

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWAE

TA No., Country and Name			Amount Approved: US \$677,000	
TA No. 4175-KAZ: Preparing the Regional Rural Development Project			Revised Amount:	
Executing Agency Ministry of Agriculture		Source of Funding Technical Assistance Special Fund	Amount Undisbursed: US \$ 5,431	Amount Utilized: US \$671,569
TA Approval Date: 17 September 2003	TA Signing Date: 6 March 2004	Fielding of First Consultants: 2 May 2004	TA Completion Date Original: 31 August 2004 Actual: 16 January 2006 Account Closing Date Original: 31 August 2004 Actual 30 June 2006	
Description: The Government's 2030 Strategy outlined a long-term goal to improve rural living standards with a narrowing gap between the rural and urban populations. The Government's strategy 2010 aimed at doubling Kazakhstan's GDP by 2010 and sustaining long-term growth in rural living standards principally by fostering a competitive agriculture sector. The State Agrofood Program aimed to ensure food security by establishing an efficient agro-industrial complex producing competitive finished products. In April 2002, the President announced the period 2003–2005 as the “Years of Rural Revival.” The Government agencies were directed to formulate policies to support the development of rural settlements in areas with potential for long-term income and employment growth under a market economy. The development of these areas was intended to attract migration of communities out of regions with limited prospects for economic development or environmentally hazardous areas. In June 2002, the Ministry of Agriculture (MOA) was assigned to formulate a strategy for this rural settlement development.				
ADB had previously assisted MOA with a TA ¹ to support the development of a methodology to screen and classify 160 districts in 14 oblasts (regions) according to their growth potential and constraints to realizing that potential. The TA was successful and MOA adopted the methodology to further classify districts and settlements as part of the National Rural Development Programme (NRDP). In addition to NRDP, there were other programs for the revival and development of agriculture and rural areas. These included: Small Towns Development; Programme of Industrial and Innovative Development to 2015; Program on Poverty 2003–2005; Rural Schools Program 2003–2005; Sector Drinking Water Program 2003–2010; and a proposed Rural Roads Development Program. Moreover, the state government system was to be modernized with a broadening of authority of local governments in resolving issues of territorial development and ensuring effective management at lower levels, and by improving intergovernmental budget relations. This was to include a clear delineation of functions between levels of government, a corresponding budget responsibility, and further institutionalization and strengthening of local governments as part of an ongoing democratization and decentralization process				
ADB sought to strengthen the support for the Government's rural development program, and through a PPTA to develop a regional rural development framework to facilitate the design of programs and projects within a sufficiently wide spatial context of market systems, service systems, and ecological systems. To bring the Government's goal of rural economic recovery to its full realization, the following initiatives were seen as essential: (i) an assessment of the capacity and requirements for regional and rural planning and intergovernmental relations; (ii) development of appropriate regional and rural development plans at the district and oblast levels; and (iii) identification of priority public investments and opportunities and potential for private sector investments. A pilot exercise in one or two oblasts was proposed to explore appropriate ways of planning that would maximize the value of investments and the potential growth of rural areas. The TA was to prepare a detailed feasibility study for a future investment project.				
Expected Impact, Outcome and Outputs: The impact of the expected investment project was to adapt rural areas to the new market oriented economy. The outcome was for oblast and districts to plan and implement regional development in accordance with their roles and functions and good planning practices. The output of the PPTA was a feasibility study in selected pilot areas for a planning and investment program to achieve the project outcome. The TA was divided into two phases. Phase 1 (3 months) was an assessment, recommendations, and guidelines for regional planning, at oblast and district level. Phase 2 (5 months) was to apply the agreed planning process and tools to the preparation of regional plans and an agreed investment project for funding by ADB.				

¹ ADB 2002. *Technical Assistance to Kazakhstan for Participatory Rural Planning and Development*. Manila.

Delivery of Inputs and Conduct of Activities: The TA included 19 person-months of international and 40 person-months of national consultants. Due to the delay in start-up, all four domestic consultants had to be replaced. Total international and national consultants were 22.62 and 30.92 person-months respectively. The TA was extended from an initial 8 months expected duration to 28 months to accommodate the EA's request on the 'optimal settlement model' and other comments. Overall, the Consultant's inputs were satisfactory. ADB conducted missions in June, July, August, and December 2004 and March 2005 and provided adequate supervision. The finalization of the TA took longer than expected but there seemed little interest by the EA in the design of an investment project.

Evaluation of Outputs and Achievement of Outcome: A fundamental issue during the course of the TA was the application of the EA's concept of 'optimal settlement model'. This was a mathematical model to be applied at individual settlement level. The model did not consider broader linkages to other settlements and towns, nor consider economic opportunities, nor involve the participation of the various stakeholders. It also generally ignored good regional planning practices as the focus of the model was leading towards development of individual settlements but not within either a district or regional development context.

It seemed at the end of the TA that both the MOA and the Ministry of Economy and Budget Planning (MOEBP) raised issues that had been identified in previous aide memoires including concern over the implementation of a 'sector' type project, the proposed infrastructure fund for pilot regions distorting their allocation of funds to regions, and that MOEBP's rules for investment projects were not fully complied with. MOEBP has separate requirements for feasibility studies for government approval. MOEBP subsequently withdrew the proposed investment project from the country program. During the TA, neither MOA nor MOEBP showed any strong interest in an investment project. The final report of the Consultant addressed all the comments of the Government either by amending the final report or submitting a response addressing the comments. Overall, the outputs of the TA were delivered and an appropriate investment project had been designed to pilot test regional development in two regions.

Overall Assessment and Rating: Although the TA was extended substantially, this was largely due to the Consultant responding to the Government's comments and particularly on the 'optimal settlement model' concept and its application. The TA was successful in delivering a high quality report. The fact that the Government decided to remove the project from the country program is not a true reflection of the TA. In fact, the Government had previously cancelled an earlier Farm Restructuring Sector Development Program after approval by ADB's Board

Major Lessons: There is difficulty operating in Kazakhstan in that the Government appears willing to accept TA resources but is reluctant to commit to borrowing for investment. There does not seem to be any way possible of obtaining assurance from the Government to implement a project using ADB funds.

Recommendations and Follow-Up Actions: ADB should maintain dialogue with the Government on broad regional and rural development issues through various TA and investment projects across all sectors.

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