

Independent External Evaluation



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Support for IMF Capacity Building



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Swiss Confederation

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

INTERNATIONAL MONETARY FUND

Independent Evaluation of the
Central Asian Letter of
Understanding under the Swiss
Technical Assistance
Subaccount

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LIST OF ABBREVIATIONS

| | |
|---------|---|
| ADB | Asian Development Bank |
| AML/CFT | Anti Money Laundering/Countering the Financing of Terrorism |
| CA | Central Asia |
| CAS | Certificate of Advanced Studies |
| CBA | Central Bank of Azerbaijan |
| CC | Coordinating Committee |
| CDD | Customer Due Diligence |
| CSD | Central Securities Depository (Kyrgyz Republic) |
| DTS | Debt Tracking System |
| DVP | Delivery-versus-payment |
| FATF | Financial Action Task Force |
| FEDK | Kyrgyz Fund for Economic Development |
| FIS | Financial Intelligence Service |
| FIU | Financial Intelligence Unit |
| FSAP | Financial Sector Assessment Program |
| FSU | Former Soviet Union and Baltic States |
| IBRD | International Bank for Reconstruction and Development or World Bank |
| IMF | International Monetary Fund |
| IRD | International Relations Department |
| IT | Information Technology |
| LOU | Letter of Understanding |
| MCM | Monetary and Capital Markets Department (IMF) |
| MOFA | Ministry of Finance of Azerbaijan |
| MOFK | Ministry of Finance of the Kyrgyz Republic |
| NBKR | National Bank of Kyrgyz Republic |
| OTM | Office of Technical Assistance Management (IMF) |
| PDA | Public Debt Agency |
| PDD | Public Debt Department (MOFK) |
| PDA | Public Debt Management Agency (MOFA) |
| RPD | Regional Public Debt Policy and Management Project |
| RTAC | Regional Technical Assistance Center |
| SECO | Swiss State Secretariat for Economic Affairs |
| SFA | Selected Fund Activities |
| SSC | State Securities Committee (Azerbaijan) |
| STAS | Swiss Technical Assistance Subaccount |
| STR | Suspicious Transactions Reports |
| T-bills | Treasury Bills |
| TA | Technical Assistance |
| TAIMS | Technical Assistance Information Management System |
| TOR | Terms of Reference |
| TPR | Tripartite Review |

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Executive Summary

1. **The bilateral arrangements under the Swiss Technical Assistance Subaccount (STAS) have delivered high quality services to its clients.** Its performance was rated as good on a four-point scale of excellent, good, modest, and poor. The highest ratings were for the criteria of efficiency and effectiveness, while a weaker, but still good, rating was given for relevance. A modest rating was given for sustainability. This summary rating, however, masks significant differences in performance between the projects and the countries. The AML/CFT project was the very successful, with an excellent rating, while the External Debt and Government Securities Market Projects' were both rated as good. The results for the latter projects may, however, have a positive bias, since the assessment focused on projects in Kyrgyz Republic, the country where there STAS projects were the most successful and Azerbaijan, where the projects had moderate success, while it excluded Tajikistan, Turkmenistan and Uzbekistan.

2. **When ranked by project and country, it becomes apparent that the differences in project performance were more related to country than project.** The top overall rating was given to the AML/CFT Project in Kyrgyz Republic, which was rated as excellent, but it was closely followed by the External Debt Project in Kyrgyz Republic which also rated at as excellent. The third rated project, Government Securities Market in Kyrgyz Republic, was rated at a good, and its rating may improve if the next phase of the project is successful. The fourth rating went to the Government Securities Market Project in Azerbaijan which was rated as good, as the project's modest performance thus far was buoyed by a promise of greater commitment by the authorities. Finally, the External Debt Project in Azerbaijan was rated as modest. The performance of the projects in Azerbaijan would be even weaker if the parts of the project largely under the control of the donors, such as coordination with development partners, process implantation efficiency, and monitoring and reporting, were ignored.

3. **Some of the evaluator's findings include:** (i) SECO/IMF assistance was "owned" by Kyrgyz Republic and was responsive to their needs, while ownership, and alignment with needs was less apparent in Azerbaijan; (ii) the quality of TA expertise was excellent—this applied to resident advisors, short-term experts, and presenters at workshops; (iii) the regional approach did work well in the two multi-country projects that were evaluated; (iv) coordination with donors was very good, but in two projects donor coordination was improved and money saved by inviting representatives from other donor organizations to participate in project workshops at their expense; (v) while National Project Coordinators (NPCs) can be useful, it is difficult for the authorities to identify NPCs who have sufficient seniority, interest, knowledge, and administrative capacity to effectively promote project implementation; and (vi) backstopping from Headquarters contributed positively to projects' effectiveness.

4. **The greatest area of concern was sustainability,** which received an overall score of modest-to-good. This criterion received the lowest score in every project. The root of the problem is the low wages in the public sector. On the positive side, all three projects in Kyrgyz Republic were rated as good, in large part because the projects all sought to ameliorate the wage problem with training programs. One concern, however, was whether Kyrgyz Republic's Ministry of Finance would maintain the computer systems and software provided by the SECO

for the External Debt and Government Securities Market Projects after the projects' completion. The two projects in Azerbaijan received lower ratings. The sustainability of the External Debt Project was rated as poor, because of a lack of evidence of the sustained use of outputs at the Azerbaijan's Ministry of Finance (MOFA), while the Government Securities Market was rated as modest, as the poor-to-modest performance thus far was offset—for the time being—by statements by the authorities that they were now committed to the project. Other concerns relating to the projects in Azerbaijan included: (i) the absence of training programs; (ii) the MOFA had dismantled its debt and securities market functions pending the creation of a Public Debt Management Agency (PDA), but the new agency was not yet staffed; and (iii) the shortage of skilled, high-quality staff at the MOFA.

5. The main recommendations of the report are:

- **Recommendation 1:** The bilateral arrangements under the STAS have served SECO and the IMF well and should be continued.
- **Recommendation 2:** The regional approach did not contribute to the success of the multi-country projects that were evaluated. However, it is not clear whether STAS should focus on TA projects for individual countries either within or outside their constituency; on taking additional care in trying to continue to pursue a regional approach in this region; on taking a regional approach for a different group of countries; or on taking a topical approach for a wider group of countries. The difficulties faced with the regional model in these projects should not be taken as a rebuttal of the regional approach in general, which has had much success, notably in the Regional TA Centers (RTACs).
- **Recommendation 3:** STAS projects have taken longer than originally envisaged, and they should be lengthened, and, when appropriate, with additional phases envisaged from the outset. Care should also be taken to ensure that each phase of the project is of a manageable size and that it is not overly ambitious.
- **Recommendation 4:** Since Government priorities and policies may shift over a year or two, while project objectives and project phases are generally longer-term, some flexibility within each phase of a project may increase the likelihood of success.
- **Recommendation 5:** For the second phase of the Government Securities Market Project to be successful in Azerbaijan, it should not begin until the PDA has a strong head, and has staffed trainable and interested staff that is unlikely to be transferred out before the PDA is sustainable. In addition, project success will probably require a major TA commitment, including a resident advisor.
- **Recommendation 6:** While project monitoring and reporting was generally efficient and effective, the use of TAIMS reporting formats might simplify the process, while larger projects could save resources and expenses by lengthening the period between Tripartite Reviews from 12 to 18 or 24 months.
- **Recommendation 7:** Once capacity is built, it needs to be maintained; this applies to staff training, as well as hardware and software. Providing training manuals and documentation and encouraging ongoing internal training may be particularly helpful in this regard. Working with local universities to develop training programs and post-graduate courses might also be helpful.

I. BACKGROUND AND INTRODUCTION

A. *Background*

1. The IMF's Switzerland Technical Assistance Subaccount (STAS) was established in April 1998 to finance a number of Technical Assistance (TA) projects for the Central Asian (CA) countries in the Swiss Constituency of the IMF, which included Azerbaijan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The basic agreement was framed in the CA Letter of Understanding (LOU) between the Swiss government and the IMF. In January 2009, the list of eligible countries that could be supported under the CA LOU was expanded to include Serbia. The Swiss counterparty in the STAS is the Swiss State Secretariat for Economic Affairs (SECO).
2. Thus far, Switzerland has contributed US\$ 8,400,000 to the STAS: US\$ 2,500,000 based on the CA LOU of April 1998; US\$ 5,000,000 based on the amendment to the LOU CA of June 2001; and US\$ 900,000 based on the amendment to the CA LOU of January 2009. Neither the original CA LOU nor the amendments contain explicit guidance on the thematic scope of potential TA projects. The current areas of TA funded by the STAS include: (i) domestic debt management and government securities markets' development; (ii) strengthening of the AML/CFT frameworks; and (iii) building macroeconomic analysis and forecasting capacity.
3. STAS projects are proposed by the IMF to SECO based on requests made by recipient countries' authorities to the IMF. The proposals are generally based on the findings of an IMF needs assessment mission. After receiving a TA request, the IMF consults the responsible SECO program managers to discuss potential financing of the project. After SECO has endorsed the proposal, the IMF develops and submits a detailed project proposal to SECO that serves as basis for SECO's internal project approval process.
4. Nearly all of the committed STAS funds have been disbursed or allocated to TA projects, and SECO is now considering a redesign of the cooperation framework with the IMF. The objective is to develop a more programmatic approach under the new Selected Fund Activities (SFA) TA Instrument, including a substantial new commitment of SECO funds, which would include the following elements:
 - Definition of areas of activity for future TA;
 - Mid-term planning of TA activities;
 - Standardization of project proposals to ensure addressing key issues (e.g., sustainability strategic alignment);
 - Annual review against stated outputs/outcomes; and
 - Embedding in SECO's and the IMF's strategic approach in the region.
5. The remainder of the paper is presented as follows. The rest of this chapter presents the objectives of the evaluation, followed by a description of the approach and methodology. This is followed by a chapter presenting the overall findings and recommendations, and by three chapters, evaluating each of the STAS projects studied. The paper contains three annexes: the

terms-of-reference (TOR) for the evaluation; the worktables used in the two multi-country projects; and a list of the persons interviewed.

B. Objectives of evaluation

6. Based on discussions with the IMF's Office of TA Management (OTM), this evaluation is seen as an opportunity to take stock of the TA projects that have been financed under the CA LOU. The overarching objectives are to (i) help determine whether the STAS should continue to be funded; and, if so, (ii) develop proposals, based on lessons learned, to make the future projects more effective, efficient, relevant, and sustainable.

7. As stated in the TOR (see Annex A), the objectives of the evaluation are to:

- (i) Provide a *combined assessment* of the TA Projects overall performance with regard to *outputs and outcomes* achieved;
- (ii) Provide a *combined assessment of the main challenges and barriers* faced during project implementation that affected the projects' overall performance and sustainability of the results;
- (iii) Undertake, and report separately on, *project-specific assessments* with a view to identifying strengths/weaknesses which could help explain any project-specific successes/shortfalls;
- (iv) Provide *some lessons learned* regarding the future project design, their implementation, and the institutional arrangement between SECO and the IMF; and
- (v) *Make proposals* to address the future design of projects, their thematic orientation, and the institutional arrangement for the management of TA projects financed through the STAS, including possible recommendations to address the projects' implementation, financing, and sustainability.

8. Within the above context, specific issues for study by the evaluation (the scope of the evaluation) include the effectiveness, efficiency, relevance, and sustainability of the individual projects evaluated, as well as for the projects taken together. In carrying out this effort, attempts will be made to answer a set of questions specifically relating to each issue.

- (i) The **effectiveness of TA in STAS projects** will be evaluated by asking: (a) Whether TA is appropriately focused on delivering outputs which contribute to the achievement of beneficiary country reform priorities; (b) Whether the outcomes and impact of TA projects are consistent with best practices and with the strategic policy advice provided by IMF headquarters; (c) How good the quality and timeliness was of TA projects' activities undertaken and outputs produced; (d) The extent to which the projects' activities were well-coordinated with those of other donors and TA providers; (e) What factors led to the success or lack of success of the projects; and (f) What lessons were learned regarding the effectiveness of the approach/intervention strategy with a view to a possible replication of the approach.
- (ii) The **efficiency of the projects** or lack thereof will be addressed by assessing: (a) The quality and timeliness of management and backstopping of TA projects' activities by IMF headquarters-based staff; (b) Local contributions (type and amounts) and their utilization in the project; and (c) The involvement of recipient authorities and their

facilitation of project outputs and outcomes. One issue which is beyond the scope of this evaluation is the budgetary efficiency of the projects, although some lessons will be noted.

- (iii) The **relevance of the projects** will be addressed by exploring: (a) The degree to which TA Projects have equipped countries with adequate institutional capacity to define their own policy alternatives; (b) The extent to which TA Projects took into account and met the priority needs of beneficiary countries; and (c) The quality of TA formulation and engagement.
- (iv) The **sustainability of the projects** will be examined by studying: (a) The extent to which TA Projects have led to tangible and lasting results in beneficiary countries; and (b) Whether there are particular constraints faced by TA beneficiary countries which have prevented them from taking full advantage of TA Projects, and how such constraints can be addressed.

C. Approach and Methodology

9. Based on discussions with OTM, the evaluation focuses on three STAS projects covered under the CA LO, and on two countries, Azerbaijan and Kyrgyz Republic.¹ The three projects are (i) the Regional Public Debt Policy and Management Project (External Debt Project); (ii) the Regional Project to Promote the Development of Government Securities Markets and Domestic Debt Management (Government Securities Market Project); and (iii) Strengthening the AML/CFT Framework in Kyrgyz Republic (AML/CFT Project).

10. The dimensions, sub-criteria, rating methodology, and weights applied are described below. The evaluation methodology closely follows the approach and methodology used for the recent evaluations of the African Regional TA Centers (RTACs), the Pacific RTAC, and the IMF's TAs in Iraq,² but it is modified to reflect the needs of this evaluation and the sub-criteria included in the TOR.

11. The use of numerical ratings helps to force the evaluator to come to a conclusion. While reaching such conclusions involves judgment, this methodology helps to make such judgments more transparent. The approach used to derive the overall rating will involve two steps: (i) rating each of the sub-criterion on a four-point scale of excellent (4 points), good (3 points), modest (2 points), and poor (1 point); and (ii) assigning weights to each of the sub-criterion, project, and the four dimensions of evaluation so that the results can be aggregated to reach broader conclusions about overall performance of the TA projects. For this evaluation, the following weights are proposed for the criteria: (i) effectiveness (40%); (ii) efficiency (20%); (iii) relevance (20%); and (iv) sustainability (20%). The descriptions of each sub-criterion, as well as the weights, are presented below. All weights reflect the best judgment of the evaluator.

¹ Only two countries were studied because of time and financial constraints on the evaluation. The choice of countries, however, probably biased the findings, since Kyrgyz Republic was the best performer among the five countries in the STAS project, while Azerbaijan was the second or third best performer, and the two worst performing countries Turkmenistan and Uzbekistan were not studied.

² See Annex B in *Evaluation of the Technical Assistance Subaccount for Iraq*, Office of Technical Assistance Management, IMF, March 2008, or Annex B in *Final Report of the Independent Evaluation of the African Technical Assistance Centers*, B. Murray, P. Downes, H. Gaperi and I. Njiemoun, IMF, March 2009.

12. The activities will be grouped by project. When evaluating the overall success of the three projects, the External Debt and Government Securities Markets Projects will each be given a 40% weight, because of their size and because two countries were involved, while the AML/CFT Project will be given a 20% weight.

1. Dimensions and sub-criteria

13. The TA projects were rated against the specific sub-criteria for the four dimensions of evaluation.

a) Effectiveness

14. The effectiveness of the STAS projects was assessed by the degree to which the stated objectives were achieved or could be reasonably expected to be achieved in the near future. The analysis was structured to examine the effectiveness of each individual project, as well as the projects taken together. The sub-criteria, and the weights, used to evaluate effectiveness were:

- (i) **Use of TA Outputs (50%):** This involved assessing the use of the outputs of each TA project and whether the outputs led, or are likely to lead, to the desired outcomes. Evidence was sought as to whether the policies and procedures of the executing agency were changed or are likely to change to incorporate TA recommendations. In some cases, there was an unfinished agenda. In such cases, the evaluator judged whether the expected outcomes were likely to be achieved within a relatively short time frame.
- (ii) **Coordination with Development Partners (30%):** The evaluator assessed the extent to which these TA projects had been coordinated and leveraged with other TA providers, and the role that the project managers played in facilitating coordinating donor assistance.
- (iii) **Consistency with International Best Practice and the Strategic Policy Advice provided by the IMF (20%):** This sub-criterion explored the extent to which the projects followed international best practices. It also examined the degree to which the projects were integrated with TA from IMF Headquarters, surveillance activities, and Article IV consultations and the results obtained from a review of documents and interviews with staff from MCM and LEG.

15. Each effectiveness sub-criterion was rated on the four-point scale for each project. The ratings were then aggregated, using the weights assigned to each sub-criterion. The overall rating was derived by aggregating the ratings for each project using the weights assigned to the projects. Standard descriptors, based on numerical cutoffs, describe the effectiveness rating:

- (i) **Excellent.** The weighted score was greater than 3.5. This rating will be given to TA whose effectiveness ratings are particularly good.
- (ii) **Good.** The weighted score was between 2.5 and 3.5. Although there were some issues related to one of more of the sub-criteria that prevented a highly effective rating, there were no major shortfalls.

- (iii) **Modest.** The weighted score was between 1.5 and 2.5. The evaluation identified shortfalls in one or more of the sub-criteria. There were some positive findings for the TA but not what was originally expected.
- (iv) **Poor.** The weighted average was less than 1.5. The TA had clear problems at the time of evaluation and did not succeed in achieving development results.

16. Similar descriptors were used for the other three dimensions of evaluation. This approach provided a consistent basis for the various assessments.

b) Efficiency

17. The evaluation of efficiency assessed the performance of the selected STAS projects in converting resources (e.g., human resources/expertise; financial resources; and time) to achieve outcomes and results. The efficiency sub-criteria and the weights are:

- (i) **Process and Implementation Efficiency (60%):** Assessing process and implementation efficiency covers such factors as the IMF's internal management of the TA activities and the quality and timeliness of management and backstopping by Headquarters-based staff. Another factor under this sub-criterion was the consistency of engagement at the institutional and individual level of both the project staff and the executing agencies. Other factors included the timely recruitment of qualified long- and short-term experts, the efficiency of planning and executing the TA delivery, and the timeliness of TA execution.
- (ii) **Contribution of Local Authorities (30%):** This sub-criterion was used to assess the degree of involvement by the local authorities; their facilitation of the outcomes of the project; as well as their contributions to and the utilization of those contributions in the project. The contribution of the National Project Coordinators (NPCs) is also considered under this sub-criterion.
- (iii) **Monitoring and Reporting (10%):** The evaluation examined the quality of reporting and monitoring of the project, and the efficiency of the systems used, including the value-added by Tripartite Reviews (TPRs) in those projects using them.

c) Relevance

18. The relevance sub-criteria are listed below along with their weights:

- (i) **Consistency with Government Priorities (40%):** This sub-criterion assessed the extent to which TA activities reflected the priorities of beneficiary countries. The evaluator looked for evidence of consistency between the TA and government priorities in feedback from government officials, both during face-to-face interviews during the fieldwork and by a review of documents.
- (ii) **Define Future Priorities (20%):** This sub-criterion assessed the degree to which the TA helped enable countries to better define their policy alternatives in the future.
- (iii) **Quality of TA Formulation and Engagement (40%):** This sub-criterion assessed the quality of the TA strategy and formulation and the diagnostic assessment process, including whether country level needs assessments were undertaken, the consistency of the objectives and the resource inputs, and consistency of engagement over a period of years.

d) Sustainability

19. Sustainability relates to the extent to which TA led to tangible and lasting results. It depends on whether the institutional, policy, and legal framework and human and financial resources are sufficient to sustain TA benefits. The sub-criteria and weights are:

- (i) **Sustainable Use of the Outputs (70%)**: An important indicator of sustainability is whether the TA outputs were embedded in the routine businesses practices of the executing agencies. This sub-criterion also considered whether trained staff remained and were likely to remain with the organization, as well as the programs developed to replace lost staff.
- (ii) **Constraints on Institutional Absorptive Capacity (30%)**: The assessment examines whether there were particular constraints faced by beneficiary countries which had prevented or were likely to prevent the authorities from taking full advantage of TA projects.

2. Data sources and the evaluator

20. The evaluation draws on information from a range of sources including documents and data available from the IMF and from interviews with a range of key informants, including government officials, IMF staff, current and former resident advisors, and in-country representatives of SECO. In reaching its conclusions, evidence from several sources was considered, including project proposals, TPR reports, annual updates from OTM to SECO, selected project updates, selected TAIMS submissions, and information available on the IMF's webpage.

21. The evaluation was conducted by Richard Abrams, an expert in financial sector issues. Mr. Abrams has 30 years of experience mostly at the IMF, where he was responsible for planning, delivering, and supervising financial sector TA. He has considerable experience working in the countries of the former Soviet Union and Baltic States (FSU), including serving as Regional TA Manager for the FSU from February 2000 to August 2002; leading a number of missions to Azerbaijan in the late-1990s; and leading the Financial Sector Assessment Program (FSAP) to Kyrgyz Republic in 2002. Prior to joining the IMF, Mr. Abrams was a financial economist with the Federal Reserve Bank of Kansas City.

II. RATING OF SWISS SUBACCOUNT PROJECTS AND RECOMMENDATIONS

Key Messages

With respect to ratings for the STAS projects:

- The overall rating was good at 3.1, but there were significant differences in performance between the projects and the countries.
- The AML/CFT project received an excellent rating of 3.7, while the External Debt and Government Securities Market Projects' scores were both a good 2.9.
- The External Debt Project in Kyrgyz Republic also received excellent rating of 3.6, while the Government Debt Project in Kyrgyz Republic was rated at 3.1. However, the rating may improve if the second phase of the project is successful. The External Debt and Government Securities Market Projects in Azerbaijan were rated at 2.2 and 2.7, respectively, although the latter rating could change as the project progresses.

The main recommendations of the report are:

- **Recommendation 1:** The bilateral arrangements under the STAS have served SECO and the IMF well and should be continued.
- **Recommendation 2:** The regional approach did not contribute to the success of the multi-country projects. However, it is not clear whether STAS projects should focus on TA projects for individual countries either within or outside their constituency; a regional approach for a different group of countries; a regional approach for the countries of this region, but with more care taken in selecting participating countries; or a topical approach for a wider group of countries. The difficulties faced with the regional model in these projects should not be seen as a rebuttal of the regional approach in general, which has had much success, notably in the RTACs.
- **Recommendation 3:** STAS projects have taken longer than originally envisaged, and they should be lengthened, and, when appropriate, with additional phases envisaged from the outset. Care should also be taken to ensure that each phase of the project is of a manageable size and that it is not overly ambitious.
- **Recommendation 4:** Since Government priorities and policies may shift over a year or two, while project objectives and project phases are generally longer-term, some flexibility within each phase of a project may increase the likelihood of success.
- **Recommendation 5:** For the second phase of the Government Securities Market Project to be successful in Azerbaijan, it should not begin until the Public Debt Agency (PDA) has a strong head, and it is staffed with trainable and interested personnel. Project success will probably also require a major TA commitment, including a resident advisor.
- **Recommendation 6:** While project monitoring and reporting was efficient and effective, the use of TAIMS might simplify the process, while larger projects could save resources by lengthening the period between TPRs from 12 to 18 or 24 months.
- **Recommendation 7:** Once capacity is built, it needs to be maintained; this applies to staff training, as well as hardware and software. Providing training manuals and documentation and encouraging ongoing internal training may be particularly helpful in this regard. Working with local universities to develop training programs and post-graduate courses might also be helpful.

A. Introduction

22. This chapter begins by presenting overall ratings for the STAS projects. After this, the main recommendations of this report are presented.

B. Evaluation of the Swiss Subaccount projects

1. Overall Rating

23. The overall rating of the STAS projects was good at 3.1. This rating, however, masks large differences in performance between the projects and the countries. The AML/CFT project was the most successful, with an excellent rating of 3.7, while the External Debt and Government Securities Market Projects were both rated good at 2.9. The lesser performance in the External Debt and Government Securities Market Projects was in large part the result of the weak performance of the projects in Azerbaijan. When ranked by project and country, it becomes apparent that the differences in performance were more related to country than project. The ranking for performance by country and project was:

- (i) The AML/CFT in Kyrgyz Republic was rated at an excellent 3.7;
- (ii) The External Debt Project in Kyrgyz Republic was rated at an excellent 3.6;
- (iii) The Government Securities Market in Kyrgyz Republic was rated at a good 3.1, and its rating may improve considerably if the next phase of the project is successful;
- (iv) The Government Securities Market Project in Azerbaijan was rated at 2.7, as modest performance thus far was buoyed by the promise of greater commitment by the authorities; and
- (v) The External Debt Project in Azerbaijan was rated at a modest 2.2. It is also noteworthy that the performance of the projects in Azerbaijan would be even weaker if the parts of the project largely under the control of the donors, such as coordination with development partners, process implantation efficiency, and monitoring and reporting, were ignored.

Table II.1: Overall Rating of Swiss Subaccount Projects

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Effectiveness | 40 | 3.3 |
| Efficiency | 20 | 3.3 |
| Relevance | 20 | 3.1 |
| Sustainability | 20 | 2.5 |
| Overall Rating/Score | 100 | 3.1 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

2. Effectiveness of the Swiss Subaccount Projects

24. The rating for effectiveness was very good at 3.3, as excellent or near excellent ratings in the sub-criteria of coordination with development partners and consistency with best international practices and strategic advice was brought down slightly by a good score for the use of TA outputs. The highest scores in all categories were given to the AML/CFT Project, where all sub-criteria were rated as excellent, while the other two projects were each rated as good.

Table II.2: Swiss Subaccount Projects—Overall Effectiveness

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Use of TA Resources | 50 | 3.0 |
| Coordination with Development Partners | 30 | 3.4 |
| Consistency with International Best Practice | 20 | 3.7 |
| Overall Effectiveness Rating/Score | 100 | 3.3 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

25. The sub-criterion receiving the lowest score for effectiveness in the External Debt and Government Securities Market Projects was in use of TA outputs, where a score of 2.8 was given to both projects. This was the one sub-criterion in this area that was largely or wholly out of the control of the donors. Furthermore, the low score for the use of TA outputs was largely the result of Azerbaijan's modest-to-poor rating of 1.5 on the External Debt Project, and to a lesser extent Azerbaijan's modest-to-good rating of 2.5 on the Government Securities Market Development Project.

3. Efficiency of the Swiss Subaccount Projects

26. The efficiency of the STAS projects was rated as good at 3.3, as a near excellent rating of 3.4 for process implementation efficiency was partly offset by good ratings of 3.1 for the sub-criteria contribution of local authorities and monitoring and reporting. Again, the AML/CFT Project received the highest ratings, with all categories rated as excellent. The External Debt Project received an overall rating of good at 3.2, as an excellent rating for process implementation efficiency was pulled down by good scores for contribution of local authorities and monitoring and reporting. The Government Securities Market Project also received a rating 3.2, with ratings of 3.0-3.2 for all sub-criteria. It is noteworthy that the scores for the contribution of local authorities, the one sub-criterion largely out of the control of donors, were pulled down markedly by the weak results in Azerbaijan, which received a poor-to-modest rating of 1.5 for the External Debt Project and a modest 2.0 rating for the Government Securities Market Project, while the ratings for Kyrgyz Republic were excellent, at 4.0 and 3.5 respectively.

Table II.3: Swiss Subaccount Projects—Overall Efficiency

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Process Implementation Efficiency | 60 | 3.4 |
| Contribution of Local Authorities | 30 | 3.1 |
| Monitoring and Reporting | 20 | 3.1 |
| Overall Efficiency Rating/Score | 100 | 3.3 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

4. Relevance of the Swiss Subaccount Projects

27. The STAS projects received a good rating of 3.1 for relevance. Again, significant differences were found both between the projects and between countries. The AML/CFT project for Kyrgyz Republic was given excellent ratings for all sub-criteria, while the External Debt and the Government Securities Market Projects were rated as good, as good scores for consistency with government priorities and for the quality of TA formulation and engagement were brought down by weaker scores for enabling the authorities to define their priorities. In this latter area, the External Debt Project was given a modest-to-good rating of 2.5, while the Government Securities Market Project was rated at a modest 2.3. Once again, the projects in Kyrgyz Republic were considerably more successful than those in Azerbaijan, with Azerbaijan receiving overall ratings of 2.0 and 2.6, respectively, for the External Debt and Government Securities Markets Projects, while the ratings were 3.6 and 3.1, respectively, for Kyrgyz Republic. The differences in the ratings for the sub-criterion for enabling the authorities to define their future priorities were also large, with Azerbaijan receiving scores of 1.0 and 2.0, respectively, while Kyrgyz Republic's scores were 4.0 and 2.5, respectively.

Table II.4: Swiss Subaccount Projects—Overall Relevance

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Consistency with Government Priorities | 40 | 3.0 |
| Define Future Priorities | 20 | 2.7 |
| Quality of TA Formulation and Engagement | 40 | 3.3 |
| Overall Relevance Rating/Score | 100 | 3.1 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

5. Sustainability of the Swiss Subaccount Projects

28. The projects received the lowest ratings for sustainability, overall and individually.³ The overall rating was a modest-to-good 2.5, as a good rating of 3.0 for the AML/CFT Project was offset by modest ratings of 2.2 and 2.3, respectively, for the External Debt and Government Securities Market Projects. As was the case for the other criteria, the performance of the projects in Kyrgyz Republic was superior to those in Azerbaijan. All three projects in Kyrgyz Republic were rated as good, with scores between 2.7 and 3.0, while the External Debt Project in Azerbaijan was rated at a poor 1.3, because of a lack of evidence of the sustained use of outputs at the Ministry of Finance of Azerbaijan (MOFA). The Government Securities Market was rated a modest 2.0, mainly on the basis of statements by the authorities that they were committed to the project and that a Public Debt Agency (PDA) would be created, allowing capacity in government securities markets to be reestablished at the MOFA.

Table II.5: Swiss Subaccount Projects—Overall Sustainability

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Sustainable Use of Outputs | 70 | 2.4 |
| Constraints on Institutional Absorbative Capacity | 30 | 2.6 |
| Overall Sustainability Rating/Score | 100 | 2.5 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

C. Recommendations

29. **Recommendation 1:** The bilateral arrangements under the STAS have served SECO and the IMF well and should be continued. The Swiss TA program has benefitted from participating in high-value projects identified by the IMF, as well as from having access to IMF expertise for conducting those projects, while the IMF has benefitted from access to Swiss funds, including the ability to finance needed hardware and software resources. The ability to fund hardware and software appears to have been central to success of the three projects in Kyrgyz Republic.

30. The evaluation also identified a number of areas where improvements could be made. These observations are divided into four subheadings: country selection and project design, monitoring and reporting, sustainability, and other observations. Under each of the first three subheadings, key recommendations are also highlighted.

³ While it is beyond the scope of this evaluation, it should be noted that SECO tries to address the sustainability issue in a broader framework: In all of the beneficiary countries it is also engaged in reforms in the area of public finance management (mainly within World Bank-led programs) and projects in the field of macroeconomic management, both aiming (among other things) at improving the fiscal position and the management of budgetary resources.

1. Country selection and project design

31. **Recommendation 2:** The regional approach did not contribute to the success of the two multi-country projects studied. The authorities in both Azerbaijan and Kyrgyz Republic did not support the regional approach, other than appreciating the benefits of discussing issues with their neighbors at regional workshops. Furthermore, only three of the five members of the Swiss Constituency for CA appear to be likely TA candidates for STAS projects, and only Kyrgyz Republic has a strong record for implementation. This being said, it is not clear whether STAS projects should focus on large TA projects for individual countries either within or without their constituency; a regional approach for the countries of this region, but with more care taken in the selection of the participating countries; a regional approach for a different group of countries; or a topical approach for a wide group of countries. If a regional approach is to be used—and they have often been successful, notably in the RTACs—it is best to try to leverage on commonalities in institutional arrangements, legal traditions and practices, but as with other types of TA projects the commitment of the authorities is the linchpin of success.

32. Several lessons were learned with respect to project design:

- (i) **Recommendation 3:** STAS projects have taken longer than originally envisaged, and they should be lengthened, and, when appropriate, with additional phases envisaged from the outset. All three STAS projects took longer than originally planned, and two of three now include a second phase, while the External Debt Project in Kyrgyz Republic had computer and hardware maintenance linked into the Government Securities Market Project. All three projects might have benefited from this taking account of the longer-term objectives from the outset, including possibly setting more modest goals for the first phase of the project, while plotting a course towards the longer-term objectives. Extending the larger projects from two to three years might also have been useful.
- (ii) **Recommendation 4:** Since Government priorities and policies may shift over a year or two, while project objectives are generally longer-term, some flexibility within each phase of a project may increase the likelihood of success. Decisions on project adjustments might best be taken as part as a broad-based, mid-term review.
- (iii) Project timing is important. The External Debt and Government Securities Market Projects in Azerbaijan seemed to address the authorities' theoretical, priority issues, while success is more likely when the project's objectives are high on the list of the authorities' current priorities, particularly if the recipient institution has a shortage of skilled, quality staff.

33. **Recommendation 5:** For the second phase of the Government Securities Market Project to be successful in Azerbaijan, the project should not begin until preconditions on the staffing of the PDA are met. In addition, project success will probably require a major TA commitment, including a resident advisor. The second TPR of the Government Securities Market Project determined that it would be appropriate for Kyrgyz Republic to participate in the second phase of the project, but their view on Azerbaijan's participation was guarded. In the view of the evaluator, the project should only go forward if it has a significant chance of success. For this to be the case, the MOFA's PDA would need to have a strong head, a full complement of trainable and interested staff, and the assurances that staff would not transferred before the PDA is

sustainable. In addition, benchmarks and trigger points could be used to ensure that the project stays on track, and value for money is received.

2. Monitoring and reporting

34. **Recommendation 6:** While project monitoring and reporting was generally efficient and effective, the use of the TAIMS format might simplify the process, while larger projects could save resources and expenses by lengthening the time period between TPRs from 12 to 18 or 24 months. Project monitoring and reporting was by-and-large efficient, and the resident advisors and IMF backstoppers did not view the reporting process as burdensome, despite some misgivings about the TPRs. The evaluator also found that the TAIMS format used in the AML/CFT Project was a particularly concise and informative system for reporting.⁴ In addition, while the resident advisors and most IMF backstoppers reported that the annual TPRs for the multi-country projects were useful, they were also expensive and time-consuming. Lengthening the project phases of the larger projects to three years, and lengthening the period between TPRs could improve project design and save resources.

3. Sustainability

35. **Recommendation 7:** Once capacity is built, it needs to be maintained; this applies to staff training, as well as hardware and software. Sustainability was a major concern in all three projects. While long-term solutions to the main risk, low public-sector wages, must rest with the authorities, several steps were identified that might improve sustainability. First and foremost is providing detailed documentation and manuals to help the authorities to set up their own internal training programs. In addition, providing ongoing training, upon request, after the project's completion, may help the recipient institutions to keep focused on project objectives, while familiarizing their staff with the latest developments. Providing ongoing support of computer hardware and software may, in some cases, be even more important. For example, the Public Debt Department (PDD) believes that the Ministry of Finance of Kyrgyz Republic (MOFK) would be unable to provide the resources to maintain the hardware and software received as part of the External Debt Project without SECO support. Furthermore, without these resources the PDD would not be able to monitor, analyze, and report on external debt. Hence, the decision to tie software and hardware maintenance to the Government Securities Market Project was a good temporary solution to the problem of system maintenance, but a longer-term solution is still needed.

36. It may also be worthwhile to consider strengthening cooperation with universities to institutionalize the know-how for training. One approach would be to develop post-graduate certificate courses that are tailored to the needs in the ministries. Specialists in the ministries could take courses to strengthen their skills and possibly earn an internationally recognized Certificate of Advanced Studies (CAS). The promise of such training could be an incentive for staff to stay on for at least a certain pre-determined period of time. For example attendance in a CAS course could require a contractual pledge to stay for at least 2 years within the government.

⁴ While all of the reports for the AML/CFT project were reported using TAIMS formats, all of the reports the evaluator saw for the two multi-country projects were reported using non-TAIMS formats

4. Other observations

37. Several other points arose that while useful, may not belong on the short list of major recommendations. These include:

- (i) Two projects improved donor coordination and saved money by inviting representatives from other donor organization to participate in project workshops at their expense. This approach should be encouraged whenever possible.
- (ii) While NPCs can be quite useful, they did not add value to the External Debt Project in Azerbaijan or in either country in the Government Securities Market Project. This is not surprising, since it may be difficult for the authorities to identify an NPC who has sufficient seniority, interest, knowledge, and administrative capacity to effectively promote project implementation. Projects should be designed to minimize their reliance on a highly effective NPC.
- (iii) The role of the IMF Resident Representative should be defined in project proposals, and sometimes that role may be minimal, e.g., providing organizational support in AML/CFT projects.
- (iv) If requested, TORs for experts should be shown to SECO, for information. Perhaps the best and most secure way to make TORs accessible to donors might be through a donor gateway controlled by OTM.
- (v) SECO-Bishkek requested that OTM should provide a single contact point for SECO's— or any other donor's—work in a given country if at all possible. OTM, agreed with the recommendation, but reported they already do so.
- (vi) All of the projects benefitted from strong IMF backstopping. One beneficial aspect of the backstopping was the use of one main backstopper for large parts of each project. For example, the AML/CFT project only had one LEG backstopper, while most of each phase of the two multi-country projects was managed by a single MCM backstopper. The use of a single backstopper will become particularly important for larger projects, if the period between TPRs is to be extended.

III. ASSESSMENT OF EXTERNAL DEBT PROJECT

Key Messages

- The External Debt Project was rated good at 2.9, as good scores in the effectiveness, efficiency, and relevance offset a modest score for sustainability.
- The performance of Azerbaijan in this project was rated as modest at 2.2, while Kyrgyz Republic received an excellent rating of 3.6.
- The rating of the project probably would have been lower if the other participants were included in this evaluation, because Turkmenistan dropped out, and Uzbekistan's performance was very weak.
- Care is needed when inviting a country to join in a project, particularly if the project offers benefits like computer hardware and software, travel to regional workshops, and study tours.
- While a project may be consistent with the authorities' broad priorities, it must also be consistent with their current priorities to succeed, especially if the recipient institution has a shortage of skilled, quality staff, as was the case in the Ministry of Finance of Azerbaijan.
- Care needs to be taken at the program design stage to determine if the project requires an on-site advisor to succeed, and, if so, the likelihood of the project's success being high enough to warrant this expense.
- Coordination can be improved and funds saved by inviting representatives from other donor organizations to participate in project workshops at their expense.
- Once capacity is built, it needs to be maintained. This applies to staff training, as well as hardware and software. Encouraging internal training programs, and developing manuals and documentation in support of that effort may be particularly helpful. Providing ongoing training, upon request, after the main project's completion may also enhance the sustainability of the project.
- While the project in Kyrgyz Republic was successful, it appears that the MOFK cannot support the PDD's hardware and software after SECO support ends. Tying software and hardware maintenance to the Government Securities Market Project was a good temporary solution.
- The annual Tripartite Reviews were useful but also expensive and time-consuming. Having TPRs every 18 to 24 months could have saved considerable cost and resources, with little loss in overall benefit.

A. *Background and Introduction*

38. As stated in the project proposal, this project was rooted in the recognition that while the five countries in Switzerland's Central Asia Constituency had benefited from some TA in external debt policy and management, "the modest capabilities created in these countries have either been put to other uses, mainly due to administrative staff moves, or not sufficiently

maintained such that trained staff has been left in need of retraining and retooling.”⁵ The project was built on previous SECO-funded TA, in Kyrgyz Republic and a World-Bank (IBRD) funded TA project in Tajikistan, which while yielding positive results, had also highlighted the deficiencies in their external debt management systems. A regional approach was to be used from the outset to: (i) allow a larger number of regional staff to attend seminars; (ii) facilitate exchanges of views and cooperation within the region; (iii) make it more likely that an efficient means can be found to support similar software systems in the region; and (iv) increase the likelihood that a pool of regional experts can be developed.

39. As a first step, an IMF mission visited four of the five countries⁶ in April 2002 to assess the needs of the participating countries.⁷ Based on the mission’s findings, IMF/MCM prepared a project proposal for SECO which “would involve resident and short-term public debt management advisors (assisted by IMF headquarters staff and consultants) to assist participating Governments in: (i) improving management of external debt information including administration of guarantees in Tajikistan and Kyrgyz Republic; (ii) improving administration of domestic debt information in Kyrgyz Republic and Azerbaijan; ... (iii) and attaining a local capacity to perform debt sustainability analysis in all five countries. The project would deliver guidance and training to local staff both in the form of onsite training by resident advisors in Dushanbe and Bishkek as well regional workshops... The project will provide hardware and software as identified in Tajikistan and Kyrgyz Republic, and analytical software tools, as needed for Azerbaijan... ”⁸ The 24-month project, whose primary beneficiaries were the ministries of finance and central banks of the participating countries, began in January 2003; in the event the project concluded in May 2008, although the active phase of the project was in large part completed by fall 2006.

40. The project’s objectives varied by country. In Azerbaijan, where the debt level was moderate, and the debt burden appeared to be sustainable in the medium- to long-term, the project objectives were: “(i) identifying a new system for upgrading the current debt recording system; (ii) building capacity to monitor private non-guaranteed external debt; (iii) management of domestic debt; and (iv) enhancing current capacities in conducting analytical work and debt sustainability analysis.”⁹ The primary recipient of TA under this project was the MOFA, but some assistance was envisaged for the Central Bank of Azerbaijan (CBA, at the time it was named the National Bank of Azerbaijan).

41. In Kyrgyz Republic, the project was to be built on a SECO-funded debt management project that started in February 2000. A major concern was the country’s large and unsustainable debt burden. In this case, a key objective was selecting the appropriate debt management system; because the existing Debt Tracking System (DTS), which was originally developed for Baltic

⁵ Regional Technical Assistance Project for Azerbaijan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan: Public Debt Policy and Management, p. 3.

⁶ Turkmenistan was not visited.

⁷ Since this report focuses on Azerbaijan and Kyrgyz Republic, only the findings for those two countries will be discussed.

⁸ *Ibid.*, p. 1.

⁹ *Ibid.*, p. 13.

countries and installed with minimal support by the U.S. Treasury, was no longer supported by the U.S. Treasury nor did it meet all the debt data requirements of the MOFK. The project objectives were directed at institutionalizing the recently enacted Public Debt Law in the MOFK and the National Bank of Kyrgyz Republic (NBKR) and assisting in the implementation of the Government's debt strategy by helping "the MOFK and the NBKR to put in place and strengthen its capacity to

- (i) Monitor and report public and publically guaranteed external debt;
- (ii) Monitor private non-guaranteed external debt;
- (iii) Strengthen monitoring and management of domestic debt; ...
- (iv) Perform systematically analytical work in debt management...including debt sustainability analysis...
- (v) Assistance in developing an interim data base for all on-lending now managed by Kyrgyz Fund for Economic Development (FEDK)."¹⁰

42. A key activity associated with the project was assisting the Kyrgyz authorities to complete debt negotiations with bilateral Paris Club and non-Paris Club creditors. As follow-up to Kyrgyz Republic's March 2002 debt relief agreement with its Paris Club creditors, the project's resident advisor was to provide assistance with aspects of the ensuing bilateral debt negotiations, with the aim of building capacity for future debt negotiations and in preparation for a possible additional round of Paris Club relief.

43. The project's budget was US\$ 2,680,597, including US\$ 357,500 for computer hardware and software. The project included two internationally hired advisors, the project coordinator (also called resident advisor) in Bishkek, Kyrgyz Republic, and a long-term advisor in Dushanbe, Tajikistan, and who would work only on Tajikistan, as well as funding for 15 months of short-term expert assistance, US \$240,000 for regional training, and US\$ 120,000 for country-specific training. Backstopping was to be provided by MCM.¹¹

44. Project activities included:

- (i) Resident advisors in Bishkek, from December 2002 until December 2005, and in Dushanbe from May 2003 until December 2004;
- (ii) In-country training programs in Kyrgyz Republic and Tajikistan;
- (iii) Seven regional workshops;
- (iv) The provision and maintenance of office technology needs, including hardware and in some cases internet access, for the three departments working on debt management in Kyrgyz Republic and one department each in Azerbaijan, Tajikistan, and Uzbekistan;¹² and

¹⁰ *Ibid.* pp. 8-9.

¹¹ The Fund's TA backstopping/project management model normally involves identifying one person from the interested TA department as the primary backstopper for a project. That selection may be based on the individual's area of competence or on the individual's regional responsibilities. That person serves as the primary contact point in the TA department for the project, and the primary reviewer for all reports. The backstopper may call in other IMF staff as the need arises. One advantage of this model is that it does not involve new structures, but leverages on and takes advantage of the Fund's existing business model.

¹² Uzbekistan subsequently declined full migration of external debt data to the installed computerized debt management system for security reasons, hence it was not possible to independently validate or verify the accuracy of debt data.

- (v) A range of software, including, among other things, an enhanced version of the DTS first for Kyrgyz Republic and then for Azerbaijan and Tajikistan, and bridging the modified DTS to the World Bank Debt Reporting System, as well as allowing it to export files to the analytical package Debt-Pro.

45. The country-specific inputs of the project varied. In Azerbaijan, they were relatively modest and included:

- (i) Installing a networked computer system in the MOFA's International Relations Department (IRD), and adapting and installing the DTS system designed for Kyrgyz Republic. Related activities included training the staff in the use of the new system and helping to migrate the MOFA's database to the new DTS system.
- (ii) Training in public debt issues both in-country and in regional workshops, and English language training;
- (iii) Redrafting the Public Debt Law with IMF/LEG assistance, in December 2004; and
- (iv) Performing a functional review of IRD's public debt management activities in July 2006. While the recommendations of the report were reported to be acceptable to the IRD, no immediate action was taken, but a reorganization is now under (see below).

46. In Azerbaijan, the results were modest, and verifying these findings was difficult because of a lack of institutional knowledge, since most staff involved in the project either left the MOFA or were transferred to new assignments. The main results appear to be:

- (i) The Public Debt Law was passed by Parliament and became effective in 2007;
- (ii) Training was provided;
- (iii) A networked DTS system was installed; and
- (iv) A reorganization of the MOFA's debt function was required by a Presidential Decree in early 2009, which called for the creation of a PDA within the MOFA and detailed the PDA's responsibilities. However, at this time, it appears that the debt and securities market functions of the MOFA have been dismantled pending the creation of the PDA, but staff have not been hired for the PDA.

47. In Kyrgyz Republic the inputs included:

- (i) Computer systems were installed and maintained in the MOFK's PDD and FEDK and in the NBK's External Debt and Balance of Payments Divisions;
- (ii) The DTS software system was modified to meet the needs of Kyrgyz Republic, including developing a bridge to the World Bank Debt Reporting System, and the preparation of files for export to Debt-Pro in order to analyze debt sustainability issues;
- (iii) Training in public debt issues was provided both locally, by the resident advisor and short-term experts, and in regional workshops. English language training was also provided; and
- (iv) A performance-based system of bonus payments was developed for the staff of the MOFK's PDD.

48. The results in Kyrgyz Republic were impressive. Not only were the project objectives achieved, there were also a few additional positive results that were not envisaged. The results included:

- (i) The PDD now monitors public and publically guaranteed external debt, analyzes the data and generates reports on those finding. The PDD can prepare the necessary information, for the Paris Club and for the bilateral Paris Club and the non-Paris Club negotiations, as well as report debt data to the IMF and the IBRD. The revised DTS system is so effective that the NBK has scrapped its own debt monitoring database;
- (ii) Controls over publicly guaranteed borrowing have been greatly improved;
- (iii) The country now prepares and updates a national debt strategy, with the PDD playing an active role;
- (iv) Cooperation on debt issues between the MOFK and the NBK has improved markedly;
- (v) The PDD has evolved from a weak department to a strong one, with a good reputation in the country and the region, and it is now frequently brought into projects in the MOFK and elsewhere in Government; and
- (vi) In terms of sustainability, the Department can become a victim of its own success as the highly-trained staff is actively sought after by other ministries and even international organizations.

B. Evaluation of the External Debt Project

1. Overall Rating

49. The External Debt Project was rated good at 2.9, as good scores in effectiveness, efficiency, and relevance offset a modest score for sustainability. The ratings varied considerably between the two countries; with Azerbaijan receiving a modest overall rating of 2.2, while Kyrgyz Republic's rating was excellent at 3.6 (see Annex B, Table B.1-B.10). It should be noted that the score for the overall project would probably have been lower if the evaluation included the other participating countries. Based on discussions with the former resident advisor, Tajikistan's performance was slightly superior to Azerbaijan's, but well below Kyrgyz Republic's, while Uzbekistan's performance was considerably weaker than Azerbaijan's, and Turkmenistan chose not to respond to letters relating to the project after it agreed to participate.

Table III.1: External Debt Project—Overall Rating

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Effectiveness | 40 | 3.1 |
| Efficiency | 20 | 3.2 |
| Relevance | 20 | 2.8 |
| Sustainability | 20 | 2.2 |
| Overall Rating/Score | 100 | 2.9 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

2. Effectiveness of the External Debt Project

50. The effectiveness of the External Debt Project was rated as good at 3.1. The sub-criterion use of TA outputs was rated as good, at 2.8, with Azerbaijan’s poor-to-modest rating of 1.5 standing in contrast to Kyrgyz Republic’s excellent rating of 4.0. In Azerbaijan, the authorities’ commitment to using TA outputs was not readily apparent, and any gains that were made have been largely offset by the reorganization of the MOFA’s debt and securities function. On the other hand, Kyrgyz Republic made excellent use of the TA inputs it has received, and it now has systems in place for external debt monitoring, analysis and reporting. A key input in the success of the project in Kyrgyz Republic was the provision and maintenance of computer hardware and software, without which the project would have had little hope of success.

Table III.2: External Debt Project—Effectiveness

| | Weights (%) | Rating/ Score |
|---|-------------|---------------|
| Use of TA Resources | 50 | 2.8 |
| Coordination with Development Partners | 30 | 3.5 |
| Consistency with International Best Practice | 20 | 3.5 |
| Overall Effectiveness Rating/Score | 100 | 3.1 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

51. Coordination with development partners was excellent, with a 3.5 rating overall and for both countries. Coordination began with the needs assessment mission, where the team sought to meet with the Asian Development Bank (ADB) and the IBRD in each country they visited. In addition, ADB and IBRD representatives were often invited to participate in project workshops, at their own expense, which both improved coordination and held down project expenses. Beyond this, little coordination was required, since this project did not have significant overlaps with other projects in the region.

52. The project was given high scores for consistency with international best practice and IMF strategic advice, with an overall score of 3.5, as well as for the two countries. The project was designed to address weaknesses identified by previous IMF missions, and in the case of Kyrgyz Republic, to follow up on earlier IMF TA. In addition, a central aspect of the project was training participating countries in international best practices in external debt. On the negative side, the evaluator formed the impression that the project for Azerbaijan may have been rooted more in the perceived need for a regional project in external debt than in Azerbaijan’s current, priority needs as perceived by the Azeri authorities, while the use of performance-based bonuses for PDD staff in Kyrgyz Republic was not consistent with international best practice.¹³

¹³ On the other hand, the bonus system did help retain the PDD’s skilled staff a modest cost of about 2 percent of the total budget.

3. Efficiency of the External Debt Project

53. The efficiency of the External Debt Project was rated as good at 3.2. The sub-criterion process and implementation was rated excellent at 3.5 overall and in both countries. The IMF's internal management of the TA activities was excellent, as was the quality, timeliness and flexibility of the TA received. In addition, IMF backstopping was very good. The project also benefitted significantly from having a budget for hardware and software.

Table III.3: External Debt Project—Efficiency

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Process Implementation Efficiency | 60 | 3.5 |
| Contribution of Local Authorities | 30 | 2.8 |
| Monitoring and Reporting | 20 | 3.0 |
| Overall Efficiency Rating/Score | 100 | 3.2 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

54. The sub-criterion contribution of local authorities was given a good rating of 2.8, as a poor-to-modest rating of 1.5 for Azerbaijan was offset by an excellent rating of 4.0 for Kyrgyz Republic. In Azerbaijan, the contribution of local authorities was minimal. The resident advisor and SECO observed that MOFA management provided little leadership in the project and it did not commit sufficient resources to the project. SECO also reported that only two staff members were made available for training in the DTS and at the time of this evaluation they were no longer involved in this work. MOFA management also appeared disengaged. When asked about the project, the main MOFA counterpart in the project said that he had no views on the project's consistency with national priorities or on its strengths or weaknesses. Furthermore, the NPC appointed by the MOFA lacked the status to be effective and it was reported that he was not actively engaged in the project. The situation in Kyrgyz Republic was very different. PDD management was actively engaged in the project and showed much leadership. In addition, the MOFK provided the project office space in the PDD. In addition, the NPC was a Deputy Minister, who was actively engaged in the project and provided useful help and support on an ongoing basis.

55. The sub-criterion monitoring and reporting was rated as good at 3.0. The resident advisor's six-monthly reports were clear, forthright, and helpful. The TPR reports were also very good. On the other hand, the absence of a log-frame made the progress of the project somewhat difficult to follow across time. In addition, the annual TPRs, while useful, were expensive and time-consuming. Having a TPR every 18 months or even 24 months could have saved considerable cost and resources, with little loss in overall benefit.

4. Relevance of the External Debt Project

56. The External Debt Project was given a good rating of 2.8 for relevance. The sub-criterion consistency with Government priorities was rated good at 2.8, as a modest rating of 2.0 for

Azerbaijan was offset by an excellent rating of 3.5 for Kyrgyz Republic. As noted, the main counterparty at the MOFA stated he did not have any views about the project’s consistency with national priorities, and, based on discussions with SECO higher level authorities at the MOFA showed little involvement in the project. This apparent lack of interest might be understandable, given Azerbaijan’s low external debt burden, and its strong balance of payments resulting from its oil production coming on-line during this period. The Kyrgyz authorities apparently did not fully buy into the project from the outset, but they soon became convinced that their heavy external debt burden required them to improve their commitment controls, and their monitoring and analysis of external debt. They also recognized the need to be able to negotiate with their Paris Club and non-Paris Club creditors.

Table III.4: External Debt Project—Relevance

| | Weights (%) | Rating/ Score |
|---|-------------|---------------|
| Consistency with Government Priorities | 40 | 2.8 |
| Define Future Priorities | 20 | 2.5 |
| Quality of TA Formulation and Engagement | 40 | 3.0 |
| Overall Relevance Rating/Score | 100 | 2.8 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

57. The sub-criterion for enabling the authorities to define their future priorities was given a modest-to-good overall rating of 2.5, as a poor rating of 1.0 in Azerbaijan was offset by an excellent rating of 4.0 for Kyrgyz Republic. The evaluator could not find evidence that the project helped the MOFA to define the external debt policy alternatives—all the more so since any progress that might have been made would have been wiped out by the dismantling of the MOFA’s external debt function. In sharp contrast, Kyrgyz Republic has made considerable progress in that it can now provide detailed debt data for a range of users, analyze these data, and help the country to produce and update its external debt strategy.

58. The quality of the TA strategy and formulation was rated as good at 3.0, with Azerbaijan rated at 2.5 and Kyrgyz Republic at 3.5. In both countries, the projects were based on the findings of previous missions, and fine-tuned during the course of the needs assessment mission. However, the TA engagement was more consistent with meeting the project objectives in Kyrgyz Republic than in Azerbaijan, because of the presence of the resident advisor in Kyrgyz Republic. The resident advisor’s TOR indicated that he should spend about 70 percent of his time working on Kyrgyz Republic, but he found that work in Kyrgyz Republic was a full time job. In addition, as noted, the evaluator found that the project appeared to have been designed more to meet the needs and priorities of Kyrgyz Republic than of Azerbaijan.

5. Sustainability of the External Debt Project

59. The sustainability of the External Debt Project was rated as modest at 2.2, with a poor rating of 1.3 for Azerbaijan, offsetting a good rating of 3.0 for Kyrgyz Republic. The sub-

criterion for use of outputs was rated as 2.0 or modest, as a result of a poor 1.0 rating for Azerbaijan and a good or 3.0 rating for Kyrgyz Republic. Barring the passage of the public debt law, there was little evidence that the project led to sustained changes in external debt management in Azerbaijan. At the MOFA, the main TA recipient, there was little internal dissemination of information, and no one reported lasting, embedded changes. On the other hand, as noted above, the MOFK's PDD developed and embedded a range of operations as a result of the project. In addition, an external debt manual had been produced and internship and an internal training program were in place. Still there are serious risks to the sustainability of the project in Kyrgyz Republic. First, there is the risk of a loss of staff. Public sector salaries are low, and if the bonus system remains suspended, the risk of losing staff to the other public sector bodies will rise as well. Second, the PDD fears that the MOFK cannot support the PDD's hardware and software after SECO support ends. Tying software and hardware maintenance to the Government Securities Market Project has delayed this problem, but a long-term solution is still needed.

Table III.5: External Debt Project—Sustainability

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Sustainable Use of Outputs | 70 | 2.0 |
| Constraints on Institutional Absorbative Capacity | 30 | 2.5 |
| Overall Sustainability Rating/Score | 100 | 2.2 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

60. Both countries face institutional constraints that may keep the authorities from taking full advantage of the TA received, although the risks are greater in Azerbaijan than Kyrgyz Republic. The overall rating for this sub-criterion was 2.5, while Azerbaijan was rated as modest at 2.0 and Kyrgyz Republic as good at 3.0. Low public sector wages pose a significant risk to the sustained implementation of this project or any project in both countries. In addition, Azerbaijan faces several other risks, including; (i) a shortage of quality, skilled staff at the MOFA; (ii) questions about the priority the Government places on developing capacity in external debt issues; and (iii) the reorganization of the debt function at the MOFA has also apparently destroyed its capacity in this area, at least temporarily.

C. Lessons for the Future

61. Many lessons were learned during the course of the project, including:
- (i) Using a regional approach based on the Swiss IMF Constituency did not work well in this case.
 - (ii) Care is needed when inviting countries to join in a project, particularly if the projects offer benefits like computer hardware and software, travel to regional workshops, and study tours.

- (iii) While a project may be consistent with the authorities' broad, theoretical priorities, it must be consistent with their current priorities to succeed, all the more so if the recipient institution has a shortage of skilled, high-quality staff.
- (iv) At the program design stage, care needs to be taken to determine if the project requires an on-site advisor, and, if so, the likelihood of the project's success being high enough to warrant this expenditure.
- (v) Coordination can be improved and funds saved by inviting representatives from other donor organizations to participate in project workshops at their expense.
- (vi) To be effective, the NPC must have sufficient rank to be respected, an interest in the project to provide leadership, and administrative skills and resources to assist in the administrative aspects of the project.
- (vii) Projects should not wrap up quickly. An ongoing engagement after the main project's conclusion may help sustainability.
- (viii) Once capacity is built, it needs to be maintained, which applies to staff training as well as to hardware and software. Producing manuals and documentation and encouraging internal training programs may be particularly helpful. Providing ongoing training, upon request, after the main project's completion may also enhance the sustainability of the project.
- (ix) While the project in Kyrgyz Republic was successful, it appears that the MOFK cannot support the PDD's hardware and software after SECO support ends. Tying software and hardware maintenance to the Government Securities Market Project was a good interim solution, but a long-term solution is needed.
- (x) The absence of a log-frame made the project more difficult to follow across the various reports. Fortunately, this issue was addressed in the ensuring projects.
- (xi) Annual TPRs were useful but also expensive, administratively burdensome, and time-consuming. Having TPRs every 18 or 24 months could have saved considerable cost and resources, with little loss in overall benefits.

IV. ASSESSMENT OF THE GOVERNMENT SECURITIES MARKET PROJECT

Key Messages

- The project's overall rating was good at 2.9, as good scores for the criteria of relevance and effectiveness offset a modest score for sustainability. Azerbaijan received a modest-to-good rating of 2.6, while Kyrgyz Republic received a good rating of 3.1. In both countries, the project is still a work in progress, and the ratings could change significantly depending on the progress made during the second phase of the project.
- The project's objectives were longer-term than its original length of two-to-three-years. The project might have benefitted from taking account of this from the outset, including setting more modest goals for the first phase, while plotting a course towards the longer-term objectives.
- Government priorities and policies shifted during the course of the project, while the project's objectives were long-term. Some flexibility during each phase of the project would be useful, possibly in the context of a mid-term review.
- Project timing is very important. While a project may address the authorities' theoretical, priority issues, it is much more likely to be successful if those issues are also high on the list of their current priorities.
- The regional approach was not particularly helpful for this project.
- While NPCs can be quite useful, they have not been helpful for this project, and it may be difficult to find NPCs who would be very effective.
- The provision of hardware and software greatly expedited the project, particularly in Kyrgyz Republic, but long-term sustainability may depend on continued support of the software and hardware that was provided.
- For the second phase of the project to go forward in Azerbaijan, it would be desirable to have the MOFA's PDA staffed with a strong head, and trainable and interested staff who are unlikely to be transferred out before the PDA is sustainable.
- Training the PDA would involve a major TA commitment, including a resident advisor. Benchmarks and trigger points could be used to ensure that the project stays on track.

A. *Background and introduction*

62. As stated in the project proposal, this project was designed "...to improve monetary management...and promote sound financing strategies through the development of domestic debt markets"¹⁴ in the countries in Switzerland's Central Asia Constituency that asked to participate in this project. The participating countries were Azerbaijan, Kyrgyz Republic, and Tajikistan. Previous IMF missions, including Azerbaijan's FSAP in 2004, Kyrgyz Republic's 2002 FSAP and the 2004 FSAP update, and the TA needs assessment mission in December 2004, found that the participating countries suffered from a lack of depth in their government securities market,

¹⁴ Regional Technical Assistance Project for Azerbaijan, Kyrgyz Republic, and Tajikistan: Regional Project to Promote the Development of Government Securities Markets and Domestic Debt Management, p. 3.

which hampered the effective conduct of monetary policy. As in the External Debt Project, a regional approach was used.

63. Based on the findings of the TA needs assessment mission, MCM prepared a project proposal for SECO which “will build on advice provided in the context of IMF programs and the previous Swiss financed technical assistance project to assist the authorities...in fostering the conditions that promote the Development of Government Securities Markets and Domestic Debt Management objectives of the project are: (i) strengthening the management of budgetary and monetary policies through improved coordination between the Ministries of Finance and the Central Bank; (ii) providing technical advice on the key steps to improve the liquidity and deepness of the government securities markets in Azerbaijan and Kyrgyz Republic...; (iii) reviewing the necessary securities legislation in place in the three countries and providing advice on the appropriate legal framework; and (iv) preparing Central Banks on the opportunities and challenges of conducting monetary policy as financial markets develop The project will be implemented through the work of a resident advisor that will also be responsible for the project’s coordination, and supported by peripatetic visits of specialized short-term experts. The project will provide guidance and advice to relevant local staff through on-site seminars, regional workshops, and study missions....”¹⁵ The project, whose primary beneficiaries were the ministries of finance and central banks of the participating countries began in August 2006. While the project proposal stated it was a 24-month project, parts of the budget envisaged a 36-month project. In the event the project was extended for a third year, and at least one additional phase is contemplated, although the country participants in the second phase of the project are yet to be determined.

64. The project objectives were to “include:

- (i) Development of strong debt management programs and formulating strategies for government securities issuance;
- (ii) Creation of a successful Public Debt and Monetary Policy Coordination Committee between the central banks and the Ministries of Finance and/or Treasury [in Kyrgyz Republic].
- (iii) Strengthening the coordination committees, establishment and/or improving the primary market, and supporting the development of the secondary market. As relevant, the development of a repo market for government securities and the conversion of the central banks’ holdings of non-marketable securities or deposits into marketable securities.
- (iv) Review the necessary securities legislation currently in place in the three countries and provide advice on the appropriate changes.
- (v) Assisting the central banks in setting up the monetary framework that is commensurate with the respective levels of development of the capital markets.
- (vi) Diversifying the available debt instruments, particularly in the case of Azerbaijan and the Kyrgyz Republic. With the diversification of the available debt instruments, the goal is to lengthen the yield curve and deepen markets.”¹⁶

¹⁵ *Ibid.*, p. 1. Since this report focuses on Azerbaijan and Kyrgyz Republic, in most cases, only the findings for those two countries will be discussed.

¹⁶ *Ibid.*, pp. 8-9.

65. As in the External Debt Project, the objectives for the participating country varied. In Azerbaijan, the recent rise in inflation related to the oil boom called for well-coordinated use of domestic debt instruments while strong inflows of oil revenues, coupled with a liquid banking sector led the authorities to place priority on developing financial markets, as well as new financial instruments for investment.¹⁷ Based on these findings, and the findings of previous IMF missions, the objectives for Azerbaijan included:

- (i) Enhancing the effectiveness of the of the Coordinating Committee of Public Debt Management (CC);
- (ii) Developing a strategy at the MOFA for the issuance of Treasury Bills (T-bills);
- (iii) Developing a yield curve through the issuance of an instrument with adequate maturity structure;
- (iv) Improving the cost-effectiveness, transparency and absorption capacity of the primary market;
- (v) Conducting a functional review and strengthening the capacity of the MOFA's Internal Debt Department;
- (vi) Promoting a broader and deeper retail market;
- (vii) Examining the effectiveness of the current dealer/broker system and brokerage houses and propose improvements;
- (viii) Developing a more liquid secondary debt market;
- (ix) Evaluating and enhancing the clearing systems;
- (x) Providing training to the CBA's Market Operations Department; and
- (xi) Reviewing and making recommendations on the proper legal framework as new financial instruments are introduced and the secondary market develops.¹⁸

66. In Kyrgyz Republic, a basic functioning government primary securities market existed, but the yield curve was incomplete. The secondary market was rudimentary, with few trades taking place. The goal was to increase the range of instruments, deepen the markets, and improve their infrastructure. To achieve these objectives, the following activities were planned:

- (i) Establishing a coordinating committee similar to the CC in Azerbaijan to provide for the strategic and operational coordination of budget policy and monetary policy and operations;
- (ii) Developing a strategy at the MOFK for issuing T-bills;
- (iii) Training and capacity building for the MOFK and NBKR to support securities market development;
- (iv) Conducting a functional review of the relevant departments within the MOFK, and making recommendations on the most suitable organization and optimizing the flow of information;
- (v) Evaluating options and making recommendations for converting a portion of the long-term government debt held by the NBKR into marketable securities;
- (vi) Improving the cost effectiveness, transparency and absorption capacity of the primary market;
- (vii) Reviewing the effectiveness of the current primary dealer system with a view to increasing market activity;

¹⁷ Ibid., p. 2.

¹⁸ Ibid., pp. 7-8.

- (viii) Establishing and maintaining communication between authorities and market participants on government securities market development ;
- (ix) Promoting a broader and deeper retail market;
- (x) Developing a more liquid secondary debt market;
- (xi) Providing recommendations and technical support in introducing a delivery-versus-payment (DVP);
- (xii) Providing training to the NBKR's Market Operations Department; and
- (xiii) Establishing and maintaining a link between the Central Securities Depository (CSD) and the payment system and introducing an electronic book-entry system.¹⁹

67. The project budget is US\$ 1,917,384, including US\$ 160,000 for the purchase of hardware and software. The project includes one internationally hired resident advisor, the Project Coordinator, residing in Kyrgyz Republic, as well as funding for 18 months of short-term expert assistance, for regional training and for country-specific training. Backstopping is provided by MCM.

68. By July 2009, the project will have conducted four regional workshops, three in-country training courses, and a range of one-day seminars for selected participants from authorities as well as from market players. The project organized study tours to the Hungarian Government Debt Management Agency and National Bank and to the Polish National Bank and Ministry of Finance. Short-term experts have also completed the functional review of public debt management and reviews of settlement arrangements for government securities in all three countries covered by the project. In addition, new software solutions for tracking, reporting, and analyzing public debt are in the process of being implemented, and the project provides support for the maintenance of previously acquired software (DebtPro, DTS) and hardware. The project also financed English courses for staff in all three countries through the first quarter of 2009 and paid performance bonuses on a quarterly basis to the MOFK's PDD (although the bonuses were terminated after Q1:2009).

69. The project achievements through mid-2009 can be separated into two categories, those relating to general training and sensitization in government securities markets development, which apply to all participating countries, and country-specific achievements. The achievements in the area of general training and sensitization include:

- (i) Improved understanding of and enhanced capacity for public debt management and its interface with monetary policy;
- (ii) Recognition of the importance of developing deep and liquid government securities markets;
- (iii) Heightened awareness of the need for market development measures to be guided by the principles of simplicity, transparency and liquidity;
- (iv) Awareness of financial planning and issuance arrangements, including calendars and auction procedures;
- (v) Increased understanding of the use of simple techniques to manage and store information on government securities and produce regular statistics and reports; and

¹⁹ Ibid., pp. 11-12.

- (vi) Increased understanding and evolving intentions to make major improvements to the market and settlement infrastructure.

70. Outside these broad accomplishments, progress in Azerbaijan has been limited, apparently in large part because of political resistance to broad-based reforms to the Government securities market, and the authorities preference for imposing below-market interest rates in this market. First, the CC is reported to be functioning more effectively, which has improved coordination among the MOFA, the CBA, and the State Securities Committee (SSC) on issues relating to public debt issuance. Second, in 2009 a presidential decree was issued, calling for the creation of the PDA, which contains a detailed description of its structure and the scope of its responsibilities.²⁰ Third, improvements have been made in issuance policies for public debt, and new public debt instruments have been issued while others are being contemplated. Fourth, the CBA and the SSC have committed to implement the recommendations of a September 2008 expert visit on government securities settlement arrangements and market structure, as well as the action plan proposed in the report. In support of that effort, the SSC has recently prepared a draft bill allowing commercial banks direct access to government securities and central bank notes placements and secondary market trade at the Baku Stock Exchange.

71. Greater progress has been made in Kyrgyz Republic. First, a CC has been established, and it is reported to be functioning well. Second, considerable progress has been made in deepening and improving the operations of the T-bill market. In 2008, government was able to cover a significant part of the budget's financing needs with T-bills, and the T-bill market grew from 1.2 billion Som at end-2006 to 3 billion Som by March 2009. Much of this progress can be attributed to the introduction of new measures and policies, including a new Securities Identification Number scheme for government and for National Bank securities; regular announcement of monthly issuance calendars; structuring issuance by issuing fewer new T-bill series, but with higher lot sizes

B. Evaluation of the Government Securities Market Project

1. Overall rating

72. The overall rating for the Government Securities Market Project was good at 2.9, as in the External Debt Project good ratings for relevance, efficiency, and effectiveness offset a modest rating for sustainability. However, these ratings could change significantly depending on the progress made during the during the second phase of the project The overall ratings varied considerably between the two countries; with Azerbaijan receiving an low good rating of 2.7, while Kyrgyz Republic's rating was good at 3.1 (for details see Annex B, Table B.11-B.20). It should be noted, however, that the score for the overall project would have been lower if the evaluation included the other participating country, Tajikistan. Based on discussions with the resident advisor and the IMF backstoppers, Tajikistan's performance was weaker than Azerbaijan's.

²⁰ While this decree was not wholly attributable to the project, action in this direction was needed to make significant progress in Azerbaijan.

Table IV.1: Government Securities Market Project—Overall Rating

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Effectiveness | 40 | 3.0 |
| Efficiency | 20 | 3.2 |
| Relevance | 20 | 2.9 |
| Sustainability | 20 | 2.3 |
| Overall Rating/Score | 100 | 2.9 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

2. Effectiveness of the Government Securities Market Project

73. The project's rating for effectiveness was good, at 3.0, as an excellent score for consistency with international best practice and strategic advice brought down by good scores for the other sub-criteria. The quality of the use of TA outputs varied considerably between Azerbaijan and Kyrgyz Republic, with a combined rating of 2.8. Azerbaijan was given a modest-to-good rating of 2.5 on this sub-criterion. While Azerbaijan's actual performance thus far has been modest, particularly at the MOFA, the score was raised because the authorities at the CBA, MOFA, and the SSC all voiced a strong commitment to the project, and there was evidence that parts of the project might begin to move forward at a more satisfactory pace. In Kyrgyz Republic, more progress was made in bringing the project towards its objectives, and a rating of 3.0 was given for the use of TA outputs. A higher rating was not given because the project is still a work in progress. It is noteworthy that without the required hardware and software, the likelihood of this project being successful in Kyrgyz Republic would have been minimal, because of the MOFK's inability to fund these parts of the project.

Table IV.2: Government Securities Market Project—Effectiveness

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Use of TA Resources | 50 | 2.8 |
| Coordination with Development Partners | 30 | 3.0 |
| Consistency with International Best Practice | 20 | 3.8 |
| Overall Effectiveness Rating/Score | 100 | 3.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

74. Coordination with development partners was not an issue, and an overall rating was given of 3.0 for this sub-criterion. In Azerbaijan, coordination was not needed, because no other donors were working in this area. In Kyrgyz Republic, the overlaps were viewed as minor, and SECO-Bishkek kept other donors informed about the project.

75. With one minor exception, both projects were highly consistent with international best practice and IMF strategic advice; as a result, an excellent score of 3.8 was given for this sub-criterion. In both countries, the project was rooted in FSAP recommendations, and those findings were confirmed and fine-tuned in the needs assessment mission, making the project highly consistent with IMF strategic advice. In addition, a major focus of this stage of the project was acquainting staff in the participating countries about international best practice, and staff interviewed in both countries observed the benefits of this training. Based on these factors, Azerbaijan was given a rating of 4.0 for this sub-criterion, while Kyrgyz Republic was downgraded slightly to a 3.5, because the bonus system at the MOFK's PDD was not consistent with international best practice.

3. Efficiency of the Government Securities Market Project

76. The rating for project efficiency was good at 3.1, although the performance of Kyrgyz Republic was stronger than Azerbaijan's because Kyrgyz Republic had a strong contribution by local authorities. Project performance in the sub-criterion of process efficiency was mixed, with an overall rating of 3.3, with a good score of 3.0 being given to Azerbaijan and an excellent score of 3.5 being given to Kyrgyz Republic. All parties agreed on the excellent quality and timeliness of the TA received. In addition, the resident advisor stated that IMF backstopping has been good, although comments from IMF Headquarters were sometimes generic.²¹ On the other hand, almost all parties, including the resident advisor, the local authorities in Azerbaijan and Kyrgyz Republic, and the evaluator, agreed that the regional approach had not been particularly helpful for this project. The problem stemmed from the differences in the level of financial market development in the three countries, as well as from the problems for the short-term experts servicing all three countries because of the difficult flight connections. The part of the project in Azerbaijan was also marked down on consistency of engagement because of the lack of a resident advisor.

Table IV.3: Government Securities Market Project—Efficiency

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Process Implementation Efficiency | 60 | 3.3 |
| Contribution of Local Authorities | 30 | 3.0 |
| Monitoring and Reporting | 20 | 3.0 |
| Overall Efficiency Rating/Score | 100 | 3.2 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

77. Thus far, the contribution of the local authorities has varied sharply between Azerbaijan and Kyrgyz Republic, and an overall rating of 3.0 was given, with Azerbaijan receiving a good rating of 2.5 and Kyrgyz Republic an excellent rating of 3.5. In Azerbaijan, only the junior recipients, the CBA and the SSC, have shown strong support for the project. The MOFA has

²¹ The advice from the IMF backstoppers focused on best practice, and it did not always take account of the particular problems, issues or institutional arrangements in the country for which the question was raised.

contributed little, while the virtual eliminating of its debt and securities market function, pending the formation of the PDA. Nevertheless, the MOFA talked ambitiously about forming a strong PDA, and the SSC has worked aggressively to encourage actions that will improve market structure and performance. In Kyrgyz Republic, an excellent 3.5 rating was given because the PDD management has exerted strong leadership in the project, while providing the project with office space within the PDD, an ideal location. The NPC initiative has not served this project well in either country. In Azerbaijan, the current NPC is too low-ranking to be effective, and he has spent most of his time on unrelated matters. In Kyrgyz Republic, there has been heavy turnover in the position, which is currently vacant. Several observers also noted that project efficiency, and effectiveness, might be improved by defining the role of the IMF Resident Representative in the project proposal.

78. A rating of 3.0 was given for the sub-criterion of monitoring reporting. The regular six-monthly reports were clear and helpful, although the evaluator believes that the same result might be achieved even more efficiently through TAIMS. The TPR was also generally useful, but they are costly and time-consuming.

4. Relevance of the Government Securities Market Project

79. The project's rating for relevance was good, at 2.9, as a strong good rating for the quality of TA formulation and engagement offset modest progress in enabling the authorities to define their future priorities. The rating for consistency with government priorities was 2.8, with Azerbaijan receiving a slightly lower rating than Kyrgyz Republic. In Azerbaijan, the project was not initially highly consistent with the Government's priorities, although the authorities now report that their priorities have changed, and they have become committed to the project. As a result, a rating of 2.5 was given. When the project started, strong capital inflows and a favorable balance of payments reduced political interest in market development. However, the authorities' interest in market development has now increased, at least in part because of the world financial crisis. On the other hand, the project's alignment with the Kyrgyz Republic's priorities was somewhat more favorable, and a rating of 3.0 was given. While the project may initially have been slightly ahead of the curve for the Kyrgyz authorities, this soon changed as a result of an increased financing need, and internal support for the project increased. However, there is some concern that this interest may be ebbing somewhat, at least temporarily, as a result of the strong inflows associated with the recent loan from Russia.

Table IV.4: Government Securities Market Project—Relevance

| | Weights (%) | Rating/ Score |
|---|-------------|---------------|
| Consistency with Government Priorities | 40 | 2.8 |
| Define Future Priorities | 20 | 2.3 |
| Quality of TA Formulation and Engagement | 40 | 3.3 |
| Overall Relevance Rating/Score | 100 | 2.9 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

80. One lesson learned from this experience was that in many countries Government priorities tend to shift on the short term, while the projects are designed to achieve medium- or long-term objectives. Hence, implementing a successful project probably requires flexibility during the course of each phase of the project.

81. Progress towards helping the countries to better define their own policy alternatives has been limited, with an overall rating of a modest 2.3. In Azerbaijan, progress was given a modest rating of 2.0. Thus far, the only benefit thus far has been the improved functioning of the CC, which has helped the authorities to work together to better define their own goals. Considerable progress will be needed at the MOFA for broad-based progress to be made, which is unlikely before the PDA becomes operational. In Kyrgyz Republic, the PDD reports that while progress has been made, it does not believe it will be able to effectively evaluate its policy alternatives before the installation of the required software, and training in the use of that software. For now, a rating of 2.5 seems appropriate.

82. The quality of the TA strategy and formulation, and the diagnostic assessment process seems to have been good, and a rating of 3.3 was given, with Azerbaijan receiving a good rating of 3.0 and Kyrgyz Republic receiving an excellent rating of 3.5. In both countries, the projects were based on the findings of previous missions, including FSAP's, and the projects were fine-tuned with a needs assessment mission. On the other hand, the TA inputs and level of engagement were more consistent with meeting the project objectives in Kyrgyz Republic than in Azerbaijan, in large part because of the presence of a resident advisor in Kyrgyz Republic.

5. Sustainability of the Government Securities Market Project

83. As with the External Debt Project, sustainability is a serious concern, and the project was given a modest score of 2.3, with Azerbaijan's rating slightly lower than the Kyrgyz Republic's. A modest rating of 2.3 was given for the sub-criterion on the sustainable use of TA outputs, with Azerbaijan receiving a score of 2.0, largely on the hope that the PDA will be developed into a functioning organization and the authorities' stated commitment to the project will eventually yield positive results. At present, the MOFA's government securities market functions have been disassembled, and, unless steps are taken, there is little hope the TA outputs from the project will be embedded in the routine operating practices of the MOFA. While the situation is somewhat better at the CBA, the CBA is playing a junior role in the project. In Kyrgyz Republic, a modest-to-good score of 2.5 was given. Thus far, the number of changes embedded in the authorities' government securities markets policies and procedures is limited, but progress is expected. There are also concerns about the potential loss of staff, particularly now that the bonus system has been ended, as well as the risk that the MOFK will not provide the funding needed to maintain computer software and hardware after the project ends. The risks relating to hardware and software could be mitigated by the providing of funding for these needs after the project ends. Offering the authorities follow-up visits by short-term experts to help update their skills could also enhance sustainability.

Table IV.5: Government Securities Market Project—Sustainability

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Sustainable Use of Outputs | 70 | 2.3 |
| Constraints on Institutional Absorbive Capacity | 30 | 2.5 |
| Overall Sustainability Rating/Score | 100 | 2.3 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

84. Concerns about institutional constraints preventing the authorities in both countries from taking full advantage of the TA from this project resulted in an overall rating of 2.5, with Azerbaijan receiving a modest 2.0 rating, and Kyrgyz Republic a good 3.0 rating. While low public-sector wages undermine the probability of full implementation in both countries, Azerbaijan faces several other important risks that may impede the success of this project, including:

- (i) A shortage of skilled, high-quality staff at the MOFA;
- (ii) A history of a lack of political support for the use of government securities markets as a tool to foster financial sector development;
- (iii) The authorities' preference for imposing low yields on the market rather than accepting market rates;²² and,
- (iv) At present, no capacity in the area of securities market development at the MOFA.

C. Lessons for the future

85. The main lessons for the future include:

- (i) The Government Securities Market Project might have been better framed as a long-term, multi-phase project, since its objectives were longer-term than could reasonably be expected to be accomplished in two to three years. The project might have benefitted from taking account of this from the outset, including setting more modest goals for the first phase of the project, while plotting a course towards the longer-term objectives;
- (ii) Both governments' priorities and policies towards government securities market development shifted during the first phase of the project, while the project's objectives were long-term. In the circumstances, some flexibility during the course of each phase of the project would seem useful, possibly as part of a mid-term review;
- (iii) For a project as large as this one, a resident advisor may be needed for each country. Ongoing hands-on training for staff and teaching techniques and procedures on a day-to-day basis may greatly increase the impact of the project;
- (iv) The regional approach has not been particularly helpful for this project, largely as a result of the differences in the level of financial market development between the three countries;

²² This point and the previous one are more likely to be successfully handled in the context of IMF country program work than through conventional TA, although TA may help sensitize the authorities to the issues.

- (v) While NPCs can be quite useful, they have not been helpful for this project, and it may be difficult to find NPCs who have sufficient seniority, interest, knowledge, and administrative capacity to effectively promote project implementation;
- (vi) The provision of hardware and software greatly expedited the project in Kyrgyz Republic. Nevertheless, sustainability may require ongoing support for the software and hardware provided, since it is an open question whether MOFK will be able to cover maintenance costs for these products after the end of the project; and
- (vii) Sustainability may be enhanced by keeping up a degree of engagement after the project's completion, perhaps by allowing the authorities to request occasional short-term expert missions on selected issues. Producing manuals and documentation and encouraging internal training programs may also be very helpful.

D. Going forward

86. While the second TPR supported having Kyrgyz Republic participate in a second phase of the Government Securities Market Project, the report stated that further progress would be needed for the mission team to support a second phase for Azerbaijan. On the positive side, during the evaluation visit, all Azeri authorities interviewed stated that they viewed this project as being of the utmost importance, and the team was informed that this support extended to the Minister of Finance; this is a very good sign since up until now, the main stumbling block to broad-based reforms in the Government securities market has been political.

87. Despite official support for the project, certain preconditions would need to be met for the project to be likely to succeed in Azerbaijan. Since the major beneficiary is the MOFA, the MOFA would need to have the capacity to implement its part of the project from the outset. At present, the MOFA has virtually no capacity in this area, and it will not be able to receive TA in a sustainable manner until the PDA is formed, including: (i) having a manager capable of leading the PDA effectively; (ii) hiring a full complement of staff who are willing and able to learn all aspects of government securities market development; and (iii) receiving assurances that competent staff will not be transferred out until there is a training program in place to help assure the PDA's sustainability.

88. Once this commitment is received, the project might best focus on training the PDA in all aspects of government securities market development. This will involve a considerable commitment of TA resources, and it would be unlikely to succeed without a resident advisor. Providing a resident advisor, however, is an expensive and risky commitment, which should probably be hedged by the use of benchmarks and trigger points to ensure that value for money is achieved. If the project does not go well, it should either be ended early or not extended.

V. ASSESSMENT OF AML/CFT PROJECT

Key Messages

- The AML/CFT Project was successful, with excellent rating overall, as well as excellent ratings for effectiveness, efficiency and relevance, and a good rating for sustainability.
- The project's design might have been improved by planning for a multi-phase project from the outset, including laying out the ultimate goal of the project and giving broad ideas on what the subsequent phases might seek to achieve.
- The project's success is partly attributed its good timing, since it took place at a time when the authorities were highly motivated to implement the project, because of the new AML/CFT law.
- Close cooperation among the implementing authorities, SECO, and the IMF backstopper contributed to good project design, and to buy-in by the authorities.
- As with the other projects reviewed, the ability to acquire hardware and software helped enable the project's success.
- Cooperation with other donors can both help avoid overlaps and save money by carrying certain TA efforts jointly, such as workshops.
- The role of the IMF Resident Representative could be defined in the project proposal.
- Project reporting was efficient, and the use of TAIMS reporting formats for project updates was clear, concise, and informative.
- TORs for experts should be shown to SECO, for information, but not for comment.

A. *Background and introduction*

89. In June 2006, the Kyrgyz Republic passed an AML/CFT law covering the financial sector and, to a limited extent, the non-financial sector. The law came into force in November 2007. In support of this effort, the Financial Intelligence Service (FIS), a Financial Intelligence Unit (FIU), was established by presidential decree as an independent body reporting directly to the President. While premises were provided, the FIS had little hardware and no databases, and there were concerns whether the FIS would have the capacity to enforce the law when it entered into force. While the NBKR, the supervisor of banks, had with IMF assistance, taken steps to introduce some AML/CFT obligations to banks ahead of the passage of the law, more TA was needed, including assistance in drafting implementing regulations developing a supporting manual, and training.

90. The IMF made extensive comments on drafts of the AML/CFT law and sent two TA missions to Kyrgyz Republic in 2006. The missions:

- (i) Reviewed the supervisory framework for AML/CFT and developed detailed recommendations to the NBKR's draft regulations to bring them into compliance with Financial Action Task Force (FATF) Recommendations 5-11;
- (ii) Delivered training to NBKR inspection staff on the conduct of AML/CFT bank inspections;
- (iii) Determined the scope of the FIU and NBKR's TA needs in AML/CFT; and

(iv) Trained FIU staff in detecting and processing suspicious transactions.²³

91. Based on the findings of these missions, IMF/LEG prepared a project proposal for SECO which recommended "...a comprehensive and integrated plan for developing and improving the [AML/CFT framework, by focusing]...on the following tasks: (a) Assisting the Kyrgyz authorities in developing a legislative and regulatory framework that is consistent with international standards; (b) Enhancing the effectiveness of the recently established FIU, the ...[FIS]; (c) Improving the reporting system of financial institutions with the view to raise the quality of the reports submitted to the FIS; and (d) Assisting the NBKR in enhancing the supervisory institutional framework."²⁴ The 12-month project, whose primary beneficiaries were the FIS and NBKR, started in February 2007; in the event the project was extended until January 2009 to allow the IMF to disburse all of the funding.

92. The objectives of the project were to:

- "Review the AML law and related legislation to ensure consistency with the FATF 40+9
- Draft secondary legislation required for the implementation of the law
- Enhance domestic cooperation among authorities vested with AML/CFT responsibilities (FIS, NBKR, Ministry of Interior, Prosecutor's Office, Intelligence Service)
- Assess FIS organization, drafting an action plan to build up an efficient structure
- Assist FIS in developing a database, by means of purchase of necessary hardware or software
- Training the staff of the FIS to enhance their operational skills for the analysis of suspicious transactions reports (STRs)
- Draft anomaly indicators for the detection of STRs for the financial and non-financial sector
- Assisting the bank supervisors in drafting regulations for implementing Customer Due Diligence (CDD) and STR obligations for banks
- Devising instructions for bank examiners conducting AML/CFT examinations
- Training the banking inspectors and the staff of the bank supervisory departments of the NBKR
- Assist supervisor to develop more detailed guidance notes for the banks"²⁵

93. The project budget was US\$ 340,808, including US\$ 30,000 for the purchase of hardware and software. The budget also included two or more internationally hired short-term experts, backstopped by LEG, to cover a total of six months of work, as well as a series of four to six workshops for the staff of the FIS and the NBKR. As a result, of budgetary savings by including representatives of other donor agencies in project workshops, the project eventually included eight workshops, two roundtables, and a closing conference.

²³ Ibid., p.3.

²⁴ Ibid., p. 1.

²⁵ Ibid., pp. 4-5.

The first phase of the project is now completed, and a phase has been started. The desired results have been almost wholly achieved. In particular:

- (i) A comprehensive set of comments and proposed amendments was provided to bring the Kyrgyz Republic’s AML/CFT legal framework into line with the FATF standard. Legislation based on those comments was passed in August 2008 and has since been enacted. A second more important set of amendments to the AML/CFT law has been passed by the Parliament and is awaiting presidential signature;
- (ii) The NBKR’s capacity in AML/CFT supervision was increased through training and by drafting new AML/CFT on-site inspection procedures and by preparing a new AML/CFT inspection manual;
- (iii) The FIS’s capacity to process and analyze STR’s and large volumes of data was increased through dedicated training and investments in new hardware;
- (iv) A memorandum of understanding was signed by the authorities vested with AML/CFT responsibilities, and the FIS and NBKR report that their cooperation is strong and ongoing;
- (v) A plan was developed to improve the structure of the FIS;
- (vi) Cooperation and data exchanges between the FIS and the NBKR have been improved; and
- (vii) Most of the envisaged investments in new hardware were completed.

B. Evaluation of AML/CFT Project

1. Overall Evaluation

94. The AML/CFT project was very successful, with an excellent overall rating of 3.7. The criteria for effectiveness and relevance received the highest possible score of 4.0, while the rating for efficiency was also excellent at 3.7. The rating for sustainability was good at 3.0, but this is still a strong rating relative to the other projects evaluated.

Table V.1: AML/CFT Project—Overall Rating

| | Weights (%) | Rating/ Score |
|---|-------------|---------------|
| Effectiveness | 40 | 4.0 |
| Efficiency | 20 | 3.7 |
| Relevance | 20 | 4.0 |
| Sustainability | 20 | 3.0 |
| Overall Rating/Score | 100 | 3.7 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

2. Effectiveness

95. All the sub-criteria for effectiveness in the AML/CFT project were rated as excellent, although there was room for improvement. The use of TA inputs was excellent, and most of the

project’s objectives were achieved in a timely manner. This was the result of a combination of favorable factors. First, timing of the project was excellent in that the original AML/CFT law had recently been passed when the project started, and the authorities were highly motivated to implement an AML/CFT system that was consistent with best international practice. Second, the project benefitted from excellent cooperation among the implementing authorities, the IMF, SECO Bishkek, and the project experts. Third, the work of the experts was of a high standard, although the authorities suggested that future TA might be made more effective by using some short-term experts from countries at more similar stages of economic development, such as Russia or Ukraine. Fourth, the ability to purchase hardware and software was also central to the FIS developing its IT capacity.

Table V.2: AML/CFT Project—Effectiveness

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Use of TA Resources | 50 | 4.0 |
| Coordination with Development Partners | 30 | 4.0 |
| Consistency with International Best Practice | 20 | 4.0 |
| Overall Effectiveness Rating/Score | 100 | 4.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

96. The coordination among the donors was also excellent. From the design phase, the project took account of the activities of other donors providing TA in AML/CFT in Kyrgyz Republic, including the European Bank for Reconstruction and Development, the IBRD, the OSCE, the United Nations Office of Drug Control, and the U.S. Treasury. Early on, the IMF also made clear the project would avoid the area of enforcement. As the project progressed, other donors, especially the IBRD, were invited to send speakers to project seminars, at their own expense. This enhanced donor coordination, while saving considerable expense. In fact, these savings were the main reason that the project was extended to disburse unused budget allocations.

97. It appears that the final AML/CFT legislation, regulations, and practices in Kyrgyz Republic will be more consistent with international best practices. From the outset, the authorities wished to make their operations consistent with international best practices, notably the FATF 40+9. The legislation was subsequently amended to this end, based on IMF comments, and a set of supporting amendments to related legislation has been enacted, while the revised AML/CFT law is awaiting presidential signature.

3. Efficiency

98. The efficiency of the AML/CFT project was rated as excellent. Process implementation was rated as excellent, but with reservations. The IMF’s internal management of the TA activities and the quality and timeliness of management and backstopping by IMF Headquarters-based staff all received high marks from the implementing authorities, SECO, and the evaluator.

Nevertheless, there was room for improvement in two areas: (i) the administration of workshops and expert visits was time-consuming because of the lack of an administrator in Bishkek, but a local administrator has been hired for the next phase of the project; and (ii) SECO was concerned about the exact role of the IMF Resident Representative in the project, which in the evaluator's view should, in this case, be limited to providing organizational support. Still, defining the role of the IMF Resident Representative in the project proposal may be useful.

Table V.3: AML/CFT Project—Efficiency

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Process Implementation Efficiency | 60 | 3.5 |
| Contribution of Local Authorities | 30 | 4.0 |
| Monitoring and Reporting | 20 | 3.5 |
| Overall Efficiency Rating/Score | 100 | 3.7 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

99. The contribution of the local authorities was excellent. Both SECO and the IMF backstopper observed that the strong leadership, involvement, and enthusiasm of the management of the FIS and the NBKR's Banking Supervision Department were integral to the success of this project. The evaluator also observed their enthusiasm in meetings with these authorities. In addition, while the authorities were not asked to make many physical or financial contributions to the project, they did so when requested. This included providing office space as needed, and handling the logistics for local seminars provided by the project, including making small financial contributions as needed.

100. The monitoring and reporting on the project were rated as excellent, with qualifications. The reporting process was seen as excellent. The IMF backstopper reported that preparing the project proposal was not burdensome, and reporting using TAIMS was not difficult.²⁶ The evaluator found the project proposal to be quite clear. In addition, the TAIMS versions of the project proposal and the project report were concise, clear, and easily understood, with only minor gaps. On the other hand, the monitoring process, while generally good, had room for improvement. These difficulties were largely observed by SECO, which reported that it wished to see TORs for short-term experts, and perhaps the contracts, and that it wanted a specific contract person in OTM for projects in the country. While the desire to see the TORs for short-term experts is fair, the need to see the contracts for the individual short-term experts is not apparent, except to audit the project. On the other hand, OTM reported that it already did have a single contact person for each country, although perhaps some confusion arose when these assignments were changed.

²⁶ TAIMS got off to a slow start in the IMF, and in most TA departments it took years to gain acceptance. Fortunately, its reporting forms appear to have evolved into useful templates for project monitoring and evaluating.

4. Relevance

101. Project relevance was rated as excellent. The project appeared to be fully consistent with the priorities of Kyrgyz authorities. Not only did the authorities state that their priorities in AML/CFT were fully taken account in the project design, they reiterated that their objectives of this phase of the project had been fully met. These views were also echoed in discussions with SECO and the IMF backstopper.

Table V.4: AML/CFT Project—Relevance

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Consistency with Government Priorities | 40 | 4.0 |
| Define Future Priorities | 20 | 4.0 |
| Quality of TA Formulation and Engagement | 40 | 4.0 |
| Overall Relevance Rating/Score | 100 | 4.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

102. The project helped the authorities make excellent progress in enabling them to define their future priorities. While the NBKR was already in a relatively good position to do so before the project, its management reported that its skills were considerably improved and brought up towards, if not to, international best practice. More importantly, the project helped the FIS to develop from almost nothing to a confident organization. The FIS's admission to the Egmont Group of FIUs on May 28, 2009 may be seen as international recognition of their success. The IMF backstopper also reported that the FIS and the NBKR play an active role in designing the second project.

103. The quality of the TA formulation and engagement was also excellent. The project was built on two IMF/LEG missions, which had large diagnostic components and worked closely with the authorities and SECO to develop a strategy for the project. The authorities were also satisfied that the resources provided were consistent with the needs of this phase of the project.

5. Sustainability

104. As with the other projects the lowest rating was for the criterion of sustainability, although the rating was good at 3.0. The rating in the sustainable use of outputs was mixed. A key aspect of this sub-criterion is the extent to which the TA outputs are embedded in the operating practices of the executing agencies. Here, performance was excellent. The project helped the FIS to build itself from nearly nothing into a confident agency, while the NBKR's AML/CFT operations improved significantly. New legislation was either enacted or is awaiting presidential signature, and the implementing regulations have been drafted in large part, as have the supporting manuals. On the other hand, both organizations are vulnerable to the loss of staff, mainly to the private sector where wages are much higher. Both the NBKR and the FIS report staff losses in the last year, although they have not been serious enough to greatly compromise staff capacity. This resilience is largely the result of training programs in both organizations.

Table V.5: AML/CFT Project—Sustainability

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Sustainable Use of Outputs | 70 | 3.0 |
| Constraints on Institutional Absorbive Capacity | 30 | 3.0 |
| Overall Sustainability Rating/Score | 100 | 3.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

105. The only major constraint on institutional absorptive capacity appears to be the relatively low wage rates in the public sector. In AML/CFT, another common risk is political meddling, but both the FIS and the NBKR appear to be reasonably independent.

C. *Lessons for the Future*

106. A number of lessons can be drawn from this project. The key lessons include:
- (i) Timing was central to the success of the project. The AML/CFT law had just been passed, and the implementing authorities were highly motivated to implement an AML/CFT system that was fully consistent with best international practice;
 - (ii) Close cooperation between the implementing authorities, SECO, and the IMF backstopper probably contributed to a well-designed project, and buy-in by the implementing authorities;
 - (iii) Cooperation with other donors can both help avoid overlaps, and save money by carrying certain TA efforts jointly;
 - (iv) The ability to acquire hardware and software contributed to the success of the project;
 - (v) The role of the IMF Resident Representative in the project should be defined;
 - (vi) Project reporting seemed very efficient, and the use of TAIMS reporting formats for project updates was clear, concise, and informative;
 - (vii) Upon request, expert TORs for experts should be shown to SECO for information. Perhaps the best and most secure way to make TORs accessible to donors might be through a donor gateway controlled by OTM; and
 - (viii) OTM should provide a single contact point for work SECO's—or any other donor's—work in a given country if at all possible.

SWITZERLAND TECHNICAL ASSISTANCE SUBACCOUNT

TERMS OF REFERENCE FOR 2009 INDEPENDENT EVALUATION

Background

The IMF's Switzerland Technical Assistance Subaccount was established in April 1998 to finance a number of Technical Assistance Projects (TA Projects) in Azerbaijan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan (Central Asia Letter of Understanding (CA LOU)). In January 2009, the list of eligible countries to be supported under the Letter of Understanding for the countries of the Swiss Constituency in Central Asia has been expanded to include Serbia.

Up to now, Switzerland has contributed an overall amount of 8 400 000 USD to the Swiss TA Subaccount: 2 500 000 USD based on the Letter of Understanding between the Swiss Government and the IMF, dated April 15, 1998, and 5 000 000 USD based on the Amendment to the Letter of Understanding between the Swiss Government and the IMF, dated June 25, 2001. In March 2009, another 900 000 USD have been transferred by Switzerland to the Swiss TA Subaccount based on the Amendment to the Letter of Understanding between the Swiss Government and the IMF, dated January 12, 2009. There has not been an explicit guidance on the thematic scope of potential TA projects. The current areas of TA assistance are the following: (i) domestic debt management and government securities markets' development; (ii) strengthening of the AML/CFT frameworks; and (iii) building macroeconomic analysis and forecasting capacity.

So far, projects have been proposed by the IMF to SECO based on requests that have been made by recipient countries' authorities to the IMF. After having received a TA request, the IMF consulted responsible SECO program managers and discussed with them a potential SECO-financing of the project. After SECO has endorsed the project proposal, then the IMF develops and submits a detailed project proposal to SECO that serves as basis for SECO's internal project approval process (presentation of a decision note by the responsible SECO program manager to SECO's management, management decision).

As nearly all of the funds within the Swiss TA Subaccount have already been disbursed or allocated to TA projects, SECO is currently considering a re-design of the cooperation framework with the IMF towards a more programmatic approach under the new Instrument (SFA), including a substantial new commitment of SECO funds, which could imply the following elements:

- Definition of areas of activity for future TA
- Mid-term planning of TA activities
- Standardization of project proposals to ensure addressing key issues (e.g. sustainability strategic alignment)
- Annual review against stated outputs/outcomes

- Embedding in SECO’s and the IMFs strategic approach in the region

Purpose of the Evaluation and Issues to be Addressed

1. An independent evaluation of the CA LOU under the Swiss Technical Assistance Subaccount will be conducted in May-June 2009. Such an evaluation is an integral part of the Switzerland TA Subaccount operational framework, and serves as a valuable opportunity to take stock of the TA projects that have been financed under the CA LOU.
2. The evaluation results should serve as a basis for a strategic decision of SECO’s management and the IMF on (i) how project design and implementation arrangements could be improved to facilitate project outputs and outcomes, (ii) how the institutional arrangement for TA cooperation between SECO and the IMF could be further improved and designed towards a more programmatic approach.
3. The evaluation will (objectives of the evaluation):
 - provide a *combined assessment* of the TA Projects overall performance with regard to *outputs and outcomes* achieved;
 - provide a *combined assessment of the main challenges and barriers* faced during project implementation that affected the projects’ overall performance and sustainability of results.
 - (a) undertake, and report separately on, *project-specific assessments* with a view to identifying strengths/weaknesses which could help explain any project-specific successes/shortfalls;
 - (b) *provide some lessons learnt* regarding the future project design, their implementation, and the institutional arrangement between SECO and the IMF.
 - (c) *make appropriate proposals* to address the future design of projects, their thematic orientation, and the institutional arrangement for the management of TA projects financed through the Swiss TA Subaccount, including possible recommendations to address the projects’ implementation, financing, and sustainability.
4. Within the above context, specific issues for study by the evaluation include (scope of the evaluation):
 - (a) The effectiveness of TA Projects under the CA LOU
 - Whether TA is appropriately focused on delivering outputs which contribute to the achievement of beneficiary country reform priorities. The evaluation should also assess, to the extent possible, the outcomes and impact of TA Projects,

including whether these outcomes and impact are consistent with best practice and with the strategic policy advice provided by IMF headquarters.

- The quality and timeliness of TA Projects' activities undertaken and outputs produced.
- The extent to which Projects' activities have been well coordinated with those of other donors and TA providers.
- Identify the success factors and reasons for shortcomings
- Establish lessons learnt regarding the effectiveness of the approach / intervention strategy with a view to a possible replication of the approach.

(b) Efficiency considerations

- The quality and timeliness of management and backstopping of TA Projects' activities by IMF headquarters-based staff.
- Assessment of local contributions (type and amounts) and their utilization in the project.
- Assessment of the involvement of recipient authorities and their facilitation of project outputs and outcomes.

(c) The relevance of TA delivered

- To what degree have TA Projects equipped countries with adequate institutional capacity to define their own policy alternatives
- The extent to which TA Projects took into account and met the priority needs of beneficiary countries

(d) Sustainability

- The extent to which TA Projects have led to tangible and lasting results in beneficiary countries.
- Whether there are particular constraints faced by TA beneficiary countries which have prevented them from taking full advantage of TA Projects, and how such constraints can be addressed.

Evaluation Deliverables and Methodology

5. The evaluator will produce the following deliverables:
 - (a) a detailed work plan, in consultation with the IMF. The work plan will provide: (i) an overview of how the evaluation will be conducted; (ii) details of the information collection and analysis methodology, including plans for field visits and meetings;
 - (b) a draft evaluation report; and
 - (c) a final evaluation report.

The draft and final reports will present the evaluator's main findings and recommendations taking into account the scope and objectives of the evaluation, accompanied by summaries of information gathered during key meetings, and an overview of all interviews and meetings.

6. The evaluator will develop the conceptual framework and methodology for the evaluation, in consultation with the IMF. The methodology will include the use of evaluation ratings, but will provide the evaluator with flexibility to, as appropriate, select and modify the evaluation criteria and weights for the ratings.

The Evaluator

7. The evaluation will be carried out by an independent experienced professional with a background in economics, financial management, TA evaluation, or other related fields. The IMF will select the evaluator in consultation with SECO.

Timeline of the Evaluation

8. The overall duration of the evaluation is expected to be 6 weeks, with the following indicative timeline:
 - Week 0-1: OTM to provide relevant materials to the evaluator; desk review, submission of the work plan, and organization of travel.
 - Weeks 1-2: Approval of work plan and meetings (or telephone interviews) with IMF Headquarters (including with TA managers in IMF functional departments).
 - Week 3: Field work (including discussions with the resident advisors, and representatives of the beneficiary countries and donors).
 - Week 4: Preparation and submission of the draft evaluation report.
 - Week 5: Comments by IMF and SECO to the draft evaluation report
 - Week 6: Comments incorporated and submission of the final evaluation report.

It is expected that the evaluation will take place between 1 May and 15 June 2009.

Annex B. Country Worktables

1. Country Tables on the Public Debt Project for Azerbaijan

Table B.1: Azerbaijan: External Debt Project—Overall Rating

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Effectiveness | 40 | 2.5 |
| Efficiency | 20 | 2.9 |
| Relevance | 20 | 2.0 |
| Sustainability | 20 | 1.3 |
| Overall Rating/Score | 100 | 2.2 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.2: Azerbaijan: External Debt Project—Effectiveness

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Use of TA Resources | 50 | 1.5 |
| Coordination with Development Partners | 30 | 3.5 |
| Consistency with International Best Practice | 20 | 3.5 |
| Overall Effectiveness Rating/Score | 100 | 2.5 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.3: Azerbaijan: External Debt Project—Efficiency

| | Weights (%) | Rating/ Score |
|--|-------------|---------------|
| Process Implementation Efficiency | 60 | 3.5 |
| Contribution of Local Authorities | 30 | 1.5 |
| Monitoring and Reporting | 20 | 3.0 |
| Overall Efficiency Rating/Score | 100 | 2.9 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.4: Azerbaijan: External Debt Project—Relevance

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Consistency with Government Priorities | 40 | 2.0 |
| Define Future Priorities | 20 | 1.0 |
| Quality of TA Formulation and Engagement | 40 | 2.5 |
| Overall Relevance Rating/Score | 100 | 2.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.5: Azerbaijan: External Debt Project—Sustainability

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Sustainable Use of Outputs | 70 | 1.0 |
| Constraints on Institutional Absorbative Capacity | 30 | 2.0 |
| Overall Sustainability Rating/Score | 100 | 1.3 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

2. Country Tables on the External Debt Project for Kyrgyz Republic

Table B.6: Kyrgyz Republic: External Debt Project—Overall Rating

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Effectiveness | 40 | 3.6 |
| Efficiency | 20 | 3.8 |
| Relevance | 20 | 3.6 |
| Sustainability | 20 | 3.0 |
| Overall Rating/Score | 100 | 3.6 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; 3.5 > Successful (Good) ≥ 2.5 ; 2.5 > Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.7: Kyrgyz Republic: External Debt Project—Effectiveness

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Use of TA Resources | 50 | 4.0 |
| Coordination with Development Partners | 30 | 3.6 |
| Consistency with International Best Practice | 20 | 3.5 |
| Overall Effectiveness Rating/Score | 100 | 3.8 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.8: Kyrgyz Republic: External Debt Project—Efficiency

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Process Implementation Efficiency | 60 | 3.5 |
| Contribution of Local Authorities | 30 | 4.0 |
| Monitoring and Reporting | 20 | 3.0 |
| Overall Efficiency Rating/Score | 100 | 3.6 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.9: Kyrgyz Republic: External Debt Project—Relevance

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Consistency with Government Priorities | 40 | 3.5 |
| Define Future Priorities | 20 | 4.0 |
| Quality of TA Formulation and Engagement | 40 | 3.5 |
| Overall Relevance Rating/Score | 100 | 3.6 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.10: Kyrgyz Republic: External Debt Project—Sustainability

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Sustainable Use of Outputs | 70 | 3.0 |
| Constraints on Institutional Absorbative Capacity | 30 | 3.0 |
| Overall Sustainability Rating/Score | 100 | 3.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

3. Country Tables on the Government Securities Market Project for Azerbaijan

Table B.11: Azerbaijan: Government Securities Market Project—Overall Rating

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Effectiveness | 40 | 2.9 |
| Efficiency | 20 | 2.9 |
| Relevance | 20 | 2.6 |
| Sustainability | 20 | 2.0 |
| Overall Rating/Score | 100 | 2.7 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.12: Azerbaijan: Government Securities Market Project—Effectiveness

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Use of TA Resources | 50 | 2.5 |
| Coordination with Development Partners | 30 | 3.0 |
| Consistency with International Best Practice | 20 | 3.5 |
| Overall Effectiveness Rating/Score | 100 | 2.9 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.13: Azerbaijan: Government Securities Market Project—Efficiency

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Process Implementation Efficiency | 60 | 3.0 |
| Contribution of Local Authorities | 30 | 2.5 |
| Monitoring and Reporting | 20 | 3.0 |
| Overall Efficiency Rating/Score | 100 | 2.9 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.14: Azerbaijan: Government Securities Market Project—Relevance

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Consistency with Government Priorities | 40 | 2.5 |
| Define Future Priorities | 20 | 2.0 |
| Quality of TA Formulation and Engagement | 40 | 3.0 |
| Overall Relevance Rating/Score | 100 | 2.6 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.15: Azerbaijan: Government Securities Market Project—Sustainability

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Sustainable Use of Outputs | 70 | 2.0 |
| Constraints on Institutional Absorbive Capacity | 30 | 2.0 |
| Overall Sustainability Rating/Score | 100 | 2.0 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

4. Country Tables on the Government Securities Market Project for Kyrgyz Republic

Table B.16: Kyrgyz Republic: Government Securities Market Project—Overall Rating

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Effectiveness | 40 | 3.1 |
| Efficiency | 20 | 3.5 |
| Relevance | 20 | 3.1 |
| Sustainability | 20 | 2.7 |
| Overall Rating/Score | 100 | 3.1 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.17: Kyrgyz Republic: Government Securities Market Project—Effectiveness

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Use of TA Resources | 50 | 3.0 |
| Coordination with Development Partners | 30 | 3.0 |
| Consistency with International Best Practice | 20 | 3.5 |
| Overall Effectiveness Rating/Score | 100 | 3.1 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.18: Kyrgyz Republic: Government Securities Market Project—Efficiency

| | Weights (%) | Rating/Score |
|---|-------------|--------------|
| Process Implementation Efficiency | 60 | 3.5 |
| Contribution of Local Authorities | 30 | 3.5 |
| Monitoring and Reporting | 20 | 3.0 |
| Overall Efficiency Rating/Score | 100 | 3.5 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent)≥3.5; 3.5>Successful (Good)≥2.5; 2.5>Partly Successful (Modest) ≥1.5; Not Successful (Poor)<1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.19: Kyrgyz Republic: Government Securities Market Project—Relevance

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Consistency with Government Priorities | 40 | 3.0 |
| Define Future Priorities | 20 | 2.5 |
| Quality of TA Formulation and Engagement | 40 | 3.5 |
| Overall Relevance Rating/Score | 100 | 3.1 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Table B.20: Kyrgyz Republic: Government Securities Market Project—Sustainability

| | Weights (%) | Rating/Score |
|--|-------------|--------------|
| Sustainable Use of Outputs | 70 | 2.5 |
| Constraints on Institutional Absorbative Capacity | 30 | 3.0 |
| Overall Sustainability Rating/Score | 100 | 2.7 |
| Note: Column Weights are defined by the evaluator. Highly successful (Excellent) ≥ 3.5 ; $3.5 >$ Successful (Good) ≥ 2.5 ; $2.5 >$ Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5 | | |

Source: 2009 Swiss Subaccount Evaluation

Annex C. Persons Interviewed

IMF Staff

| | |
|-----------------------|---------------------------------------|
| Mr. Koba Gvenetadze | Resident Representative in Azerbaijan |
| Ms. Piyabha Kongsamut | MCM, Senior Economist |
| Mr. Guiseppe Lombardo | LEG, Senior Counsel |
| Mr. Obert Nyawatta | MCM, Senior Economist |
| Ms. Jodi Scarlata | MCM, Senior Economist |

Resident Advisors

| | |
|-------------------------|--|
| Mr. Gholam Azarbayejani | Former Resident Advisor, External Debt Project |
| Mr. Werner Riecke | Resident Advisor, Government Securities Market Project |

Azerbaijan

| | |
|-----------------------|--|
| Mr. Khayal Abdinov | Baku Stock Exchange, Chairman |
| Mr. Mazabir Agazade | MOFA, Economic Sphere Dept., Head |
| Mr. Rufat Aslanly | SSC, Chairman |
| Mr. Bakhitiyar Azizov | National Depository Center, President |
| Mr. Fariz Azizov | National Depository Center, Deputy Chairman |
| Mr. Ilgar Fati-zade | MOFA, Deputy Minister |
| Mr. Philipp Keller | SECO, Baku, Deputy Regional Director, South Caucasus |
| Mr. Parvin Manafov | MOFA, National Program Coordinator |
| Mr. Mardan Mardanov | MOFA, Infrastructure Projects Finance Dept., Head |
| Mr. Isi Mustafayev | CBA, Market Operations Dept., Head |
| Mr. Vahid Novruzov | Baku Stock Exchange, Business Development Director |
| Mr. Fariz Rahimov | CBA, Market Operations Dept., Dealer |
| Ms. Nailya Safarova | SECO, Baku, National Program Officer |

Kyrgyz Republic

| | |
|-------------------------|---|
| Mr. Bakhodir Akhmatov | MOFK, Dept of Public Debt, Head |
| Mr. Almaz Azimov | MOFK, Public Debt Statistics Unit, Head |
| Mr. Manas Djakypov | NBK, Banking Supervision Dept., Head |
| Ms. Chinara Japarova | NBK, Banking Supervision Dept., Chief Inspector |
| Ms. Higul Kulmatova | NBK, Monetary Operations Dept., Chief Economist |
| Mr. Hanspeter Maag | SECO, Bishkek, Country Director |
| Mr. Maksatbek Sadyrov | FIS, Chairman |
| Ms. Raushan Seitkasyova | NBK, Monetary Operations Dept., Head |
| Ms. Dinara Shadieva | MOFK, Permanent Secretary |
| Ms. Andrea Studer | SECO, Bishkek, Deputy Country Director |

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