

TECHNICAL ASSISTANCE COMPLETION REPORT

Division : CWGF

TA No. and Name 2876-KGZ : Strengthening the Economic Policy-Making and Monitoring Capabilities of the Prime Minister's Office			Amount Approved: \$792,000			
			Revised Amount: \$792,000			
Executing Agency: Department of Economic Sector Development (later replaced by Office of the Prime Minister)		Source of Funding: TASF	TA Amount Undisbursed \$129,625.16	TA Amount Utilized \$662,374.84		
Date			Completion Date			
Approval 25 Sep 1997	Signing 14 Jan 1998	Fielding of Consultants 24 June 1998	Original 28 Feb 2000	Actual 30 Sep 2001		
			Closing Date			
			Original 30 Sep 2001	Actual 30 April 2002		
Description						
<p>The Government had requested a technical assistance (TA) for strengthening the capacity of the Prime Minister's Office (PMO) to analyze, formulate, coordinate, and implement economic reform policies. The PMO was in charge of coordinating the work of ministries as the ultimate authority responsible for preparing policies for the decision of the Cabinet of Ministers (Government). The PMO was also responsible for preparing short-and medium-term macroeconomic assessments and projections.</p> <p>The PMO needed to build capacity, including trained staff and the appropriate institutional arrangements to provide timely, consistent, and high quality advice on macroeconomic, monetary, financial sector, and trade and industry matters in the Government. Its limited staff resources, poor access to databases, and inadequate model-building and forecasting capabilities sharply constrained its ability to carry out its mandated tasks.</p> <p>The objective of the TA was to strengthen the capacity of the PMO to initiate, manage, monitor, and assess the impact of policy reforms in the Kyrgyz Republic. The scope of the TA was to assist the PMO in developing mechanisms to monitor and assess the impact of ongoing macroeconomic, industrial, and trade policy reforms. The TA also aimed to help the PMO coordinate the implementation and assess the impact of the Corporate Governance and Enterprise Reform Program¹ (CGERP). The design and formulation of CGERP, to which the TA was attached, was assessed relevant in performance audit undertaken for CGERP in 2004.²</p>						
Expected Impact, Outcome and Outputs						
<p>The TA was expected to: (i) establish a computer-based economic information system for economic policy formulation and the monitoring and assessment of policy outcomes; (ii) assist in the planning and formulation and management of economic policies falling under the purview of the PMO, including those related to the CGERP; (iii) assess the impact of policy reforms on economic growth, international trade, and employment; (iv) provide training and policy functions; (v) initiate the preparation of regular reports³ on economic activity to include indicators of private sector performance and other variables important to economic policy-making in the PMO; (vi) coordinate with other government agencies on developing mechanisms to monitor the progress of policy reforms; (vii) design coordination mechanisms between relevant government agencies responsible for implementing policy reforms; and (viii) review institutional arrangements with the PMO to identify in terms of human resources and equipment, its requirements to carry out its responsibilities effectively.</p>						
Delivery of Inputs and Conduct of Activities						
<p>The terms of reference (TOR) for the consultants were consistent with the TA objectives and scope. The TOR called for the design and implementation of a quantitative economic model for analyzing the effect of various policy changes. The development of such a model was desirable, as it could provide the means for exploring the impact of various policy options, thereby strengthening the resolve of key decision makers.</p>						

¹ Loan 1546-KGZ(SF): Corporate Governance and Enterprise Reform Program, approved on 25 September 1997, for \$40 million.

² ADB. 2003. Program Performance Audit Report on the Corporate Governance and Enterprise Reform Program in the Kyrgyz Republic. Manila.

³ The report will incorporate relevant data from the National Bank of Kyrgyz Republic, the National Statistics, Ministry of Finance, National Commission on Securities Markets, Ministry of Foreign Trade and Industry, and others.

The TA initially provided for the engagement of a team of two consultants consisting of (i) macroeconomist; and (ii) international trade and industrial economics expert, for 18 and 3 person-months respectively. The macroeconomist who would assist the PMO in understanding the implications and effects of macroeconomic developments on the real and financial sectors, resigned shortly after taking up his position to pursue opportunities in the private sector. He was replaced by a macroeconomic advisor who provided inputs for 14.5 person-months. A trade and industry policy advisor was also engaged for 6 person-months to support enterprise reform policies in context with implementing CGERP.

PMO lacked interest in some of the tasks outlined in the TOR. Instead, PMO requested the consultants to provide advice on day-to-day priority policy issues, which seemed more relevant when the country was affected by spillover from the Russian financial crisis starting in August 1998. Areas in which advice was sought included: tax administration and policies; exchange rate developments and policies; reserve policies of the National Bank of the Kyrgyz Republic; impact of oil price developments on the trade balance; foreign and domestic lending policies; financial and real sector developments and policy options. As a response, the TA consultants regularly provided advice in all these areas.

The policy analysis and recommendations of the consultants were technically sound. However, the consultants reported that PMO officials were reluctant to accept advice and to engage in policy dialogue. The TOR also asked the consultants to undertake seminars for staff of the PMO as part of capacity building efforts, but these seminars frequently failed to materialize due to a low priority attached to them by the PMO.

The role of the Department of Economic Sector Development as the Executing Agency was undermined as a consequence of government reshuffles, and the transfer of key staff to other positions, as a result of which the influence of the PMO was significantly weakened. One Prime Minister resigned in March 1998, his successor (and the full Government) was dismissed in December 1998, and the replacement for the successor died in early 1999.

Evaluation of Outputs and Achievement of Outcome

The shift in focus from capacity building to day-to-day policy advice was understandable, given the serious economic situation that unfolded in the country after the Russian economic crisis. It was adequate that the consultants (and ADB) accommodated the change in focus, which was in any case outside their control. The quality of the services provided by the consultants is assessed satisfactory overall. However, the objective of strengthening the capacity of the PMO was not achieved. Sustainability is assessed unlikely. In fact, the capacity of the PMO remains weak until the present day. The difficulties to implement policy advice, and frequently even undertake meaningful policy dialogue, can be explained by a combination of (i) lack of absorptive capacity on the part of the PMO, (ii) frequent changes of counterparts at various levels, and (iii) a more general bureaucratic gridlock that was, in all probability, even beyond the control of the PMO. While the design decision to build policy capability in the PMO was appropriate at the time (given that it was the focus of the former Prime Minister who was the champions of reform), with the changes of government the power of this office to influence the policy agenda was significantly weakened.

Overall Assessment and Rating

The TA is rated partly successful. Its design was relevant as it aimed to support the Government in implementing the CGERP program loan. However, the expected outcomes of the TA did not fully materialize, and the policy advice provided on a day-to-day basis was insufficiently absorbed. However, the TA provided useful analysis to ADB and the Government that contributed to the formulation of CGERP II.⁴

Major Lessons

Frequent changes in counterpart staff and government reshuffles should prompt special reviews and policy dialogue to ensure that the TA objective remains relevant.

Recommendations and Follow-Up Actions.

No follow up action. **For future TAs**, ADB should request firm assurance from the Government to provide needed counterpart staff and do whatever can be done to keep these staff in their position throughout TA implementation.

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⁴ Loan 1860-KGZ(SF): Corporate Governance and Enterprise Reform Program II, approved on 22 November 2001, for \$35 million.