budget, which provided for sound management and economy of the inputs. The performance of ADB, the EA, and the consultant may be assessed as highly satisfactory.</p>			
<p>Evaluation of Outputs</p> <p>The TA consultants prepared a final report, adequately addressing the TOR, as given below.</p> <p>Socio-economic review and sector strategies developed: The sector strategies were based on existing developmental priorities and presented in the way to facilitate the prioritization of investment projects.</p> <p>Listing of priority republican investment projects: The draft three-year rolling PIP document utilizing the new database was prepared. It was used for preparing medium term indicative plan for socio-economic development, 2003-2005.</p>			

Investment programming database: A working database was developed. Line ministries and agencies were able to import project's data to the main Database through a special import function.

Planning process and project cycle procedures: A seven stage project cycle was established. Standard formats and procedures for Project Identification, Project Formulation and Project Appraisal were developed.

Regional planning process: Two pilot regions received support to improve procedures for project identification and formulation. A number of workshops were conducted.

Monitoring framework: New quarterly monitoring forms were designed.

Public investment programming manual: PIP Manual was prepared and distributed among line ministries and donor agencies. Relevant trainings seminars were held for line ministries and regional department of DIP.

Recommendations on the organizational structure, responsibilities and required resources for DIP: Recommendations on a new organizational structure were submitted to DIP and then presented to the Prime Minister's office. Many of them were used during the preparation of the medium-term indicative plan, 2003-2005.

All outputs were delivered in time, met the TOR requirements, and were of high quality. Also, the requirements of expanded scope were met within the TA allocation, and the Government is fully satisfied with the outputs.

Overall Assessment and Rating

The TA was successful in strengthening the capacity of the Government to prepare PIP sound Mid-Term Investment Plan developed for 2003-2005. The EA's feedback was that the TA was instrumental in systemizing public investment planning in the country. The TA provided significant inputs to the new system of PIP through the revised procedures and documentation instituted under the TA. They were incorporated into the New Rules for PIP Review, approved later by the Government.

Major Lessons Learned

Despite frequent DIP staff turnover as well as major restructure of MOET, all the project objectives were achieved and DIP capacity strengthened. Two major factors accounted for the successful completion of the TA: (i) close administration of the TA, and (ii) timely liaison with the EA.

Recommendations and Follow-Up Actions

Capacity Building and Regional Investment Planning: Further strengthening in the area of regional investment planning should be strongly pursued to the rest of regions.

Prioritization and Project Appraisal: There is a need to further increase capacity of line ministries and regions to fulfill their role in the procedures adopted, specifically prioritizing and appraising their planned investments within their respective areas. There is a necessity to expand training to all line ministries and regions on comprehensive appraisal and prioritization techniques.

Monitoring and Post-Evaluation: Procedures for quarterly, review monitoring are in place, however all governmental agencies will need specific training on accurately capturing the correct data for monitoring, timely completing the forms and responding to the problems highlighted in the monitoring reports. It is necessary for the Government to develop procedures to resolve problems impeding implementation of PIP, and develop procedures to evaluate quality of the completed projects.

Prepared by Aliya Mukhamedyarova Designation Economics/Programs Officer, KARM