



Technical Assistance Report

Project Number: 51305-001
Knowledge and Support Technical Assistance (KSTA)
December 2017

Republic of Kazakhstan: Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program, Phase 3

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 9 November 2017)

Currency unit	–	tenge (T)
T1.00	=	\$0.0030
\$1.00	=	T333.76

ABBREVIATIONS

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

NOTE

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

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51305-001
Project Name	Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program, Phase 3	Department/Division CWRD/KARM
Nature of Activity Modality	Research and Development Regular	Executing Agency Ministry of National Economy
Country	Kazakhstan	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Public sector management	Economic affairs management	1.00
	Public administration	0.50
	Total	1.50
3. Strategic Agenda	Subcomponents	Climate Change Information
Inclusive economic growth (IEG) Environmentally sustainable growth (ESG)	Pillar 1: Economic opportunities, including jobs, created and expanded Eco-efficiency	Climate Change impact on the Project Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE) ✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities	
Private sector development (PSD)	Conducive policy and institutional environment Public sector goods and services essential for private sector development	
5. Poverty and SDG Targeting		Location Impact
Geographic Targeting	No	Nation-wide High
Household Targeting	No	
SDG Targeting	Yes	
SDG Goals	SDG17	
6. Risk Categorization	Low	
7. Safeguard Categorization	Safeguard Policy Statement does not apply	
8. Financing		
Modality and Sources		Amount (\$ million)
ADB		1.50
Knowledge and Support technical assistance: Technical Assistance Special Fund		1.50
Cofinancing		0.00
None		0.00
Counterpart		0.00
None		0.00
Total		1.50

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) is the third phase of the Joint Government of Kazakhstan and the Asian Development Bank (ADB) Knowledge and Experience Exchange Program (KEEP).¹ The TA will support the delivery of demand-driven, just-in-time, analytical, and technical knowledge products and services to Kazakhstan. It will help bring international best practices to the country, introduce innovations, and enhance the capacity of staff working for the Government of Kazakhstan and related agencies.

2. The TA will also support the implementation of ADB's country partnership strategy (CPS), 2017–2021 for Kazakhstan,² which emphasizes the importance of enhancing the country's knowledge base to support socioeconomic development. The CPS recommends that ADB expand collaboration on knowledge sharing and capacity development under the KEEP, implying the provision of policy advice and capacity building to enable the government to design and implement better informed policies and reforms in priority areas.

II. ISSUES

3. Since 1991 when Kazakhstan became independent from the former Soviet Union, the country has transitioned from a low-income to an upper middle-income country, according to World Bank classifications. In nominal dollar terms, the country's gross domestic product increased fivefold, from \$24.9 billion in 1991 to \$133.7 billion in 2016, positioning Kazakhstan as the largest economy in Central Asia. Commensurate improvements in household income and welfare accompanied this rapid economic expansion. The gross domestic product per capita increased from \$1,512 in 1991 to \$7,510 in 2016, and the share of the population below the national poverty line declined from 36.0% in 1996 to 2.7% in 2016.³

4. While Kazakhstan's economic growth achievements are noteworthy and commendable, they are based primarily on expanding oil production and historically high global energy prices prior to 2015. Kazakhstan's oil production tripled during between 2000 and 2014, when global oil prices reached record-high levels, and the ensuing windfall revenues both ensured sufficient fiscal space for social expenditures and endowed state-owned enterprises with resources for massive capital investment.

5. The 2007–2008 global financial crisis and the external shocks that hit the country in late 2014 in relation to the lowering of international commodity prices revealed the following structural vulnerabilities in Kazakhstan's economic model: (i) a poorly diversified economy highly dependent on export revenues from hydrocarbons, and the concentration of foreign direct investment in natural resources; (ii) underdeveloped infrastructure, especially outside the cities of Astana and Almaty; (iii) the pronounced vulnerability of the finance sector; (iv) the low degree of competition in the economy, restraining the development of the private sector; and (v) growing environmental risks, with a large share of the economy vulnerable to the impacts of climate change.⁴

6. Recognizing the country's emerging knowledge needs, in 2013, ADB and the government established the KEEP through a memorandum of understanding (MOU), which provides the program's overall framework by outlining its objective and scope, areas of focus, implementation

¹ Each phase of the program is being financed with separate TA, jointly financed by ADB and the government.

² The ADB Board of Directors approved the CPS, 2017–2021 for Kazakhstan on 12 September 2017.

³ The year 1996 is the earliest available data point for statistics on the national poverty line.

⁴ ADB. 2017. *Country Partnership Strategy: Kazakhstan, 2017–2021*. Manila.

arrangements, and monitoring and evaluation measures. The MOU also commits the parties to cost-share a range of activities during program implementation.⁵

7. Initially, the KEEP was to be articulated in three phases for a total of \$2,500,000, financed equally by ADB and the government. However, given Kazakhstan's strong demand for knowledge, by 2015, actual commitments and disbursements had already exceeded the indicative amounts in the MOU. Accordingly, the MOU was updated in April 2015 with a supplementary agreement to ensure greater flexibility and responsiveness to government needs. Moreover, to reflect the additional commitments included in the 2017–2021 CPS to meet increasing demand, in September 2017 the government and ADB agreed to update the MOU further, extending its validity until December 2019, revising contributions accounting for increased financing, and refining its strategic focus. The updated and indicative KEEP financing plan for 2013–2019 is in Table 1.⁶

Table 1: Knowledge and Experience Exchange Program Financing Plan
(\$)

Year	Total Financing	Asian Development Bank	Government of Kazakhstan
Phase 1 (2013–2015)	500,000	250,000	250,000
Phase 2 (2015–2017)	1,000,000	500,000	500,000
Phase 3 (2017–2019, indicative)	2,000,000	1,000,000	1,000,000 ^a
Total	3,500,000	1,750,000	1,750,000

^a By November 2017, the Government of Kazakhstan had contributed \$500,000 to Phase 3, and is expected to contribute an additional \$500,000 in 2018.

Source: Asian Development Bank.

8. The pilot phase was implemented through the policy and advisory TA, the Joint Government of Kazakhstan and ADB KEEP, Phase 1, which was approved in July 2013 and completed in December 2016.⁷ ADB and the government each provided \$250,000. As a joint committee established under the 2013 MOU, ADB and the government scrutinized and approved project proposals from government agencies channeled through the Ministry of National Economy (MNE). The TA project supported 10 subprojects: six analytical studies and four capacity-building activities. At the TA's closing date, 99.95% of the funds were disbursed. The KEEP, Phase 1 was rated *successful* upon completion.

9. Given the growing number of government agencies requesting knowledge support under the KEEP, in late 2014 the MNE and ADB jointly agreed to design and implement the Joint Government of Kazakhstan and ADB KEEP, Phase 2.⁸ On 24 July 2015, ADB approved Phase 2 for a total of \$1 million, financed equally by ADB and the government. The expected completion date is 31 March 2018. To date, Phase 2 has supported five completed and six ongoing subprojects with overall commitments for \$1,142,730, awarded contracts worth \$399,144, and disbursements for \$301,234.

⁵ The MOU between the government and ADB was signed on 5 June 2013.

⁶ ADB and the government are currently discussing a second supplementary agreement to the MOU that is expected to be finalized by the middle of December 2017.

⁷ ADB. 2013. *Technical Assistance to Kazakhstan for the Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program, Phase 1*. Manila (TA 8414).

⁸ ADB. 2015. *Technical Assistance to Kazakhstan for the Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program, Phase 2*. Manila (TA 8933).

10. Based on feedback received from the MNE during the revision sessions, and lessons from implementation during the first two program phases, the implementation of the KEEP, Phase 3 will incorporate the following actions:

- (i) ADB and the government will formulate and implement a monitoring and evaluation mechanism built according to mutually agreed accounting standards, including frequent portfolio meetings to ensure timely corrective interventions, if needed, and improved flexibility;
- (ii) ADB and the government will finalize an indicative list of potential subprojects, preferably within 1 month after the knowledge and support TA is approved—the list will include standby projects to allow financing on a first-come, first-served basis; and
- (iii) the TA project team will coordinate closely with ADB's Operations Services and Financial Management Department to ensure expeditious consultant recruitment in the case of urgent subprojects involving short-term assignments (less than 30 working days) and relatively small and simple subprojects in terms of disbursement (i.e., those with a budget of less than \$30,000 involving only consultants' remuneration and travel expenses).⁹

11. To ensure the delivery of high-quality knowledge products and services under the KEEP, Phase 3, it is important that experienced ADB and ADB Institute (ADBI) staff are involved in all stages of TA implementation, from identifying potential subprojects to monitoring and supervising their delivery. In this regard, the TA team will consult closely with relevant divisions and departments at ADB headquarters and ADBI to encourage the provision of quality staff inputs and ensure that such inputs are adequately recognized.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The TA is aligned with the following impacts: achieving a more competitive and inclusive economy, developing human capital, and enhancing the country's institutions and governance systems.¹⁰ The TA will have the following outcome: high-quality policy research through enhanced government capacity and awareness of best practices achieved.

B. Outputs, Methods, and Activities

13. The main TA outputs will fall under the categories of policy advisory and capacity development, including (i) policy research reports submitted, and (ii) capacity-building activities and learning events delivered. The design and monitoring framework is in Appendix 1.

⁹ This action is based on the need to ensure an adequate response to the government's emerging needs. Under the KEEP phases 1 and 2, individual consultants were recruited within 1.5–2.0 months, on average, from the time that the recruitment notices were published on ADB's website to the signing of the contracts. Some assignments requested by the government were short-term and associated with the urgent need to develop government documents (including concepts, proposals, and draft laws) within tight deadlines, requiring timely responses from the previous KEEP TA projects.

¹⁰ Official Site of the President of the Republic of Kazakhstan. Address by the President of the Republic of Kazakhstan, Leader of the Nation, N.A. Nazarbayev on Strategy "Kazakhstan-2050": New Political Course of the Established State. http://www.akorda.kz/en/addresses/addresses_of_president/address-by-the-president-of-the-republic-of-kazakhstan-leader-of-the-nation-nazarbayev-strategy-kazakhstan-2050-new-political-course-of-the-established-state (accessed 15 November 2017).

14. **Output 1: Policy research reports submitted.** In 2017–2019, the TA will produce at least eight bilingual policy research reports that will serve as background materials for the government’s policymaking, and submit them to the relevant government agencies by 2019. The KEEP Coordinating Committee (KCC) will assess the achievement of this activity and present the results in the annual KCC activity reports. The KCC secretariat will confirm a list of analytical subprojects with the MNE, and prepare the terms of reference (TOR) for consultants who will conduct respective studies. In addition, the KCC secretariat will convene four dissemination workshops to discuss the main research results during the TA implementation period.

15. **Output 2: Capacity-building program delivered.** Four to six capacity-building events for government and related agencies’ staff will be conducted in 2017–2019 and reflected in the TA reports. The KCC secretariat will confirm the planned capacity-building subprojects with the MNE before devising the TOR for the consultants who will be in charge of the actual implementation of the respective capacity-building activities.

C. Cost and Financing

16. The TA will finance Phase 3 of the KEEP. The TA budget is estimated at \$1,500,000. ADB will finance \$1,000,000, and the government will finance up to \$500,000. The TA will follow the same reimbursable approach adopted for phases 1 and 2, based on which ADB will allocate the total amount of \$1,500,000 from its Technical Assistance Special Fund (TASF-other sources), where the government has already transferred its \$500,000.¹¹ The cost estimates and financing plans are in Appendix 2.

D. Implementation Arrangements

17. The TA will be implemented over a 24-month period starting in January 2018. The MNE will be the TA executing agency. ADB will be responsible for supervising and monitoring the TA activities (Table 2). The ministries or agencies responsible for initiating the specific subprojects will be the respective implementing agencies. ADB, through its Kazakhstan Resident Mission and the assistance of a program coordinator, will support the TA administration. The TA proceeds will be disbursed in accordance with ADB’s *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). Counterpart staff at ADB headquarters will contribute to the management of the subprojects, where necessary. The KCC, which comprises representatives from the MNE and ADB Kazakhstan Resident Mission, will oversee the implementation of the KEEP, Phase 3.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	January 2018–December 2019		
Executing agencies	Ministry of National Economy		
Consultants	To be selected and engaged by ADB and executing agency		
	Pool of Sector Experts	All methods. All consultants will be recruited in accordance with ADB’s Procurement Policy (2017, as amended from time to time) and the associated project administration	Indicative amount of services: \$1,050,000
	High-quality policy research in selected areas through enhanced government capacity and awareness of best practices		

¹¹ The Government of Kazakhstan is expected to transfer an additional \$500,000 to ADB’s TASF-other sources in 2018. Upon the completion of this transfer, this amount can be used to increase the TA budget to a total of \$2,000,000.

Aspects	Arrangements	
	Coordination and Administration	instructions and TA staff instructions.
Procurement	Workshops, conferences, and outreach media programs	Procurement will follow ADB's Procurement Policy (2017, as amended from time to time).
Disbursement	Disbursement will be in line with ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time), and no special disbursement arrangements are proposed for day-to-day TA implementation.	

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank.

18. The monitoring of the TA will be results-oriented. A main measurement of subproject outcome will be whether the government uses the recommendations emanating from the TA. The KCC will carry out the monitoring through its secretariat, which will coordinate closely with all agencies carrying out the subprojects and ensure that issues are dealt with as they arise. Under the KCC's overall direction and guidance, the secretariat will prepare quarterly progress reports and a TA completion report. The final evaluation of the TA will be based on the performance indicators outlined in the design and monitoring framework.

19. The KCC will disseminate good practices and lessons learned through reports and workshops, as well as ADB and government websites. The KCC will see to it that these good practices and lessons are adequately reflected in subsequent KEEP subprojects, and relevant government and ADB projects.

20. **Consulting services.** ADB will engage consulting firms and individual consultants following ADB's Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. Disbursements will be in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). The TA will use an estimated 60 person-months of national and 30 person-months of international consulting inputs to support research, workshops, and other agreed subproject activities. The nature of the needed expertise and inputs will be determined case by case for each activity or subproject determined and approved jointly by the MNE and ADB. The inputs of consultants as well as short-term resource persons will 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 selection method for consultants will be chosen during implementation depending on what is best suited to the respective TOR. All consultants and experts will be engaged based on their expertise and proven experience in the subproject areas. The detailed TOR for consultants, including duration and expected results, will be discussed and prepared as soon as ADB and the MNE finalize and clear the proposed subprojects. The KCC will coordinate with ADB departments to engage the most experienced ADB and/or ADBI staff in the implementation of the subprojects.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a reimbursable basis, as discussed in para. 16, to the Government of Kazakhstan for the Joint Government of Kazakhstan and the Asian Development Bank Knowledge and Experience Exchange Program, Phase 3, and hereby reports this action to the Board.

Key Activities with Milestones

Output 1: Policy research reports completed.

- 1.1 Confirm the list of analytical studies with the MNE (Q1 2018)
- 1.2 Prepare terms of reference for consultants for the first four analytical studies (Q2 2018)
- 1.3 Field consultants for the first four analytical studies (Q3 2018)
- 1.4 Prepare terms of reference for consultants for the remaining analytical studies (Q4 2018)
- 1.5 Field consultants for the remaining analytical studies (Q2 2019)
- 1.6 Complete all policy studies (Q3 2019)
- 1.7 Conduct four results dissemination workshops (Q3 2019)

Output 2: Capacity-building program completed

- 2.1 Confirm the capacity-building subprojects with the MNE (Q1 2018)
- 2.2 Prepare terms of reference for consultants for the first two capacity-building subprojects (Q2 2018)
- 2.3 Implement the first two capacity-building subprojects (Q4 2018)
- 2.4 Prepare terms of reference for consultants for the remaining capacity-building subprojects (Q1 2019)
- 2.5 Implement the remaining capacity-building subprojects (Q3 2019)

Inputs: ADB: \$1,500,000 – financed from ADB's TA Special Fund (TASF-other sources), where the government contributed its \$500,000 in 2015 based on the reimbursable approach adopted for phases 1 and 2.

Assumptions for Partner Financing:

Outputs necessary to reach the design and monitoring framework outcome that are not administered by ADB include the World Bank Group Joint Economic Research Program.

ADB = Asian Development Bank, CPS = country partnership strategy, KEEP = Knowledge and Experience Exchange Program, KCC = Knowledge and Experience Exchange Program Coordinating Committee, MNE = Ministry of National Economy, Q = quarter, TA = technical assistance, TASF = Technical Assistance Special Fund.

^a Government of the Republic of Kazakhstan. 2015. *Kazakhstan 2050 Strategy*. Astana.

Source: ADB.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	600
ii. National consultants and resource persons	300
b. International and local travel	150
2. Training, seminars, conferences, and workshops ^b	280
3. Reports, publications and communications, and translations ^c	120
4. Contingencies	50
Total	1,500

Note: The technical assistance proceeds will be used only for the procurement of goods and services in member countries of the Asian Development Bank (ADB).

^a Financed by ADB's Technical Assistance Special Fund (TASF-other sources).

^b Includes travel costs of government officials acting as resource persons.

^c Includes the cost of engaging manuscript and copy editors.

Source: ADB estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51305-001-TARreport>

1. Terms of Reference for Consultants

Supplementary Document

2. Memorandum of Understanding between the Government of Kazakhstan and the Asian Development Bank on the Joint Knowledge and Experience Exchange Program