

**Implementation Status & Results**  
**Kyrgyz Republic**  
**Capacity Building for Economic Management Grant (P108525)**

Operation Name: Capacity Building for Economic Management Grant (P108525)      Project Stage: Implementation      Seq.No: 7      Status: ARCHIVED      Archive Date: 27-Feb-2013

Country: Kyrgyz Republic      Approval FY: 2009  
 Product Line: IBRD/IDA      Region: EUROPE AND CENTRAL ASIA      Lending Instrument: Technical Assistance Loan  
 Implementing Agency(ies):

**Key Dates**

Board Approval Date	01-Jul-2008	Original Closing Date	31-Dec-2012	Planned Mid Term Review Date	Last Archived ISR Date	12-Sep-2012
Effectiveness Date	18-Dec-2008	Revised Closing Date	31-Dec-2013	Actual Mid Term Review Date		

**Project Development Objectives**

Project Development Objective (from Project Appraisal Document)

**The objective of the Project is to assist the Recipient in establishing and institutionalizing an efficient and effective framework for formulating and implementing sustainable economic policies as well as in enhancing the capacity of public institutions responsible for the development and implementation of such policies to formulate and carry out the policies. [Objective as reflected in the Financing Agreement, which in substance is not different from the PAD but wordings are different. The most important project objectives are: a) contribute to government-wide coherent macro-economic policy development and decision making through establishing strong inter-ministerial coordination and interface; b) support process of economic policy development and implementation through enabling public institutions (and particularly the MEDT, through capacity building and restructuring) to formulate sound and analytically informed policy measure and proposals; and c) support reform of employment practices and wages in the civil service by building the capacity in a special task force in this area. [ These other main objectives are from the PAD but are not reflected in the legal agreement except item b. although broadly in line in substance ]**

Has the Project Development Objective been changed since Board Approval of the Project?

Yes       No

**Component(s)**

Component Name	Component Cost
Institutional and Technical Framework for Macro-Economic Policy	0.50
Strengthening the Capacity to Formulate and Implement Economic Policy	1.64
Building Capacity for Civil Service Reform	0.34
Project Management and Implementation Support	0.33

**Overall Ratings**

	Previous Rating	Current Rating
Progress towards achievement of PDO	Moderately Satisfactory	Moderately Satisfactory
Overall Implementation Progress (IP)	Moderately Satisfactory	Moderately Satisfactory

	Previous Rating	Current Rating
Overall Risk Rating		Substantial

**Implementation Status Overview**

Two rounds of disruption in the government hindered project implementation. First, the government was restructured to a large extent in October 2009; among other changes, the "Central Agency on Development, Investment, and Innovation" (CADII) was established and empowered with competencies over most economic policy decisions, donor coordination, and all external assistance. These changes caused shifts in the role and responsibilities of the government agencies involved in the implementation of various components and sub-components of the project. The majority of competencies that belonged to the Ministry of Economic Development and Trade (MEDT)--originally the main implementation partner for CBEM--were shifted to CADII. Consequently, CADII became the main implementing agency for CBEM.

The second round of disruption was caused by the April and June events of 2010. The April 2010 political uprising forced the President to resign and led to the formation of an interim government headed by a coalition of opposition political and civic leaders. CADII was abolished. Then in June social tensions and inter-ethnic clashes broke out in the south of the country, disrupting the government's operations and implementation of many projects, including CBEM.

Subsequently, with the formation of the interim government in 2010, the primary responsibility for the implementation of the project (which had earlier moved from MEDT to CADII in October 2009) was shifted to the new Ministry of Economic Regulation, which has been assigned the majority of MEDT's competencies. Again, the government restructuring that took place at end-2011 resulted in renaming of the MER into the Ministry of Economy and Anti Monopoly Policy. The last round of government restructuring, however, did not hinder project implementation and Ministry of Economy (MoE) remains the main agency in charge of implementation.

From early 2011, project implementation accelerated significantly, although, due to initial delays and some capacity constraints, the implementation is still behind the original plan. Progress in the second half of 2012 includes:

- (i) Adoption of a financial programming model under component 1, supported by an international consultant. The model has been adopted to produce economic forecasts by the Ministry of Economy, Finance, and the National Bank.
- (ii) Under component 2, a couple of training programs and study tours (to Latvia) were undertaken to advance the work on the Ministry of Economy's HR strategy which is expected to result in a new structure for the ministry.
- (iii) The Policy Development Group (PDPG) initiated the studies on shadow economy and on tourism, and presented their findings and recommendations to the government.
- (iv) With support of an international consultant, a new set of guidelines, process, and methodology for the regulatory impact analysis (RIA) is being introduced at the MoE.
- (v) With support of an international consultant, a diagnostic assessment of the Kyrgyz Public Investment Management (PIM) was undertaken and a report with recommendations delivered to the government.
- (vi) New TORs have been developed to pursue technical support to the MoE on implementation of the government anti-corruption program and development of a monitoring and evaluation system to assess progress.
- (vii) Significant progress under component 3 towards developing a civil service pay and grading reform strategy which has been presented to all heads of HR departments of state agencies with recommendations for reform.

Since the project was to close at the end of 2012, the government has requested an (i) extension of the closing date for 12 months to the end of 2013 to allow continuation and completion of the existing activities and training programs, and a (ii) reallocation of project funds from the unallocated category to allow utilization of the remaining funds towards strengthening the capacity of the MoE to help implementation of the government anti-corruption reform agenda. There are no changes in the project development objectives (PDO). The extension has been approved and the Bank is finalizing the reallocation of funds through restructuring of the project.

**Locations**

No Location data has been entered

**Results**

**Project Development Objective Indicators**

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Enhanced inter-ministerial coordination and capacity to ensure a coherent economic policy decision-making process.	<input type="checkbox"/>	Text	Value	No existing coordination in policy making across central Government. -date reflects Board date	Coordination committee has been meeting at times regularly, but also impacted by the changes in the government.	High level coordination committee operational, holds regular meetings with relevant agenda for major economic policy decisions.
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments		The next meeting of the Macroeconomic Policy Coordination Council is expected to be held in April 2012.	
Public institutions (and particularly the MEDT, through capacity building and restructuring) are enabled to formulate sound and analytically informed policy measure and proposals.	<input type="checkbox"/>	Text	Value	MEDT has old dysfunctional structure and low analytical capacity.	While reorganization of the Ministry of Economy has not materialized, there are changes in priorities that the ministry is focusing on. A new State Secretary has been appointed which is an step forward to managing the ministry's structure.	MER reorganized consistent with new structure.
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments		Functional review prepared for reorganization of MEAMP (former MER). The process to reorganize MEAMP has not been completed. Policy Development Unit established and capacity of Macroeconomic and Fiscal Unit has been strengthened. Progress has also been made in strengthening MEAMP's capacity to carry out Regulatory Impact Assessments.	
Capacity for carrying out a reform of wages and employment in the civil service, together with options developed	<input type="checkbox"/>	Text	Value	No existing capacity to carry out a pay reform	Salary task force has presented its recommendations in a workshop with participation of	Salary task force presents options for wage and employment reform

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					various government representatives.	
			Date	15-Jul-2008	21-Jan-2013	31-Mar-2011
			Comments		Salary Task Force established and is fully functional.	

**Intermediate Results Indicators**

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Presidential Decree/govt Regulation which (a) clearly defines roles & responsibilities in economic policy design, implementation & evaluation at central level (b) establishes an effective coordination	<input type="checkbox"/>	Text	Value	No coordination in economic policy	Coordination procedures formalized in decree or regulation. Agreement reached on composition and agenda of coordination committee	Coordination procedures formalized in decree or regulation. Agreement reached on composition and agenda of coordination committee
			Date	15-Jul-2008	21-Jan-2013	30-Jun-2011
			Comments		At central level, roles and responsibilities in economic management are defined. A coordination mechanism has been formalized. However, a strict adherence to these rules is still needed.	
Regular meetings of coordination group taking place, with appropriate agenda and relatively few major economic policy decisions being taken outside the mechanism.	<input type="checkbox"/>	Text	Value	No coordination in economic policy	Meetings of the Coordination Council for Macroeconomic and Investment Policy take place. The meetings have appropriate agenda. However, the Council does not meet on a regular basis, and the Government needs to strengthen its role in ensuring that.	Coordination committee meeting regularly with substantive appropriate agenda.
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments		The Council does not yet meet on a regular basis.	
Publication of macroeconomic and fiscal forecasts with evidence that these forecasts provide the basis for budget and economic policy discussions.	<input type="checkbox"/>	Text	Value	Not currently published by Govt.	Macroeconomic and fiscal forecasts are provided along with the key economic documents such as a government's mid-term program, mid-term budget	Publication of more detailed forecasts at least twice during the year, and evidence that forecasts form the basis of budget planning.

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					framework, annual budget laws.	
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments			
New structure of MEDT corresponds to that proposed in the SDP	<input type="checkbox"/>	Text	Value	Dysfunctional current structure	The functional review of the Ministry of Economy was completed. However, due to changes in the structure of the government the structure of the Ministry still needs to be restructured.	MEAMP reorganized consistent with new structure
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments		Functional review of MER was completed. The restructuring process started, but did not complete as the tasks of the ministry might go through changes. Although, the new Minister has expressed his commitment to this process.	
Satisfactory implementation (according to private sector surveys) of significant measures to improve the business environment proposed by the investment council.	<input type="checkbox"/>	Text	Value	No specific survey to measure reforms proposed by the investment council.	The survey has not been done yet. The Ministry of Economy has been implementing reforms to streamline government procedures for private businesses and has reduced number of inspections of private companies.	Surveys indicate progress in other areas of business environment and increase satisfaction with the performance of IC and MEDT.
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments		Despite the team's insistence, there was no readiness to launch the survey. However, the new government is taking significant steps to improve the business environment, which would probably reflect well on the results of a survey when undertaken.	

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High quality policy papers are produced and subsequently translated into policy decisions.	<input type="checkbox"/>	Text	Value	No policy papers	Two study papers have recently been finalized. One was on the shadow economy and the other on the tourism sector.	At least six policy papers developed, of which three are judged to be of high quality and at least one forms the basis of a significant policy decision
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2012
			Comments			
Pay and grading reform group established	<input type="checkbox"/>	Text	Value	No existing taskforce	The group was established and it finalized the civil service wage and grading strategy.	Salary task force established and basic data collected
			Date	15-Jul-2008	21-Jan-2013	31-Jul-2010
			Comments		The draft strategy was presented in a workshop to bring to the attention of government ministries and state agencies on options for pay reform.	
Options paper for pay reform is produced	<input type="checkbox"/>	Text	Value	No current options for pay reform	The civil service wage and grading strategy presents pay reforms.	Salary task force presents options for wage and employment reform
			Date	15-Jul-2008	21-Jan-2013	31-Dec-2010
			Comments			

**Data on Financial Performance (as of 24-Jan-2013)**

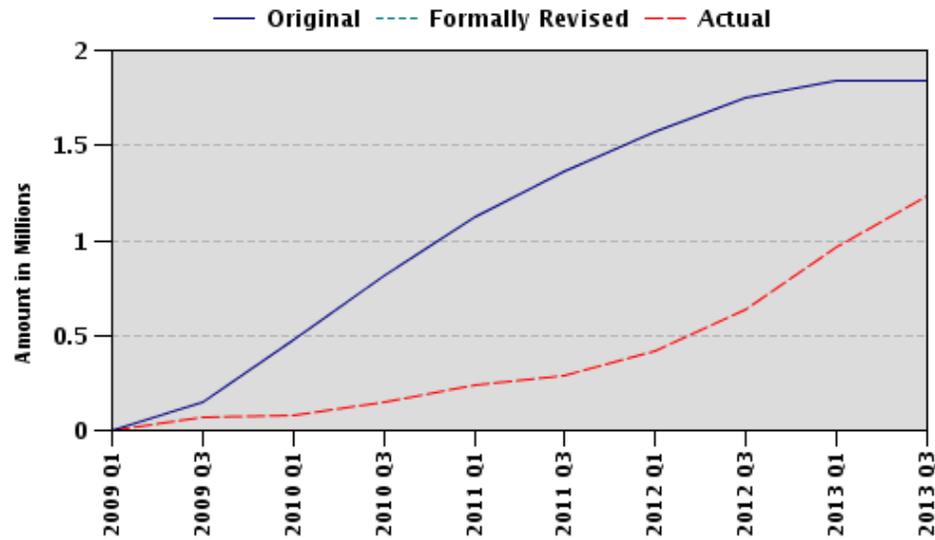
**Financial Agreement(s) Key Dates**

Project	Ln/Cr/Tf	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P108525	IDA-H3880	Effective	01-Jul-2008	22-Sep-2008	18-Dec-2008	31-Dec-2012	31-Dec-2013

**Disbursements (in Millions)**

Project	Ln/Cr/Tf	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P108525	IDA-H3880	Effective	XDR	1.90	1.90	0.00	1.23	0.67	65.00

**Disbursement Graph**



**Key Decisions Regarding Implementation**

Several important decisions were made following the appointment of the interim government in April 2010 and the formation of a new government after the October 2010 elections. First, the project Steering Committee (SC)--the project oversight body with representation from government agencies involved in CBEM implementation--that had previously been disbanded--was reappointed and re-assigned the roles and responsibilities of leading and managing the project components. Second, more power was given to the heads of individual components within the SC to independently make decisions specifically related to the implementation of their respective project components. Third, the procurement plan was revised, allocating more funds to the activities where implementation progress was faster and additional funding was needed. Finally, a local Project Manager with the mandate to facilitate project implementation was hired in 2011. The Project Manager resigned in May 2012, but a new one has been appointed in July. There has been significant progress with implementation of the project in the second half of 2012.

**Restructuring History**

Level two Approved on 14-Nov-2011, Level two Approved on 28-Dec-2012

**Related Projects**

There are no related projects.