

**ASIAN DEVELOPMENT BANK**

**TAR:KAZ 36403-03**

**TECHNICAL ASSISTANCE**  
(Cofinanced by the Governance Cooperation Fund)

**TO THE**  
**REPUBLIC OF KAZAKHSTAN**  
**FOR**  
**STRENGTHENING GOVERNMENT PROGRAM PERFORMANCE**

**October 2003**

## CURRENCY EQUIVALENTS

(as of 2 September 2003)

Currency Unit	–	tenge (T)
T1.00	=	\$0.007
\$1.00	=	T147.69

## ABBREVIATIONS

ADB	–	Asian Development Bank
GCF	–	Governance Cooperation Fund
MEBP	–	Ministry of Economy and Budget Planning
MOA	–	Ministry of Agriculture
MOE	–	Ministry of Education
M&E	–	monitoring and evaluation
PIP	–	public investment program
PM&E	–	performance monitoring and evaluation
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars.

## I. INTRODUCTION

1. In December 2002, the Government of Kazakhstan requested technical assistance (TA) for developing a performance monitoring and evaluation (PM&E) system for government programs. Programming missions and missions related to the Governance Assessment undertaken by Asian Development Bank (ADB) were fielded.<sup>1</sup> An ADB Fact-Finding Mission during 25 June–10 July 2003 reached an understanding with the Government on the TA objectives, scope, and implementation arrangements.<sup>2</sup> The TA framework is in Appendix 1.

## II. ISSUES

2. The development programs of the republican budget of Kazakhstan are divided into state and sector programs. State programs are aimed specifically at addressing national strategic priorities and development needs. They are approved by the President and can cut across sectors. Sector programs are related to the development of specific sectors or subsectors of the economy and are approved by the Government. Currently there are 14 state programs and 43 sector programs, covering the activities of all line ministries and agencies.

3. Over the last few years, the Government has initiated a number of reforms to improve the program development and budget formulation process. The Rules for Development of Programs in the Republic of Kazakhstan (Rules for Program Development) was adopted in 2000. Its primary objective was to rationalize and streamline programs and bring them in line with the medium and longer-term priorities outlined in the Government's Strategic Plan of Development of the Republic of Kazakhstan until 2010 and Strategy of Development of Kazakhstan until 2030. Subsequently, the Government undertook an extensive review, and either merged or canceled several programs that had overlapping functions and those that deviated from longer-term development needs. A better balance in the distribution of programs across sectors was also achieved.

4. In January 2002, the Government amended the Rules for Program Development, making requirements for program approval significantly more stringent. All program proposals are now required to submit program "passports," outlining program goals and performance indicators, and detailing the amounts and sources of funds (republican budget, loans, foreign and local investment, external grants, etc.) for the duration of the program. Programs also need the Republican Budget Commission's approval before being approved by the President or the Government.

5. While these initiatives provide a good basis for improving program performance, a lot more needs to be done. The quality of information provided by line ministries and agencies in program "passports" and evaluation reports thus far has not been satisfactory. In particular, performance measurements either are not specified, are inappropriate, or are submitted without comparative benchmarks. This makes it difficult for central agencies to effectively monitor and assess program performance.

6. The President recently underscored the need for further reforms by issuing a decree: Rules of State Program Development and Implementation in the Republic of Kazakhstan (Rules

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

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* in March 2003.

of State Program Development, Presidential Decree, No. 1099, June 2003). The Decree stipulates that state programs that duplicate the objectives of ongoing programs will not be approved, and requires that all programs be based on clearly defined goals and performance indicators, and monitored regularly. It also outlines the main criteria for program evaluation: (i) efficient use of human and financial resources (ii) achievement of stated goals and targets and (iii) social and economic impact.

7. Although the decree was originally directed at state programs, the Government plans to apply the Rules for State Program Development to both state and sector programs. Accordingly, the Ministry of Economy and Budget Planning (MEBP) has taken over the responsibility for developing strategy and methodology for monitoring and evaluation (M&E) of all programs. MEBP aims to address two key and related weaknesses. First, line ministries and agencies lack capacity and incentives for effective M&E of programs they administer. Programs are either evaluated on the basis of inadequate and inappropriate criteria, or not evaluated at all. Moreover, the central authorities have yet to establish a mechanism for systematic and regular M&E of programs, and for incorporating performance criteria in funding decisions. Programs are typically evaluated only when specific problems arise during implementation, or when expenditure limits are breached. As a result, underperforming and low-priority programs sometimes continue to be approved, while potentially more effective ones may be denied funding.

8. To make efficient use of budgetary resources, and to improve the quality of public service delivery, the Government has requested ADB assistance for developing a PM&E system for government programs. The system will be pilot-tested in the Ministry of Education (MOE) and Ministry of Agriculture (MOA), to include a program each in the social sector and the production sector. These ministries were selected in consultation with MEBP, and based on capacity considerations. The specific programs for implementing of the PM&E system will be determined during the Inception Mission. The lessons learned from this pilot project will enable the Government to develop a strategy for promoting wider and effective use of PM&E systems in government programs.

9. In 2001 ADB prepared the Technical Assistance Performance Audit Report on Selected Technical Assistance for Strengthening Evaluation Capacity in Developing Member Countries (TPA: OTH 2001-07). Key lessons outlined in this report include the following: (i) high-level ownership of and commitment to performance evaluation, clearly demonstrated by budget and staff allocation, and status within the institutional hierarchy are crucial; (ii) incentive-compatibility issues need to be adequately addressed, and building capability with primary focus on the central oversight agency may weaken incentives for other entities to provide performance information; and (iii) care needs to be taken that PM&E systems do not become too complex and resource-intensive to sustain. These recommendations will be taken into account when the TA is formulated and implemented.

10. The purpose of this TA is in line with the strategic objectives of ADB assistance to Kazakhstan, and serves to complement previous and ongoing activities in the country. During 2001-2002 ADB provided assistance (TA 3595-KAZ)<sup>3</sup> to strengthen government capacity to formulate and implement sound public investment programs (PIPs). The objective was to develop an effective planning framework by establishing strong links between the central agencies, line ministries, and local governments, and to strengthen the PIP procedure by developing specific guidelines for project submission and improving the process for project

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<sup>3</sup> ADB. 2000. *Technical Assistance to Kazakhstan for Capacity Building for Public Investment Programming*. Manila.

selection and prioritization. A follow-up small-scale TA (TA 4046-KAZ)<sup>4</sup> is supporting the development of a database management system to incorporate information requirements stipulated by the Government's revised public investment programming and approval procedures. An ongoing TA (TA 4072-KAZ)<sup>5</sup> is helping the Government develop meaningful target indicators for poverty reduction, and a system for monitoring the indicators at the national and local levels. The TA aims to help the Government meet the poverty reduction goals of the State Poverty Reduction Program. The Governance Assessment (footnote 1) conducted by ADB has highlighted the need for further improvement in program monitoring and implementation, and proposes ADB support in this area.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Outputs

11. The purpose of the TA is to strengthen the performance of government programs in Kazakhstan. To this end, the TA will develop and pilot-test a PM&E system in MOE and MOA. The lessons learned from the pilot cases will enable the Government to develop a strategy for wider implementation of PM&E systems in government programs. Outputs will include (i) a PM&E system incorporating methodologies for internal and external evaluation and (ii) capacity building for effective implementation of the PM&E system.

#### B. Methodology and Key Activities

12. The key activities for achieving the outputs follow.

##### 1. Develop PM&E System

13. This output will entail these activities.

- (i) Review current procedures for program M&E in Kazakhstan against international best practice, assess capacity and resource constraints, and identify areas for improvement.
- (ii) Design an internal evaluation system that will clearly indicate the success and failure of programs in relation to stated goals and objectives. This will involve identifying meaningful qualitative and quantitative indicators that measure program outcomes and impact, as well as monitor progress over time. The internal evaluation system will include guidelines for self-assessment of programs, including annual and end-of-program reports. The system will also provide a coherent linkage between review activities at all levels and the overall decision-making, planning, and management systems of the respective Ministries.
- (iii) Design a small-scale survey of target beneficiaries of the selected programs.

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<sup>4</sup> ADB. 2002. *Technical Assistance to Kazakhstan for Enhancing the Public Investment Programming Database System*. Manila.

<sup>5</sup> ADB. 2000. *Technical Assistance to Kazakhstan for the Capacity Building of National and Local Governments to Implement the Poverty Reduction Program*. Manila.

- (iv) Develop a mechanism for systematic and objective external evaluation, and for regular feedback to program administrators.

## **2. Capacity Building for Effective Implementation of PM&E System**

14. This output will entail these activities.

- (i) Based on the review of existing procedures for program M&E, identify training needs and prepare training materials.
- (ii) Train relevant staff in the two ministries and in MEBP.
- (iii) Conduct a workshop with representation from the Chancellery of the Prime Minister, Presidential Administration, MEBP, Civil Service Agency, and other key ministries and agencies to discuss lessons learned, and to develop a strategy for promoting wider use of PM&E systems throughout government programs.

## **C. Cost and Financing**

15. The total cost of the TA is estimated at \$286,000 equivalent, of which \$157,000 is in foreign exchange, and \$129,000 equivalent in local currency costs. The Government has requested ADB to finance the entire foreign exchange cost of \$157,000 and \$43,000 equivalent of the local currency cost for a total of \$200,000 equivalent. The TA will be financed on a grant basis from the Governance Cooperation Fund (GCF)<sup>6</sup> (\$150,000) and from ADB's TA funding program (\$50,000). The Government will finance the remaining \$86,000. Detailed cost estimates are in Appendix 2.

## **D. Implementation Arrangements**

16. The TA will be implemented over 1 year, starting November 2003. The TA will require one international consultant to provide 5 person-months of services, and three domestic consultants to provide 9 person-months of services. The international consultant will have substantial experience in developing PM&E systems for government programs, with relevant experience in transitional economies. The three domestic consultants will comprise two institutional development specialists (8 person-months) and a statistical/survey expert (1 person-month). Consultants will be recruited individually, in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for selecting and engaging domestic consultants. The consultant team will procure goods and services required for the TA. Procurement will be in accordance with ADB's *Guidelines for Procurement and other arrangements* satisfactory to ADB. The terms of reference for consultants are in Appendix 3.

17. The international consultant will coordinate the inputs of all consultants. An inception report will be presented within 3 weeks of the start of services. The team will submit quarterly reports on TA progress. The consultants will present a draft final report on all aspects of the TA 2 weeks before the end of the TA. The draft report will be finalized upon receipt of comments from the Government and ADB.

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<sup>6</sup> The GCF is an umbrella fund with contributions from the Canadian and Norwegian Governments, and is administered by the ADB.

18. MEBP will be the executing agency. MOA and MOE will be the implementing agencies. The executing and implementing agencies will provide the consultants with necessary support, including data and information, counterpart staff, office space, local transportation, and administrative and logistical support.

#### **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$150,000 to be financed on a grant basis by the Governance Cooperation Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$50,000 on a grant basis, to the Government of Kazakhstan for Strengthening Government Program Performance, and hereby reports this action to the Board.

### TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b> Improved public service delivery through effective program implementation</p>	<p>Wide implementation of performance monitoring and evaluation (PM&amp;E) systems</p> <p>Improved program outcomes and impact</p>	<p>Dialogue with Government and aide agencies</p> <p>Program evaluation reports</p> <p>Surveys of program beneficiaries</p>	<p>Macroeconomic and political stability</p> <p>Political will and adequate resources for continued reforms</p>
<p><b>Purpose</b> Develop methodology and strategy for internal and external monitoring and evaluation of government programs</p>	<p>By November 2004:</p> <p>PM&amp;E system, including internal and external evaluation methodologies, developed</p> <p>PM&amp;E system implemented in the Ministry of Agriculture (MOA), Ministry of Education (MOE), and Ministry of Economy and Budget Planning (MEBP)</p> <p>Strategy for wider use of PM&amp;E system outlined</p>	<p>TA review mission</p> <p>Consultant reports</p>	<p>Willingness and capacity of ministries to implement new system</p> <p>Limited institutional change and staff turnover in executing and implementing agencies</p>
<p><b>Outputs</b> PM&amp;E System</p>	<p>Detailed monitoring and performance indicators for selected programs</p> <p>Self-assessment of programs through annual reports and program-end report</p> <p>Clear linkages between program review activities and the overall decision-making, planning, and management systems</p>	<p>TA review mission</p> <p>Consultant reports</p>	<p>Necessary information provided by relevant ministries</p> <p>Trained staff retained</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
Capacity building of relevant staff in MEBP, MOA, and MOE	<p>Small-scale survey of program beneficiaries</p> <p>Mechanism for external evaluation by central authorities, and for regular feedback to program administrators</p> <p>Training materials</p> <p>Training on PM&amp;E implementation, including database management</p> <p>High-level workshop</p>		
<p><b>Inputs</b></p> <p>Consultants</p> <p>Computer and data management software</p> <p>Training and workshop</p> <p>Counterpart staff</p> <p>Asian Development Bank financing</p> <p>Government financing</p> <p><b>Total TA amount</b></p>	<p>\$111,000 for 5 person-months of international consultant, \$14,000 for 9 person-months of domestic consultants</p> <p>\$16,000</p> <p>\$12,000</p> <p>\$35,000</p> <p>\$200,000</p> <p>\$86,000</p> <p><b>\$286,000</b></p>		

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. International Consultant			
a. Remuneration and Per Diem	111	0	111
b. Travel	15	0	15
2. Domestic Consultants-Remuneration	0	14	14
3. Reports, Surveys, and Miscellaneous Expenses	3	9	12
4. Training and Workshop	0	12	12
5. Equipment <sup>b</sup>	16	0	16
6. Contingencies	12	8	20
<b>Subtotal (A)</b>	<b>157</b>	<b>43</b>	<b>200</b>
<b>B. Government Financing</b>			
1. Office Accommodation/Support	0	35	35
2. Counterpart Staff Remuneration	0	35	35
3. Training/Workshop Venues and Local Transport	0	16	16
<b>Subtotal (B)</b>	<b>0</b>	<b>86</b>	<b>86</b>
<b>Total</b>	<b>157</b>	<b>129</b>	<b>286</b>

<sup>a</sup> Financed by the Governance Cooperation Fund (\$150,000) and ADB's TA funding program (\$50,000).

<sup>b</sup> Includes computer and database management software. Equipment will be procured in accordance with ADB's *Guidelines for Procurement* through direct purchase with quotations from at least three suppliers.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Expert on PM&E Systems (5 person-months)

1. The international consultant will serve as the team leader and coordinate the overall activities of the technical assistance (TA). The consultant will have substantial experience in developing performance monitoring and evaluation (PM&E) systems, and relevant experience in transitional economies. The terms of reference for the lead consultant will include, but not be limited to, the following:

- (i) Coordinate closely with the two ministries and the Ministry of Economy and Budget Planning (MEBP).
- (ii) Familiarize himself/herself with the existing institutional frameworks and procedures for program design and implementation, and main reasons for program underperformance.
- (iii) Clarify all aspects of the selected programs, including scope, objectives, funding sources, and implementation arrangements.
- (iv) Provide an outline of international best practice in PM&E systems for government programs, outlining key conditions and criteria.
- (v) Address incentive-compatibility issues associated with the implementing PM&E systems, and identify the appropriate organizational/institutional arrangement for creating incentives for line ministries to provide adequate and accurate information to central authorities.
- (vi) Working closely with the domestic consultants, develop a comprehensive PM&E system for the selected programs. The system should include monitoring and performance indicators, guidelines for self-assessment of programs, and a coherent linkage of review activities at all levels with overall decision-making, planning and management systems of the respective ministries.
- (vii) Ensure that the methodologies developed are consistent and replicable.
- (viii) Develop a mechanism for systematic and regular external evaluation, and for feedback from the central agencies to program administrators.
- (ix) Identify training needs, and train relevant staff in the Ministry of Agriculture, Ministry of Education and MEBP.
- (x) Conduct a high-level workshop to discuss lessons learned from the pilot-testing of the PM&E system, and to outline a strategy for wider use of PM&E systems in government programs.
- (xi) Prepare a final report covering all aspects of the TA.

**B. Domestic Institutional Development Specialists (2 for 8 person-months)**

2. The two experts in institutional development will have relevant experience in the sector to which they are assigned (one in education, and the other in agribusiness). The consultants will focus on the program to which they are assigned, but will coordinate closely with each other to ensure consistency in the methodologies developed for the two programs. The terms of reference for the local consultants will include, but not be limited to, the following:

- (i) Review current practice in program monitoring and evaluation (M&E) of the selected programs against international best practice, and detail main impediments to effective program implementation.
- (ii) Identify Kazakhstan-specific issues/concerns that need to be addressed and incorporated in the PM&E system.
- (iii) With guidance from the international consultant, develop a detailed methodology for internal M&E of the programs in terms of stated goals and objectives.
- (iv) Assist the international consultant in conducting training and workshop.
- (v) Provide input and support to the statistical/survey expert in designing a beneficiary survey and PM&E database.
- (vi) Provide input for TA reports.

**C. Domestic Statistical/Survey Expert (1 person-month)**

3. The statistical/survey expert will have relevant qualifications and substantial expertise in designing surveys and database management. Relevant experience in the education and agriculture sectors will be highly desirable. The terms of reference for the consultant will include, but not be limited to, the following:

- (i) Design a small-scale survey of target beneficiaries, in line with the objectives and outcome indicators stated in the PM&E system.
- (ii) Develop a mechanism through which the qualitative and quantitative findings of the survey can be analyzed and incorporated in the PM&E system.
- (iii) Provide database management training for staff in relevant ministries.