

**ASIAN DEVELOPMENT BANK**

**TAR: KGZ 36591**

**TECHNICAL ASSISTANCE**

**TO THE**

**KYRGYZ REPUBLIC**

**FOR**

**STRENGTHENING THE CAPACITY TO**

**MANAGE AND MONITOR EXTERNALLY ASSISTED PROJECTS**

**November 2002**

## **CURRENCY EQUIVALENTS**

(as of 30 September 2002)

Currency Unit	–	Som
Som1.00	=	\$0.021739
\$1.00	=	Som46.0004

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
MIS	–	Management Information System
MOF	–	Ministry of Finance
PIU	–	project implementation unit
TA	–	technical assistance

## **NOTES**

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The institutional structure for managing foreign assistance in the Kyrgyz Republic is evolving. Frequent changes in the structure have had an adverse impact on the quality of monitoring and management of externally assisted projects and the coordination of foreign assistance. Since January 2001, the responsibility for managing external assistance lies with the Ministry of Finance (MOF). MOF's project management capacity and that of line ministries is limited resulting in poor implementation of several externally assisted projects and the consequent erosion of project benefits. During the 2001 country programming mission of the Asian Development Bank (ADB), the Government of the Kyrgyz Republic (the Government) requested ADB to provide technical assistance (TA) for strengthening the Government's capacity for project monitoring and aid coordination. The TA was included in the 2002 program. In September 2002, the Fact-Finding Mission from ADB held detailed discussions with officials of MOF and key line ministries and the representative offices of the principal external funding agencies. The Government informed the Mission that the TA should concentrate on improving project management and monitoring capacity in MOF and line ministries in view of the urgent need to improve implementation of externally assisted projects. Further, it requested the Mission not to focus on aid coordination as other agencies had expressed interest in supporting this activity. Accordingly, the TA was modified to reflect this new orientation. Understandings were reached with MOF on the objectives and the scope of the proposed TA, and its terms of reference, implementation arrangements, and cost estimates.<sup>1</sup> The TA framework is in Appendix 1.

## II. ISSUES

2. The present institutional structures, systems, and procedures for project monitoring and management are fundamentally weak. They do not lend themselves easily to an efficient central oversight of the process. This has resulted in weak project implementation and delays in several externally funded projects and a general deterioration of the country's portfolio of such projects.<sup>2</sup> Measures need to be instituted to address the problem so that project implementation can be monitored closely and timely corrective action taken where necessary. This is particularly required in this regime of scarce budget resources which is expected to continue in the medium term. These, and the limits on the public investment program instituted under the poverty reduction and growth facility of the International Monetary Fund (IMF) make it critical that the Government improves project implementation and can accurately assess the stage of implementation of the ongoing projects. The instituting of an efficient project management and monitoring system will also enable the Government to take well-based decisions to ensure that scarce resources are directed to better performing projects.

3. The Government will have to improve the quality of implementing externally assisted projects to enhance their effectiveness as the size of external assistance will shrink progressively during the next 3 years. The Kyrgyz Republic has decided to compress external funding of the public investment program sharply as part of its strategy to reduce the debt burden. Further, it has also decided to strive to obtain assistance increasingly in the form of grants. This policy will progressively reduce the disbursements from about 6% of gross domestic product currently to about 3% by 2005. The Government, however, can minimize any possible adverse impact on growth and poverty reduction of reduced public investment if it

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<sup>1</sup> The TA was listed in *ADB Business Opportunities* (internet edition) on 7 October 2002.

<sup>2</sup> This was identified clearly in the findings of TA 3382 KGZ: Strengthening the Capacity of MOF for Financial Management and Planning of the PIP, which was completed in July 2001.

improves implementation of externally funded projects, and targets the assistance increasingly to poor regions and groups.

4. Project management and implementation is decentralized, yet the line ministries have not developed effective management procedures and implementation systems to keep track of the physical progress of projects and ascertain, analyze, and report, in a timely manner, the reasons for delays in their implementation. Weaknesses in institutional arrangements within various ministries and limited project management capabilities in the line ministries and in project implementation units compound the systemic problems. Quite often, the lack of understanding in PIUs and the line ministries of project implementation requirements result in implementation delays. The procedures that govern the relationship between MOF and line ministries also need to be streamlined to improve coordination and reduce implementation delays. These problems need to be addressed by assessing the efficacy of project management procedures and streamlining them. In addition, the capacity of line ministries needs to be enhanced through training in project management and monitoring and in the effective use of PIUs for project implementation.

5. The present system of quarterly reporting on project implementation by the line ministries to MOF is not satisfactory and does not meet the requirements of effective monitoring. The system is manual, and in practice, the reports are not standardized nor do they have enough depth to enable appropriate responses by decision makers. In particular, the exchange of information between MOF and line ministries in its present form is not amenable to effective aid prioritization and cash flow planning in MOF and project activity planning in the line ministries. Resources have to be made available in a timely manner for the effective implementation of projects. To achieve this, MOF needs to know the financial requirements of all externally assisted projects and their temporal flow to enable proper cash planning. This is particularly important in a country with highly seasonal construction activities due to the weather. Similarly, the line ministries need to know the timing of MOF's fund releases to plan their activities effectively. MOF also needs updated information periodically on progress in project implementation to provide resources effectively to the line ministries. The present system does not meet these needs.

6. An integrated monitoring of external assistance encompassing the individual requirements of MOF, the line ministries, and other stakeholders is an important prerequisite for effective implementation of externally assisted projects. Though MOF and line ministries have databases, they have not been integrated into a coherent management information system (MIS) useful for decision making. MOF's present database on external assistance has inherent limitations as tool for project monitoring. Most of the line ministries have their own project monitoring systems established by the project implementation units (PIUs) separately for each project, which are often not standardized. As a result, the line ministries do not have an adequate overview of the performance of the projects under their control. The information flows between MOF and the line ministries are inadequate for effective and timely decision-making. The information generated is not presented adequately to meet the specific decision-making requirements of different stakeholders. There is no system to make relevant information available periodically and on demand to key decision makers. This results in information not being used effectively for making decisions.

7. The database on foreign assistance is not comprehensive nor does it provide information in a manner that helps the Government to target such assistance to the poorer regions and groups. Certain relatively better-off provinces and districts are receiving a disproportionately large share of foreign assistance. This is happening, in part, due to improper

presentation of information regarding sectors and the spatial profile of foreign assistance. Presentation of imbalances in the distribution of external assistance transparently is expected to generate awareness to target assistance to poorer regions and groups. Though the necessary information may be available, it is scattered across agencies and is not compiled in a central place in a systematic manner.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

8. The TA will enhance the effectiveness of external assistance by improving project monitoring and management. This will be achieved by (i) improving the institutional structures and project management procedures; (ii) developing improved monitoring procedures and an integrated project monitoring and management information system for MOF, line ministries, and other stakeholders; and (iii) human resource development through training of appropriate operations and managerial staff in items (i) and (ii). The TA will also help improve the targeting of assistance to poorer regions and groups.

#### **B. Methodology and Key Activities**

9. To accomplish the objective, the TA will support five interrelated activities:

- (i) The TA will improve the institutional structures, project implementation procedures, and reporting arrangements for effectively managing external assistance after making a functional analysis of departments of MOF, line ministries and other stakeholders.
- (ii) Based on the functional analysis of agencies, departments, and divisions of MOF, the TA will (a) determine the information requirements of these agencies and their departments and divisions and design a comprehensive MIS for monitoring and managing external assistance, and improving the execution of externally assisted projects to maximize their impact on poverty alleviation and growth; and (b) design the MIS in a modular fashion to meet the individual requirements of stakeholders and include distinct components to monitor planned and proposed projects; proposals in processing stage; loans and grants being implemented; progress of bids, contract awards, and procurement; progress of project implementation; budget formulation; and disbursements.
- (iii) The TA will organize workshops to discuss and ascertain the views of stakeholders, including external agencies, on the proposed improvements to the procedures and institutional structure, and to determine their information requirements for project management and monitoring.
- (iv) The TA will (a) analyze the databases in MOF and other line ministries; (b) develop and implement a computer program that uses, to the extent possible, the existing databases, collection processes, and their software effectively to support an integrated MIS to meet the requirements of individual agencies; (c) recommend hardware requirements and cost effective means of data communication using the existing infrastructure to the extent possible; and (d) make the MIS operational and train staff and senior managers to use the database.

- (v) The TA will provide training to MOF and line ministries in project monitoring and management and the use of computerized MIS for taking decisions. A local institution will help develop training materials and impart training. This will develop local skills and will make the process sustainable and cost effective.

### **C. Cost and Financing**

10. The total cost of the TA is estimated at \$683,900 equivalent, of which \$404,500 is the foreign exchange cost and \$279,400 equivalent is the local currency cost. The Government has requested ADB to finance the entire foreign exchange cost and \$176,400 equivalent of local currency cost. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the remaining local currency costs of \$103,000 equivalent through provision of office space, staff support, and other items. Detailed cost estimates are in Appendix 2.

### **D. Implementation Arrangements**

11. The Department of Investment Policy in MOF will be the Executing Agency for the TA. MOF's new organization structure after its reorganization in August 2002 is in Appendix 3. The TA will be implemented by MOF in close consultation with the line ministries. The TA will be implemented over a period of 14 months with 14 person-months of service to be provided by two international consultants (8 person-months by an international project management and implementation adviser (team leader), and 6 by a computer specialist with strong background in systems analysis and programming). The international consultants will be supported by 35 person-months of service by six domestic consultants in the fields of project management, computer programming, and training. Outline terms of reference are given in Appendix 4. The team leader will provide inputs in two phases. In the first phase of 6 months the team leader will complete the institutional analysis; assess the reasons for project implementation delays; suggest procedural improvements for management and monitoring; and determine the requirements for the MIS of MOF, the line ministries, and other stakeholders by holding workshops for the purpose. In the second phase, the team leader will oversee the implementation of MIS by the computer specialists, develop a course material for the project management training program, and initiate the training program. The training will be continued by local consultants subsequently over a period of 2 months. Both the international consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants*, and other arrangements acceptable to the ADB will be followed for the selection of the domestic consultants. All equipment and materials will be procured in accordance with procedures satisfactory to ADB. The TA is expected to commence in March 2003 and conclude in May 2004.

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

12. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$580,900 on a grant basis to the Government of the Kyrgyz Republic for Strengthening the Capacity to Manage and Monitor Externally Assisted Projects, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Goal</b></p> <p>To enhance the effectiveness of foreign assistance, and improve its targeting to poorer areas.</p>	<p>Timely implementation of projects. Improved disbursement ratios. Better targeting.</p>	<p>Improved disbursement ratios, reduced project implementation delays, and greater flows of external assistance to poorer provinces.</p>	<p>The Government will provide the counterpart funds as planned at the beginning of the year.</p> <p>Improved monitoring through Management Information System will enhance project performance.</p>
<p><b>Purpose</b></p> <p>Improve project management and monitoring of externally assisted projects.</p>	<p>Timely implementation of projects.</p> <p>Equitable distribution of foreign assistance.</p>	<p>Improved disbursement ratios, reduced project implementation delays, and greater flows of external assistance to poorer provinces.</p>	<p>Implementation delay, the prime factor that affects project viability.</p> <p>Transparent presentation of assistance flows to regions and groups will generate awareness to improve equity.</p>
<p><b>Outputs</b></p> <p>Improved institutional arrangements and project implementation procedures for managing externally assisted projects.</p> <p>Develop a MIS for improving project monitoring.</p>	<p>Preparing instructions on reporting relations and administrative arrangements for implementation by the Government.</p> <p>Developing and implementing a computerized MIS in Ministry of Finance and line ministries.</p>	<p>Technical Assistance Reports. Progress reports and review meetings every two months.</p>	<p>The Government will implement the TA recommendations.</p> <p>All agencies concerned will use the MIS effectively for making informed management decisions.</p>

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
Enhance project management skills of MOF and key line ministries through training.	Completion of training programs.		Staff trained under the TA are retained in their respective departments for at least 3 years.
<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Functional review of departments in MOF, line ministries, and other stakeholders for improving institutional arrangements, and coordination, and defining of responsibilities and reporting arrangements.</li> <li>2. Examine and improve project implementation procedures.</li> <li>3. Developing a MIS based on functional analysis of MOF and various line ministries to improve their project monitoring and management capacity.</li> <li>4. Develop appropriate computer packages for implementing activities 2 and 3.</li> </ol>	<p>Functional review completed. Coordination and flow of information within MOF and between agencies improved.</p> <p>Recommendations on improvements to project implementation procedures.</p> <p>Implementation of the MIS.</p> <p>Developing of software packages and installing them in respective agencies.</p>	<p>Progress reports and monthly review meetings every two months.</p>	<p>The Government is committed to implementing the organizational and institutional changes recommended under the TA.</p> <p>The Government will implement the recommendations. Vested interests will be effectively countered.</p> <p>The consultants will be able to accomplish the task effectively to meet the requirements of the Government.</p>

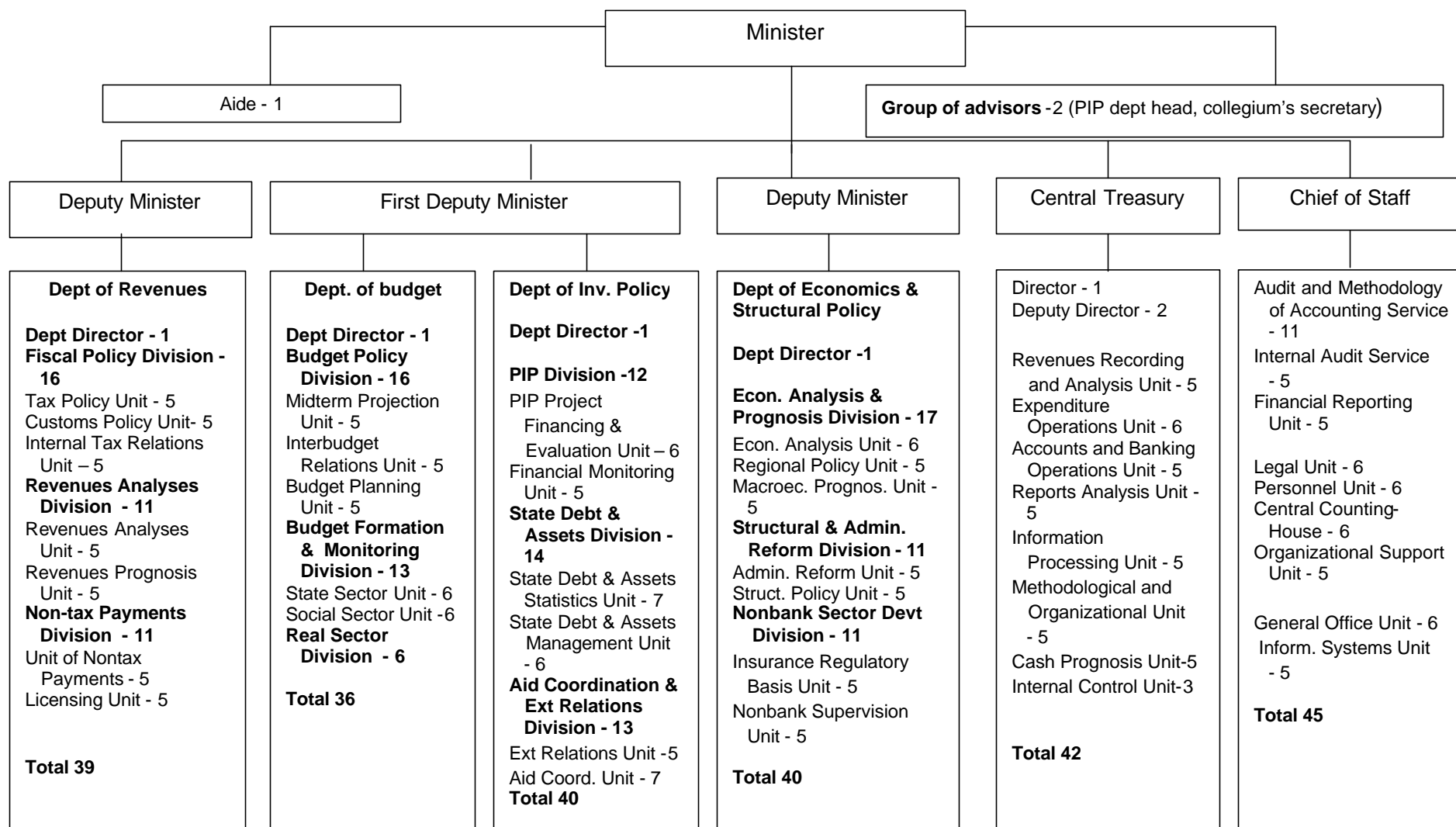
<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p>5. Improve monthly reporting system of the project implementation units.</p> <p>6. Organize workshops to determine MIS needs and the appropriate institutional structure for project monitoring and management.</p> <p>7. Determine staff training needs and prepare case studies using local examples.</p> <p>8. Conduct training programs.</p>	<p>Modified and improved monthly reporting system in place.</p> <p>Successful completion of workshops.</p> <p>Adequate staff trained and capacities developed in MOF and line ministries.</p> <p>Completion of training programs.</p>		<p>The Government will implement the TA recommendations.</p> <p>Staff trained under the TA are retained in their departments for at least 3 years.</p>
<p><b>Inputs</b></p> <p>Consulting Services: 49 person-months of international and 35 person-months of domestic.</p>	<p>ADB will finance \$580,900 and the Government will provide \$103,000.</p>	<p>Periodic review meetings and reports.</p>	<p>Consultants will deliver quality inputs on time.</p>

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

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing</b>			
1. Consultants	334,500	43,000	377,500
a. Remuneration and Per Diem			
i. International Consultants	312,000	0	312,000
Project Management and Implementation Advisor	182,000	0	
Computer Specialist	130,000	0	
ii. Domestic Consultants	0	38,000	38,000
Domestic Computer Specialists	0	18,000	
Domestic Management Specialist	0	12,000	
Domestic Training Specialists	0	8,000	
iii. Travel	22,500	5,000	27,500
a. Domestic Travel	0	5,000	
b. International Travel	22,500	0	
2. Equipment and Office Supplies	0	63,000	63,000
a. Server (MOF)	0	8,000	
b. Computers (in MOF and selected line ministries)	0	30,000	
c. Office Equipment	0	5,000	
d. Furniture	0	5,000	
e. Upgrading of Network	0	5,000	
f. Support for the Training Institution for Training Equipment	0	10,000	
3. Training, Seminars and workshops (in-country)	0	41,000	41,000
4. Miscellaneous Administration and Support costs	0	29,400	29,400
5. Contingencies	70,000	0	70,000
<b>Subtotal (A)</b>	<b>404,500</b>	<b>176,400</b>	<b>580,900</b>
<b>B. Government Financing</b>			
1. Office Support	0	42,000	42,000
2. Counterpart Staff	0	42,000	42,000
3. Communications (local)	0	5,000	5,000
4. Miscellaneous Administration and Support Costs	0	14,000	14,000
<b>Subtotal (B)</b>	<b>0</b>	<b>103,000</b>	<b>103,000</b>
<b>Total</b>	<b>404,500</b>	<b>279,400</b>	<b>683,900</b>

Source: Asian Development Bank estimates.

## STRUCTURE OF THE MINISTRY OF FINANCE OF THE KYRGYZ REPUBLIC<sup>1</sup>



<sup>1</sup> The numbers in this chart represent staff numbers in the respective units.

### Subordinate Organizations

State Tax Inspectorate
State Customs Inspectorate
State Fund of Economy Development
Financial Police
Precious Metals Department
Banks Reorganization Agency

Territorial Financial Branches (Divisions and Units)
Training Center

Banks Reorganization Agency (DEBRA)

Center of Socio-economic Reforms
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Rest Home Dostuk
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## OUTLINE TERMS OF REFERENCE

### A. International Project Management and Implementation Adviser and Team Leader – (8 person-months)

1. The team leader will report to the Ministry of Finance (MOF) and implement the technical assistance (TA) to fulfill the objective, purpose, and key activities indicated in paragraphs 9 and 10 of the TA paper and in accordance with the Terms of Reference. The team leader will have had several years of international project management and implementation experience with formal qualifications in management, preferably with engineering background. The team leader will observe regulations and policies of the Government, particularly those of MOF. The team leader will supervise the work of the international and domestic computer specialists. A domestic project management consultant will assist the team leader for the duration of the contract. Domestic training specialists will also assist the team leader in developing training materials and conducting training. The team leader will discharge the following main responsibilities:

- (i) The team leader will lead the team of consultants to ensure successful conclusion of the TA. Responsibilities will include and not be limited to supervising and coordinating the work of other consultants, reporting to the Asian Development Bank on project progress, and liaising with Government officials. The team leader will be responsible for the preparation and timely submission of all TA reports in a form satisfactory to ADB. The team leader will produce an inception report 30 days from the start of the TA explaining the existing situation and broad options for reforms, and will seek the views of ADB and the Government. He or she will prepare an interim report within 6 months from the start of the TA, detailing the assessment of problems and recommendations for improving institutional arrangements and administrative procedures and the requirements for MIS for MOF and line ministries. The interim report will assist the Government in streamlining procedures and will form the conceptual basis for developing a computerized Management Information System (MIS). He or she will supervise the computer specialist in producing the final report and preparing operational and training manuals. The team leader will also be responsible for submitting the final report, comprising the report of the computer specialist and training materials prepared under the TA in collaboration with local consultants.
- (ii) The team leader will (a) prepare a functional analysis of MOF, key line ministries,<sup>1</sup> and other stakeholders in relation to management of external assistance and project administration; (b) examine if the existing relationships, administrative procedures, and institutional arrangements are conducive to efficient selection and effective management and execution of externally assisted projects; (c) based on the analysis, make recommendations for the improvement of institutional arrangements, administrative procedures, and reporting relationships; and (d) carry out a similar analysis of departments within the MOF to improve intraministerial coordination and decision-making.

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<sup>1</sup> Particularly, Ministries of Agriculture, Education and Culture, Health, and Transport and Communications.

- (iii) The team leader will examine if the existing procedures and decision-making processes and databases enable targeting of external assistance for poorer regions and groups, recommend how this objective can be accomplished, and make the external assistance database able to provide poverty impact assessments.
- (iv) Based on the functional analysis of various departments in MOF, the team leader will recommend how to improve their planning, monitoring, supervision and evaluation functions with a view to enhancing their capacity to manage externally assisted projects. The recommendations should include improving their short-term cash management and long-term resource planning capabilities. The team leader will develop an MIS to the specific requirements of key decision makers. The MIS should generally enhance MOF's capacity to make rational allocation decisions, estimate and plan cash flows, determine recurring cost requirements of new projects, and facilitate the integration of public investment program in the medium term fiscal framework of the Government.
- (v) The team leader will refine and expand the scope of the monthly reporting system of the project implementation units (PIUs) and line ministries to (a) facilitate enforcement of strict adherence to budgetary allocations in actual spending and future contractual commitments and obligations; (b) determine cash flow requirements of projects based on physical progress and past contractual commitments and obligations; and (c) institute incentives and accountabilities to ensure timely and accurate reporting of expenditures, commitments, and future obligations. The team leader will coordinate the work in terms (iv) and (v) with the Public Investment Program consultant<sup>2</sup> while designing a comprehensive MIS for middle management and senior staff of MOF.
- (vi) The team leader will assess the roles of key line ministries and PIUs and assess their project management capabilities. Based on the analysis, the team leader will design a MIS for enhancing the project implementation capabilities of these agencies and improving their capacity to manage and coordinate the activities of PIUs. The system should be transparent and provide relevant information in appropriate formats to key decision makers and operational staff of the ministries and other interested agencies periodically and when required.
- (vii) The team leader will organize workshops as required to assess the existing situation, find solutions, and determine the needs for MIS. The workshops will ascertain the views of all stakeholders, including external funding agencies, on the proposed improvements to administrative procedures and institutional structure, and determine the information requirements for effective project management and monitoring.
- (viii) The team leader will determine the staff training needs to fulfill the tasks envisaged in items (ii) – (vi). In collaboration with domestic training specialists, the team leader will (a) design a training program and prepare training materials based on case studies of successful and unsuccessful projects; (b) plan and prioritize training programs in consultation with MOF and line ministries and

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<sup>2</sup> Working under ADB TA 3767 KGZ: Strengthening the Capacity of MOF for Financial Management and Planning of the PIP – Phase II.

agencies; and (c) coordinate, participate in as appropriate, and supervise the training program and entrust the same to domestic training specialists.

- (ix) The team leader will cooperate and coordinate the activities with other ADB-funded consultants or advisers to MOF key economic agencies, and other line ministries.

**B. International Computer Specialist** (international – 6 person-months)

2. The specialist will work under the guidance of the team leader. He or she will be an experienced person in systems design and programming. He or she should have the knowledge of File Maker Pro computer software in addition to other relevant languages. The specialist will supervise a team of three computer programmers and discharge the following responsibilities:

- (i) (a) analyze the databases in MOF and other line ministries and develop and implement a computer program that utilizes, to the maximum extent possible, the existing databases and their software effectively to support an integrated MIS to meet the requirements of individual agencies; (b) submit an interim report based on his assessment of the existing situation and prepare an operational plan for the remaining period; (c) work closely with MOF and the line ministries in discharging his responsibilities; and (d) prepare a final report detailing the computerized MIS including operational and training manuals;
- (ii) based on the concept developed by the team leader, develop a computerized MIS in a modular fashion and conduct proper testing of the programs and install them;
- (iii) install the computer programs for all modules and at all agencies where the MIS is being created;
- (iv) make recommendations for hardware and data communication requirements for effective implementation of the MIS at MOF and other agencies; suggest cost effective options including the use of existing equipment with or without upgrading, and provide technical advice for procurement of equipment; and
- (v) conduct initial training for operators in MOF and other line agencies in collaboration with a domestic computer specialist who will continue the training program, associate a few computer programmers of the Government with the project for the entire duration, and participate in the workshops as required.

**C. Project Management Specialist** (domestic – 12 person-months)

3. The specialist will assist the team leader in discharging the responsibilities described in paragraph 1 (ii) – (x).

**D. Training Specialists** (domestic – 8 person-months)

4. The two domestic training specialists will work under the overall guidance of the team leader for a period of 4 months each and will:

- (i) in collaboration with the team leader, design a suitable training program for the staff MOF, line ministries, PIUs, and other superior agencies, with separate modules for operations and managerial staff;
- (ii) develop suitable training materials, including case studies based on successful and unsuccessful projects, and conduct the training programs;
- (iii) carry out a training program for operations and managerial staff; and
- (iv) help conduct workshops as required.

**E. Computer Specialists** (domestic – total 15 person-months)

5. There will be three domestic computer specialists. Two of them will assist the international computer specialist in discharging the responsibilities for designing, preparing, testing, installing, and operationalizing the MIS, for a period of 6 months each. The other will assist the team leader in preparing training materials and operations manuals, and conducting training programs, for a period of 3 months. All three specialists should have good knowledge of File Maker Pro software and other relevant computer languages.