

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ECRD/KYRM

TA No. and Name TA 3859 – KGZ: Strengthening Capacity in the Office of the President - Phase II.			Amount Approved: \$500,000		
			Revised Amount: \$500,000		
Executing Agency: Economic Policy Department of the Office of the President of the Kyrgyz Republic		Source of Funding: ADB-funded TA program	TA Amount Undisbursed ¹ \$139,121.08	TA Amount Utilized \$360,268.36	
Dates			Completion date		
			Original 30 Nov 03	Actual 30 Sep 04	
Approval: 24 Apr 02			Account Closing date		
Signing: 21 Jun 02			Original 30 Nov 03		
Fielding of First Consultant: 30 Oct 02			Actual ¹		
Description The Economic Policy Department (EPD) of the Office of the President is one of the most important agencies in the country providing the President with information, analysis, and advice on economic policy. EPD had limited analytical and policy formulation capacity, particularly for monetary and fiscal policy. The scope of the Phase I TA ² covered three main areas: (i) developing an effective system to monitor macroeconomic developments and reforms; (ii) providing policy advice to the President on economic matters; and (iii) improving coordination mechanisms for key government agencies involved in economic management. The Phase I TA met most of its objectives and provided considerable benefits for EPD. It also enabled ADB to have policy dialogue at the highest level of the Government on strategic and operational matters. The need for Phase II arose for the following reasons: (i) EPD got additional responsibility to monitor structural reforms to ensure successful implementation of the Comprehensive Development Framework (CDF) which is a holistic strategy for social and economic development for the Kyrgyz Republic until the year 2010; (ii) some of the benefits of the training imparted under the Phase I were eroded by the frequent staff turnover; and (iii) one of the original thrusts of the TA, namely, improving policy coordination with and between key economic agencies was not adequately undertaken. In addition, the Phase II TA could also facilitate strategic advice to the President on macroeconomic management and structural reforms.					
Objectives and Scope The objective of the Phase II TA was to strengthen EPD's capacity to track economic developments and manage economic policy, focusing particularly on the requirements of (i) the ongoing macroeconomic stabilization and structural reform program, and (ii) implementation of the CDF strategy. To achieve these broad objectives, the TA envisaged the following scope of work: (i) reviewing and updating the computerized economic and social database created under the Phase I TA with particular emphasis on the current requirements; (ii) training of EPD staff on systematic evaluation of reports for effective monitoring and making appropriate and timely proposals for the consideration of the President and EPD management; (iii) upgrading the skills of concerned EPD staff in providing coordinated policy advice on major economic issues through training, including on-the-job training, with particular emphasis on fiscal, monetary, and external policy, and debt and budget management.					
Evaluation of Inputs The TA envisaged fielding one Economic Advisor, an international consultant (IC), for a total duration of 16 person-months and two domestic consultants (DCs) for a total duration of 38 person-months (Monetary Management and Fiscal Management Experts). Since IC had taken unplanned sick leave of about 2 months, his tenure was extended by that period. Input of one of DCs was extended by 2 months mainly to facilitate proper assimilation of TA outputs in the EPD. The TA was supervised closely and was implemented in accordance with the terms of reference. ADB and the Government reviewed TA progress jointly on four occasions after TA inception. In addition, the monthly progress reports were used to closely monitor the TA progress. The EPD worked closely with consultants and associated them with official working groups to interact and conduct policy dialogue with the IMF and other donors on macroeconomic management and structural reform. The EPD carried out necessary administrative changes in the department to make the TA outputs sustainable. Deputy heads of the EPD and the CDF Secretariat closely supervised the work of domestic consultants. In ADB's view, the formulation of the TA and the terms of reference for the consultants were appropriate, and the quality of consultant inputs was satisfactory. The performance of ADB, the EPD, and the consultants in providing timely and adequate inputs for the TA has also been satisfactory. The IC, however, noted that the effectiveness of counterpart resources could be improved by streamlining staff assignments to match their skills with departmental goals. Additional time taken to find suitable consultants and extension of their tenures caused the delay in implementation of the TA.					

¹ The TA was physically completed on 30 September 2004. The actual closing date will be determined after all pending claims/invoices from the consultant are settled, and outstanding advances are liquidated, and outstanding suspense accounts are reversed/taken up.

² ADB. 1999. *Technical Assistance to the Kyrgyz Republic for Strengthening Capacity in the Office of the President*. Manila.

Evaluation of Outputs

The reports produced and activities carried out under the TA covered following areas:

Development of Macroeconomic Model: With close involvement of EPD staff, the consultants assessed and improved the existing database which now provides more details and perspective on trends and changes in the economy. A simple macroeconomic model was developed to analyze the economic situation, generate medium-term projections, and conduct policy simulations. Among others, the following simulations were made: (i) the impact of tax cuts on the economy and revenues; and (ii) the macroeconomic impact of changes in the prices of gold and crude oil. With this model and improved staff capacity, the quality and coverage of quarterly economic reports of EPD has improved.

Policy Advice: The consultants provided policy advice to the Government and worked closely with EPD staff in conducting 18 special studies covering a wide range of subjects including a review of the data on investment, analysis of electricity pricing, an examination of the factors underlying the acceleration of inflation in the late 2003, the development of a model for projecting inflation rates, and the development of a model for projecting merchandise trade flows and trade balance. All studies were reviewed and discussed at seminars with EPD staff and some with the National Bank staff. The consultants also assisted the Government in policy dialogue with the IMF and other donors. The consultants assisted in reviewing the IMF's Poverty Reduction and Growth Facility (PRGF), the World Bank's Public Expenditure Review, and the Mid-Term Budget Framework developed by the Ministry of Finance. The consultants also provided comprehensive inputs to EPD for its reports on microfinance sector, assessment of financial and economic risks, and corporate governance at the enterprise level. Reports produced by the TA were extensively used by the EPD for planning, analysis, and policy advice. Close involvement of EPD staff in the preparation of TA outputs and on-the-job training provided under the TA enhanced their capacity for policy analysis.

Capacity Building. Three in-house technical sessions/seminars on macroeconomic monitoring, macroeconomic modeling, and tax policy options were conducted. Training on basic econometrics was conducted for 18 EPD staff and selected members of other ministries. On-the-job training was provided in the preparation of various outputs of the TA. The EPD confirmed that the training provided was relevant and useful to their responsibilities. The consultants assisted the EPD in improving the CDF monitoring system at the central level.

TA outputs were produced in accordance with the TOR, delivered on time, and were of good quality. The TA was monitored regularly by KYRM through monthly reports and frequent consultation. The Office of the President expressed satisfaction with the quality of TA outputs.

Overall Assessment and Rating

The TA was valued highly by the Government. The TA design was appropriate for accomplishing its objectives. The EPD demonstrated strong ownership by participating actively in all TA activities. The output of the TA is highly relevant. It has accomplished its objectives and policy goals efficiently and effectively. However, the TA outputs are less likely to be sustainable unless steps are taken to minimize staff turnover and streamline staff assignments. The TA's impact on institutional development was constrained due to high staff turnover and thus is likely to be modest. Overall, the TA is rated as successful.

Major Lessons Learned

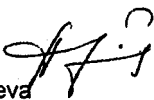
Major lessons learned are: (i) regular monitoring of the TA through the monthly reports and frequent consultations helps to respond quickly to the diverse demands for policy advice; and (ii) high turnover of staff tends to be a major risk to sustain TA outputs. To avoid this ADB should get firm assurances from the Government, before the TA is approved, that the staff would not be changed during TA implementation and the staff trained would be retained for a minimum period and would be given clearly defined assignments.

Recommendations and Follow-Up Actions

Due to personnel and resource constraints, EPD had limited time to focus on intensive macroeconomic monitoring and reporting, the development of modeling and forecasting capability, and acquisition of analytical skills related to economic policy formulation and management. Clear assignment of responsibilities in specific areas of policy analysis to staff with relevant expertise is required to sustain the TA outputs. The EPD should continue to rely on the outputs of other ministries responsible for various aspects of macroeconomic management for formulating its policies as was done during this TA. This would optimize the use of scarce expertise in the Government. ADB will need to continue dialogue with the EPD on sustaining the TA outputs and ensuring that the staff trained are retained at the EPD. There is also a need to further enhance the Office of the President's capacity to monitor the implementation of the CDF particularly at the oblast level and provide effective advice to the President regarding its implementation.

Prepared by

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Designation

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