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The World Bank

Report No: ICR00003820

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD- 48740)

ON A

LOAN

IN THE AMOUNT OF US$ 18.50 MILLION

TO THE

REPUBLIC OF KAZAKHSTAN

FOR A

CUSTOMS DEVELOPMENT PROJECT

June 15, 2016

GOVERNANCE GLOBAL PRACTICE
EUROPE AND CENTRAL ASIA REGION

CURRENCY EQUIVALENTS

(Exchange Rate Effective 23 May 2016)
Currency Unit = Kazakhstani Tenge (KZT)
1.00 KZT= US$ 0.0030
US$ 1.00 = 336.868

KAZAKHSTAN: GOVERNMENT FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ASYCUDA	Automated System for Customs Data
BEEPS	Business Environment Enterprise Perception Survey
CCC	Customs Control Committee
CDP	Customs Development Project
CMP	Customs Modernization Program
CPS	Country Partnership Strategy
ECA	Europe and Central Asia
ECU	Eurasian Customs Union
FM	Financial Management
GoK	Government of Kazakhstan
ISR	Implementation Status and Results Report
ICR	Implementation Completion and Results Report
JERP	Joint Economic Research Program
ICT	Information and Communication Technology
MTR	Mid-Term Review
M&E	Monitoring and Evaluation
NFRK	National Fund of the Republic of Kazakhstan
PAD	Project Appraisal Document
PDO	Project Development Objective
PMU	Project Management Unit
PSC	Project Steering Committee
SRC	State Revenue Committee
TARP	Tax Administration Reform Project
TFA	Trade Facilitation Agreement
UNCTAD	United Nations Conference on Trade and Development
WCO	World Customs Organization
WTO	World Trade Organization
QER	Quality Enhancement Review

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A. Basic Information			
Country:	Kazakhstan	Project Name:	Customs Development Project
Project ID:	P096998	L/C/TF Number(s):	IBRD-48740
ICR Date:	04/07/2016	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	REPUBLIC OF KAZAKHSTAN
Original Total Commitment:	USD 18.50M	Disbursed Amount:	USD 7.35M
Revised Amount:	USD 14.50M		
Environmental Category: C			
Implementing Agencies: Customs Control Committee			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	09/19/2005	Effectiveness:	03/24/2009	03/24/2009
Appraisal:	06/11/2007	Restructuring(s):	NA	
Approval:	11/27/2007	Mid-term Review:	06/30/2010	12/2011
		Closing:	12/31/2012	12/31/2015

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	Negligible
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Moderately Unsatisfactory	**Overall Borrower Performance:**	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central government administration	100	100
Theme Code (as % of total Bank financing)		
Legal institutions for a market economy	17	17
Other accountability/anti-corruption	17	17
Tax policy and administration	33	33
Trade facilitation and market access	33	33

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Cyril E Muller	Shigeo Katsu
Country Director:	Mariam J. Sherman	Annette Dixon
Practice Manager/Manager:	Adrian Fozzard	Ronald E. Myers
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ICR Co- Author	Clayton Kerswell	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**
The development objective is to increase the efficiency, effectiveness and accountability of the CCC in order to: (i) promote internationally acceptable practices for expeditious processing of international trade flows, so as to further integrate the country into the world economy and improve the investment climate and competitiveness; (ii) improve taxpayer compliance with the Customs Code and thereby increase revenue collection; and (iii) support transparency of customs operations in order to reduce the potential for

corruption and increase predictability for traders. The project will facilitate Kazakhstan's accession to the WTO, as well as post-accession support.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	**75% reduction in average customs processing time at the border posts (based on client surveys) by end of the Project**			
Value quantitative or qualitative)	29 hours (stakeholder survey)/1.36 hours (SRC)	75%		53% (stakeholder survey)/24% (SRC)
Date achieved	2011			2015
Comments (incl. % achievement)	The baseline 29 hours for customs processing was established in 2011 through a stakeholder survey. According to the last survey conducted in 2014, the final value of this indicator is 13.4 hours, which would indicate a 53 percent decrease in processing time. Data from the CCC indicated that the baseline processing time of 1.36 hours which was cut by 24 percent in 2015 to 1.03 hours. CCC confirmed that this does not cover the whole time needed for clearing customs but rather the average time spent at a customs clearance center. The target of 75 percent was not achieved by either measure even though there was an overall positive trend towards reducing customs processing times. However, the ICR team could not find credible evidence of the CDP's contribution to this positive trend.			
Indicator 2 :	**75% reduction in average customs clearance time at the inland posts by end of the Project (based on client surveys)**			
Value quantitative or qualitative)	17.2h (stakeholder survey)/1 hour (SRC	75%		0.55 hours for exports and 3.1 hours for imports
Date achieved	2011			2015
Comments (incl. % achievement)	No survey data was available for 2015 but according to the 2014 survey the value was 11.4 hours. According to the SRC, average customs clearance time in 2015 was 0.55 hours for exports and 3.1 hours for imports. It is difficult to confirm the Project's contribution to this indicator. Improvements followed the implementation of the new Customs Code in July 1, 2010, which reduced customs clearance time up to 1 day for imports and up to 4 hours for exports.			
Indicator 3 :	**Percentage of physical inspections of import declarations by Customs reduced from 70% (in 2006) to less than 40% in 2009 and 20% in 2012**			
Value quantitative or qualitative)	70%	20%		14.8%
Date achieved	2006			2015
Comments (incl. % achievement)	Based on CCC data, the percentage of consignments selected for physical inspection fell from the 2006 baseline of 70% to 23.4% in 2013 and 14.8% in 2015, which was above the target of 20%. Evidence gathered indicates that changes in this indicator were at least in part due to the requirements of the Eurasian Customs Union (ECU) not just the CDP. The CDP was expected to contribute through improvements in the risk management system, which were			

	not fully implemented due to the cancellation of the main ICT component. In addition, third party sources suggest that the actual level of physical inspections is much higher than what is reported by the CCC/SRC.			
Indicator 4 :	**Number of documents required for border and customs clearance for imports to be reduced from 14 in 2006 to 10 in 2009 and to 7 by 2012**			
Value quantitative or qualitative)	14	7		3
Date achieved	2009			2011
Comments (incl. % achievement)	Following implementation of the revised Customs Code the number of documents required to be presented for Customs clearance fell from 14 in 2009 to 12 in 2010 to only 3 in 2011 and 2012. While this exceeds the project target of 7 documents, it is difficult to confirm that the project contributed to this result, since in 2011 most project activities had not started yet. There is a discrepancy between the number of documents prescribed by the CCC and the documentary requirements identified through the stakeholder survey. According to the results of the survey, on average, 9 documents were required for customs clearance. This could be due to the fact that CCC performed delegated tasks on behalf of other government agencies that, depending on the goods in question, prescribed certain additional documents.			
Indicator 5 :	**20% increase in ratio of total revenue collected by customs to number of customs staff (US $)**			
Value quantitative or qualitative)	426,250	20%		179%
Date achieved	2006			2015
Comments (incl. % achievement)	The baseline was calculated prior to Kazakhstan's participation in the Customs Union. Using 2011 as a new base, performance has improved by 79 percentage points in 2014, which is well above the targeted 20% increase. 2015 data reflects revenues collected in 10 months. However, data from 2011 and 2014 is not comparable because revenues and staffing numbers included both tax and customs in the merged SRC. Improvements in revenue collection can largely be attributed to the ECU.			
Indicator 6 :	**Client service standards covering key customs outputs are established by end of 2008 with performance against standards published annually from 2009**			
Value quantitative or qualitative)	Not established, not published	Established, performance published		Six service standards adopted by Government Decree
Date achieved	2006			2012
Comments (incl. % achievement)	A series of core service standards and key performance indicators covering all major Customs responsibilities, six of which were agreed and formalized as the client service standards for the CCC through a Government Decree. The adoption of the standards represented a significant improvement in transparency and public accountability to which the CDP contributed.			
Indicator 7 :	**Improved perception of traders and other stakeholders regarding the frequency of unofficial payments to customs officials as measured by**			

	periodic surveys			
Value quantitative or qualitative)	Base line to be established	Significant improvement		71,2%.
Date achieved	2011			2014
Comments (incl. % achievement)	The baseline was established in 2011 at 60%. According to the stakeholder survey conducted in 2014, 71.2% of traders had a positive perception of customs professionalism and integrity. The methodology used to conduct the surveys was not fully disclosed and it is not clear what questions were exactly asked and how the responses were analyzed and interpreted. In addition, as with other indicators, it is not possible to identify whether and how the CDP contributed to this trend.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
	Component 1			
Indicator 1 :	**Strategic plan is prepared, published on CCC web-site starting from 2009, and reviewed annually**			
Value (quantitative or Qualitative)	Not prepared/ Published	Reviewed, review published		A strategic plan for the CCC for the period 2012 – 2020 was prepared based on an analysis of the strategic management and planning situation in the CCC.
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)	A strategic plan for the CCC for the period 2012 – 2020 was prepared based on an analysis of the strategic management and planning situation in the CCC. The inputs on strategic planning delivered through the project resulted in a much stronger internal capacity for planning and results monitoring. However, after the merger of CCC with the Tax Committee, a new SRC strategy was put in place with support of the JERP program.			
Indicator 2 :	**New HRM plan which includes provisions for merit-based promotion and remuneration, is developed (by end 2008), approved, and implemented (by 2009).**			
Value (quantitative or Qualitative)	Not prepared	HRM Plan approved and implemented		A new HR strategy was developed based on an analysis of the existing HR policies and processes.
Date achieved	10/30/2007	31/12/2012		

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Comments (incl. % achievement)	A new HR strategy was developed based on an analysis of the existing HR policies and processes. Even though many elements of the new strategy were adopted by the CCC, the strategy could not be fully implemented due to the merger with the Tax Committee.			
Indicator 3 :	**Comprehensive training strategy, curriculum, and distance learning systems are developed and used for continuous professional development of CCC staff**			
Value (quantitative or Qualitative)	Not in place	Distance learning system is used for continuous professional development of at least 20% of customs staff annually		A comprehensive training strategy, revised training materials, curriculum and a competency framework were developed based on a competency assessment. However, the competency framework was not fully implemented due to the merger. A Distance Education program was developed and implemented at the Training Methodological Center of the CCC in Astana.
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)				
	Component 2			
Indicator 4 :	**Amendments to legislation enacted to support new systems and procedures; all customs legal, regulatory documents and forms are available on CCC web-site by end of 2009**			
Value (quantitative or Qualitative)	Not specified	Legal, regulatory documents, and forms available on the web-site		Improvements in the legislative framework were delivered.
Date achieved	10/30/2007	31/12/2012		
Comments (incl. %	Improvements to the legislative framework were identified and drafted and endorsed under the CDP, but not implemented by SRC			

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
achievement)				
Indicator 5 :	**Integrated Tariff Automated System is developed and made operational (by 2009), and incorporates 50% of all other agency requirements by 2010; and 80% - by 2011 and 100% by end of 2012.**			
Value (quantitative or Qualitative)	Not in place	100% of inter-agency requirements are captured in the system operational		Software for an Integrated Customs Tariff Database, modules for customs information management system and e-audit software
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)	As a result of these outputs, the SRC introduced a free public electronic, web-based searchable database of customs tariffs. Previously this service was paid. This was highly appreciated by the business community of Kazakhstan.			
Indicator 6 :	**Full acceptance of electronic data submission for customs declaration procedures by the end of 2010.**			
Value (quantitative or Qualitative)	Not specified	Fully operational		Hardware was acquired to support e-declarations
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)	Hardware was acquired to support e-declarations, but the main contracts expected to introduce e-declaration were not implemented			
Indicator 7 :	**Increase in ratio of total additional revenue assessed as a result of post clearance controls to total revenue assessed by 10 % by end of 2009 and by 25% by end of 2012 (corrected for inflation)**			
Value (quantitative or Qualitative)	2%	25%		NA
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)	No data is available.			
	Component 3			
Indicator 8 :	**New integrated IT system is available by the end of 2010, piloted by end of 2011, and is fully operational by end of 2012**			
Value (quantitative or Qualitative)	Not present	System fully operational		The IT system was not procured

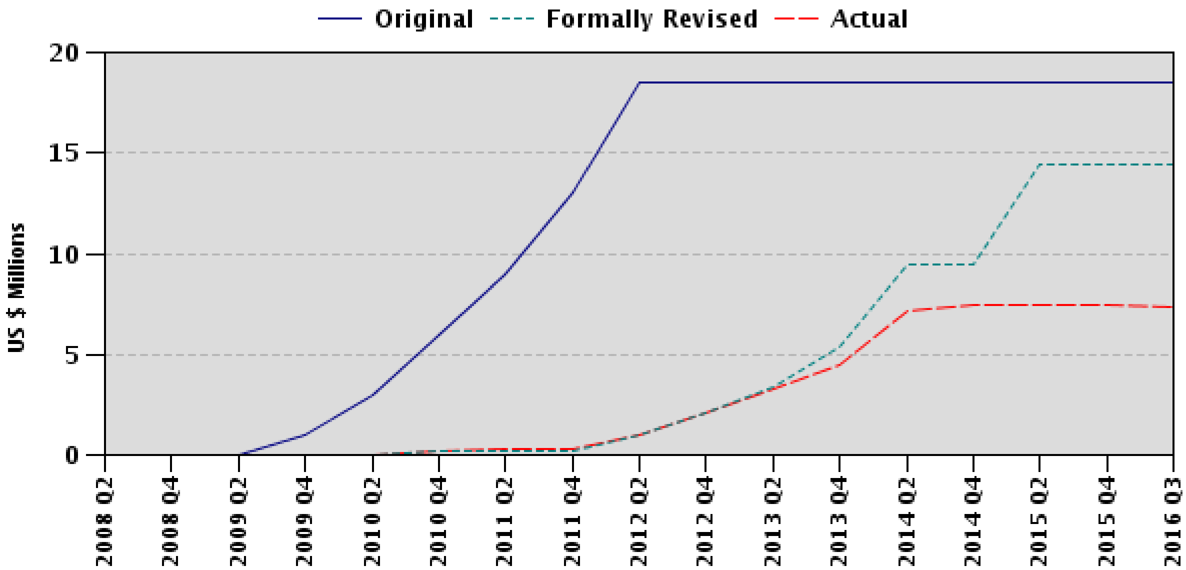
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)	The IT system was not procured, since SRC decided to acquire the ASYCUDA provided by UNCTAD instead of developing its own system.			
Indicator 9 :	Backup and disaster recovery center is established by end 2008 and is fully operational by end of 2011			
Value (quantitative or Qualitative)	Not present	Center fully operational		The Centre was not established
Date achieved	10/30/2007	31/12/2012		
Comments (incl. % achievement)	The Centre was not established.			

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/30/2008	Satisfactory	Satisfactory	0.00
2	06/02/2009	Satisfactory	Satisfactory	0.00
3	02/26/2010	Satisfactory	Satisfactory	0.00
4	02/19/2011	Satisfactory	Moderately Satisfactory	0.25
5	10/11/2011	Satisfactory	Moderately Satisfactory	0.51
6	05/19/2012	Satisfactory	Moderately Satisfactory	1.56
7	03/31/2013	Moderately Satisfactory	Moderately Unsatisfactory	3.86
8	10/08/2013	Moderately Satisfactory	Moderately Unsatisfactory	4.45
9	04/30/2014	Moderately Satisfactory	Moderately Satisfactory	7.42
10	11/23/2014	Moderately Satisfactory	Moderately Satisfactory	7.42
11	06/24/2015	Moderately Satisfactory	Moderately Satisfactory	7.42
12	12/26/2015	Moderately Satisfactory	Moderately Satisfactory	7.42

H. Restructuring (if any)

I. Disbursement Profile


Original
Formally Revised
Actual
US $ Millions
20
15
10
5
0
2008 Q2
2008 Q4
2009 Q2
2009 Q4
2010 Q2
2010 Q4
2011 Q2
2011 Q4
2012 Q2
2012 Q4
2013 Q2
2013 Q4
2014 Q2
2014 Q4
2015 Q2
2015 Q4
2016 Q3

Executive Summary

The Kazakhstan Customs Development Project (CDP) was approved on 27 November 2007 with the objective of increasing the efficiency, effectiveness and accountability of the Kazakhstan Customs Control Committee (CCC) and support Kazakhstan's accession to the World Trade Organization (WTO). CDP had three components: institutional development, governance and human resource management; customs operations; and information and communication technology (ICT). The initial project cost was US$61.72 million of which US$18.50 million was to be provided by an IBRD loan and the remainder as counterpart financing. The project started only in July 2009, eighteen months after approval, due to delays in the ratification of the Loan Agreement and formation of the Project Steering Committee. CDP was restructured twice: in 2012 it was extended by two years (until December 31, 2014) and in 2014 it was extended until 31 December 2015, when the project closed. At the time of the second restructuring, US$4 million of the loan funds was cancelled. Total disbursements at project closing were just US$ 7.35 million: 51 percent of the revised loan amount. **The overall outcome rating is assessed as Moderately Unsatisfactory**.

The Government was committed to the customs reform agenda at project design and made progress early on with the adoption of a new Customs Code that streamlined procedures as a requirement for Kazakhstan's entry into the Eurasian Customs Union in July 2010. Thereafter the Government lacked a strategic vision for CDP and paid insufficient attention to the development of the institutions needed to support reforms. Implementation was hampered by frequent changes of CCC executive and key members of the project management unit while procurement decisions were often delayed due to compliance with internal Government requirements beyond those imposed by the Bank. The project stalled after the merger of the Tax and Customs Committees under the State Revenue Committee (SRC) in August 2014 and with the onset of the economic crisis in 2014-2015. SRC decided to acquire the Automated System for Customs Data (ASYCUDA) system provided by the United Nations Conference on Trade and Development (UNCTAD). Development of an integrated customs ICT system was no longer considered relevant and SRC requested that the remaining procurements related to IT be cancelled. During the second half of 2014, a 50 percent fall in oil prices and a 50 percent depreciation of the tenge against the US dollar impacted the Government's ability to provide sufficient counterpart financing. There were no disbursements from CDP after November 2014.

Data provided by CCC indicates that all of the PDO indicators were either fully or partially achieved. Average customs processing time at the border posts, average customs clearance time at the inland posts, physical inspections of import declarations by Customs, the number of documents required for border and customs clearance for imports were reduced while revenue collected by customs staff increased. Client service standards covering key customs outputs were established and the perception of traders and other stakeholders regarding the frequency of unofficial payments to customs officials was improved. Kazakhstan signed the protocol on WTO accession on July 27, 2015.

However, it is difficult to attribute these achievements to CDP. First, without an explicit results chain detailing the link between project activities, outputs and PDO outcomes it is not possible to differentiate between results achieved through CDP support and results achieved by GoK independently or through external factors, such as the entry into force of the Customs Union. Second, CDP's M&E arrangements did not generate robust data and the results reported by CCC/SRC differed significantly from data derived from stakeholder surveys. Third, CDP's principal contribution to the PDO was expected to come from the introduction of electronic filing of customs declarations through an integrated ICT system, the procurement of which was cancelled. As a result, with the exception of the adoption of client service standards, which can be attributed to the project, and WTO accession, to which CDP contributed, there is no evidence that CDP contributed to changes in the PDO indicators.

Looking beyond PDO indicators, the Project did contribute to institutional improvements which made an indirect contribution to achieving the PDO. Component 1 introduced distance learning in the Training and Methodological Center and recommendations on CCC organizational design, HR optimization, anti-corruption and change management, as well as training. Component 2 delivered an analysis of current business processes, revised business process maps in line with international standards and training in risk management, post-clearance audit, compliance management. While the impact of Components 1 and 2 was expected to be fully realized when the new Integrated Customs Management System became fully operational, the Government has indicated that some of the recommendations delivered by these two components are still relevant and inform the current customs reform agenda.

1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. **Country context.** Kazakhstan is the ninth largest country in the world and the largest landlocked country by land area. Natural resources have been the cornerstone of the country's development. Kazakhstan is one of the world's top 20 oil producers, with estimated reserves of 40 billion barrels, or about a 2 percent share of global oil production. Following independence in 1991, Kazakhstan suffered economic stagnation, experiencing hyperinflation, high rates of unemployment and steep decline in GDP. Between 1990 and 1995, GDP fell to half of the pre-independence level. Development of the country's energy sector coupled with rising oil prices led to an economic recovery. Kazakhstan's economy has expanded almost tenfold since 2002, from a gross domestic product (GDP) of $24.6 billion in 2002 to $231.9 billion in 2013. Growth catapulted Kazakhstan to upper-middle-income country status with a gross national income (GNI) per capita of $11,501 in 2013, close to the high-income country threshold of $12,745.

2. At the time of project preparation in 2006, economic growth had reached an all-time high of 10.7 percent. High oil prices had increased export earnings and revenues, and had helped boost Kazakhstan's current account and fiscal surpluses which increased from about 6 percent of GDP in 2005 to about 8 percent of GDP in 2006. Most of the fiscal surplus from oil revenues was accumulated in the National Fund of the Republic of Kazakhstan (NFRK) which, apart from its stabilization and savings functions, was used for foreign exchange sterilization. The Government of Kazakhstan (GoK)'s borrowing policies were very prudent in light of the fact that oil revenue was flowing in amounts that could not easily be absorbed. The share of revenues collected by the customs service was about 30 percent of total state budget revenues.

3. **Sector Context.** At the time of project design, GoK viewed integration into the global economy and regional partnerships such as the Eurasian Economic Community as a prerequisite for a qualitative boost to economic development. GoK was in the process of negotiating the country's accession to the World Trade Organization (WTO), which was expected to result in a significant increase in foreign trade, contribute to improving Kazakhstan's international investment reputation, and create opportunities for improving its competitiveness in international markets. Modernization of the Customs Control Committee's (CCC) business processes was necessary to facilitate trade, a key issue discussed in WTO negotiations and so a priority for the President and the Government. GoK embarked on customs reform with a view to facilitating trade and transit, improving the business climate and competitiveness and combating corruption.

4. CCC had made significant improvements in the functioning of customs. The legislative framework was strengthened by the enactment of a new Customs Code in 2003, after extensive consultation with the private sector. Revenues collected by the CCC –import tariffs, value-added tax (VAT) and excise on imported goods – increased by nearly 35 percent in 2004 and 2005 and productivity, as measured in terms of the average number of declarations processed by staff, increased by 18 percent in 2004. Significant investments had been made in technology and infrastructure. Steps had been taken to improve integrity and good governance in customs with the establishment of an Internal

Security Department. The CCC had also developed a positive corporate culture and shown a willingness to adopt modern international standards.

5. However, the reform agenda remained challenging given the complexity of customs modernization reform. The costs of revenue collection were high by international standards. Productivity was half the average for South East European countries. Business processes were not conducive to trade or economic development and provided opportunities for rent-seeking. The customs regime was characterized by excessive document review and physical inspection of transactions. This led to delays and expensive clearance procedures for traders with little in the way of enforcement results to justify the level of physical interventions. While not often voiced openly, there were allegations of facilitation payments to customs staff and those of other border management agencies and that payments were extracted by some of their staff, or offered by clients, to expedite release and to minimize duties, taxes and other fees. Perception of corruption among businesses remained a serious issue- according to the Business Environment Enterprise Perception Survey (BEEPS): the percentage of firms in Kazakhstan that stated bribery was frequent in customs in the 2005 stood at the same level as in 2002.

6. **Sector policy.** GoK's vision for customs reform was outlined in the triennial plan Customs Modernization Program (CMP) 2007-2010 and reiterated in several speeches made by the President in the Kazakhstan Parliament. GoK sought to modernize the customs administration as a means to enhance Kazakhstan's international trade and competitiveness, and to make the country one of the top 50 most competitive economies in the world. In the medium term, the CCC saw itself as transitioning to a modern service-oriented philosophy, with international standards in customs processing, significant emphasis on human development and training, substantial reduction in avenues for corruption, use of state-of-the-art technology and risk management techniques.

7. **Rationale for Bank's assistance.** Despite the deep commitment of GoK to serious customs reform, the results of repeated attempts thus far, had not yielded satisfactory results. At the time of project design, the World Bank had already gained extensive international experience, particularly in Russia and Turkey in the Europe and Central Asia (ECA) region, in helping countries with institutional reforms of customs administrations similar to those needed in Kazakhstan. The Bank's experience with developing comprehensive customs reform and modernization plans/strategies and establishing effective mechanisms to monitor them was relevant for the challenges faced by the customs administration in Kazakhstan. The Bank's extensive experience in dealing with issues of integrity and corruption in the customs sector in other countries, including economies in transition, was also of relevance. The Bank was well placed to add value to customs reform in Kazakhstan and assist the GoK in meeting WTO accession requirements. GoK's decision to seek World Bank assistance had the support of the World Customs Organization (WCO).

1.2 Original Project Development Objectives (PDO) and Key Indicators

8. The Project development objective (PDO) was to increase the efficiency, effectiveness, and accountability of the CCC in order to: (i) promote internationally

acceptable practices for expeditious processing of international trade flows, so as to further integrate the country into the world economy and improve the investment climate and competitiveness; (ii) improve taxpayer compliance with the Customs Code and thereby increase revenue collection; and (iii) support transparency of customs operations to reduce the potential for corruption and increase predictability for traders. A fourth objective of the Project was to facilitate Kazakhstan's accession to the WTO and provide post-accession support. The key results indicators for the Project were:

- 75 percent reduction in average customs processing time at border posts (based on client surveys) by end of the project;
- 75 percent reduction in average customs clearance time at inland posts by the end of the project (based on client surveys);
- Reduction in physical inspections of import declarations by customs from 70 percent (in 2006) to less than 40 percent in 2009 and 20 percent in 2012;
- Reduction in the number of documents required for border and customs clearance for imports from 14 in 2006 to 10 in 2009 and to 7 by 2012;
- Increase in the ratio of total customs revenue collected to number of CCC staff by 20 percent;
- Client service standards covering key customs outputs established by 2008 with performance against standards published annually from 2009; and
- Improved perception of traders and other stakeholders regarding the frequency of unofficial payments to customs officials as measured by periodic surveys.

1.3 Revised PDO and Key Indicators

9. The PDO remained the same throughout the project and there was no change in the PDO indicators.

1.4 Main Beneficiaries

10. The direct beneficiary of the project was CCC and its successor the State Revenue Committee (SRC). In addition to its national headquarters, the CCC was organized into 16 regions and 3 major customs offices directly reporting to headquarters, with 175 customs stations (113 inland and 62 border customs stations) and 33 checkpoints. CCC had a staff of approximately 6,000 and was responsible for 14,053 km of borders patrolled jointly by customs mobile units and the Border Police. SRC has approximately 15,000 staff. The indirect beneficiaries of the project were Kazakhstan's business and trading communities.

1.5 Original Components

11. The project consisted of three main components, dedicated to institutional development (Component 1), customs operations (Component 2) and information and communication technology (ICT) (Component 3), and a component for project management.

12. **Component 1: Institutional Development, Governance, and Human Resource Management (US$15.75 million).** This component had eight sub-components which would finance: (i) a comprehensive review of the CCC organizational structure including workload analysis and future staffing requirements as new systems and procedures are progressively implemented; (ii) a detailed review of CCC strategic planning methodology

and delivery of training programs to assist the newly created Modernization and Strategic Development Unit; (iii) development of service standards and establishment of a modern management information system (MIS); (iv) review, redesign, development, and implementation of the National Integrity Development Plan within an effective anticorruption framework; (v) development and implementation of a human resource management strategy to facilitate a steady move towards a more professional Customs service; (vi) the development of a comprehensive training strategy and curriculum, based on a competency assessment and support for the establishment of the Customs Academy; (vii) the preparation of a comprehensive change management and continuous improvement strategy; and (viii) implementing a cost-based financial management framework that can be used to monitor the cost of customs services, a requirement for WTO accession.

13. **Component 2: Customs Operations (US$16.30 million).** This component had six subcomponents which would finance: (i) activities to align the code and secondary legislation with major international instruments and best practices; (ii) establishment of a special unit staffed with tariff, legal and systems-design specialists to build and maintain an integrated tariff system and development of e-document systems software; (iii) support to implement new measures of cargo control and declaration processing based on risk management; (iv) strengthening of the back-end functions of post-clearance verification and audit through the design and implementation of a risk management system; (v) strengthening of law enforcement functions through training and enhancement of support facilities; (vi) development of a comprehensive control and enforcement strategy to strengthen CCC capacity to manage compliance risks; and (vii) activities to strengthen interaction and collaboration within customs, with other border control agencies both within Kazakhstan and neighboring countries, and with regional and international institutions involved in international trade. In addition, this component will finance a comprehensive review and rationalization of all import, export, and transit procedures and documentation across government agencies.

14. **Component 3: Information and Communication Technology (ICT) (US$28.41 million).** This component had three subcomponents: (i) activities to strengthen CCC organizational capacity to plan and manage the ICT systems effectively; (ii) development of an integrated ICT system based on proven technologies used in modern customs administrations and customized to Kazakhstan's conditions; and (iii) strengthening of archiving, data warehousing and security capacity of CCC.

15. **Component 4: Program Management (US$1.26 million).** The purpose of this component was to ensure the effective and efficient management and coordination of all project activities and to comply with World Bank accountability requirements. To this end, this component would finance the setting up of a Project Management Unit (PMU) staffed by customs officials within the Modernization Department of the CCC.

1.6 Revised Components

16. There were no revisions to the components.

1.7 Other significant changes

17. **First Restructuring.** The first Level-2 restructuring of the Project, completed in January 2012, extended the closing date of the project by 36 months from December 31, 2012, to December 31, 2014. A significant delay in ratification of the Loan Agreement and initiation of the Project Steering Committee (PSC) had caused project implementation to start 18 months late. While project activities were moving at a steady pace at the time of the extension, the lag created by the initial delay could not be bridged because additional tasks were implemented in parallel to new priorities resulting from the creation of the Customs Union with Russia and Belarus.

18. **Second restructuring.** A second Level-2 restructuring, completed in November 2014, extended the closing date of the Project from December 31, 2014, to December 31, 2015. The extension was required to complete the procurement of hardware and software and allow for installation and piloting. This followed a partial cancelation of loan funds (US$ 4 million) agreed earlier that year as a result of depreciation of the tenge.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

2.1.1 Soundness of the background analysis

19. The project design was informed by analytical work and the Bank's experience in institutional reforms of customs, particularly in the ECA region. A comprehensive diagnostic assessment was conducted during project preparation. Other reports that informed project design included studies conducted within the Joint Economic Research Program (JERP), such as the report "Towards an Optimal Taxation System in Kazakhstan", BEEPS and Doing Business reports. To ensure that the approach taken during the diagnostic process was robust and comprehensive, the design team drew also on the WCO Customs Capacity Building Diagnostic Framework. The framework provided a comprehensive template for addressing all key operational and support functions of customs and was based on the application of agreed international standards and best practice approaches. Project design was also informed by GoK's own vision of customs reforms expressed in its CMP 2007-2009 and the "Concept of Development of the Customs Service on the Republic of Kazakhstan for 2007-2010."

2.1.2 Assessment of project design

20. **Objectives**. The Project PDO was overly ambitious. The objectives were to be achieved in only four years, an accelerated pace of reform relative to GoK's track record in customs modernization and other institutional reforms over the previous ten years. Some of the targets, such as 75 percent reduction in average customs processing time at border posts and 75 percent reduction of clearance time at inland posts, were ambitious when compared with similar projects elsewhere in the region: the Russia CDP, for example, anticipated a 10 percent reduction in processing time at borders and 50 percent reduction in clearance time over a similar time frame. More modest PDO and targets would have been prudent considering the substantial risks identified at project appraisal (see paragraph 25), including procurement and financial management risks, the

complexity of the proposed reforms, the limited capacity of the borrower and the reliance on Republican budget (70 percent of the total funding),.

21. **Components.** The Project design was based on WCO's capacity building methodology and framework, with each section of the methodology representing a Project sub-component. The sub-components were grouped into three technical components with the following themes: (i) institutional development and governance; (ii) customs operations; and (iii) information and communications technologies. The fourth component supported project management. Each component was to be led by a component coordinator and supported by a thematic working group made up of senior experts. While all components and sub-components were relevant for the PDO at project design, Component 3 related to ICT and parts of Components 1 and 2 became less relevant as implementation progressed and the institutional environment of customs reform changed.

22. **Client capacity.** The institutional capacity of CCC to support an extensive reform was rather limited particularly when considering that responsibility for border management was shared with other agencies, such as the Financial Police and the Border Guards. Customs officers had a negative image with the public due to perceptions of corruption. Previous modernization efforts had failed and the internal capacity to manage a substantial reform project was limited, especially in the area of information and communication technologies. Modernization efforts were hampered by frequent changes of IT managers.

23. In 2006, the Bank carried out an assessment of CCC's capacity to implement procurement which identified significant risks to the CDP. The assessment found that procurement processes conducted at the national level suffered from insufficient transparency and government officials involved in project procurement were not always familiar with international procurement procedures. More importantly, the assessment uncovered that the CCC had limited capacity in: conducting international bidding processes for procurement of goods; preparing technical specifications for procurement of the different types of office equipment that would be required by the Project; preparing terms of references for consultancy services; and contract administration under World Bank procedures. While the project design incorporated measures to address these capacity limitations, lack of knowledge of Bank procedures and poor drafting of technical specifications did lead to delays in procurement.

24. Client capacity in financial management (FM) was also limited. While the FM arrangements were satisfactory, the overall FM risk was assessed as High even after CCC implemented an action plan before project appraisal. This was mainly due to the lack of experience of the CCC Financial Management Department in implementing Bank-financed projects. The Bank organized a three-day workshop in Astana to train the staff of the CCC on their fiduciary responsibilities before the Project became effective.

25. **Assessment of risks.** The Project Appraisal Document (PAD) identified a total of ten risks and rated overall risk as Moderate. All of the identified risks were relevant: most of them related to the client's limited capacity and mitigation measures were planned accordingly. However, only three of the risks were identified as High: the risk of weakening GoK support for customs reforms; the risk of limited institutional support for

the reforms aimed at fighting corruption; and the risk that CCC might only pay lip service to reforms instead of actually improving its capacity. In hindsight, the risk related to changes in the chairmanship of CCC should have also been assessed as High as well and mitigation measures should have been proposed. Frequent changes in the chairmanship of CCC were one of the main factors causing implementation delays, reform fatigue and loss of institutional memory. The risk related to ICT reforms also materialized, suggesting that the mitigation measures were inadequate. Finally, the project design failed to consider political economy risks, even though these were highlighted at the Quality Enhancement Review (QER). Political economy risks proved to be critical for project implementation, starting with the delayed ratification of the Loan Agreement and the inability to form the PSC, Kazakhstan decision to join the Customs Union with Russia and Belarus, which rendered some of the Project's outputs no longer relevant, and changes due to the merger of the CCC with the Tax Committee which further delayed implementation. These reforms radically changed the institutional environment and absorbed CCC's management attention to the detriment of the CDP implementation.

26. **Adequacy of Government commitment.** The development of the Project was supported by a high level of GoK commitment to reform. At project design, customs modernization was a priority for the President and the Government, seen as critical for improving Kazakhstan's competitiveness and creating an attractive business climate and trade environment. GoK was already implementing an ambitious modernization program consistent with the Project's objectives and international best practice. GoK had signaled its commitment to fighting corruption in customs through a regional conference on corruption issues organized by the Chairman of the CCC in January 2007. Thanks to such efforts the CCC had developed a positive corporate culture and a willingness to adopt international standards, fostered in part through Bank-funded peer-learning exchange visits and workshops for CCC leadership and senior staff.[1] GoK's goal of WTO membership was expected to lock in reform strategies implemented through the Project.

2.2 Implementation

27. Project implementation was delayed by a number of factors, such as waning GoK commitment to the project, the limited procurement capacity of the PMU, delays in securing counterpart funding, inadequate attention to change management, the decision not to restructure despite changed institutional environment, membership of the Customs Union and the merger of CCC with the Tax Committee.

28. **Institutional development.** GoK's customs reform agenda focused on international commitments leading to membership of Eurasian Customs Union in 2010 and WTO accession in 2015. Beyond these commitments, GoK lacked a strategic vision for CDP and paid insufficient attention to the development of the institutions needed to support reforms. While GoK endorsed CDP's institutional development agenda during preparation, once implementation started, GoK did not engage on institutional reform

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[1] The peer-learning exchange visits and workshops for CCC leadership and senior staff were organized through the following projects: Trade & Transport Facilitation in Southeast Europe Project (TTFSE) (P065041); Trade & Transport Facilitation in Southeast Europe Project (TTFSE) (P065041); Kazakhstan Customs Peer-learning Exchange Visits (JERP) (P104078).

issues and the project depended on the priorities of the CCC Chairmen. The eighteen month delay in ratification of the Loan Agreement by Parliament and delays in compliance with the effectiveness condition related to the appointment of the PSC were early signs of waning commitment. The PSC, which was supposed to drive and coordinate the reform agenda, was not effective and met only twice due to its large size (19 members) and the limited availability of its members.

29. **Management Capacity.** Implementation of the reform program was delayed by frequent changes in CCC management and PMU: there were four CCC chairmen and five project managers from project approval up to the creation of the SRC. Staffing changes affected operational positions in the PMU, with replacement of essentially the entire unit on at least one occasion. A change management advisor was not recruited to the PMU until 2013, despite the fact that change management was considered to be key to building capacity to absorb the reforms. Communication with the public and the traders' community was also poor: a communications consultant was hired only during the last year of implementation.

30. **Procurement capacity.** Procurement capacity constraints identified at appraisal had not been adequately addressed by CDP start-up. Procurement workshops for project staff took place in May and September 2009 but the recruitment of an international procurement specialist was delayed until October 2009. While the Bank maintained acceptable turn-around times in provision of Bank 'no-objections', the Project suffered from regular delays in execution of procurement decisions by the borrower. This was partly due to the long internal approval process for contracts related to IT packages and the client's limited experience with World Bank procurement guidelines. Procurement decisions were further delayed by internal Government requirements beyond those imposed by the Bank, notably the requirement for a feasibility study for IT investments.

31. **Choice of Technology.** CDP was expected to improve efficiency in customs administration through the introduction of electronic filing of customs declarations (e-declaration) as part of an integrated ICT system. However, IT procurements related to Component 3 were cancelled following the merger of customs and tax administrations, when the SRC decided to acquire the Automated System for Customs Data (ASYCUDA) system provided by the United Nations Conference on Trade and Development (UNCTAD) instead of developing its own system. The GoK believes that the ASYCUDA system will serve the needs of the new SRC better than would different customized systems for customs, tax and economic crimes. The system is planned to be rolled out in 2017

32. **Counterpart funding.** The Implementation Status and Results Reports (ISRs) rating for counterpart financing was Highly Satisfactory up to the last year of implementation. Given the heavy reliance on the Republican budget, which financed around 70 percent of the project's budget, delays in GoK funding were bound to have a disproportionate impact on implementation. Delays in securing Republican budget for the Project occurred several times, but counterpart funding effectively ceased in 2014-2015 due to the adverse economic situation: during the second half of 2014, oil prices fell by about 50 percent and the tenge depreciated by almost 50 percent against the US dollar, affecting GoK revenues. Lack of counterpart financing prevented the project proceeding with the remaining procurements. There were no disbursements after November 2014.

33. **Membership of the Eurasian Customs Union.** Kazakhstan decided to join the Eurasian Customs Union with Russia and Belarus in 2010. This required harmonization of customs procedures and made some customs reform initiatives subject to approval by the Commission of the Customs Union. Implementation of the Customs Union's requirements had an immediate impact on most of CDP's PDO indicators, notably the number of documents required for border and customs clearance and the percentage of physical inspections of goods was reduced. However, these changes happened independently of CDP activities (see section 3).

34. **Merger of Tax and Customs Committees.** In 2014 GoK announced the merger of the Customs and Tax Committees and the formation of the State Revenue Committee headed by a new Chairman. SRC decided that the CDP and the Bank-financed Tax Administration Reform Project (TARP) would continue as planned, since both projects were already at an advanced stage of implementation. Initially, SRC decided also to go ahead with the procurement of equipment which was specifically needed for the administration of each revenue instrument. However, the merger disrupted project implementation and caused delays in procurement. SRC's new priority was to integrate the functions and IT systems of tax and customs authorities, as well as those of its newly acquired responsibilities for economic crimes investigation. As a result, many of the outputs which were already delivered and the remaining planned activities, notably the development of an integrated customs ICT system, were no longer considered relevant. Consequently, SRC requested that the remaining procurements related to IT be cancelled and some of the outstanding components of the CDP be incorporated in a restructured TARP. However, at the time of ICR preparation TARP has not been restructured yet.

35. **Project Restructuring.** In planning the Mid-Term Review in November 2011, both the CCC and the Bank team anticipated that some adjustments in the project design would be needed to accommodate Kazakhstan's entry into the Eurasian Customs Union (ECU). However, the MTR ultimately did not propose project restructuring. The report provided an overview of CCC modernization efforts, challenges ahead and recommendations how to address them. It did not discuss how CDP activities contributed to these reforms or whether the PDO indicators remained relevant, given that they showed improvements even before the start of CDP activities (see section 2.3 on M&E). The MTR highlighted issues with the data reported by CCC, which was significantly different from data reported by independent surveys. Instead, the report recommended a two year extension of the project's closing date and limited its recommendations to operational issues: advising the PMU to improve coordination between project activities and the various consulting firms working on different aspects of customs administration and to ensure continuity of staff, in order to reduce disruption caused by high staff turnover.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

36. **M&E design.** The M&E design of the project suffered from deficiencies which make it difficult to attribute the achievement of PDO indicator targets to CDP activities.

37. First and foremost, the PDO indicators did not capture the project's contribution to achieving the PDO. Instead PDO indicators were chosen to provide *"a broader assessment of the achievement of key reform goals and objectives of the Government"*.[2] All of the PDO indicators were sensitive to changes outside the control of the Project; indeed the ISRs showed that the customs reforms were making significant progress against PDO indicators even before the start of CDP activities[3]. Lack of an explicit results chain detailing the link between project activities, outputs and PDO outcomes make it difficult to distinguish between results achieved through CDP support and results achieved by the GoK independently[4]. None of the Aide Memoires (AMs) or ISRs describe how CDP contributed to changes in PDO indicators, but they do document the impact of external conditions. As a result, the PDO indicators measured the broader reform agenda pursued by the GoK rather than of the specific contribution of CDP to these reforms. This limited their usefulness in measuring progress on the Project's objectives.

38. Second, the results framework did not capture key aspects of effectiveness and institutional development. The CCC (and SRC today) had broad administrative responsibilities, including community protection, border security, industry support and trade facilitation, which are not measured by the PDO Indicators. While institutional strengthening and capacity building were important aspects of the Project supported by Components 1 and 2, there were no PDO or intermediate indicators capturing the impact of these activities. Alternative indicators could have been selected. The QER meeting proposed two additional indicators: reduction in the gap between the Kazakh data on imports and neighboring country's data on exports; and results obtained from risk-based interventions expressed as a percent or ratio of detections to examinations conducted. However, these indicators were not included in the project results framework.

39. Third, the results framework did not specify the precise definition of the indicators and the methodology for collecting them. This resulted in significant differences between data provided by CCC/SRC, stakeholder surveys commissioned by the project or third- party sources. For example, there were significant differences between CCC statistics on PDO Indicators 1 and 2 regarding customs processing time at *border* posts and clearance at *inland* posts and data from the 2011 stakeholders' survey. According to the survey, customs processing at border posts was 29 hours (vs 1.36 hours reported by CCC) and clearance time at inland posts was 17.2 hours (vs 1 hour reported

[2] PAD, p. 13. On the other hand, CDP PDO indicators were similar to those used in other projects- see Annex 8.

[3] PDO Indicator 3 on physical inspections showed a remarkable improvement from the baseline of 70 percent in 2006 to 10.9 percent as of 11/27/2009, shortly after the project became effective (March 2009) and before any of the activities had begun. Subsequent changes in this indicator (both positive and negative) can be attributed to the requirements of the ECU. Similarly, a reduction in the number of documents required for customs clearance from 12 to 3 (PDO Indicator 4) can be attributed to implementation of the ECU Customs Code rather than the Project.

[4] The MTR states that *"Improvements followed the implementation of the new Customs Code in July 1, 2010, which reduced customs clearance time up to 1 day for imports and up to 4 hours for exports, and also resulted from automation of Customs Automated Information System-2"*, acknowledging that improvements in PDO indicators 1 and 2 resulted from developments that cannot be linked to the project.

by CCC). These discrepancies can be explained by the fact that the business survey and customs data used different methodologies. The survey included in "clearance time" the time spent on road blocks at the border, clearance time on both sides of the border, as well as time spent on immigration and security check with the border police. Administrative statistics measured the total number of transactions cleared in a day divided by the number of counters operating for clearance. It did not measure the time spent by importers before initiating work with customs. To help overcome the data limitations, the Bank intermittently conducted observations of operational practices through field visits and limited consultations with clients and stakeholders.

40. Fourth, the project results framework and M&E arrangements did not capture the less tangible aspects of the project, such as the continuous policy dialogue that the Bank team had with CCC. Over a period of almost ten years (2006-2015), the Bank was in constant contact with the GoK regarding customs reform and its advice is reported to have informed many of the broader policy reforms undertaken by the GoK. Neither the PDO nor the intermediate indicators or the Bank and CCC records captured this well. Only anecdotal evidence collected through interviews is available to support these project impacts.

41. **M&E implementation.** The M&E rating in ISRs was Satisfactory throughout the life of the Project. However, feedback from interviewees and the analysis of monitoring reports suggest that neither the Bank nor the Borrower paid sufficient attention to M&E implementation.

42. ISRs did not comment on M&E arrangements, data for many of the indicators was either missing or reported only in AMs and not in ISRs, and there were inconsistencies in the data provided in different reports, such as AMs, ISRs, MTR and final completion report. For example, it appears that the values of PDO Indicators 1 and 2 were used interchangeably in early ISRs and were not always consistently reported. PDO Indicator 2 was not reported in any ISR but only in AMs, while PDO Indicator 1 was reported in all ISRs but based on data on inland posts. This resulted in discrepancies in the baselines (e.g. four different baseline values were reported for PDO Indicator 1 in different documents) and units of measurement (e.g. days vs hours, annual vs monthly).

43. Methodologies for data collected were not adjusted to reflect CDP's changing circumstances, even though these problems were identified in AMs and ISRs. Data for PDO Indicator 2 (physical inspections) was no longer comparable with the base data after ECU accession because clearance was no longer required for goods coming from Russia. Similarly, data for PDO Indicator 5 (percentage increase in revenue against the total number of *customs* staff) was no longer comparable after establishment of SRC because support and operation functions had to be distributed across the Committee and it became difficult to differentiate between customs and non-customs staff. Improvements in PDO Indicator 5 were not comparable after ECU accession because Kazakhstan started collecting customs duty for goods from China destined for other Union members and was required to raise tariff rates on a significant number of commodities. The Bank team

noted in its supervision mission of November 2012 that it was "*difficult to draw meaningful conclusions about [revenue] collection efficiency and effectiveness.*"[5]

44. **M&E utilization.** The Bank relied mainly on the data provided by CCC/SRC to report on the PDO indicators. However, as mentioned, the data was unreliable and did not show how project activities were contributing to changes in the indicators. The client had limited understanding of M&E and was not provided with M&E training, even though the PAD promised to build in-house M&E capacities. There is no evidence that the quarterly and annual reports envisaged in the PAD were produced or made public on the website of the Ministry of Finance. Consequently, neither the Bank nor the client used the data on the PDO indicators to inform decision making and resource allocation.

45. **M&E Rating.** Based on the above, the rating for the M&E arrangements of the project is Modest.

2.4 Safeguard and Fiduciary Compliance

46. The CDP achieved either a 'Satisfactory' or 'Moderately Satisfactory' rating for Financial Management throughout its life. While procurement capacity was identified as weak early on and proved to be problematic throughout, Procurement Management performance was never rated lower than 'Moderately Satisfactory' and the project finished with this rating. Shortcomings with procurement were reviewed in sections 2.1. and 2.2.

47. No social safeguard policies were identified as applicable during preparation of the CDP and it was assessed as a category C project. No negative environmental impacts arose, nor were any safeguards triggered during the life of the project. There were no deviations or waivers from Bank safeguards / fiduciary policy requirements.

2.5 Post-completion Operation/Next Phase

48. The GoK has indicated that some of the undelivered components from the CDP could be financed by the on-going Tax Administration Reform Project. The SRC has on a number of occasions indicated it would like to explore options for continued cooperation with the Bank in the context of its new institutional structure. The Bank provided technical assistance to support the merger of tax and customs through a JERP financed project. Senior officials also noted that although many of the recommendations arising from Components 1 and 2 activities were not implemented during the project, some of them are still relevant and are being currently revisited or are expected to be considered at a more appropriate time.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

- **Relevance of Objectives: Substantial**

49. The objectives of the Project remain relevant. They are consistent with the overall strategy of improved governance and accountability in public agencies as well as more

[5] Customs Development Project Mid-term Review Aide-Memoire November 5-16, 2012.

specific requirements for adoption of international practices to facilitate trade, improve revenue outcomes and further integrate the country into the global economy. At the time of approval, the CDP was closely aligned to the priorities set out in the Kazakhstan Country Partnership Strategy (CPS) 2004, the second pillar of which sought to develop an appropriate role for the government to foster competitiveness and facilitate business. More specifically, WTO accession and greater cooperation, particularly in areas such as customs and trade facilitation, were seen as vehicles to help Kazakhstan firms engage in global value chains.

50. These objectives remain relevant in the context of the CPS for 2012-2017, which still has a strong focus on improving governance and competitiveness. What has changed is the *strategic* context of the implementing agency under the framework of the SRC. This change in institutional arrangements did impact on the relevance and appropriateness of some CDP activities and outputs in that some recommendations remained unimplemented and ICT procurements were cancelled.

- **Relevance of Design: Modest**

51. The original design of the project remained relevant for most of the Project's duration. The design was based on sound background analysis and project components reflected WCO capacity building framework. The design was informed by the Bank's previous experience in customs reforms in the ECA region and elsewhere and integrated international best practices. However, the PDO and the targets were overly ambitious and poorly formulated. While project activities were relevant at the time of project design, they became less relevant when the priorities of CCC changed with the entry into force of the ECU and the merger of tax and customs.

3.2 Achievement of Project Development Objectives

52. Assessment of the achievements of the PDOs is hampered by the weaknesses of the M&E arrangements, especially the choice of PDO indicators (which were better suited to tracking broader reform priorities rather than progress on the project's PDO), the poor quality of data provided by CCC/SRC, and the lack of evidence on the project's contribution to improvements in the PDO indicators. All PDO indicators were influenced by external factors and showed improvements despite the fact that the project outputs were either not fully implemented (Components 1 and 2), or were cancelled (Component 3). According to the borrower's completion report, *"the main objective of CDP-implementation of the customs e-declaring was not achieved".*

- **Increased administrative efficiency: Modest**

53. The PDO indicators intended to measure increases in efficiency were PDO Indicator 1 (*reduction in processing time at border posts),* PDO Indicator 2 *(reduction in clearance time at inland posts)* and PDO Indicator 5 *(increase in the percentage of revenue per staff member).* CCC statistics suggest that PDO Indicators 1 and 2 were partially achieved, while PDO Indicator 5 was fully achieved. However, it is difficult to identify the Project's contribution to the achievement of these indicators.

54. The baseline for PDO Indicator 1 was established in 2011 through a stakeholder survey at 29 hours.[6] According to the last survey conducted in 2014, the final value of this indicator is 13.4 hours, which would indicate a decrease of 53%. Data from the CCC, however, pointed to a baseline for customs processing of 1.36 hours which, according to the SRC, was reduced to 1.03 hours in 2015 which indicates a decrease of 24%. Field visits and discussions with SRC staff confirmed that the 1.03 hours does not cover the whole time needed for clearing customs, but rather the time spent on average at a customs clearance center.[7] CDP was to improve performance against this indicator through the implementation of the integrated ICT system, e-declaration and e-audit, which were not fully implemented. In the absence of these outputs, the ICR team could not find credible evidence of the CDP's contribution to the positive trend of this indicator.

55. The baseline for PDO Indicator 2 was also established in 2011 by the stakeholder survey at 17.2 hours. According to the last survey conducted in 2014, the average customs clearance time at the inland posts was 11.4 hours, keeping in mind that final clearance of imported goods is not undertaken at the border but at final destination (a decline by 33% only vs the target of 75%). Again data reported by CCC has much lower values with a baseline of 1 hour and a reduction reported by SRC in 2015 to 0.55 hours for exports and 3.1 hours for imports. As in the case of PDO Indicator 1, it is difficult to attribute improvements in this indicator to CDP, because the improvements were a result of the implementation of the new Customs Code in July 1, 2010.

56. PDO Indicator 5 measured the increase in the revenue per customs staff. This showed a steady increase from the beginning of the project, with 53 percent reported by 2009 to 283 percent increase reported by 2014. Even if 2011 is used as a new baseline in order to account for Kazakhstan's entry into the Customs Union, revenues increased by 79 percentage points in 2014, which is well above the target of 20 percent increase. However, data from 2011 and 2014 is not comparable because revenues and staffing numbers included both tax and customs in the merged SRC. Besides, improvements in revenue collection can largely be attributed to the ECU.[8]

[6] Originally PDO indicator 1 did not have a baseline but eventually four different baselines were established- one suggested in ISR 3 based presumably on CCC statistics (1.8 days as of 11/27/2009 i.e. 43.2 hours), one derived from the stakeholder survey (29 hours as of 2011) and one provided by CCC/SRC (1.36 hours as of 2011). The MTR from Dec 2011 provided new data based on CCC statistics- 1.3 hours for 2009, 1.8 hours for 2010 and 1.36 hours in 2011.

[7] A survey conducted by the Association of Brokers claimed that the average time for customs clearance was 120h instead. The survey results are based on 193 responses to a questionnaire sent to businesses by the Association of Brokers.

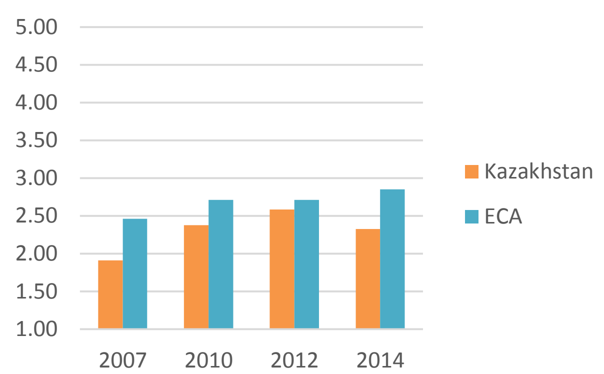
[8] The borrower's completion report notes that data on the intermediate indicator related to revenues (*Increase in the rate between the total additional revenue assessed as a result of post-customs control and total revenue by 10% by the end of 2009 and by 20% by the end of 2012 (corrected for inflation)*" was never collected.

57. **Alternative indicators.** Independent assessments such as the Logistics Performance Index (LPI) show improvements in efficiency between 2007 and 2012 but some backsliding in 2014 (see Figure 1). Input received from Association of Customs Brokers (Almaty) based on a survey of its members was also less positive than CCC/SRC data would suggest. The 2016 Doing Business report does show improved performance against some comparable indicators but changes to methodology makes direct comparison difficult.

- **Increase administrative effectiveness: Modest**

58. **PDO Indicators.** This objective was measured by PDO Indicator 3 *(physical inspections)* and PDO Indicator 4 *(reduction in the number of documents required for customs clearance).* Based on CCC data, both indicators were achieved. However, these improvements occurred before CDP activities began or in spite of the fact that key CDP components expected to lead to improvements were not delivered.

Figure 1: Logistics Performance Index: Customs (efficiency of the clearance processes)



59. According to CCC data, the percentage of consignments selected for physical inspection fell from the 2006 baseline of 70 percent to 23.4 percent in 2013 and 14.8 percent in 2015, relative to the target of 20 percent. However, changes in this indicator were due to the requirements of the ECU rather than the CDP. The CDP was expected to contribute through improvements in the risk management system, which were not fully implemented due to the cancellation of the main ICT component. Third party sources suggest that the actual level of physical inspections is much higher than what is reported by the CCC/SRC. The number of documents required to be submitted by traders for customs clearance (PDO Indicator 4) fell from 14 in 2009 to 3 in 2011. While this exceeds the project target of 7 documents, it is difficult to demonstrate that CDP contributed to this result because most project activities had yet to start in 2011. AMs clearly state that legislative changes were initiated and implemented independently of the project.

60. There is a discrepancy between the number of documents prescribed by the CCC and the documentary requirements identified through the stakeholder survey. According to the survey, on average, 9 documents were required for customs clearance. This can be attributed to the fact that CCC performed delegated tasks on behalf of other government agencies that, depending on the goods in question, prescribed certain additional documents. The project was expected to address this issue through the development of the Integrated Tariff and Single Window initiatives which would require inter-agency coordination and process rationalization. However, while a publicly available and free searchable tariff database was delivered and was highly appreciated by the business

community in Kazakhstan, and most of modules of the Customs Information Management system were developed, the Single Window has not been fully implemented yet.

61. **Additional evidence.** Looking beyond PDO indicators, Components 1 and 2 contributed to institutional reforms that contributed to improved effectiveness but were not fully captured in the results framework. The impact of Components 1 and 2 was to be fully realized when, under Component 3, the e-declaration system and the new Integrated Customs Management System became fully operational. While most of the recommendations provided by Components 1 and 2 related to institutional changes were largely accepted by CCC not all were implemented and they became less relevant with the merger of tax and customs or because the necessary legislative amendments have not yet been adopted. CDP's contributions to institutional reform include:

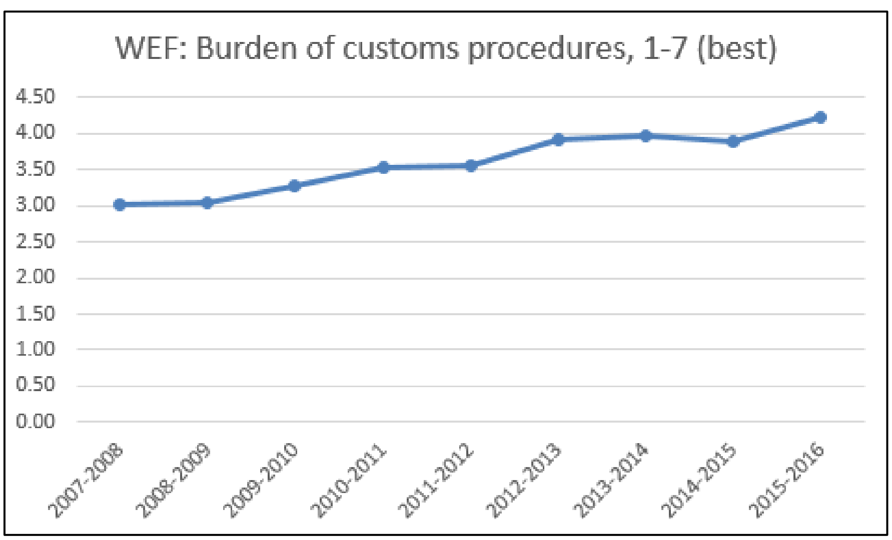
- **Training**. A training strategy and revised training materials were prepared. Content matter specialists, CCC managers and training staff were trained in adult education methodologies and administration. CDP advised on the reorganization and rationalization of the training processes of the Training and Methodological Center in Astana. The Training Center was formally inaugurated as WCO affiliated Regional Training Center for the Central Asia region in December 2009. CDP consultants recommended the merger of the Atyrau branch of the Center with the one in Astana which was successfully implemented. Before the merger the two centers operated independently without much coordination, while now they followed the same curriculum and processes. CDP provided the Center with software for distance learning, accompanying server, manual and training, a revised curriculum for distance education programs, including on the technical requirements of the Customs Union, and an assessment of its capacity and potential to become an academy. Following the merger of tax and customs, the training materials developed through CDP were revised in order to include training for officials from the SRC tax and economic crimes departments. Training delivery increased from around 800-900 CCC staff per year before the merger to 3,000 today. It is not possible to assess the impact of the training since the Center does not collect such data.
- **Organizational Reform**. CDP provided recommendations on CCC organizational design, HR optimization, anti-corruption and change management. CDP provided training in the practical aspects of strategic and operational planning as well as performance management principles. CDP also recommended that the number of regional offices be progressively reduced from sixteen to four and support functions be centralized. While this recommendation was accepted, it became less relevant after the creation of SRC and the rationalization of the regional offices was delayed till 2020. A number of HR processes were revised and a strategic plan for the period 2012 – 2020 was developed. After the merger, a new SRC strategy was put in place with support of the JERP program. A new competency framework tailored to the needs of customs was developed as well but was not fully implemented due to the merger and would need to be redone to suit the needs of SRC. Nonetheless, the recommendations regarding HR capacity building remained relevant and are currently being implemented in the context of

the merged agency. Some improvements to staff recruitment and selection practices to enhance competition and support merit-based selection were also achieved.

- **Business processes**. CDP supported the development of revised business process maps in line with international standards and training in risk management, post-clearance audit, compliance management and the establishment of an Authorized Economic Operator regime. Recommendations provided by CDP included the full automation and integration of key business processes, a reduction in the number of documents and physical interventions and strengthening risk management capabilities. The project's outputs related to post-clearance audit strengthened CCC's capabilities in the area of audit planning. The revised business processes, the improved risk profiles and the audit activities were to underpin the new Integrated Customs Management System and the e-declaration system. A pilot e-declaration system for exports was completed and risk analysis and associated document matching were upgraded as part of the e-declaration initiatives but the system was not fully rolled-out. Business process designs were delivered in 2012 and 2013 and the new ICT system was to be implemented in 2014 but procurement was put on hold following the merger of integrate customs and tax administrations.

62. **Alternative indicators.** Data from the World Bank BEEPS indicated a positive improvement in client perceptions of customs regulations between 2008 and 2013. The percentage of firms indicating that customs regulations were not a problem rose from 51 percent in 2008 to 67 percent in 2013. More recent data from the World Economic Forum also suggests a positive trend in terms of reducing the burden of customs procedures (see Figure 2 below). While it is not possible to attribute these positive trends entirely to the CDP, the Project has made an indirect contribution to these improvements through Components 1 and 2.

Figure 1. World Economic Forum (WEF) Global Competitiveness Report, Burden of customs procedures in Kazakhstan



- **Increase administrative accountability: Modest**

63. **PDO Indicators.** Outcomes for this aspect of the PDO were measured by PDO indicator 6 (*adoption of client service standards*) and PDO Indicator 7 (*perceptions of traders and stakeholders about unofficial payments*). PDO Indicator 6 was achieved while PDO Indicator 7 was partially achieved.

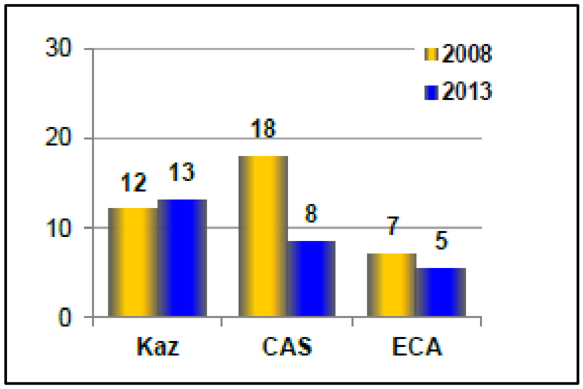
64. CCC developed a series of key performance indicators covering all major customs operational areas with support from CDP. Six of these standards were formalized as client service standards (PDO Indicator 6) for the CCC. Reporting on the standards was mandated through Government Decree No. 273 dated 29 February 2012 which required key government agencies to prepare and report on service standards from 2013. In April 2015 a new Government Decree No.284 was adopted listing standards for 23 customs related public services. While the standards are published on SRC's website[9] and data on actual performance against them is not made public. The standards do not have baselines and targets and it is difficult to judge what constitutes good performance. Nonetheless, the adoption of the standards represents an improvement in transparency and public accountability which can be attributed to the CDP.

65. No baseline data is available for perceptions of traders and stakeholders about unofficial payments and no target was set. The first stakeholder survey conducted in 2011 showed satisfaction with customs service at 60 percent on average, varying from 42 percent to 86 percent by region. It is not clear whether the survey actually measured the indicator because the terminology varies between documents: some refer to "satisfaction" with customs services, others ask whether customs is corrupt or not, others the perception of clients about the frequency of unofficial payments. The methodology used to conduct the surveys was not fully disclosed. ISRs report that the indicator improved from 60 percent in 2011, to 62 percent in 2012, 68 percent in 2013 and finally 71.2 percent in 2014. The source of the indicator in 2013 and 2014 is unclear because the project funded only two surveys- in 2011 and in 2012. The project team interpreted this positive trend as "suggesting" that CCC's reforms had started to have a positive impact on client perceptions. However, it is not clear how CDP contributed to this trend.

66. **Alternative indicators**. The BEEPS provides an external source of data on the perceptions of businesses about corruption in customs in Kazakhstan but it does not cover the later part of the project. The data that is available does not support the positive trend claimed by SRC. It shows a slight increase in the percentage of firms stating that bribery is frequent in dealing with customs/imports- from 12 percent in 2008 to 13 percent in 2013 (Figure 3). A survey commissioned by the Association of Brokers found in 2015 that on a scale of 1 to 10 (most corrupt) customs authorities scored of 8.8, the highest among the other rated institutions, including the financial police (7.9), tax authorities (8.2) and transport police (6.5).

[9] http://kgd.gov.kz/ru/content/standarty-okazaniya-gosudarstvennyh-uslug-1

Figure 2. BEEPS at-a Glance 2013: Unofficial Payments: Customs. Percentage of firms stating that bribery is frequent in dealing with customs/imports



67. **Additional evidence.** Activities financed by Component 1 also contributed to improved accountability but were not captured by the PDO or intermediate indicators. CDP reviewed anti-corruption laws, strategies, policies and procedures. A comprehensive analysis of the CCC's compliance with the WCO's Arusha Declaration on Integrity in Customs was also completed and resulted in the alignment of the national integrity strategy with the Declaration. These outputs resulted in a shift in focus from a purely investigatory anti-corruption regime to a more positive and balanced approach involving support for corruption prevention and staff education. A new Code of Ethics and Conduct tailored to the operating environment and vulnerabilities of customs officials was developed. However, the Code could not be enforced since Customs was advised to apply instead the general ethics code valid for the whole administration of Kazakhstan.

- **Adopt International standards/Facilitate WTO Accession: Substantial**

68. Kazakhstan signed the protocol on WTO accession on July 27, 2015 after twenty years of negotiations. CDP facilitated accession by helping the GoK demonstrate that its customs administrative framework was consistent with internationally accepted practices for regulating trade, with: the adoption of a contemporary regulatory compliance framework for customs and border management; improvements in transparency, simplification and predictability in trade 'regulatory' practices, automation and documentation of procedures, and reduced discretion and physical intervention; sustainable cost accounting methodology to facilitate calculation of fees in a way that is compatible with WTO rules. CDP also helped increase the GoK's levels of understanding and ability to better apply the provisions of the WTO Valuation Agreement (GATT Art. VII) and alignment with a number of requirements of the WTO Trade Facilitation Agreement (Art 1. Publication; Art.6 Release and Clearance of goods; Art.8 Agency Cooperation and Art. 10 Formalities connected with Import/Export).

3.3 Efficiency: Modest

69. CDP originally included a number of equipment procurement and infrastructure components but owing to the cancellation of the IT procurement the project became primarily a capacity building and institutional reform operation. Economic benefits were to come from reductions in the number of days required for customs clearance and resulting reductions in costs for the trading community. This was to be achieved through

the single window. However, the single window was not implemented and so CDP did not realize the economic benefits as planned. The benefits realized from capacity building and institutional reform are difficult to attribute and do not lend themselves to economic analysis. The financial analysis conducted in the PAD cannot be replicated because it assumed increases in revenues which cannot be attributed to the Project. Reduced costs to traders due to the reduced amount of documents needed for clearance cannot be attributed to CDP either. The only tangible result attributable to the project that might have led to efficiency gains is the use of distance learning at the Training Center, which was only a small part of the project.

70. Allocation efficiency for the project is considered low. Initial expected outcomes were delayed by more than 18 months and project implementation period was increased by two years. This resulted in increase in the cost of Component 4 (Project management) which was more than double the planned amount - USD 2.68 million instead of USD 1.21 – even though CDP still only disbursed 51 percent of the *revised* allocation.

3.4 Justification of Overall Outcome Rating

Rating: Moderately Unsatisfactory

71. The overall outcome rating of **Moderately Unsatisfactory** is based on the individual ratings for relevance, efficacy and efficiency as showed in Table 1.

Table 1: Calculation of Overall Project Outcome Rating

Relevance of		Efficacy by Objective				Efficiency	Outcome
Objectives	Design	1 Efficiency	2 Effective-ness	3 Account-ability	4 WTO Accession		
Substantial	Modest	Modest	Modest	Modest	Substantial	Modest	Moderately Unsatisfactory

3.5 Overarching Themes, Other Outcomes and Impacts

72. **Poverty Impacts, Gender Aspects, and Social Development.** CDP's poverty, gender and social impacts are not addressed in project documentation.

73. **Institutional Change/Strengthening**. CDP was an institutional strengthening project that contributed to the strengthening of the customs administration in Kazakhstan. Staff of the CCC and SRC benefitted from World Bank technical assistance and capacity building throughout the Project's duration. Consultants engaged through the Project provided a range of training courses covering strategic planning, anti-corruption, risk management, performance management and other international best practices.

4. Assessment of Risk to Development Outcome: Negligible

74. The risk to the development outcome as expressed in the PDO is negligible. Two of the PDO aspects (efficiency and effectiveness) cannot be attributed to the project while the risk to the other two (improvements in accountability and WTO accession) is negligible. GoK plans to continue with the modernization of the customs administration and CDP outputs will inform the future reforms.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Quality at Entry Rating: Moderately Satisfactory

Bank performance in ensuring Quality at Entry is rated Moderately Satisfactory. The Bank took into account relevant technical and institutional aspects, including procurement and financial management. CDP was aligned with the strategic priorities of the GoK and the World Bank as defined in the Kazakhstan Country Partnership Strategy for 2004 and the CPS for fiscal years 2012-2017. Major risk factors and lessons learned from earlier projects in the governance sector were incorporated in the project design. The Bank provided adequate human and financial resources to ensure quality preparation and appraisal work (details in Annex 4). In addition, the project drew on extensive analytical work, such as such as the WCO Customs Capacity Building Diagnostic Framework and other diagnostic assessments conducted during Project preparation. The results framework, however, had significant shortcomings. While the objectives were clear and outcome-oriented, only one of the PDO indicators (PDO Indicator 6 on client service standards) was appropriate for measuring the Project's contribution to achieving the objectives. The Bank should have paid more attention to the design of the project's M&E arrangements.

(b) Quality of Supervision Rating: Moderately Unsatisfactory

75. The project was subject to close supervision from the very beginning, which was eventually intensified due to the accumulated implementation delays and the low capacity of the PMU. Bank supervision missions visited Kazakhstan 2-3 times a year and prepared Aide-Memoires and ISRs regularly (12 supervision missions were carried out in total, including the MTR mission). The headquarters-based team of customs and public sector specialists was complemented by FM and procurement specialists in the field. On the FM side, Bank staff were proactive in supervision efforts, going beyond the review of FMRs and audit reports. The Bank was responsive to the capacity needs of the PMU and helped build its capacity through trainings on Bank procurement procedures. The Bank's supervision of M&E was less effective. While the MTR highlighted issues with the data reported by CCC on the PDO indicators, the Bank did not consider revising the indicators because they appeared to be on track. There was no analysis of whether the indicators remained appropriate or whether there was a link between project activities and progress on the indicators. The Bank did not consider restructuring of the project to take into account the requirements of the ECU. Following the creation of SRC, the Bank proposed restructuring of the project in order to align it better to the needs of the newly formed institution. However, GoK asked the Bank to leave both the CDP and TARP unchanged and the Bank team agreed to proceed with the parallel projects.

(c) Overall Bank Performance Rating: Moderately Unsatisfactory

76. Overall Bank performance is rated Moderately Unsatisfactory based on the Moderately Satisfactory rating for quality at entry and the Moderately Unsatisfactory rating for quality of supervision, in accordance with Independent Evaluation Group's harmonized rating criteria.

5.2 Borrower Performance

(a) Government Performance Rating: Moderately Unsatisfactory

77. GoK realized transformative reforms during CDP's lifetime: accession to the Eurasian Customs Union in 2010, creation of the State Revenue Service in 2014 and accession to the World Trade Organization in 2015. However, GoK lacked a strategic vision for the implementation of the project[10] and paid insufficient attention to the development of the institutions needed to support reforms. While senior government officials worked closely with the Bank on the design of the CDP, they were not adequately engaged in implementation. There was an 18-month delay in project effectiveness owing to delays in the appointment of a project manager and ratification of the Loan Agreement. Approval of changes to the project feasibility study, which amended following accession to the ECU, and revisions to the procurement plan caused further delays. The decision to create a unified SRC was not informed by detailed analysis or preparatory work at an agency level. Instead, SRC had to work out how to merge tax and customs administrations after the decision had been taken. GoK did not agree to restructure the project after the merger which rendered some of the last but most important procurements irrelevant.

(b) Implementing Agency Performance Rating: Moderately Unsatisfactory

78. **General execution and implementation.** Once properly constituted, CCC's project implementation team was generally effective and dedicated. However, frequent changes of CCC leadership and high staff turnover hampered timely decision-making and slowed project implementation. Appropriate levels of review and approval were usually in place, though lengthy internal procedures, particularly for procurement, often slowed project implementation. Changes in CCC leadership led to changes of operational staff and loss of institutional memory. PMU staff lacked project management skills and was focused on processes rather than achieving the project's objectives. Insufficient attention was given to communication with the business community and the public. A change management advisor was hired only in late 2013. The decision to merge customs and tax administrations under SRC stalled project implementation while decisions were taken about institutional arrangements. The lack of a clear sense of purpose for the project in the context of the new institutional structure combined with reductions in budget allocations as a result of the fiscal crisis ultimately paralyzed the project.

79. **Financial management.** Financial management was rated Satisfactory in ISRs during most of the project. The financial management arrangements established by the PMU, including project accounting and reporting arrangements, staffing of the financial management function, internal control procedures, and external audits provided adequate control and accountability. The CCC and later on SRC were in full compliance with the Financial Covenants of the Legal Agreement. Quarterly IFRs were submitted on time and in a format and content acceptable to the Bank. The requirements for annual audit were also complied with. Counterpart funding was rated Moderately Satisfactory until the last year of implementation when inadequate funds allocated for the Project activities.

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[10] See Borrower's report, p. 25.

80. **Procurement**. The capacity of the Project unit to handle international/national procurement was deemed adequate throughout the project duration. The procurement arrangements within the project unit were assessed as satisfactory to the Bank throughout the Project's life. Nonetheless, procurement was always rated Moderately Satisfactory, except in the first ISR. The PMU was staffed with an international procurement consultant and a local procurement specialist. The local procurement specialist and the technical staff attended several workshops organized by the Bank procurement team. The procurement plan was updated regularly and the Bank conducted regular annual procurement post-reviews, which did not identify any major procurement deviations.

81. The PMU faced significant capacity constraints mainly due to the lack of experience with Bank procedures and high staff turnover. There were frequent changes in the key staff involved in project implementation, including the procurement specialists who had received training. There were delays in the bid evaluation processes as well as in the submission of bidding documents for Bank clearance. The quality of terms of reference and contract documents was often poor. At one point the PMU asked for USAID for assistance with preparing terms of reference, because they were often rejected by the Bank, and the USAID hired consultant helped improve the quality of drafting. Translation of bid documentation from Russian to English and back proved cumbersome and inefficient, especially for technical specifications. Often it was not possible to ensure high quality translations. Confusion over which procedures had to be followed – national or Bank procurement guidelines – caused additional delays. Complex procurements with multiple activities as well as procurement of IT equipment were the most challenging. Contract negotiation processes often took more than six months. Towards the end of the project, a significant factor constraining the last scheduled procurements was the fact that insufficient funds were allocated from the Republican Budget for 2015.

(c) Overall Borrower Performance Rating: Moderately Unsatisfactory

82. With Moderately Unsatisfactory ratings for government performance and implementing agencies' performance, overall borrower performance is also rated as Moderately Unsatisfactory in accordance with Independent Evaluation Group's harmonized rating criteria.

6. Lessons Learned

83. **ICT project management.** The project design overestimated the implementing agency's capacity to manage procurement and ICT procurement in particular. While some training was provided, frequent changes in the PMU staff undermined its effectiveness. Problems arising from the poor quality of translation of technical requirements to and from English, lack of familiarity with Bank procedures and lack of clarity on the interaction between Bank and Government project procedures compounded these difficulties. It is therefore recommended that PMUs which manage large ICT investments should have a dedicated ICT Project Manager on board from the design stage in addition to the relevant ICT and procurement experts. The Bank should provide specialized training on Project Management and ICT Procurement and Contract Management based on a needs assessment, complemented by specialized Bank technical supervision.

84. **Project M&E.** M&E arrangements should lay out the source and methodology for calculating the values of the PDO indicators and describe the results chain linking project activities, outputs and PDO outcomes. Results frameworks should be revised as new indicators become available during a project's lifecycle or some of the existing indicators become irrelevant. Results frameworks should also include only those indicators for which a plausible connection between project activities and results can be made. In the case of the CDP, almost none of the PDO indicators were directly linked to project activities and so it proved difficult to demonstrate the contribution of the project to changes in the indicators. Indicators whose values are strongly influenced by external factors are of little use for performance measurement and management. Without credible and verifiable evidence produced by a project's M&E framework, it becomes very difficult to evaluate achievement of project PDO.

85. **Counterpart funding.** CDP relied on counterpart funding to cover almost 70 percent of project costs with a relatively modest Bank contribution (USD 18.5 million initially and finally USD 14.5 million). This was feasible at the time of project design when oil prices were high and the Government enjoyed substantial revenues. Macro-economic risks were underestimated. Lack of counterpart financing effectively stopped CDP implementation when Kazakhstan faced a steep decline in oil prices and cuts in revenues. The Bank should assess the feasibility of mobilizing counterpart funds against various scenarios at the design stage and adjust implementation plans promptly when faced with significant changes in counterpart funding conditions.

86. **Institutional change.** Many of the recommendations provided by consultants through Components 1 and 2 of CDP were to be implemented through legislation or required high level Government approval. This proved to be much more difficult than originally anticipated. The legislative environment in Kazakhstan is not flexible. CCC/SRC had little opportunity to influence the legislative agenda and GoK did not focus on institutional development issues after project approval. Project design should ensure arrangements that engage policy making levels of Government throughout project implementation so that institutional reform and legislative requirements can be addressed when needed to support the reforms.

7. Comments on Issues Raised by Grantee/Implementing Agencies/Donors

87. The Borrower has submitted its Implementation Completion Report, a summary of which is contained at **Annex 5** to this report.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Component 1.	15.40	6,819, 823.48	44.28
Component 2.	15.88	4, 994, 513.77	31.42
Component 3.	28.34	9, 294, 859.87	32.60
Component 4.	1.21	2, 689, 460.38	222.31
Total Baseline Cost	60.83	23, 798, 657.50	39.13
Physical Contingencies	1.12	0.00	0.00
Price Contingencies	0.00	0.00	0.00
Total Project Costs	61.95	23, 789, 657.50	38.40
Project Preparation Costs	0.00	0.00	.00
Front–end Fee	0.05	0.00	.00
Total Financing Required	62.00	0.00	

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
IBRD-International Bank For Reconstruction And Development		18,500,000.00	7,348,305.34	0.39
Borrower		43,500,000.00	16 450 362.16	0.37

Annex 2. Outputs by Component

Planned Outputs	Actual Outputs Delivered by the CDP
Component 1. Institutional Development, Governance and Human Resource Management (US$15.75 million)	
Sub-Component 1.1. Organizational and Institutional Reform	
Review of the organizational structure, functional description, and the design of the future organizational structure	A new high level organizational structure which recommended the rationalization of the number of customs regional offices from 16 to 4 and the centralization of operational and support functions.
Management training for senior cadre of CCC officials	Management training for senior cadre of CCC officials was delivered.
Study tours	A study tour to Brussels (Belgium) was organized for 5 staff of the Legal Department aimed at raising awareness of customs legislation and best practice.
Sub-Component 1.2. Strategic Planning	
A detailed review of CCC strategic planning methodologies	An analysis of the current strategic management and planning situation in the CCC; strategic plan for the CCC for the period 2012 – 2020. The strategic planning inputs resulted in a much stronger internal capacity for planning and results monitoring. However, after the merger of CCC with the Tax Committee, a new SRC strategy was put in place with support of the JERP program A series of core service standards and key performance indicators covering all major Customs responsibilities, six of which were agreed and formalized as the client service standards for the CCC through a Government Decree. The adoption of the standards represented a significant improvement in transparency and public accountability;
Training in strategic planning techniques to senior officials and staff of Modernization and Strategic Development Unit	Training in the practical aspects of strategic and operational planning as well as performance management principles to middle managers within the CCC leading to a much higher level of understanding of the practical aspects of strategic and operational planning as well as performance management principles.
Study tours to examine the strategic planning frameworks	A study tour to observe strategic and operative planning methods was included in the training plan of 2010.
Sub-Component 1.3. Management Information System	
Develop, specify, and agree with the trade community and key government stakeholders on service standards for Customs	NA

Planned Outputs	Actual Outputs Delivered by the CDP
Identify a range of new performance indicators for alignment of performance to CCC goals and objectives	
Design and develop a Management Information System (MIS);	
Online Management Center and implement an Executive Support System (ESS)	
Study tours to countries with advanced MIS	
Sub-Component 1.4. Anti-corruption and Integrity	
A detailed review of the CCC's anti-corruption strategy and its compliance with the provisions of the WCO Arusha Declaration	A review of anti-corruption laws, strategies, policies and procedures; comprehensive analysis of the CCC's compliance with the WCO's Arusha Declaration on Integrity in Customs and making current national integrity strategy compliant with the WCO Arusha Declaration. The analysis resulted in a shift in focus from a purely investigatory anti-corruption regime to a more positive and balanced approach involving additional support for corruption prevention and staff education; a new Code of Ethics and Conduct was developed to complement the civil service wide Code currently in use within the CCC.
Design and development of a revised National Integrity Development Plan	NA
Training in anti-corruption methods and investigative methods	Reports on internal investigation and anti-corruption
Procurement of specialist surveillance and equipment	NA
Study tour to examine anti-corruption practices	
Sub-Component 1.5. Human Resource Management	
New Human Resource Management strategy	An analysis of current HR policies and processes; a new HR strategy was developed; Code of Conduct in line with WCO guidelines; analysis of best practice approaches from elsewhere in the world; ICT requirements for the HRM system. However, and due to the integration of CCC and TC some of the recommendations related to human resource management did not remain fully relevant. Nevertheless, some of the CDP and TARP recommendations on staff policies, motivation system and competency based performance assessment have been taken to account for further HRM development under the SRC.
New merit-based remuneration and conditions of service regime	
Review of existing Human Resource Management Information System (HRMS) to determine feasibility of redeveloping or modifying existing system to support new and enhanced human resource management processes	
Training and workshops for HR managers	
Sub-Component 1.6. Training and Staff Development	

Planned Outputs	Actual Outputs Delivered by the CDP
Competency assessment	Development of a comprehensive training strategy, revised training materials and curriculum and competency framework based on a competency assessment and support for training.
Training strategy and training curriculum	Analysis of special needs of the CCC; Development of training program and implementation during October-December 2010- the courses were adapted to the Project as well as to the level of different staff of CCC. Trainees received certificates upon completion of the training course; CCC officers took part in the meeting of Managers of European regional training centers of the World Customs organization.
Training equipment and software for the Customs Academy or equivalent facilities	Training at the Regional Training Institute; Courses were conducted for all customs officials and instructors include delegates from the World Customs Organization.
Establishment of a world class Customs Academy or equivalent facilities, and to provide for international experts in the first three years of operation of the Customs Academy, if established	Training Methodological Center of the CCC in Astana, which was designated as a WCO affiliated Regional Training Center for the Central Asia by the World Customs Organization (WCO).
Development and implementation of a Distance Education program	A Distance Education program was developed and implemented at the Training Methodological Center of the CCC in Astana; Content matter specialists, CCC managers and training staff have been trained in adult education methodologies and administration.
Sub-Component 1.7. Change Management and Continuous Improvement	
Implement comprehensive change management and a continuous improvement strategy and process	Change management strategy; Development of the leadership and managerial capacity in the CCC to lead the change process and to communicate key change messages to internal and external stakeholders; a Customs Reform Advisor was hired at the end of 2013 to support change management.
Training and advisory service for the CCC Modernization Unit, the Project Steering Committee and the Project implementation team	
Training in process simplification/improvement tools	
Internal and external communications to disseminate information to the public on customs modernization, and stakeholder surveys by local research company monitor the internal and external effects of the reform	A public awareness campaign was developed and implemented. However, the Bank team noted in 2013 that "the reform efforts are not

Planned Outputs	Actual Outputs Delivered by the CDP
	clearly communicated to the public".
Sub-Component 1.8. Financial Management	
Development and implementation a cost-accounting based Financial Management Information System (FMIS)	Sustainable cost accounting methodology to facilitate calculation of fees in a way that is compatible with WTO rules was developed. While it was initially envisaged that this work would lead to the development of an automated system to track and monitor workload statistics and performance indicators, this work was incorporated into a wider Ministry of Finance project. However, project inputs in this and other areas (such as human resource management) enabled the CCC to play an active role in the design of the Ministry of Finance system. The disciplines and methodology developed through the project were implemented and provided the CCC with a credible basis for calculating the costs of individual services.
Procurement of FMIS	NA
Enhancement of the current financial management processes and procedures relative to international best practice, and improving the levels of accountability and transparency that are required for WTO accession	
Training of financial management staff in FMIS and WTO financial management requirements	
Component 2. Customs Operations (US$16.30 million)	
Sub-Component 2.1. Customs Legislation	
Review of all legislation impacting international movements of persons, vehicles, and goods, and perform a gap analysis with major international instruments and best practices	Improvements to the legislative framework were drafted but not implemented.
Preparation of amendments to support news systems and procedures	
Review of the organization and structure of the customs legislation and update of the supporting legislation	Revised business practices recommended by the consultants included the full automation and integration of key business processes; a significant reduction in the number of documents and approvals required for clearance; reduced levels of physical intervention through enhanced risk management and improved ICT capabilities; the introduction of simplified and harmonized procedures; and the

Planned Outputs	Actual Outputs Delivered by the CDP
	establishment of an Authorized Economic Operator regime.
Training in customs legislation best practices and legal functions	Training to the staff of the legal department of CCC on drafting legislation was held on 9 – 13 June, 2014. On August 21, 2014 the Ministry of Finance held a workshop for senior officials where draft law on Revisions and amendments to some legislation of the Republic of Kazakhstan related to customs administration under the Customs modernization Project was presented.
Preparation and implementation of a plan for adjusting organizational and operational standards to new legislation	A Law on Revisions and amendments to some legislation of the Republic of Kazakhstan related to customs administration was drafted within the CDP but was not adopted.
Translation of all pertinent customs legislation and forms in Kazakh, Russian and English	
Sub-Component 2.2. Integrated Tariff	
Review and introduce legislation and regulations to improve coordination between customs and other departments involved in all aspects of international trade, including security and health issues	15 modules out of the planned 18 were developed in 2014 for the Customs information Management System, and the remaining 3 modules were accepted in 2015 was delivered. A public electronic service on customs tariffs was introduced free of charge on SRC website. Previously this service was paid. This novelty was highly appreciated by the business community of Kazakhstan.
Establishment a special unit staffed with tariff, legal and systems-design specialists who will build up and maintain an integrated tariff system	
Development of e-document and systems software to implement an Integrated Tariff Automated System	
Corresponding internal and external training and information instruments	
Sub-Component 2.3. Cargo Control, Risk Management and Declaration Processing	
Reengineering, simplifying and standardizing business processes in (a) cargo clearance, (b) transit control, (c) e-declaration of goods and vehicles, (d) declaration processing, (e) valuation system, and (f) high volume regular processes, based on a strategy to minimize risks	Analysis of current business processes and the ICT environment; a series of revised business processes in line with international standards and accepted global good practice and recommendations; business process mapping of key Customs functions; outlines of user requirements for new ICT system functionality; modernization of human resource development capabilities; Hardware was acquired to support e-declarations; Consultancy recommendations designed to

Planned Outputs	Actual Outputs Delivered by the CDP
	strengthen the CCC's risk management capabilities and systems were largely accepted and introduced; Risk profiles were improved; intelligence capabilities were strengthened
Analysis of the system of valuation and implementation of a modern valuation mechanism, using price information	NA
Assessment of equipment needs	
Develop methodology, software and databases on price information	
Implement Risk Management System integrated with TAIS to build-up experience with risk-management based operations	
Review internal arrangements and support for the development and maintenance of risk-management profiles	
Develop and obtain software licenses to implement a Customs Information Analysis System	
Procurement of high volume document processing equipments	
Procurement of process-reengineering software	
Training and study tour to learn techniques in risk management, quality assurance, simplified and improved business process methods;	
Staff training and public outreach in new cargo declaration and valuation procedures	
Sub-Component 2.4. Post Clearance Controls	
Design and implementation of a risk management system for post clearance verification and post clearance audit, including software to automate selection of entities subject to verification	Recommendations on improving the CCC's post clearance audit capabilities were delivered**.** The project's inputs were well received and were instrumental in strengthening the CCC's capabilities in this area particularly in respect to audit planning.
Training and study tours in new system of post clearance verification and audit and building capacity to perform post clearance checks and audit	NA
Procurement of e-Audit software and laptops for auditors	Procurement of "e-audit" software and notebooks to install it was completed.
Sub-Component 2.5. Strengthening Law Enforcement	
Training and building capacity in intelligence, investigations, and anti-smuggling functions	Customs service was equipped with special anti-smuggling equipment, office and videoconference equipment, modernized IP telephony system, and strengthened information security systems
Assessment of equipment needs and	NA

Planned Outputs	Actual Outputs Delivered by the CDP
procurement of equipment	
Improvement of information exchange with the communications center of the CIS	
Improvement of information exchange with the Tax Department for VAT control	
Sub-Component 2.6. External cooperation	
Formal joint order and agreements with other law enforcement agencies active at the border, which accepts the risk management strategy of customs	NA
Agreements with neighboring states regarding the exchange of import/export data, trade statistics and enforcement co-operation	
Development and implementation of procedures to streamline and integrate border control activities into a "single window" and one-stop principles through establishment of unified information database shared by regulating authorities	
Development of a joint border design model incorporating equipment, infrastructure, and possible cross-border cooperation	
Training and study tours in single window procedures for officials of both CCC and other border control agencies	
Component 3. Information and Communication Technology (ICT) (US$28.41 million)	
Sub-Component 3.1. Organization and Management of ICT	
Consultancy services in IT development planning, and strengthening of executive management of IT	The Project did not complete all the planned IT procurements. However, the IT component financed the development of an operative management center and Integrated Customs Tariff Database, supplied e-audit software to increase e-audit capacities of SRC auditors, equipped the customs service with special anti-smuggling equipment, office and videoconference equipment, modernized IP telephony system, and strengthened information security systems. Some activities were also carried out to bring customs legislation, other laws and regulations in line with Kyoto convention.
Review and assessment of the role and placement of the IT function in the organization	
Comprehensive review and assessment in order to develop to achieve an integrated system solution for Customs, and to determine whether it would be more cost effective to procure an ready-made solution for its integration with the existing legislation and hardware and the existing communication parameters, or to develop a new information system with due regards to the requirements of the revised Kyoto Convention	
Gap analysis and implementation of Recommendations in Annex J to WCO Revised Kyoto Convention	
Development and implementation of a strategy for recruitment and retention of IT staff	
Training and study tours to countries with	

Planned Outputs	Actual Outputs Delivered by the CDP
advanced management of information, statistics, and risk management	
Sub-Component 3.2. ICT Infrastructure	
Procurement or development of an advanced and integrated ready-made solution for customs processing system, based on a proven world class system	NA
Procurement, implementation and deployment of equipments and licenses for inter-agency data exchange	
Procurement, implementation and deployment of equipments and licenses for transit control system	
Replacing obsolete ICT equipments (workstations, archives, servers, software licenses) and expand computing capacity as required to support current operations of Customs while the new system is implemented	
Update of ICT equipment infrastructure, including customs multi-service network to support the operations of the new integrated customs processing system	
Training, countrywide, of internal staff, staff of other border agencies, traders, and other key participants in trading activities in the characteristics and use of the new customs processing system	
Sub-Component 3.3. Data Warehousing and Security	
Develop a data warehouse to facilitate the analyses of accumulated data in view of improving the effectiveness of custom operations	This is planned to be implemented by the SRC as a common resource for the tax and customs committees.
Implement a backup and disaster recovery center	
Enhance the information security feature of the information infrastructure	
Component 4. Program Management (US$1.26 million)	
Provision of procurement and disbursement technical assistance to the Project Management Team of the CCC	Officers of the Customs Control Committee involved in Project Management Unit took part in six professional development trainings organized by the World Bank; an ICT procurement specialist and an international procurement specialist were hired; Translation services were provided; A special office space was rented for convenient and productive joint activities of the Project management unit and consultancy companies during the Project from 2009 to 2012.
Provision for Project audit	
Provision for a financial management system for the Project	
Translation services and language training	
Project management training for key CCC officials including training in all Project management, financial management and procurement requirements	

Annex 3. Economic and Financial Analysis

No Applicable

Annex 4. Grant Preparation and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending/Grant Preparation			
Rajul Awasthi	Senior Public Sector Specialist	GGODR	Task Team Leader
Nurbek Kurmanaliev	Procurement Specialist	GGODR	
Aliya Kim	Financial Management Specialist	GGODR	
Alma Nurshaikhova	Public Sector Mgmt. Spec	GGODR	
Clayton Bryant Kerswell	Senior Trade Facilitation Specialist	GTCDR	
Wyatt Grant	Consultant	GGODR	
Munawer Sultan Khwaja	Lead Public Sector Specialist	GGODR	Task Team Leader
John Otieno Ogallo	Sr Financial Management Specialist	GGODR	
Virginia S. Yates	Program Assistant	GGODR	
Anara Akhmetova	Procurement Assistant	GGODR	
Ilyas Sarsenov	Senior Economist	GMFDR	
Gerard McLinden	Lead Specialist	GTCDR	
Danielle Malek Roosa	Senior Counsel	LEGES	Legal
Salamat Kussainova	Consultant	ECSPF	
Carlos D. C. Ferreira	Information and Communications Technology Consultant	GGODR	
Yuling Zhou	Lead Procurement Specialist	GGODR	
Gulmira Akshatyrova	Program Assistant	ECCKZ	
Olga Fleshler	Team Assistant		
Brian Clifford Jones	IMF Consultant		
Francois Corfmat	Customs Legal Consultant	ECSPF	
Vasili Slobozhanov	IT Consultant		
Ramiro Ignacio Jauregui-Zabalaga	Counsel	LEGLE	Legal
Yoko Kagawa	Operations Officer	GGOOS	
Shynar Zakir	Consultant	GGODR	
Robert Tait	Consultant		
Michel Zarnowiecki	Sr. Trade Facilitation Specialist	TUDTR	
Aslan Sarinzhipov	Operations Officer	ECSPF	
William Mayville	Human Resources and Management Consultant	ECSPE	
Stella Ilieva	Economist	ECSPE	
Supervision/ICR			
Rajul Awasthi	Senior Public Sector Specialist	GGODR	Task Team Leader
Nurbek Kurmanaliev	Procurement Specialist	GGODR	
Alma Nurshaikhova	Public Sector Mgmt. Spec	GGODR	
Clayton Bryant Kerswell	Senior Trade Facilitation Specialist	GTCDR	ICR Team Leader

Wyatt Grant	Consultant	GGODR	
Aliya Kim	Financial Management Specialist	GGODR	
Yuling Zhou	Lead Procurement Specialist	GGODR	
Ilyas Sarsenov	Senior Economist	GMFDR	
Gerard McLinden	Lead Specialist	GTCDE	
Olga Fleshler	Team Assistant		
Yoko Kagawa	Operations Officer	GGODR	
Elena Georgieva-Andonovska	Public Sector Specialist	GGODR	
Shynar Zakir	Consultant		
Carlos D. C. Ferreira	Information and Communications Technology Consultant		
Gulmira Akshatyrova	Program Assistant	ECCKZ	
Salamat Kussainova	Consultant		
Anara Akhmetova	Procurement Assistant	ECCKZ	
Munawer Sultan Khwaja	Lead Public Sector Specialist	GGODR	Task Team Leader
Aslan Sarinzhipov	Operations Officer	ECSPF	
Robert Tait	Consultant		
Francois Corfmat	Customs Legal Consultant	ECSPF	

(b) Staff Time and Cost

	Staff Time and Cost (Bank Budget Only	
Stage of Project Cycle	**No. of Staff Weeks**	**USD Thousands (including Travel and Consultant Costs**
Lending		
FY07	44.55	379.24
FY08	22.42	87.62
Total Lending	66.97	466.86
Supervision/ICR		
FY08	3.68	24.16
FY09	10.80	84.30
FY10	18.33	94.56
FY11	34.07	110.74
FY12	13.67	109.34
FY13	12.77	113.99
FY14	13.02	108.91
FY15	26.74	173.17
FY16	17.43	116.94
Total Supervision/ICR	150.51	936.11

Annex 5. Summary of Project Implementation Report by State Revenue Committee

Customs Development Project - Republic of Kazakhstan

The SRC provided the ICR team with the above report on 24 May 2016. A summary of that report is provided below.

1.1 Historical Context

The Government of Kazakhstan considers the modernization of the customs administration a first priority to improve national competitiveness and business environment. The introduction of international practices and standards presents opportunities for further integration to global markets and supports WTO accession. The Ministry of Finance with the support of the World Bank and World Customs Organization developed a comprehensive program, based on WCO methodology, for institutional development of customs.

1.2 Project Objectives

- Promote internationally accepted standards to support integration into the global economy and improve investment climate and competitiveness.
- Improve compliance and revenue collection
- Support transparency and reduce corruption

In relation to the objective of 'Improved customs processes and procedures' under Component 2, it should be noted that no data on the ratio of revenue assessed as a result of post clearance control was provided for this indicator during the implementation of the CDP. Additional revenue is NOT and objective of post-customs control and is deemed to increase the number of "unscrupulous" traders. We do not think it is advisable to assess CDP performance based on this indicator.

1.3 Project Components and Activities

Key Performance Indicators

- 75 percent reduction in average processing time at border/inland posts
- Reduction in physical inspections to 20%
- Reduction in required documents to 7
- 20% increase in ratio of revenue collection /staff member
- Development of service standards
- Improvement of community perception

1.4 Borrower's organizational structure and implementation mechanisms

The project was implemented starting March 24, 2009. Order No. 155 to create the PIU was issued May 22, 2009. In accordance with the provisions of the loan agreement. A Project Supervisory Committee (PSS), headed by the Vice-minister, was established on March 20, 2009, to provide strategic supervision. The State Revenue Committee was established under the Ministry of Finance on August 06, 2014, the SRC continued to implement the project. Under the SRC a Development and Modernization Department was created.

During the project implementation the PSS held two meetings, in absentia and documents were sent to voting members. One of the problems with the functioning of the PSS was its composition, with many high-level members and frequent changes to membership. These issues were discussed with the Bank and changes to improve efficiency were made, reducing membership and decision approval processes. The project was implemented in accordance with the Project Implementation Manual.

2.1 Project Design Assessment

The first stage was the realization of consulting contracts, which delivered recommendation to improve and restructure customs main business processes. The results of these contracts became the basis of the second stage of implementation which was planned to build ICT architecture and a package of corresponding software for full automation of activities. The third stage based on the results of analysis and ICT architecture was the purchase of software and hardware. Each stage was accompanied by training.

2.2 Activities implemented under the project

The contract for provision of office equipment for the training and methodology center (RTC) was successfully implemented. The training center was opened on December 14, 2009. A digital library was acquired for the RTC. A language laboratory is functioning and providing distance learning opportunities. Remaining consulting contracts for providing analysis and recommendations were delayed until the following year.

During 2011-2014 contracts were implemented that resulted in recommendations for improvements and institutional development, procedures were reengineered to be used later during implementation of e-declaration. An initial and main activity was a consultancy to assess key issues of customs administration; legislation, HR, organizational structure. Based on these findings a revised structure was proposed. The formation of the SRC resulted in new opportunities for the recommendations on institutional development, but the recommendations on institutional structure being irrelevant. Recommendations on HR capacity building are now being implemented. This contracted is considered a strength of the project.

A contract for strategic planning developed a strategy with goals and objectives for the agency. Contracts also developed legislative review and recommendations for restructuring and simplification. Based on these recommendations, restructuring and simplification of business processes were carried out in anticipation of further automation and improvements to risk management. Laws and regulations were brought in line with the Kyoto Convention and new laws or revisions were drafted. Training and a study tour was provided.

The contract for the customs information management center was signed in 2013, but was suspended in 2014 and an investigation and negotiations with the supplier were carried out, but no agreement could be reached. The system was never accepted. The integrated tariff database was completed and was much appreciated by the business community.

Due to the suspension of main ICT contracts, the international ICT consultant's contract was terminated. After the projects extension in 2014 some contracts for technical equipment, audit software and a public awareness campaign were completed in 2015 and provided a sound finish to project implementation.

2.3 Cancelled Procurements

Due to the termination of the "Automated customs information management system", all related contracts were cancelled. Two tenders were planned in 2015 for hardware, however the MoF issued a decision to cancel as it was considered premature, with the ASYCUDA system to be implemented.

2.4 Project coordination and management

The Deputy Chairman of Customs Modernization served as Project Director and managed the PMU. A Decree issued in 2009 approved the project operational manual. PMU meetings took place once every three months if needed. Due to the merger in October 2014 of CCC and Tax to form SRC, project management functions were reviewed and consistent with best practice under the tax reform project, the services of the international procurement specialist was cancelled and a local specialist employed instead.

2.5 Project impact on implementation of reforms

The introduction of advanced practices had an effect on streamlining customs procedures, service quality, improving transparency, client consultation, enhanced infrastructure and organizational capacity. The reduction of excessive administrative barriers had a positive effect on economic development.

3 Critical Analysis of the actions of the Bank, Borrower and Government

The Bank team provided regular assistance and support. A lack of key decisions by the borrower hindered project implementation. Changes in Borrower/Government organization impacted on the efficiency of monitoring and project implementation.

The problems caused to project implementation by the Borrower include frequent replacement of project management staff, lack of strategic vision and some delays in internal approval processes.

4 Economic and Financial Evaluation

Under-dispersed funds from the Republican budget were returned to the budget during 2015.

5 Conclusions

The main objective of the project, e-declaration was not achieved, however the project provided a number of positive outcomes, including:

- Enhanced capacity and skills from working in an international project
- International experience of customs administration was studied
- Business processes were analyzed and helped identify strengths and weaknesses of operations
- Special technical equipment was procured which had a positive effect on operations

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A draft of the ICR was proved to the SRC in April 2016, as of the date of submission of the ICR no further comments from SRC had been received.

Annex 6. Comments of Cofinanciers and Other Partners/Stakeholders

Not Applicable

Annex 7. List of Supporting Documents

1. Project Appraisal Document, Report No. 40504-KZ, dated October 30, 2007
2. Loan Agreement, Loan Number 4874 KZ, dated February 2, 2008
3. Amendments to Loan Agreement dated January 26, 2012
4. Amendments to Loan Agreement – Partial Cancelation of loan Proceeds, dated May 22, 2014
5. Restructuring Paper, Report No. RES16427, dated October 24, 2014
6. Letter from Kazakhstan Finance Minister Sultanov to Bank Country Director of June 22 2015, re request for TARP extension
7. Implementation Status and Results Reports
8. Aides Memoires, Bank supervisory missions
9. Kazakhstan Country Partnership Strategy, August 2004
10. Kazakhstan Country Partnership Strategy 2012-17, March 2012
11. CCC, Concepts of Development of the Customs Service on the Republic of Kazakhstan for 2007-2010, 2006
12. Improving ICT Procurement in Central Asia, V2, World Bank
13. Border Management Modernization, World Bank, 2011
14. Assessment Report on the Readiness Of The Republic Of Kazakhstan to Implement Future Commitments, Arising from the WTO Trade Facilitation Agreement, 2016 (UNECE/UNCTAD)
15. Doing Business Reports: 2007 & 2016
16. World Bank Logistics Performance Index, 2014
17. Business Environment Enterprise Perception Survey (BEEPS), 2002, 2005, 2013
18. ICR Guidelines, World Bank, May, 2011
19. ICR Guidelines for Reviewing World Bank ICRs, November 12, 2013
20. Governance Global Practice, East Asia, ICR/IEG Review (Report), 2015
21. Advisory Services Document: TA on Integration of Fiscal Agencies, Kazakhstan 2015 (P153434), JERP.
22. Borrower's Evaluation Report, April, 2016

Annex 8. Customs Reform Indicators in World Bank-financed projects

Figure 3. Performance indicators used in Bank projects during 1982-2002

	Period / Indicator	1982–93 Number of Projects	1994–2002 Number of Projects	1982–2002 Number of Projects
Efficiency-Intended Results	Revenue collected per customs staff	0	8	8
	Total customs agency costs compared to revenue collected	0	7	7
	Salaries compared to revenue collected	0	7	7
	Trade volume per number of staff	0	8	8
	Annual number of declarations per customs staff	1	9	10
Effectiveness-Intended Results	Release time (import clearance time)	1	12	13
	Physical inspection and introduction of risk management	0	14	14
	Trade community information	0	4	4
	Irregularities per number of examinations	0	8	8
	Surveyed occurrence of corruption/ integrity	0	2	2
	More effective physical inspections	0	4	4
	Rejection of incomplete or inaccurate declarations	0	1	1
	Timely and accurate production of trade statistics	0	2	2

Source: Authors based on World Bank database.

Source: *De Wulf, Luc; Sokol, José B. 2005. Customs Modernization Handbook. Trade and Development. Washington, DC: World Bank.*

Figure 4. Performance indicators used in Bank projects 2006-2015

Country	Project Number	Project Name	Indicator	Type
Lao People's Democratic Republic	P101750	Lao PDR Customs and Trade Facilitation	Customs Efficiency: Reduction in mean import, export, and transit clearance times.	PDO Indicator
Lao People's Democratic Republic	P101750	Lao PDR Customs and Trade Facilitation	Customs Efficiency: Reduction in number of steps to clear commercial shipments.	PDO Indicator
Lao People's Democratic Republic	P101750	Lao PDR Customs and Trade Facilitation	Customs Effectiveness: Increase in the ratio of detections/inspections by customs.	PDO Indicator
Lao People's Democratic Republic	P101750	Lao PDR Customs and Trade Facilitation	Customs Effectiveness: Increase in the perceptions of customs performance and integrity by clients.	PDO Indicator

Colombia	P106628	CO Consolidation of Nat. Publ Mgmt Inf.	Average time to clear customs decreases from 48 hours to less than 8 hours	PDO Indicator
Colombia	P106628	CO Consolidation of Nat. Publ Mgmt Inf.	Tax administration efficiency increases, as reflected by an increase in the ration of total tax collection/DIAN's executed budget from 103.2 to 103.7	PDO Indicator
El Salvador	P095314	SV Fiscal Mgmt and Public Sector Perf TA	Increased efficiency of customs through increased number of Customs points with non-intrusive control methods financed by the Loan	PDO Indicator
Jamaica	P146688	JM Strategic Public Sect Transformation	Supporting trade facilitation by integrating clearance processes of selected border agencies, resulting in a transparent, cost efficient and faster international trade environment as measured by LPI-C	PDO Indicator
Africa	P079736	3A-CEMAC Transp Transit Facil (FY07)	Customs operations carried out electronically for goods in transit	PDO Indicator
Central African Republic	P149884	CF- Emergency Public Services Resp. Proj	Percentage of staff from Customs Directorate whom have resumed work	PDO Indicator
El Salvador	P095314	SV Fiscal Mgmt and Public Sector Perf TA	Increased efficiency of customs through increased number of Customs points with non-intrusive control methods financed by the Loan	PDO Indicator
Jamaica	P146688	JM Strategic Public Sect Transformation	Supporting trade facilitation by integrating clearance processes of selected border agencies, resulting in a transparent, cost efficient and faster international trade environment as measured by LPI-C	PDO Indicator
Africa	P079736	3A-CEMAC Transp Transit Facil (FY07)	Time to release customs bond	Intermediate Results Indicator
Africa	P079736	3A-CEMAC Transp Transit Facil (FY07)	Electronic transmission of the transit documents collected by the Cameroon customs to CAR and Chad customs	Intermediate Results Indicator
Africa	P079736	3A-CEMAC Transp Transit Facil (FY07)	Customs checkpoints for secured goods	Intermediate Results Indicator
Africa	P079736	3A-CEMAC Transp Transit Facil (FY07)	Publication of key customs statistics in a media acceptable to the Bank (newspaper or most likely Internet).	Intermediate Results Indicator
Cote d'Ivoire	P107355	CI-Governance and Institutional Dev.	Standard deviation of data provided by the One-Stop shop, the Bourse du café et du cacao (BCC) and the Customs	Intermediate Results Indicator
Niger	P108253	Niger Reform Management and TA	Deviation of aggregate revenue for Tax and Customs Directorates	Intermediate Results Indicator

Niger	P108253	Niger Reform Management and TA	Degree of compliance with rules for processing and recording transactions	Intermediate Results Indicator
Niger	P108253	Niger Reform Management and TA	Frequency of complete accounts reconciliation between tax/customs assessments, collections, arrears, records and receipts by Treasury	Intermediate Results Indicator
Liberia	P127319	LR-Integrated PFM Reform	Increase in customs revenue collections adjusted for inflation	Intermediate Results Indicator
Central African Republic	P149884	CF- Emergency Public Services Resp. Proj	Ratio of revenue recorded at the Customs Directorate to revenue collected from the commercial banks	Intermediate Results Indicator
Sierra Leone	P133424	PFM Improvement and Consolidation	Increase in customs revenues paid into the Consolidated Revenue Fund, adjusted for inflation.	Intermediate Results Indicator
Guinea-Bissau	P150827	Public Sector Strengthening Project	The tax and customs revenue increase by 30% (baseline in XOF billion nominal)	Intermediate Results Indicator
Guinea-Bissau	P150827	Public Sector Strengthening Project	Reform focal points in place in the Tax, Customs, Budget and Treasury Directorates	Intermediate Results Indicator
Guinea-Bissau	P150827	Public Sector Strengthening Project	Customs arrears collection improvement (Percentage of recuperated arrears over total arrears)	Intermediate Results Indicator
Indonesia	P085133	Govt Finl Mgt & Revenue Admin Project	Improved Customs revenue performance and time-for-release performance.	Intermediate Results Indicator
Indonesia	P085133	Govt Finl Mgt & Revenue Admin Project	Increased ratio of revenues to GDP, increase in registered tax payers and filers, reduced tax arrears, and reduced clearance time in Customs.	Intermediate Results Indicator
Lao People's Democratic Republic	P101750	Lao PDR Customs and Trade Facilitation	Full acceptance of electronic data submission for customs declaration procedures by the end of 2013	Intermediate Results Indicator
Uruguay	P097604	UY Institutions Building TAL	Incentive based performance has been implemented for Human Resources in Customs Administration. (YR5)	Intermediate Results Indicator
Colombia	P106628	CO Consolidation of Nat. Publ Mgmt Inf.	The average number of physical documents required for customs clearance has been reduced from 12to 5	Intermediate Results Indicator
El Salvador	P095314	SV Fiscal Mgmt and Public Sector Perf TA	% increase of web-processed transactions in Customs	Intermediate Results Indicator
Africa	P079736	3A-CEMAC Transp Transit Facil (FY07)	Time to release customs bond	Intermediate Results Indicator
Indonesia	P085133	Govt Finl Mgt & Revenue Admin Project	Increased ratio of revenues to GDP, increase in registered tax payers and filers, reduced tax arrears, and reduced clearance	Intermediate Results Indicator

			time in Customs.	
Colombia	P106628	CO Consolidation of Nat. Publ Mgmt Inf.	The average number of physical documents required for customs clearance has been reduced from 12to 5	Intermediate Results Indicator

Source: World Bank ISR database

Annex 9. Map of Kazakhstan