



Completion Report

PUBLIC

Project Number: 53069-002
Technical Assistance Number: 6541
August 2022

Kazakhstan: Preparing the Livestock Value Chain Development Project

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 6541-KAZ: Preparing the Livestock Value Chain Development Project		Amount Approved: \$500,000	
		Revised Amount: Not applicable	
Executing Agency: Asian Development Bank	Source of Funding: Technical Assistance Special Fund (TASF-other sources)	Amount Undisbursed: \$427,615.76	Amount Used: \$72,384.24
TA Approval Date: 28 July 2020	TA Signing Date: 13 August 2020	TA Completion Date	
		Original Date: 31 December 2021	Latest Revised Date: 31 December 2021
		Financial Closing Date: 17 May 2022	Number of Extensions: 0
TA Type: Transaction TA	Nature of Activity: Project preparation	TA Arrangement: Not Applicable	

Description

Kazakhstan is an upper middle-income country with significant hydrocarbon and mineral export revenues, and vast tracts of agricultural land. About 42.0% of the country's population (of 7.8 million in 2018) lives in rural areas and relies on incomes generated from agriculture.¹ The agriculture sector employs about 20.0% of Kazakhstan's labor force. Around 44.5% of agricultural gross domestic product (GDP) is generated from livestock. The livestock subsector has been facing several constraints. Livestock productivity is low because of a weak agricultural and livestock support system, environmental constraints, land tenure issues and poorly structured state support programs. Limited financial services outreach and supply of fodder, and weak value chains are key constraints for producers and enterprises.

Historically, declines in oil and other commodity prices have exposed the country's economy to shocks.² The proposed ensuing project was expected to support diversification of the economy away from hydrocarbons and minerals. This would provide working capital for livestock value chain businesses to strengthen the agricultural sector.

In July 2020, ADB approved a transaction technical assistance (TA) with total funds of \$500,000 financed by the Technical Assistance Special Fund (TASF-other sources) to support the Government of Kazakhstan to prepare the livestock value chain development project. The TA would also support ADB in making an informed decision on a future possible investment for the ensuing loan project.

The proposed project was anticipated to provide investment finance through the Agrarian Credit Corporation (ACC) Joint Stock Company branch network.³ Using a financial intermediation modality, it was proposed that ADB would lend loan proceeds to ACC which would then be on-lent to eligible sub-borrowers. The project was planned to be designed to increase the volume of financial resources available for commercially oriented livestock production and processing. It was also expected to provide finance for commercial fodder and feed production. An attached TA was planned to build the capacity of ACC in livestock-related credit policy; product development; procedures; outreach strategy; and in the identification, appraisal, and management of livestock sector lending.

Expected outputs of the project were: (i) access to finance in the livestock sector increased, and (ii) capacity of ACC improved. The project outcome was livestock sector in Kazakhstan improved. The project impact was competitiveness of agro-industrial products increased. The proposed project was tentatively estimated to cost \$166.6 million of which \$100.0 million was expected to be financed by ADB. The ACC and sub-borrowers were expected to contribute \$66.6 million.

¹ Government of Kazakhstan. Ministry of National Economy. 2020. [Statistics of Agriculture, Forestry, Hunting and Fisheries](#).

² World Bank. 2020. [Kazakhstan Economic Update: Navigating the Crisis](#). Washington D.C.

³ The ACC as the main provider of credit to the agriculture and agribusiness sector is mandated to support farmers with affordable lending through state programs for agriculture. It was entirely owned by KazAgro National Managing Holding—a state-owned enterprise. Its rights of ownership and use of the state stock of holding shares were with the Ministry of Agriculture.

The proposed project was expected to complement the World Bank's Sustainable Livestock Development Program for Results.⁴ This program was anticipated to contribute to the development of environmentally sustainable, inclusive, and competitive beef production in Kazakhstan. The complementary ADB investment project was to provide institutional credit to finance viable livestock investments. The program was approved in July 2020 and signed in May 2021. Because of changes in the Government of Kazakhstan priorities, actual implementation of the program was cancelled on 14 January 2022.⁵

Expected Impact, Outcome, and Outputs

The TA has not specified impact and outcome(s) in the TA report.⁶ Outputs of the TA were: (i) project feasibility study and required due diligence on ACC prepared; (ii) attached TA design prepared; and (iii) implementation start-up conducted.

Implementation Arrangements

The Environment, Natural Resources, and Agriculture Division (CWER) of ADB's Central and West Asia Department (CWRD) implemented the TA in coordination with ACC and the Ministry of Agriculture (MOA). ADB recruited five individual consultants under the TA.⁷ They were mobilized in July 2020 and worked as a team. The TA consulting team was supported by four individual consultants hired under ADB's TA for Developing Rural Financial Intermediation (TA9650-KAZ)⁸ administered by the Kazakhstan Resident Mission. With the outbreak of the coronavirus disease (COVID-19) pandemic followed by travel and other restrictions, almost all meetings (during 2020 and 2021) were held virtually. The TA activities were suspended in December 2020, due to institutional reforms of ACC which affected its mandate and business operations. (Refer to the Conduct of Activities section.)

A total of 27.5 person-months of consulting services (10.5 international and 17.0 national) were planned. Only 7.26 person-months (3.79 national and 3.47 international) inputs were used. In addition, 2 person-months of national individual consultant's inputs were supported by TA9650-KAZ (footnote 8) for environmental and social management system development, gender, and financial management assessment.

In addition to the individual consultants, the Food and Agriculture Organization of the United Nations (FAO) was to be engaged to conduct a climate risk assessment and develop a climate change risk management strategy. This did not transpire due to the suspension of TA implementation.

Conduct of Activities

The TA consultants finalized an inception report and submitted it to ACC on 21 September 2020. The report outlined an approach for a local currency (Kazakh Tenge) loan. The inception report was confirmed by ACC which provided no comments on the proposed approach. In September 2020, the President of Kazakhstan announced the merger of KazAgro National Management Holding (NMH), which was ACC's "parent" company, and Baiterek NMH. This slowed the process of engaging with ACC on project design and obtaining relevant information. Under output 1 of the TA, an agriculture sector assessment and due diligence reports were prepared to varying levels of detail for integrity, governance, financial management, and environmental and social management system. The completion of these reports was constrained by limited availability of necessary data and information. A virtual TA review mission was conducted on 11-22 December 2020. During the mission, ACC requested ADB to suspend all TA related activities until September 2021. This was due to the merger of KazAgro NMH and Baiterek NMH, and the ensuing institutional restructuring and reforms of ACC.

From January to October 2021, ADB held numerous consultation meetings with Baiterek NMH (new "parent" company) and ACC. Agreement on recommencing the TA implementation was not reached. On 20 December 2021, the Ministry of National Economy (MNE) at a joint meeting with ACC, concluded that the proposed ensuing loan was not required.

⁴ World Bank. 2020. *Sustainable Livestock Development Program for Results Kazakhstan*. Washington D.C.

⁵ World Bank. <https://projects.worldbank.org/en/projects-operations/project-detail/P170365>. (accessed on 27 June 2022)

⁶ ADB. 2020. *Republic of Kazakhstan: Preparing the Livestock Value Chain Development Project. Technical Assistance Report*. Manila.

⁷ Out of the originally envisaged seven individual consultants, team leader/agriculture specialist (international), integrity due diligence specialist (international), governance due diligence specialist (international), agriculture specialist (national), social development and gender specialist (national) were recruited. The agriculture/finance sector specialist and project implementation specialists were not recruited as their responsibilities were undertaken by the team leader/agriculture specialist.

⁸ Republic of Kazakhstan: *Developing Rural Financial Intermediation* (TA 9650-KAZ, \$225,000, completion June 2020). [52293-001: Developing Rural Financial Intermediation | Asian Development Bank \(adb.org\)](https://projects.worldbank.org/en/projects-operations/project-detail/P170365). Administered by KARM of CWRD.

It cited that an ADB local currency loan would be too expensive for ACC. Subsequently, ADB informed MNE that if there would no borrowing from ADB for the ensuing project then the TA for its preparation would be cancelled. MNE was requested for a no objection to the ADB proposal to cancel the TA, or if the time elapsed, it would be deemed acceptable to MNE. ADB did not receive a response from MNE and the TA was closed.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The TA was strategically aligned with ADB's Country Partnership Strategy for Kazakhstan (2017–2021). ⁹ This was to support economic diversification by improving access to finance and Kazakhstan's state programs to develop the agriculture sector. The project was to focus on the critical shortfall of credit in the livestock value chain. ¹⁰ The TA type, design and results chain were appropriate.	Relevant.
Effectiveness	The TA is rated <i>ineffective</i> as no TA outputs were achieved. The TA outputs were to be delivered sequentially. While there was some progress with output 1, the less than full achievement of output 1 rendered outputs 2 and 3 unachievable.	Ineffective.
Efficiency	The TA is rated <i>inefficient</i> . While the TA had adequate resources, its implementation was hindered by COVID-19 related travel restrictions. Interactions with ACC and other stakeholders were undertaken with virtual meetings, which limited the collection of data and information. The TA was significantly delayed further by the merger of KazAgro NMH (including ACC) with Baiterek NMH. Consequently, only 14.5% of allocated TA funds was utilized.	Inefficient.
Overall Assessment	The TA is rated <i>unsuccessful</i> . The TA did not result in an ensuing project, while the TA design was aligned with the development strategies of ADB and the government. The TA implementation was seriously affected by unexpected institutional reform and associated changes in mandates of the executing agency.	Unsuccessful.
Sustainability	This is <i>not applicable</i> as it was a transaction TA for project preparation and there is no expectation of the continuity of the TA activities after the TA completion.	Not applicable.

Lessons Learned and Recommendations

Design and/or planning	While the design of the TA was generally acceptable, it could have benefitted from more detailed planning discussions with the Ministries of Agriculture and Finance. A sovereign guarantee was key to the ensuing project, and during the TA implementation. Uncertainty existed if the Ministry of Finance (MOF) would provide a sovereign guarantee. In future, there should be stronger commitment from the government in financial and resource terms built into TAs. There should also be a clear request from MOF on the preferred currency denomination for the borrowing. The government should carefully address readiness requirements for all TAs and ensure that implementing agencies have the written mandate and authority to support implementation.
Implementation and/or delivery	The merger of KazAgro NMH (including ACC) with Baiterek NMH was unexpected and brought project preparation to a halt. The unexpected change in ACC's ownership significantly affected the TA implementation. This was not anticipated by the project team and was not raised in prior consultation meetings with KazAgro NMH and ACC. For future TAs, it is recommended to thoroughly

⁹ ADB. 2017. [Country Partnership Strategy: Kazakhstan, 2017–2021 - Promoting Economic Diversification, Inclusive Development and Sustainable Growth](#). Manila.

¹⁰ ADB. 2019. [Country Operations Business Plan: Kazakhstan 2020-2022](#). Manila.

	analyze client's institutional sustainability and potential transformation, including risks of ownership change and corresponding mitigation measures by ADB and the government.
Management of staff and consultants	The design of the TA and consultants' terms of reference would have resulted in the preparation of an investment project. This is if the TA had been able to continue and had not been hindered by the merger and subsequent decision of ACC not to borrow for the ensuing project.
Knowledge building	No specific knowledge products were to be prepared under this transaction TA. Knowledge would have been disseminated under the TA through the due diligence analyses, the design of the ensuing project and its subsequent implementation.
Stakeholder participation	Stakeholder participation, especially on the part of ACC was acceptable in the circumstances. Decisions were also required from other stakeholders e.g., NME, MOF and MOA on the sovereign guarantee and the merger of KazAgro NMH (including ACC) and Baiterek NMH. This was difficult through the virtual modality of communication under the COVID-19 pandemic. It was observed that sustainability of support to TA benefits have been systemically declining as evidenced by delays and decision to cancel this TA and TA9650 (footnote 8). In future, ADB should require MOA to commit direct resources to support implemented of similar TAs with sectoral SOEs. Prior to TAs approval, ADB should also seek governmental concurrence and clearance at the highest possible level and request permanently functioning and officially authorized working groups/ TA implementation units.
Partnership	A proposed partnership with FAO to conduct a climate risk assessment and develop a climate change risk management strategy was not conducted. Had the TA been able to continue, a planned partnership with FAO would have contributed to the preparation of a detailed climate vulnerability and risk assessment to support the ensuing subproject prioritization and design. In addition, it would have prepared greenhouse gas (GHG) emissions estimates for the ensuing project and recommended livestock and land management strategies for GHG mitigation.
Replication and/or scaling up	Not applicable.
Post-TA financial resource	Not applicable.
Other lessons	Not applicable.

Follow-up Actions

TAs that were not completed or loans that did not proceed after TA completion and other cancellations by the Government of Kazakhstan should be reviewed to:

- (i) identify the specific reasons and responsibility of the government or ADB, for the cancellation;
- (ii) analyze how the cancellation might have been avoided given different circumstances and different design and/or implementation of the TA; and
- (iii) identify appropriate arrangements with the government for future TAs to eliminate or at least minimize the incidence of cancellations.

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Principal Portfolio Management
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TECHNICAL ASSISTANCE COST

Table A1.1: Technical Assistance Cost by Activity
(\$'000)

Item	Amount	
	Original	Actual
1. Consultants	391.00	70.94
2. Training, seminars and/or conferences	15.00	000.00
3. Studies, Surveys and Reports	8.00	000.00
4. Miscellaneous Admin and Support Costs	15.00	1.44
5. Contingency	71.00	000.00
Total	500.00	72.38

TA = Technical Assistance

Source: Asian Development Bank estimates.

Table A1.2: Technical Assistance Cost by Fund
(\$'000)

	TASF-other sources	Total Cost
1. Original	500.00	500.00
2. Revised	0.00	0.00
3. Actual	72.38	72.38
4. Unused	427.62	427.62

TASF = Technical Assistance Special Fund

Source: Asian Development Bank estimates.