Project Number: 47110-001
Policy and Advisory Technical Assistance (PATA)
July 2013

Republic of Kazakhstan: Joint Government of Kazakhstan and the Asian Development Bank
Knowledge and Experience Exchange Program, Phase 1

Asian Development Bank
CURRENCY EQUIVALENTS
(as of 28 June 2013)
Currency Unit – tenge (T)
T1.00 = $0.00659
$1.00 = T151.76

ABBREVIATIONS

ADB – Asian Development Bank
CPS – country partnership strategy
KCC – Knowledge and Experience Exchange Program Coordinating Committee
KEEP – Knowledge and Experience Exchange Program
MEBP – Ministry of Economy and Budget Planning
MOU – memorandum of understanding
TA – technical assistance
TOR – terms of reference

TECHNICAL ASSISTANCE CLASSIFICATION

Type – Policy and advisory technical assistance (PATA)
Targeting classification – General intervention
Sectors – Multisector—public sector management
Themes (subthemes) – Economic growth (knowledge); capacity development
Location (impact) – National (high), regional (high)

NOTE
In this report, “$” refers to US dollars.

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice-President</td>
<td>X. Zhao, Operations Group 1</td>
</tr>
<tr>
<td>Director General</td>
<td>K. Gerhaeusser, Central and West Asia Department (CWRD)</td>
</tr>
<tr>
<td>Country Director</td>
<td>G. Li, former Country Director Kazakhstan Resident Mission (KARM), CWRD</td>
</tr>
<tr>
<td>Team leader</td>
<td>C. Hnanguie, Country Economist, KARM, CWRD</td>
</tr>
<tr>
<td></td>
<td>M. Endelman, Principal Financial Sector Specialist, CWRD</td>
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<tr>
<td></td>
<td>L. Nazarbekova, Principal Counsel, Office of the General Counsel</td>
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<td></td>
<td>M. Nurseitova, Economics Officer, KARM, CWRD</td>
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<tr>
<td></td>
<td>A. Ibadildina, Associate External Relations Officer, KARM, CWRD</td>
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<td></td>
<td>D. Pham, Financial Control Specialist, Controller's Department (CTL)</td>
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<tr>
<td></td>
<td>N. Sato, Portfolio Management Specialist, CWRD</td>
</tr>
<tr>
<td>Team members</td>
<td>L. Holganza, Control Officer, CTL</td>
</tr>
<tr>
<td></td>
<td>D. Kruger, Senior Knowledge Sharing and Services Specialist, Regional and Sustainable Development Department</td>
</tr>
<tr>
<td></td>
<td>A. Okamura, Principal Financial Control Specialist, CTL</td>
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<tr>
<td></td>
<td>J. Taylor, Senior Procurement Specialist, Operations Services and Financial Management Department</td>
</tr>
<tr>
<td></td>
<td>R. Vasudevan, Evaluation Specialist, Independent Evaluation Department</td>
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</tbody>
</table>

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
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SUPPLEMENTARY APPENDIXES (available on request)

A. Memorandum of Understanding between the Government of Kazakhstan and the Asian Development Bank on the Joint Knowledge and Experience Exchange Program
B. Tentative List of Subprojects Proposed for Financing under the Knowledge and Experience Exchange Program, Phase 1
C. Overview of the Role of the Knowledge and Experience Exchange Program Coordinating Committee and Its Secretariat
I. INTRODUCTION

1. The value of innovative strategic knowledge solutions and global best practices are accepted as critical factors for socioeconomic advancement. For Kazakhstan, this is underscored in the country’s Strategy 2030 and Vision 2050.¹ The country partnership strategy (CPS), 2012–2016 of the Asian Development Bank (ADB) establishes demand-based knowledge products and services as important tools with which ADB can add value to Kazakhstan’s development.² These strategy documents highlight the need for Kazakhstan to effectively apply knowledge solutions and adopt global best practices so as to become a more diversified, competitive, and inclusive economy and go beyond the middle-income-country stage.

2. Against this background, and recognizing ADB’s role as a knowledge management leader in Asia and the Pacific and for Kazakhstan to share its own impressive development experience with other developing countries, the government and ADB agreed to establish the joint Knowledge and Experience Exchange Program (KEEP) in 2013. The KEEP is designed to facilitate a range of strategic knowledge options and global best practices that will enable Kazakhstan to respond to current and emerging development opportunities and challenges in a well-informed and timely manner.

3. The KEEP is defined in a memorandum of understanding (MOU) between the government and ADB.³ The MOU provides the framework (outlining the objective and scope, areas of focus, implementation arrangements, and monitoring and evaluation measures) and commits the parties to share the cost of a range of knowledge and experience-sharing activities during 2013–2015 with total financing of $2.5 million. The KEEP MOU is in Supplementary Appendix A.

4. ADB’s participation in the KEEP will be through several technical assistance (TA) operations. The KEEP will be equally cost-shared by ADB and the government. It will commence in 2013 with an estimated cost of $500,000. Financing of the KEEP will increase to $1.0 million per annum during 2014–2015 with ADB providing $500,000 and the government providing the other $500,000 annually. The table outlines the cost-sharing arrangements under the KEEP MOU.

<table>
<thead>
<tr>
<th>Period and Phase</th>
<th>Total Budget ($)</th>
<th>ADB</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013: Phase 1</td>
<td>500,000</td>
<td>250,000</td>
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<tr>
<td>2014: Phase 2</td>
<td>1,000,000</td>
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<td>2015: Phase 3</td>
<td>1,000,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,500,000</strong></td>
<td><strong>1,250,000</strong></td>
<td><strong>1,250,000</strong></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank.
Source: Government officials and ADB staff estimates.

³ The MOU was signed by ADB’s Vice President, Operations 1, and the Minister of Economy and Budget Planning on 18 June 2013.
5. This proposed policy and advisory TA will finance Phase 1 of the KEEP in 2013. As the TA is innovative, and the first of its kind in ADB where a developing member country cost-shares a knowledge-sharing partnership on a cash basis, lessons drawn from Phase 1 will guide the preparation of the subsequent phases. Details of the TA were discussed and agreed between ADB and the government in line with the project design and monitoring framework in Appendix 1.4

II. ISSUES

6. Since 1991, Kazakhstan has transitioned rapidly from a low-income country into an upper-middle-income country and has rated highly in many socioeconomic indicators. Building on its impressive socioeconomic performance, the rapid transformation and acceleration into being among the top 30 most progressive countries by 2050 entails new opportunities as well as challenges. Innovative strategic knowledge options and global best practices are called for to help the country (i) become a more inclusive and diversified economy, (ii) develop better institutional and policy mechanisms, (iii) integrate and cooperate better with other countries in the region, and (iv) enhance the competitiveness and efficiency of the economy.

7. Despite impressive socioeconomic performance, Kazakhstan faces a number of development challenges. These include

- (i) a narrow economic base, mainly concentrated on the extractive industries, calling for diversification;
- (ii) an aging and limited infrastructure network requiring significant improvement;
- (iii) gaps in institutional and policy development performance requiring reforms and capacity strengthening to enhance efficiency;
- (iv) an expanding disparity gap demanding growth to be more inclusive;
- (v) limited competition in the economy demanding urgent private sector development to enhance competitiveness; and
- (vi) rapid expansion in regional and global integration, calling for better-informed responses to maximize gains.

8. While capital investments are important to address these and related development issues, a combination approach or the effective use of innovative strategic knowledge solutions and global best practices is critical for optimal outcomes. The government recognizes the value-addition for Kazakhstan’s socioeconomic advancement and has integrated knowledge solutions into its Strategy 2030 and Vision 2050. These two key development directives highlight Kazakhstan’s demand for knowledge solutions and use of global best practices for it to become a more diversified, competitive, and inclusive economy. ADB and other development partners have been requested by the government to facilitate knowledge and global best-practice sharing in a concerted and timely manner.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The impact of this TA will be enhanced policy formulation capacity of the government to support its medium and long-term development strategies. The expected outcome will be strengthened government capacity and awareness of best practices in the selected areas.

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4 The TA first appeared in the business opportunities section of ADB’s website on 5 April 2013.
B. Methodology and Key Activities

10. As part of the KEEP, this TA will support subprojects at the macro, sector, and thematic level that facilitate or promote knowledge solutions, capacity development, and exchange of global best practices. Because of the dynamic and unforeseeable nature of government demand for knowledge products and advisory services, the subprojects of the TA and the implementation approach will be flexible in order for the TA to effectively respond to the country’s urgent requirements in a timely manner.

11. The subprojects to be financed will therefore remain tentative to accommodate that flexibility—to provide the scope for adjustment and allow for quick response. While some of the subprojects have been discussed between the Ministry of Economy and Budget Planning (MEBP) and ADB during the KEEP preparation, other subprojects will be firmed up during TA implementation. A tentative list of the KEEP Phase 1 subprojects is in Supplementary Appendix B.

12. The criteria for selecting a subproject would be that it (i) supports priority government policy reforms and is consistent with the CPS; (ii) is related to implementation of the government development strategy; (iii) is considered as an emerging, urgent, and high-priority area where ADB can add value; (iv) shows evidence of strong government ownership; and (v) complements or synergizes the knowledge support of ADB and other development partners.

13. The main outputs of the TA will be under the categories of policy advisory and capacity development and include (i) submission of analytical reports to the government, and (ii) completion of a capacity development program.

14. Effective coordination of the executing agency with stakeholders is important for successful implementation of the TA. It is assumed that there will be (i) consistent government demand for ADB’s knowledge products and services, (ii) effective coordination by the MEBP in leading the subproject selection and review process, (iii) strong collaboration and support from all relevant stakeholders, and (iv) reliable and accurate data and information are made available. The potential risks are that (i) lack of coordination between development partners may lead to duplication of activities, and (ii) frequent changes in government priorities may result in ineffective use of policy recommendations.

C. Cost and Financing

15. The TA is estimated to cost $500,000, of which the entire amount will be financed on a grant basis by ADB’s Technical Assistance Special Fund (TASF–other sources). After ADB approval of the TA, the government will reimburse ADB 50% of the TA cost by depositing $250,000 into the TASF account. The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

16. The Ministry of Economy and Budget Planning, through the Investment Policy Department, will be the executing agency and will be responsible for supervising and monitoring TA activities. Implementing agencies will be those ministries or agencies responsible for initiating the specific subprojects.

17. The KEEP Coordinating Committee (KCC), comprising representatives from the MEBP and ADB, will be set up to oversee implementation and provide guidance and direction to stakeholders. The KCC will have periodic meetings to update and adjust the list of subprojects.
and core outputs. The two parties will record agreements reached during the meetings and attach an updated subproject list with detailed project outline and specific terms of reference for additional subprojects. The vice-minister of the MEBP and the country director of ADB’s Kazakhstan Resident Mission will review and endorse the subprojects and proposed financing plan.

18. The KCC Secretariat will support the KCC’s work in ensuring the smooth functioning of the committee and supervise and coordinate day-to-day TA activities, including monitoring progress, resolving issues, arranging meetings, and liaising with concerned agencies. An overview of the KCC and its secretariat is in Supplementary Appendix C.

19. Monitoring of the TA (Phase 1) will be results oriented. A main measurement for subproject outcome is to see if recommendations emanating from the TA are used by the government. Monitoring will be done by the KCC through its secretariat. The KCC Secretariat will coordinate closely with all agencies carrying out the subprojects and ensure issues arising are addressed at an early stage. Under the overall direction and guidance of the KCC, the KCC Secretariat shall prepare quarterly progress reports and a TA completion report. The final evaluation of the TA will be based on performance indicators outlined in the design and monitoring framework (Appendix 1).

20. Good practices and lessons will be disseminated by the KCC through reports and workshops and will also be posted on the ADB and government websites. The KCC will ensure that these good practices and lessons are adequately reflected in subsequent KEEP subprojects, and related government and ADB operations.

21. Implementation of the TA will be over a 12-month period, commencing in July 2013 and closing in July 2014. As subprojects are identified during implementation, flexibility will be maintained in the engagement of consulting services. Where there is need for single source selection, this will be coordinated with Operations Services and Financial Management Department (OSFMD). Engagement of all consultants under the KEEP will be in line with ADB’s Guidelines on the Use of Consultants (2010, as amended from time to time). Disbursements will be in accordance with the Technical Assistance Disbursement Handbook (2010, as amended from time to time).

22. For the identified subprojects (Supplementary Appendix B), about 6 person-months of international consultancy services and 12 person-months of national consultancy services are envisaged. Additional consultants will be recruited to carry out well-defined tasks during TA implementation. Given the nature of the activities to be undertaken, specific terms of reference for the consultants will be prepared as soon as the subprojects are finalized. The KCC will discuss and finalize the required expertise and detailed terms of reference of specific assignments, including duration and expected results. The generic outline on the scope of work to be carried out by the consultants is in Appendix 3.

IV. THE PRESIDENT’S DECISION

23. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of $500,000 on a reimbursable basis, as discussed in para. 15, to the Government of Kazakhstan for the Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program, Phase 1, and hereby reports this action to the Board.
DESIGN AND MONITORING FRAMEWORK

<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets and Indicators</th>
<th>Data Sources and Reporting Mechanisms</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| Impact         | Enhanced policy formulation capacity of the government to support its medium- and long-term development strategies | From 2017 government uses cutting-edge knowledge and global best practices in formulating and implementing its key development strategy or policy measures | Asian Development Outlook  
Government annual work reports  
Policy statements  
Reports from academia, think-tanks, development partners, and media | Assumption  
Consistent government demand for ADB’s knowledge products |
| Outcome        | Strengthened government capacity and awareness of best practices in the selected areas | By July 2014: Recommendations emanating from the TA are reflected or referenced in national or sector plans or policy actions | Government documents and statements on policy directions  
Proceedings of dialogue with the executing and implementing agencies and other agencies | Assumption  
Effective coordination by MEBP in leading the subproject selection and review process |
| Outputs        | 1. Policy advisory reports submitted to the government  
2. Capacity building program completed | About four bilingual research reports or policy notes completed in 2013–2014  
Two dissemination workshops to discuss main research results or policy notes convened in 2013–2014  
Two to four workshops conducted in 2013–2014 | KCC activity reports  
CPM midterm review report  
Country portfolio review reports | Assumptions  
Strong collaboration and support from all relevant stakeholders  
Availability of reliable and accurate data and information |
## Activities with Milestones

1. Policy advisory reports submitted to the government
   1.1 First two policy advisory reports submitted to the government
   1.1.1 Conduct meeting to endorse the first two subprojects by the KCC (ADB and MEBP), 10 July 2013
   1.1.2 Prepare consultants’ terms of reference, 11-25 July 2013
   1.1.3 Field consultants, 26 Aug – 13 Sep 2013
   1.1.4 Submit draft final reports to the KCC, 30 September 2013
   1.1.5 Convene workshops to discuss the findings and key recommendations, 7-8 Oct 2013
   1.1.6 Submit final reports to the KCC, 4 Nov 2013
   1.2 Second two policy advisory reports submitted to the government
   1.2.1 Conduct meeting to endorse the second two subprojects by the KCC, 9 Sep 2013
   1.2.2 Prepare consultants’ terms of reference, 10 Sep – 1 Oct 2013
   1.2.3 Field consultants, 5-19 Nov 2013
   1.2.4 Submit draft final reports to the KCC, 6 Jan 2014
   1.2.5 Convene workshops to discuss the findings and key recommendations, 13-14 Jan 2014
   1.2.6 Submit final reports to the KCC, 13 Feb 2014

2. Capacity development program completed
   2.1 Conduct meeting to confirm the first capacity building subproject by the KCC, 16 July 2013
   2.2 Prepare consultants terms of reference for the first capacity building subproject, 17 July – 17 Aug 2013
   2.3 Convene the first capacity building subproject, 17 September – 17 Oct 2013
   2.4 Conduct meeting to confirm the second capacity building subproject by the KCC, 6 Jan 2014
   2.5 Prepare terms of reference for consultants for the second capacity building subproject, 7 Jan – 7 Feb 2014
   2.6 Convene the second capacity building subproject, 15 March – 15 April 2014

### Inputs
ADB: $500,000—financed initially from ADB’s TA Special Fund (TASF-other sources), of which 50% ($250,000) will be reimbursed by the government

<table>
<thead>
<tr>
<th>Items</th>
<th>Amount ($’000)</th>
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<tbody>
<tr>
<td>1. Consultants</td>
<td>$350,000</td>
</tr>
<tr>
<td>a. Remuneration and per diem</td>
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</tr>
<tr>
<td>b. International and local travel</td>
<td></td>
</tr>
<tr>
<td>2. Training, seminar, conferences</td>
<td>$60,000</td>
</tr>
<tr>
<td>3. Reports and communications</td>
<td>$30,000</td>
</tr>
<tr>
<td>4. Contingencies</td>
<td>$60,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$500,000</strong></td>
</tr>
</tbody>
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ADB = Asian Development Bank, CPS = country partnership strategy, KCC = Knowledge and Experience Exchange Program Coordinating Committee, MEBP = Ministry of Economy and Budget Planning, TA = technical assistance, TASF = technical assistance special fund.
COST ESTIMATES AND FINANCING PLAN
($'000)

<table>
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</tr>
<tr>
<td>1. Consultants</td>
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</tr>
<tr>
<td>a. Remuneration and per diem</td>
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<tr>
<td>i. International consultants</td>
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<tr>
<td>ii. National consultants or resource persons</td>
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<tr>
<td>2. Training, seminars, conferences, and workshops&lt;sup&gt;b&lt;/sup&gt;</td>
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</tr>
<tr>
<td>3. Reports, publications, and communications or translations&lt;sup&gt;c&lt;/sup&gt;</td>
<td>30.00</td>
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<tr>
<td>4. Contingencies</td>
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<tr>
<td><strong>Total</strong></td>
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</table>

<sup>a</sup> Financed by the Asian Development Bank’s Technical Assistance Special Fund—other sources. ADB’s financing will be one-half of the total. The government will reimburse ADB the other half of this total under the reimbursable arrangement.

<sup>b</sup> Includes travel costs of government officials acting as resource persons.

<sup>c</sup> Includes the cost of engaging manuscript and copy editors.

Source: Asian Development Bank estimates.
1. The technical assistance for the Knowledge and Experience Exchange Program (KEEP), Phase 1 will use an estimated 12 person-months of national consulting services and 6 person-months of international consulting services to support analytical research, workshops, and other agreed subprojects. The international consultants will serve as the team leaders of the specific subprojects, which will be supported by one or more national consultants to facilitate the effective and timely subproject delivery.

2. The consultants and resource persons shall serve to introduce international best practices; provide in-depth local knowledge; and advise on policy options, challenges, and the implications of various courses of action. The Asian Development Bank (ADB) will engage experts in accordance with its Guidelines on the Use of Consultants (2010, as amended from time to time). The experts will be individual consultants or recruited from consulting firms, research institutes, think tanks, academic institutions, or government research bodies.

3. Given the flexible nature of Phase 1 of the KEEP, specific terms of reference (TOR) for the required expert will be developed based on the requirements of each subproject after approval of the subproject by the KEEP Coordinating Committee (KCC), comprising representatives from the Ministry of Economy and Budget Planning (MEBP) and ADB. In general, the outline TOR for consultants and resource persons engaged for the subprojects will include the following.

A. Consultants for Analytical Research and Policy Advisory Services

4. In close coordination with the ADB task managers, government focal points, the KEEP coordinator, and relevant stakeholders, the consultants will perform the following tasks within the given tentative time schedules:

   (i) undertake research and analyses, as required in the specific TOR prepared by implementing agencies and endorsed by the MEBP and ADB;
   (ii) provide practical recommendations on the government's immediate policy options to address development constraints, taking into consideration information from the experience-sharing and best-practice dissemination activities;
   (iii) generate study reports and policy briefs (e.g., policy research studies, policy notes, project implementation assessments, good practice studies, and sector and thematic reports);
   (iv) prepare background information and documents for the meetings between ADB and the MEBP, and provide assistance, as requested, to implementing agencies and subproject task coordinators; and
   (v) supervise the administrative functions of research support personnel, such as compiling information and collecting data for the research studies, and providing other support to the MEBP and ADB staff.

B. Consultants for Capacity Development Services

5. In collaboration with the KEEP coordinator and in consultation with the ADB and government focal points, the consultants will perform the following tasks within the given tentative time schedules:
(i) propose to the MEBP and the implementing agencies a capacity development framework that ensures that programs include active learning, case studies and follow-up tasks, and useful tools;
(ii) design and conduct a training-of-trainers program to support capacity development for government officials, as well as the beneficiaries as required;
(iii) propose and organize conferences, seminars, workshops, focus group discussions, training, and other knowledge-sharing meetings; and
(iv) lead the (a) dissemination of the findings of studies or best-practice cases, (b) establishment of effective policy dialogue among stakeholders, (c) consultation on the policy directions and development strategy to support implementation of the 5-year plan, and (d) training and development of the capacity of government agencies that may assume executing agency responsibilities for future ADB technical assistance projects.

C. Resource Persons for Policy Advisory or Capacity Development Services

6. In close cooperation with the KEEP coordinator and in consultation with ADB and government focal points, the resource persons will perform the following specific tasks within the given tentative time schedules:
   (i) facilitate workshops (including conferences or training seminars),
   (ii) act as discussants or panelists on related policy issues,
   (iii) present research results,
   (iv) review reports and/or comment on others' research, and
   (v) prepare studies on specific fields (e.g., public—private partnership)

D. General Qualifications

7. The consultants are required to have a post-graduate degree in the relevant field related to the subprojects. Relevant work experience in Kazakhstan and/or Central Asia on related issues would be an advantage. Proven technical experience in the key aspects of the subprojects and fluency in written and oral English are required.

E. Time Frame

8. It is envisaged that consultants or experts will be engaged for an average of 2 person-months for analytical research and policy advisory work and about 14 person-days for capacity development services.