

**TCR Validation Report**  
February 2024

# Kazakhstan: Business Plan Preparation for the Agriculture Commodity Exchange

Reference Number: TCRV-2023-040  
Project Number: 54444-001  
TA Number: 6706

Independent  
Evaluation  ADB

*Raising development impact through evaluation*

## ABBREVIATIONS

ADB	–	Asian Development Bank
AIFC	–	Astana International Finance Center
EACX	–	Eurasian Trade System Commodity Exchange
DMF	–	design and monitoring framework
IED	–	Independent Evaluation Department
TA	–	technical assistance
TCR	–	technical assistance completion report

## NOTE

In this report, “\$” refers to United States dollars.

<b>Director General</b>	Emmanuel Jimenez, Independent Evaluation Department (IED)
<b>Deputy Director General</b>	Sona Shrestha, IED
<b>Director</b>	Nathan Subramaniam, Sector and Project Division (IESP)
<b>Quality Reviewer</b>	Charity Gay Ramos-Galacgac, Evaluation Officer, IESP

The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of IED management, there were no conflicts of interest of the persons preparing, reviewing, or approving this report. The final ratings are the ratings of IED and may or may not coincide with those originally proposed by the consultants engaged for this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, IED does not intend to make any judgments as to the legal or other status of any territory or area.

## TECHNICAL ASSISTANCE COMPLETION REPORT VALIDATION REPORT<sup>1</sup>

### 1. PROJECT DATA TA No. 6706

<b>TA Name</b>	Business Plan Preparation for the Agriculture Commodity Exchange	<b>Approval Date</b>	28 Dec 2020	<b>Approved (\$)</b>	225,000.00
		<b>Signing Date</b>	28 Dec 2020	<b>Revised (\$)</b>	400,000.00
<b>Country</b>	Kazakhstan	<b>Planned Completion Date</b>	30 Sep 2021	<b>Disbursed (\$)</b>	314,590.32
		<b>Actual Completion Date</b>	15 Dec 2022	<b>Undisbursed (\$)</b>	85,409.68
<b>Department</b>	Central and West Asia Department	<b>TA Type</b>	TRTA ( ) KSTA (✓) PATA ( ) CDTA ( ) RDTA ( ) PPTA ( ) RETA ( )	<b>Source of Funding</b>	Technical Assistance Special Fund
<b>Sector and Subsector</b>	Agriculture, natural resources and rural development  Agricultural policy, institutional and capacity development			<b>Executing Agency</b>	Astana International Finance Centre (AIFC)

CDTA = capacity development technical assistance, KSTA = knowledge and support technical assistance, PATA = policy and advisory technical assistance, PPTA = project preparatory technical assistance, RDTA = research and development technical assistance, RETA = regional technical assistance, TA = technical assistance, TRTA = transaction technical assistance.

### 2. DESIGN AND MONITORING FRAMEWORK AND RESULTS

<b>Objective</b>	The objective of the technical assistance (TA) was to study the feasibility of establishing an international commodity exchange within the legal jurisdiction of the Astana International Finance Center (AIFC). The study would focus on (i) exchange business product opportunities, (ii) infrastructure requirements, and (iii) regulatory aspects. The TA supported the development of a tight design for an ensuing potential investment.
<b>TA Rationale</b>	In the past, Kazakhstan's economy relied heavily on oil and gas exports. Declines in oil and other commodity prices and the shift to low-carbon alternatives exposed the country's narrow economy to external shocks. This made economic diversification an urgent priority. Significant opportunities existed to expand agricultural production and processing. However, the grain sector remained challenged by production inefficiencies, low yields, limited access to financial resources, and outdated infrastructure. Distortions are likewise caused by a noncompetitive market structure, such as asymmetries in grain price.  An effective commodity exchange would provide an opportunity to develop efficient marketing and trading systems by providing efficient end-to-end service for commodity warehousing, quality control, trading, clearing, and market data

<sup>1</sup> Team members: M. Andersson (validator), K. Saito (initial reviewer), and P. Muscat (evaluator).

	dissemination. A successful commodity exchange operating within the AIFC legal jurisdiction could catalyze an acceleration in Kazakhstan's efforts to diversify its economy and improve its competitiveness. The TA built on the Asian Development Bank's (ADB's) earlier scoping work in 2019, which identified agricultural and non-agricultural traded goods to benefit from a functional commodity exchange. <sup>2</sup>
--	---

Results Levels	Indicators	IED Comment on Evaluability of Indicators
<b>Outcome</b> Business plan for the development of the commodity exchange under AIFC developed	By December 2021: a. Business plan adopted by AIFC for implementation (2020 baseline: N/A) (OP 1.2.1, OP 6.2.3 and 7.2)	Evaluable.
	By December 2021: b. Amendments made to governing law of AIFC	Evaluable. However, the indicator target may have been overly ambitious as it could take more than one year (as planned) to amend the AIFC's governing law considering the government's internal processes.
<b>Output 1</b> Legislative and regulatory recommendations developed	By 2021: Regulatory recommendations and amendments submitted to AIFC (2020 baseline: N/A)	Evaluable.
<b>Output 2</b> Business plan preparation assessments developed	By August 2021: All assessments accepted by AIFC (2020 baseline: N/A)	Evaluable.

### 3. PERFORMANCE ASSESSMENT

#### Relevance

Item	Highly Relevant	Relevant	Less than Relevant	Irrelevant
<b>TCR Rating</b>		✓		
<b>TCRV Rating</b>		✓		
<b>IED Rationale</b>	<p>The TA outcomes were aligned with the ADB country partnership strategy for Kazakhstan, 2017–2021 pillar 1 (strengthening foundations for economic diversification) and Strategy 2030 (support to business development and financial sector measures through research and analytical work, measures to strengthen state-owned enterprises' governance, and facilitation of trade and investment). The TA responded to the Government of Kazakhstan's needs, as identified by the Prime Minister of Kazakhstan during the 2020 Strategic Brainstorming Session on Improving Competitiveness.</p> <p>The TA design and scope were appropriate to assess options for a successful commodity exchange. However, the designed implementation period of 9 months was too short to amend the AIFC governing law (outcome indicator b). An understanding of the government's internal processes would indicate that there was a significant risk of delay. This risk was not identified and mitigated in the TA's design and monitoring framework (DMF).</p>			

<sup>2</sup> Arden Consulting (Staff consultant to ADB). 2019. *The Kazakhstan Commodity Exchange. An initial assessment regarding the viability of a commodity exchange serving Kazakhstan.* Nur-Sultan.

	<p>The TA rationale was clearly argued at the approval stage, and ADB's involvement was justified. The nature of the TA as a policy and advisory technical assistance was appropriate given that the objective of the TA would contribute to understanding the feasibility of establishing an international commodity exchange by providing recommendations from legislative and regulatory reviews and business plan assessments.</p> <p>In summary, the TA aligned with ADB's and Kazakhstan's operational priorities, and the TA rationale was sound. The TA design and the configuration of output components were appropriate for assessing options for a successful commodity exchange although the initial planned implementation period was short to amend the governing law. This validation assesses the TA relevant.</p>
--	---

### Effectiveness

Item	Highly Effective	Effective	Less than Effective	Ineffective
<b>TCR Rating</b>			✓	
<b>TCRV Rating</b>			✓	
<b>Evidence of Outputs Achieved</b>	Following the legal framework assessment, the TA developed regulatory recommendations and proposed legal amendments, which were submitted to AIFC (output 1). The TA likewise prepared a business plan on the proposed Eurasian Trade System Commodity Exchange (EACX), including the preparation of feasibility studies on various sectors and commodities.			
<b>Evidence of Outcomes Achieved</b>	The outcome targets were not achieved at TA completion. A final report that laid out the elements for the establishment of an international commodity exchange within the AIFC legal jurisdiction was delivered. However, the recommendations were still under review and up for validation with AIFC. Therefore, the target adoption of the business plan was not achieved at the time the TA was completed (outcome indicator a). The TA submitted its recommendations for the draft legal frameworks, options for regulatory structures, and draft legislations. However, these recommendations were also still under review and up for validation with the government. Thus, the target amendments made to the governing law of AIFC by project completion was not achieved (outcome indicator b).			
<b>IED Rationale</b>	The TA delivered business plan assessments, regulatory recommendations, and proposed legal amendments. However, the recommendations and the business plan are still being reviewed and not yet adopted by the government. The intended outcome was not achieved at TA completion. Therefore, this validation assesses the TA less than effective.			

### Efficiency

Item	Highly Efficient	Efficient	Less than Efficient	Inefficient
<b>TCR Rating</b>		✓		
<b>TCRV Rating</b>		✓		
<b>IED Rationale</b>	<p>The TA was approved, signed, and became effective on 28 December 2020. The TA had a fund utilization of 76% of the total budget. The TCR indicated that virtual missions and other interactions during the coronavirus disease (COVID-19) pandemic reduced costs.</p> <p>Changes were made to the TA to address challenges during implementation. The commodity exchange product assessment previously assigned to AIFC as part of activities under output 2 was transferred to the TA's consulting firm, which was engaged to undertake business plan preparation assessments. This was because AIFC assessment did not progress on said work, which would also affect the</p>			

	<p>accomplishment of output 2. As a result, the TA budget was increased by \$175,000 (from \$225,000 to \$400,000), and the TA completion date was extended by 12 months.<sup>3</sup> Budget reallocation and addition of a budget line item were also done to cover translation and interpretation costs.<sup>4</sup></p> <p>The TA reports and studies generated valuable knowledge. The TA expenditures of about \$315,000 were considered reasonable considering the increased TA scope. The TCR indicated client appreciation of the value of the TA.</p> <p>In summary, the TA had one extension of twelve months, and the amount utilized was reasonable for the outputs delivered. This validation assesses the TA efficient.</p>
--	---

Criterion	Weight	Rating Value	Weighted Rating
Relevance	0.35	2	0.70
Effectiveness	0.35	1	0.35
Efficiency	0.30	2	0.60
<b>Overall Assessment</b> (weighted average of above criteria) <sup>5</sup>			<b>1.65</b>

### Overall Rating

Item	Highly Successful	Successful	Less than Successful	Unsuccessful
<b>TCR Rating</b>		✓		
<b>TCRV Rating</b>		✓		
<b>IED Rationale</b>	<p>The TA was aligned with the country partnership strategy for Kazakhstan, 2017–2021 and with ADB Strategy 2030. The configuration of the TA outputs was appropriate in relation to the objective of the TA although the design had an optimistic implementation period of 9 months, which was too short to make amendments to the governing law. The TA delivered the recommendations on the business plan and the draft legal framework options for regulatory structure and draft legislations. However, these were still under review and for validation by the government at the time of TA closing. The TA budget was increased during implementation for additional consulting inputs to undertake commodity product assessment initially planned to be carried out by AIFC and was extended for twelve months to complete the TA activities. The funds utilized were reasonable for the outputs delivered. Overall, this validation assesses the TA successful.</p>			

## 4. SUSTAINABILITY

Item	Highly Likely	Likely	Less Likely	Unlikely	NA
<b>TCR Rating</b>		✓			
<b>TCRV Rating</b>			✓		
<b>IED Rationale</b>	<p>The TA provided extensive draft materials to the Government of Kazakhstan for validation and implementation, which would help establish an effective commodity</p>				

<sup>3</sup> ADB (Central and West Asia Department). 2021. TA 6706-KAZ: Business Plan Preparation for the Agriculture Commodity Exchange —Request for (i) Increase in TA Amount (ii) Minor Change in Implementation Arrangements, and (iii) Extension of TA Completion Date. Memorandum (Internal). 23 September.

<sup>4</sup> ADB (Central and West Asia Department). 2021. TA 6706-KAZ: Business Plan Preparation for the Agriculture Commodity Exchange —Request for Minor Change in Implementation Arrangement. Memorandum (Internal). 8 December.

<sup>5</sup> Each sub-rating is assigned a numerical value: e.g., highly relevant = 3, relevant = 2, less than relevant = 1, and irrelevant = 0. The compound criterion for performance rating is: highly successful (overall weighted average greater than 2.30), successful (overall weighted average greater than or equal to 1.65 and less than or equal to 2.30), less than successful (overall weighted average greater than or equal to 0.75 and less than 1.65), unsuccessful (overall weighted average is less than 0.75).

	exchange. However, at the time of the TA completion, the provided options needed to be validated by AIFC. In the TCR, there was no information on whether the government had already taken steps to adopt the business plan and amend the AIFC governing law. Without this information, this validation assesses the TA less than likely sustainable.
--	---

### Lessons Learned

(1-3 implementation, 4-7 development results, 8 others)

Criteria	TCR Self-Assessment	IED Comment
1. Design and/or planning	The outputs and activities of the TA were selected adequately to draft a business plan for the development of the commodity exchange under the AIFC. The outcome indicators included the adoption of a business plan by AIFC and amendments to the governing law of AIFC. The reports were submitted to ADB and AIFC in a timely manner, but not enough time has yet passed for the validation, adjustments and implementation of the recommendations provided in the report to the government. This process is still ongoing within the government and on track. The sequencing of activities could have been adjusted for example, the business plan preparation assessments should have preceded the legislative and regulatory assessments, rather than in parallel.	<p>The last sentence is a relevant lesson that can inform future TAs.</p> <p>The formulation of the DMF requires sound understanding of the processes involved so that outputs are ordered sequentially, and adequate time is allowed for the achievement of each step.</p>
2. Implementation and/or delivery	Diversifying the country's economy is a high priority. This includes the establishment of a successful commodity exchange that is internationally recognized. The TA concluded that the government should continue the establishment of an EACX, initially focusing on commodities with domestic demand (particularly, electricity and emissions). Simultaneously, the country should strengthen over-the-counter trading of wheat, linseed, barley, and other agricultural commodities to customers in the region.	<p>This validation offers to rephrase this lesson more clearly:</p> <p>Establishing a commodity exchange can be effectively done in stages, initially focusing on selective commodities and simultaneously strengthening over-the-counter trading of other commodities for possible later inclusion in the exchange.</p>
3. Management (staffing, including consultants)	<p>The envisaged work required a highly specialist team of experts. The TA successfully engaged a legal specialist with commodity trade specialization for Output 1, and a commodity exchange strategy specialist, an exchange product specialist, and an exchange banking specialist for Output 2.</p> <p>The responsiveness of the hired team was outstanding, and work was carried out in a professional and timely manner.</p>	<p>The TCR presented a description and a finding, not a lesson learned. This validation offers to restate this into a lesson learned:</p> <p>Engaging specialized consultants that can address the TA's highly specialized needs is crucial for the success of a TA.</p>

Criteria	TCR Self-Assessment	IED Comment
4. Knowledge building	<p>( ) Awareness  ( ) Technical product  ( ) Adoption or uptake  (✓) Building institutional or system capacity  ( ) National or sector practice (guidelines)  ( ) Policy, legal standards  ( ) Academic literature</p> <p>The TA delivered reports and recommendations on the establishment of an international commodity exchange within the AIFC legal jurisdiction focusing on research for business elements, support infrastructure requirements, and regulatory aspects. Stronger knowledge transfer through trainings and workshops to AIFC could have been built in the Terms of References of the consultants to further sharpen AIFC's understanding of the regulatory and legal requirements in establishing a commodity exchange.</p>	This is a useful lesson from the TA.
5. Stakeholder participation	Inputs and interviews were collected from a representative sample of prospective EACX members, Kazakh banks and international financial institutions and trading firms. The Ministry of Energy provided inputs on the electricity market assessment. Structured interviews evaluated the extent to which targeted firms would consider becoming founding member firms of EACX. AIFC was very responsive during implementation and participated actively in achieving the TA's outputs.	<p>This is a description of the TA, not a lesson learned. This validation derives a lesson from this description as follows:</p> <p>It is critical that stakeholder consultations are conducted during the project design and planning stage and that stakeholder input is incorporated into the formulation of the DMF.</p>
6. Partnership (and cofinancing)	<p>( ) Internal to ADB  ( ) External to ADB (may also include ADB)</p>	No lesson is indicated in the TCR.
7. Replication and scaling-up	<p>( ) Replication  ( ) Scaling-up</p> <p>The TA approach was practical as it developed multiple options and solutions for the set-up of a commodity exchange. It also provided a variety of potential sectors and commodities, including the agriculture and non-agriculture sectors.</p>	<p>This is a description of the TA, not formulated as a lesson learned for future TAs on the criteria. This validation offers a lesson that can be derived from this description as follows:</p> <p>The development of multiple options and/or solutions to deliver a TA's objective can be a practical approach and provide opportunities for scaling up.</p>
8. Post-TA financial resources	<p>( ) ADB  ( ) Government  ( ) Private Sector</p>	No lesson is indicated in the TCR.



Criteria	TCR Self-Assessment	IED Comment
	( ) Other	
9. Others		No lesson is indicated in the TCR.

### TCR Quality Assessment (Reviewer's Assessment)

TCR Quality	TCRV				IED Comment
	HS	S	LS	US	
<b>Coherence of TCR (25%)</b>		✓			The TA is coherent, i.e., logical, well-organized, and easy to understand.
<b>Quality of Data (25%)</b>		✓			The TCR generally provided adequate data and information about the accomplishment of the outputs. Information on the specific steps or ongoing actions by the government pertaining to the validation of the outputs delivered could have provided more context on the status of the government's review and validation.
<b>Quality of Lessons Learned (50%)</b>			✓		Some lessons provided were mere descriptions of what was done in the TA rather than formulated as lessons learned to inform future TA projects.
<b>Overall TCR Quality (weighted as per performance)<sup>6</sup></b>			✓		The TCR is coherent, and the data provided were generally adequate. However, most of the lessons provided were statements of facts (descriptions) rather than lessons that can be applied to future TA.
<b>Further IED Action (e.g., in-depth evaluation)</b>		N	Reason: Not applicable.		
<b>Other Remarks</b>					

<sup>6</sup> Each sub-rating is assigned a numerical value: e.g., highly satisfactory = 3, satisfactory = 2, less than satisfactory = 1, and unsatisfactory = 0. The compound criterion for the TCR quality rating is: highly satisfactory (overall weighted average greater than 2.30), satisfactory (overall weighted average greater than or equal to 1.65 and less than or equal to 2.30), less than satisfactory (overall weighted average greater than or equal to 0.75 and less than 1.65), and unsatisfactory (overall weighted average is less than 0.75).

## Attachment 1: Description of the Technical Assistance

The technical assistance is described in the technical assistance completion report.<sup>1</sup>

## Attachment 2: Design and Monitoring Framework

The design and monitoring framework is in the memo approving the technical assistance.<sup>2</sup>

### Planned and Actual Achievements of the Technical Assistance

Performance Indicators	Planned	Actual	Reasons for Variance
<b>Outcome</b> Business plan for development of the commodity exchange under AIFC developed	By December 2021: a. Business plan adopted by AIFC for implementation (2020 baseline: N/A) (OP 1.2.1, OP 6.2.3 and 7.2)	a. Partially achieved. The TA final report laid out the elements for the establishment of an international commodity exchange within the AIFC legal jurisdiction focusing on research for business elements, support infrastructure requirements, and regulatory aspects. Recommendations were under review and up for validation with AIFC.	Government review and adoption still underway at the time of TA completion.
	b. Amendments made to governing law of AIFC	b. Partially achieved. The TA submitted its recommendations for the draft legal frameworks, options for regulatory structures, and draft legislations. These recommendations were under review and up for validation with the government.	
<b>Output 1</b> Legislative and regulatory recommendations developed	By 2021: Regulatory recommendations and amendments submitted to AIFC (2020 baseline: N/A)	Achieved. The TA delivered to AIFC the following (i) EACX Regulatory Structure with a proposed legislative framework for AIFC Commodity Exchange, (ii) AIFC General Legal Framework review, (iii) proposed amendments to the Joint Order including a list of financial services provided by AIFC participants, (iv) AIFC Financial Services Framework Review, (v) Mainland Law Review covering Kazakhstan's Warehouse and Warehouse Receipt Laws, and Kazakhstan's Law reform for commodity trade finance, and (vi) a diagram showing steps for trading process/s.	No variance.

<sup>1</sup> Asian Development Bank (ADB). 2023. [Technical Assistance Completion Report: Business Plan Preparation for the Agriculture Commodity Exchange in Kazakhstan](#). Manila.

<sup>2</sup> ADB (Central and West Asia Department). 2020. Kazakhstan: Business Plan Preparation for the Agriculture Commodity Exchange—Approval of Small-Scale Knowledge and Support Technical Assistance. Memorandum. 28 December (internal).

Performance Indicators	Planned	Actual	Reasons for Variance
<b>Output 2</b> Business plan preparation assessments developed	By August 2021: All assessments accepted by AIFC (2020 baseline: N/A)	Achieved. The TA provided AIFC recommendations regarding exchange clearing possibilities and alternatives, and a full assessment of EACX. Separate feasibility studies were prepared on various sectors and commodities, including cattle and dairy; wheat, barley, and linseeds; emission trading; and power and energy. A study on the business model for storage and warehousing for a commodity exchange in Kazakhstan was also successfully conducted. All assessments were accepted by AIFC.	No variance.

AIFC= Astana International Finance Center; EACX = Eurasian Trade System Commodity Exchange, N/A = not applicable, OP = operational priority, TA = technical assistance.

Sources: ADB (Central and West Asia Department). 2020. Kazakhstan: Business Plan Preparation for the Agriculture Commodity Exchange—Approval of Small-Scale Knowledge and Support Technical Assistance. Memorandum. 28 December (internal); and ADB. 2023. [Technical Assistance Completion Report: Business Plan Preparation for the Agriculture Commodity Exchange in Kazakhstan](#). Manila.