



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/11/2003	
<b>PROJ ID:</b> P037960		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Treasury Modernization	<b>Project Costs (US\$M)</b>	16	17.65
<b>Country:</b> Kazakhstan	<b>Loan/Credit (US\$M)</b>	15.8	15.8
<b>Sector(s):</b> Board: PS - Central government administration (75%), Sub-national government administration (25%)	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> L4077; LP255			
	<b>Board Approval (FY)</b>		97
<b>Partners involved :</b>	<b>Closing Date</b>	08/01/2000	12/31/2002
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Poonam Gupta	George T. K. Pitman	Kyle Peters	OEDCR
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
The overall objective of the project was to support the Government in setting up the Treasury organization by designing and implementing a treasury system : (i) that provides comprehensive reliable and timely financial management information; and (ii) helps manage government expenditure effectively .			
<b>b. Components</b>			
To achieve the objective, the project had three components : (a) design of an automated treasury system to support Treasury operations ; (b) pilot systems computerization and (c) full implementation of the computerized system .			
<b>c. Comments on Project Cost, Financing and Dates</b>			
In view of 16 months delay and expenditure overruns encountered in the implementation of the first two phases, the Government decided to finance part of the activities under the phase (c) related to the replication of the system country-wide from its own resources. Expenditure overruns were \$2 million for a new satellite-based communication network and \$2 million for changes in technical and functional design and extended use of consultants .			
<b>3. Achievement of Relevant Objectives:</b>			
The project succeeded in designing and setting up a Treasury system . Organizational arrangements for Treasury based payment and receipt processing and associated systems and procedures were set up in close coordination with the IMF. The Loan partly funded the stay of one resident IMF Treasury advisor and visits of a second advisor . The original design of the project envisaged that regional treasury offices would be centers for transaction processing and rayon offices would connect with these offices through telecommunication lines . However, the government insisted on a shift to a centralized architecture for all payments processing . It met the additional costs through its own resources. While the original scope of the budget was limited to processing transactions related to the Republican Budget, the Government decided to increase the scope of implementation of the Treasury function to local governments.			
The pilot systems were implemented . Evaluation missions from the IMF and the World Bank indicated that all modules were functioning as designed and that the local staff were well trained and knowledgeable .			
Based on the results of the pilot stage testing, the Treasury started replicating the new system in the remaining oblasts in June 2002. At the end of December 2002, this system had been successfully implemented at the Central Treasury and in 5-6 out of the 14 oblasts. The Central Treasury Department has established a training facility where several types of training and support are provided . The Government has decided to allocate its own budgetary resources to complete the roll-out process.			
<b>4. Significant Outcomes/Impacts:</b>			
The Treasury has the capacity to collect and provide the MOF with comprehensive and timely information required for the management of government expenditure and has significantly improved the capacity of the Government for fiscal management.			

At the time of project closing, system implementation at the 5-6 oblasts covers over 85% of the Republican budget and about 30% of the Local Government budgets. All government financial flows relating to expenditures and receipts have been restructured and are routed through the Treasury. The Central Treasury has implemented an electronic inter-bank payment and clearing system for making direct payments to suppliers accounts from the Treasury Single Account (TSA) and for receiving data on collections of tax and other receipts going directly into the TSA. Associated systems and procedures implemented under the project ensure that financial resources are spent on items for which they had originally been approved. Better cash management has enabled the Government to define the total cash resources available, allowing better formulation of its borrowing strategy. The new system is robust so that even if the Government decided to revert to a decentralized structure, the existing hardware and application software installed at the center would continue to be used.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

Technical problems are being encountered in the roll-out phase because of lack of reliable technical support arrangements. The full set of telecommunication facilities which are a prerequisite for a centralized system to work efficiently have not yet been set up. There is also evidence of capacity constraints in the communication system. At the time of project closing, a new Minister of Finance and a new management team had taken over the Ministry of Finance who want the design to revert to a decentralized architecture.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Institutional Dev.:</b>	Substantial	Substantial	
<b>Sustainability:</b>	Likely	Likely	
<b>Bank Performance:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf.:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

(i) Better analysis of the political economy and institutional stake-holders might have mitigated the very slow start-up of the project. (ii) Close coordination from the design phase between the IMF and the Bank is important in achieving significant project impact. In this case, the IMF supported the design and implementation of the underlying legal framework and setting up of the Treasury as a separate organization under the MOF. (iii) Unwavering support from the MOF was critical in overcoming resistance from other powerful ministries who were reluctant to give up separate bank accounts.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

The ICR is of high quality and candid in its observations. It has an excellent analysis of all the components, presents the current status of the project and explains the difficulties encountered during project implementation. The evidence for ratings is complete and convincing. The ICR also provides a clear response to borrower's desire to revert to the decentralized architecture, the possible courses of action and their implications for the borrower, and the policy decisions that the government needs to make if it moves to decentralizing the control over local budget execution. Finally, it attaches borrower and IMF comments to the ICR.