

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWGF

TA 4190-KAZ: Supporting Local Government Reforms			Amount Approved: 250,000	
			Revised Amount:	
Executing Agency Ministry of Economy and Budget Planning (MEBP)	Source of Funding TASF, Governance Cooperation Fund	Amount Undisbursed: 46,226	Amount Utilized: 203,774	
TA Approval Date:  06 October 2003	TA Signing Date:  05 October 2004	Fielding of First Consultants:  31 July 2005	TA Completion Date Original: 30 June 2004    Actual: 28 February 2007  Account Closing Date Original 28 February    Actual: 24 December 2007    2007	
<b>Description</b>				
<p>Local administration in Kazakhstan is comprised of two tiers of government. At the provincial level, there are 14 <i>oblasts</i> and the cities of Astana and Almaty with oblast status. Oblasts are further divided into 168 <i>rayons</i> (districts), and 39 towns with rayon status. Both levels of subnational government are headed by <i>akims</i> (chairmen) appointed by the President, and have <i>maslikhats</i> (legislative bodies) whose members are elected by universal adult suffrage. Oblast governments are largely responsible for administering social services, including health and education programs. The main responsibilities of rayon governments include provision of public housing and utilities such as water, electricity and heating.</p> <p>However, the legally mandated division of functions is often not implemented, and the demarcation of functions between the oblast and rayon governments tends to be at the discretion of the akims. Moreover, there are ambiguities in relation to the functions performed by the local offices of the central government agencies and those performed by local government bodies. In addition to wasting resources, the resultant overlap and duplication of functions often undermines accountability and the quality of service delivery. While intergovernmental fiscal relations have been formalized to some degree, a stable and transparent framework is still evolving. Likewise, an effective mechanism for revenue equalization across regions is not yet in place. As a result, public expenditures on social services such as health and education among regions show significant imbalances.</p> <p>During the 2002 Country Programming Mission, the Government requested the Asian Development Bank (ADB) assistance for addressing the issues highlighted above. Subsequent programming missions and missions related to the Governance Assessment<sup>1</sup> confirmed that reforms in this area are urgently needed.</p>				
<b>Expected Impact, Outcome and Outputs</b>				
<p>The technical assistance (TA) aimed to promote more efficient and equitable public service delivery by strengthening intergovernmental administrative and fiscal relations. To this end, the TA sought to develop a medium-term reform strategy based on: (i) a functional framework for the optimal division of responsibilities between various levels of government; (ii) a fiscal framework for aligning revenue sources with expenditure responsibilities of local governments; and (iii) an intergovernmental fiscal transfer mechanism to enhance public social expenditures in the poorer regions.</p>				
<b>Delivery of Inputs and Conduct of Activities</b>				
<p>TA implementation was delayed substantially. Initial delays were due to the need for a Government Resolution authorizing the Ministry of Economy and Budget Planning (MEBP) to sign the TA letter on behalf of the Government. The TA became effective in October 2004—one year after approval date. This contributed to subsequent delays in engaging qualified consultants.</p> <p>The TA required the inputs of one international consultant (decentralization expert for 6.5 person-months), and three national consultants (government organization expert, fiscal reform expert, and legal/regulatory expert for 4, 4, and 2 person-months, respectively). However, the national legal/regulatory expert could not be appointed due to lack of suitable candidates. The input of the international consultant was partly satisfactory. While the consultant demonstrated strong knowledge of the subject matter, his input was affected by other work commitment. This resulted in delays in the submission and revisions of TA reports. The input of the national fiscal reform expert was highly satisfactory. The national government organization expert went overseas shortly after his engagement without informing ADB, and therefore did not contribute significantly to the TA.</p>				

<sup>1</sup> ADB 2001. *Technical Assistance to Kazakhstan for Governance Study and Capacity Building for Administrative Reform, Manila.*

While some of the counterpart staff from MEBP facilitated TA implementation, the executing agency's (EA's) support and ownership was generally weak. As MEBP could not provide office space, consultants were based in the Kazakhstan Resident Mission (KARM).

Supervision by ADB was partly satisfactory. Limited staff resources hindered close supervision and policy dialogue from ADB Headquarters, and support from KARM was instrumental in facilitating coordination with the Government and the consultants.

### **Evaluation of Outputs and Achievement of Outcome**

TA deliverables as set forth under the scope of activities to be undertaken were partially accomplished. The final report included a critical review of Kazakhstan's administrative-territorial system, local public administration, local government revenue and expenditure assignments, and intergovernmental fiscal relations. Based on the review, the report also outlined both general principles and specific measures for improving intergovernmental functional and fiscal relations. However, due to a significant and prolonged internal restructuring, the EA cancelled the final TA workshop that was aimed at discussing and adopting a medium-term reform strategy.

### **Overall Assessment and Rating**

The TA is rated as partly successful.<sup>2</sup> The TA was relevant, and formulated in close consultations with the Government and other development partners. Government procedures delayed the signing of the TA letter, which in turn delayed TA implementation. Difficulties in engaging and retaining qualified consultants further delayed TA implementation, and adversely impacted the quality of TA output. Stronger Government ownership and closer supervision by ADB would have enhanced TA outcomes and impact.

### **Major Lessons**

A major lesson learned is that TA outcomes depend crucially on the EA's capacity and ownership. This raises a more general issue about the impact and usefulness of small TAs of this nature, especially in middle-income countries such as Kazakhstan. Future assistance should therefore be based on a careful assessment both Government buy-in of the proposed reforms, as well as the capacity and commitment of the specific EA.

Another important lesson is the need to be realistic about the availability of national expertise, especially in relatively specialized areas. To the extent possible, an assessment of availability of suitable national consultants should be made during TA processing. With the benefit of hindsight, the terms of reference for the three national consultants were overly ambitious, and contributed to the difficulties in identifying suitable consultants.

### **Recommendations and Follow-Up Actions**

Notwithstanding the difficulties encountered during implementation, the TA has made a contribution by highlighting key issues in intergovernmental functional and fiscal relations, and outlining reform directions and priorities. However, reforms in this area are complex and politically sensitive. Follow up discussions to further assess political will and the need for further assistance to implement reforms is recommended. Any future assistance should fully incorporate the lessons learned outlined above.

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<sup>2</sup> Using OED's criteria for overall performance based on relevance, efficacy, efficiency, sustainability, institutional development and other factors outlined in *Guidelines for the Preparation of Project Performance Audit Reports, September 2000*.