

Independent Evaluation of SDC's Bilateral Engagement in the Poverty Reduction Strategy Paper (PRSP) Process

Part 2: Case Studies

KYRGYZ REPUBLIC

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Executive Summary

Its geopolitical relevance secures the Kyrgyz Republic a degree of international interest and assistance. Security and prosperity will only emerge, however, if it can achieve some independent economic and political strength, beyond present rates of growth. The Kyrgyz Republic is confronted with a **combination of challenges**: arbitrarily drawn boundaries; politically and culturally fragile societies; tensions between its newly-won sovereignty and the driving force of globalisation; severely increasing poverty and inequality; weak implementation capacity at national and local level; an unsatisfactory environment for micro, small and medium enterprises; growing urban bias; and a lack of rural livelihoods.

Switzerland enjoys a uniquely high profile in the Kyrgyz Republic. The Kyrgyz president often takes Switzerland as a model, saying his country should become the Switzerland of Central Asia. The pro-poor orientation, pragmatic and sustainable approach of Swiss efforts are well known. Contributing three percent of ODA volume to Kyrgyzstan, Switzerland is number three among the Republic's bilateral donors. Moreover, in the IMF, the World Bank and the EBRD, the Kyrgyz Republic is member of the Swiss-led voting groups.

Interviews revealed different points of view on the extent to which the **process to prepare the National Poverty Reduction Strategy (NPRS)** preparation was inclusive. The Government and the multilateral donors are seen as the driving forces, with more peripheral roles for smaller donors and civil society and virtual neglect of local government and parliament. Ownership of the NPRS is seen to lie with the Government but not so much with the country as a whole.

Swiss involvement in the NPRS process can be best described as “business as usual”. There has been a limited effort; the menu of options to influence the process has not been used for a variety of reasons. Ten key observations can be made:

- (1) *Mainly because of insufficient prioritisation and very broad formulation of policies, a majority of donors does not consider the NPRS as a coordination tool.*
- (2) *The involvement of donors varies from proactive support to virtual abstention; the broad range of instruments used by the active donors presents a wealth of experiences for shaping Swiss involvement in the NPRS and its implementation.*
- (3) *Swiss (SDC, seco) HQ do not provide general guidance or country specific instructions on the priority of and the involvement in the NPRS process.*
- (4) *Swiss representatives doubt whether adequate resources for active NPRS-involvement could be mobilised.*
- (5) *Neither Government nor donors try to use the NPRS process for revisiting strategic approaches to the reforms in the country. The process of the NPRS could become a forum for discussion of alternative development policies.*

(6) *ODA is often tied to specific changes in the policies of the Government; it is an ambiguous situation, also with regard to the NPRS, that unfulfilled conditionalities are renegotiated and the Government is well aware of this flexibility.*

(7) *To answer the question whether the NPRS paves the way to programme/budget support, it has to be noted that so far there is no budget transparency in the Kyrgyz Republic.*

(8) *Often it is unclear whether there are coherent Swiss positions on key NPRS issues which are common to all Swiss offices involved.*

(9) *Channelling the experience of Swiss NGOs into the NPRS process has been happening only accidentally.*

(10) *Looking at the high reputation Switzerland enjoys in the Kyrgyz Republic, it is obvious that Switzerland can make a difference in the NPRS implementation. Are the means adequate and the political will clear enough to seize this opportunity?*

1 Introduction

The Kyrgyz case study is **part of a larger effort** to evaluate SDC's involvement in the processes of developing Poverty Reduction Strategy Papers (PRSPs). The PRSP process addresses many issues of concern to SDC. Against that background, SDC has commissioned an independent evaluation of its bilateral engagement in PRSPs. The independent evaluation is being carried out by Judith Randel and Tony German of Development Initiatives (UK) www.devinit.org and Richard Gerster and Sonja Zimmerman of Gerster Consulting (Switzerland) www.gersterconsulting.ch. The evaluation comprises three major elements:

- An SDC-wide survey of SDC's experience of PRSPs to date, resulting in observations;
- Case studies in four SDC partner countries (Kyrgyz Republic, Burkina Faso, Nicaragua, Vietnam) to look in detail at how SDC, governments, other bilaterals, multilateral agencies, NGOs and civil society interact on PRSP processes, resulting in observations;
- A synthesis report, based on the survey and the case studies, analysing the findings and making recommendations to SDC on how to improve its role in the PRSP processes.

The **terms of reference** for the overall evaluation are described in SDC's approach paper. Concerning the case studies, the approach paper mentions more specifically:

- Detailed case studies of SDC engagement in the PRSP process in Nicaragua, Vietnam, Burkina Faso and the Kyrgyz Republic consisting of interviews with key actors, surveys of processes, interactions, results achieved and lessons drawn, based on the key questions. Identification of successes and shortcomings. Interpretation of key determinants (analysis), recommendations.
- Interviews with similar bilateral donor coordination offices (COOFs) in the four case study countries to determine what other similar donors are doing. Review of readily available information on donor practices in the PRSP context. Comparison with SDC activities and recommendations.
- End-of-Mission Workshop in each country conducted by the evaluator with the SDC evaluation officer, COOF staff, government representatives, NGOs, and representatives of like-minded donors.

In the **case of the Kyrgyz Republic**, the execution of the evaluation was entrusted to the following international team:

- Richard Gerster (Switzerland), economist and Director of Gerster Consulting (www.gersterconsulting.ch);
- Roman Mogilevsky (Kyrgyz Republic), Executive Director of the Center for Social and Economic Research (CASE) in Kyrgyzstan, Associate Professor at the Kyrgyz-Russian-Slavonic University and UNDP-Consultant for the process of the National Poverty Reduction Strategy (www.case.elcat.kg).

The **methodology** for the evaluation in Kyrgyz Republic embraced the following steps:

- The evaluation was prepared by analysis of relevant project documents and related studies (see references in Annex 2).
- The evaluation took place between November 8 and 16, 2002. It consisted of 21 interviews and consultations with representatives of national government, civil

society and donor organisations (see Annex 3). SDC staff were not present during the interviews.

- An end-of-mission workshop took place on November 15, 2002, with a presentation of preliminary findings by the evaluators to interview partners, SDC staff and other interested participants, providing feedback on the analysis and observations brought forward by the evaluation team.

The **end-of-mission workshop**¹ was chaired by a representative of the Office of the President, in charge of the PRSP process. Some 20 representatives of Government, SDC, other donors and Swiss as well as local NGOs attended (list of participants in Annex 4). Not only were the findings of the evaluators part of a joint learning process but the methodology and the self-critical attitude of SDC in commissioning such an independent evaluation also met with great interest. This effect of the workshop was unanticipated. Feedback from the stakeholders ranged from confirmation of the findings to slight corrections and provision of additional information and views. Two representatives of SDC's Controlling and Evaluation Division – Christoph Graf, Head; and Anne Bichsel, Evaluation Officer – were present during the end-of-mission workshop and made an introductory statement on the background of the evaluation and a concluding statement on the next steps.

The evaluation team would like to **acknowledge** the support of SDC Kyrgyzstan in making this evaluation a success. In particular, we would like to thank Urs Herren, Head of Office, and Vladimir Rakov, National Programme Officer. We express our gratitude to our interview partners for their time and the information shared.

2 Context

2.1 Kyrgyzstan's Trends and Challenges

Geography and history

The Kyrgyz Republic is located in Central Asia and has borders with Kazakhstan, Uzbekistan, Tajikistan and China. The country's population is five million. Its main geographical peculiarities are: land-locked location and long distance from the international seaports and major economic centres; mountainous terrain (mountains occupy about 90% of the country's territory); and difficulty of communications between various parts of the country, in particular the North and the South.

As an independent state, the Kyrgyz Republic emerged in 1991 as a result of the collapse of the Soviet Union. From 1924, Kyrgyzstan had the status of national autonomy, and from 1936 it became a union republic within the Soviet Union. During this time, its autonomous status lost significance; most of the critical decision-making and policy formation was done in Moscow.

¹ See also Christoph Graf/Anne Bichsel, Report Back to Office, Berne 26 November 2002

Political and social issues

Kyrgyzstan is a republic headed by a President. The Constitution grants the President wide authority, including formation of the government, appointments to the higher government positions, appointment of heads of local administrations and judges, representation of the country on the international arena, etc. The country has a two-chamber Parliament (Jogorku Kenesh). Both the President and the Parliament are elected by universal, direct, equal and secret vote. The most recent elections to the Jogorku Kenesh were conducted in February-March, 2000, and presidential elections in October 2000. The Government is headed by the Prime Minister, who is nominated by the President and approved by the Parliament. The Constitutional Court and the Supreme Court are key judicial bodies.

The country needs to change the division of power between the President, the Government, the Parliament and to introduce other amendments into its Constitution, which probably will be adopted in a nation-wide referendum in 2003.

Territorially, the country is divided into seven oblasts and the capital – Bishkek city. Each of these administrative and territorial units has a state administration (executive) and a representative body elected by the citizens residing in the oblast/city.

Kyrgyzstan citizens enjoy quite a high level of education. Literacy among the adult population is 98% and the country has a system of universal free secondary education; there is a developed network of universities. However, in recent years, the educational system has been suffering from a lack of financial resources and a lack of policy orientation in the new environment of transition.

Following the national traditions of the peoples living in Kyrgyzstan and as part of the Soviet legacy, the role of women in public life is high. Women have free and equal access to education and jobs in public administration. At the same time, however, representation of women in the highest bodies of the executive and legislative powers is disproportionately low.

Recent years have produced a significant layering of the population in terms of income. According to the estimates of National Statistics Committee of the Kyrgyz Republic, the Gini coefficient, characterising income inequality, was 0.45 in 2001, up from 0.31 in 1989/90.

Economic situation

On the World Bank's scale, Kyrgyzstan is in the category of countries with low level of income. The GDP per capita was in current USD 270 (2000); and adjusted in terms of purchasing power parity (PPP) in 2001 it was USD 2,521.

The main branches of the economy are agriculture, which produces more than one third of the country's GDP and employs a half of its labour force. Industry accounts today for about 20% of the GDP and 6% of employment, the country having undergone a serious de-industrialisation process during the last decade. The main branches of industry are mining, hydro power generation, machine building, light and food industry. A significant share of the GDP and employment is generated by trade, transportation and non-market services such as education, health, etc.. The country's

economy is quite open: in 2000 the exports of goods and services were about 44% of the GDP, and imports 55%.

A serious problem for the economic development of the country is the chronic deficit of the government budget that was inherited from the Soviet Union times. In 2000 it was over 10% of the GDP. The deficit is mostly covered by loans from international financial institutions (World Bank, Asian Development Bank, IMF, and others). As a result, the external debt of the country has grown very rapidly and currently is significantly higher than 100% of the GDP. The impossibility of its further growth and the necessity to serve the debt make the issue of restructuring the whole system of government revenues and expenditures very urgent. In 2001, the Government made strenuous adjustment efforts, decreasing the deficit to the level of 5% GDP. This was done at the expense of major cuts in spending on education and health care as well as on the Public Investment Program. This allowed a Poverty Reduction and Growth Facility (PRGF) agreement to be concluded with the IMF in December 2001 and government debt with the Paris Club to be restructured in March 2002.

In 1996-2001 the country demonstrated rather high economic growth, with the average rate above 5% per annum; in 2001-2002 the government managed to halt inflation (currently it is 1-2% per year) and stabilise the exchange rate of the national currency, the *som*. However, the macroeconomic situation remains fragile, as economic growth depends on on three sectors (gold mining, electricity production, agriculture). Because of unfavorable exogenous shocks affecting these sectors the GDP growth rate in 2002 would be only slightly above zero.

Major development problems

The country faces many problems in its development. Poverty is considered as a major economic and social problem. While during the last two years some decline in poverty rates was registered, in 2001 47.6% of the population still lived below the national poverty line. Obviously, poverty has different components: economic, social and others.

A big issue in ***economic development*** is sustainability of economic growth. Serious problems here are:

- ◆ Diversification of sources of economic growth, which should make the economy less sensitive to numerous external shocks;
- ◆ Macroeconomic stability, which is closely related to external debt issues and the necessity to increase government revenues and reduce the budget deficit;
- ◆ Investment attraction, which assumes considerable improvement of the investment climate, removal of barriers to entrepreneurial activities, business deregulation etc.;
- ◆ Improvement in export opportunities, which should contribute to the country's investment attractiveness and increase the country's ability to serve its foreign debt;
- ◆ Structural reforms, which should make the markets in the country function properly and ensure sustainability of the energy sector and other production infrastructure.

In the ***social sphere*** important problems are:

- ◆ Preventing further degradation of social infrastructure (education and health care, first of all), without which it is impossible to reproduce and accumulate the human capital needed for long-term development;
- ◆ Creation of a targeted social safety net, to protect vulnerable social groups from poverty.

The above problems can only be successfully dealt with if the country equally manages to solve its ***governance problems***, including the development of democratic institutions, judicial reforms, decentralisation and prevention of corruption. Moreover, aid dependency creates a biased form of accountability: donors' opinions matter more than those of it's a country's own (civil) society².

Another group of problems relates to the ***regional security and cooperation issues***. The country is situated in what is commonly perceived as an extremely politically vulnerable region. On the other hand, opening up of the regional market, internally and externally, is urgently needed.

2.2 *The PRSP process*

The PRSP in the Kyrgyz Republic is called the National Poverty Reduction Strategy (NPRS)³. To fully understand the appreciation of the NPRS by Government, civil society and donors alike, the major effort by the Kyrgyz authorities⁴ to create a Comprehensive Development Framework (CDF) from 1999 - 2001 has to be mentioned. The CDF⁵ put forward a holistic approach to development, which seeks a better balance in policymaking and implementation by highlighting the interdependence of all elements of development – social, structural, human, governance, environmental, macroeconomic, and financial. This approach requires a transition from donor-led development assistance strategies to the development of a country strategy led by a country itself, with vigorous participation of government at all levels, including representative institutions, civil society and the private sector. In the case of Kyrgyz Republic, the CDF process has been very participatory and inclusive, as was emphasised by many people interviewed. However, adding up the many forthcoming proposals, the consensus-oriented CDF process⁶ led to a paper without priorities.

The preparation of the NPRS started in 2000. The NPRS was developed in parallel to the Comprehensive Development Framework, being the country's long-term strategy for 2001-2010⁷. Originally it was intended that the CDF period would include three

² It was mentioned that donors may have access to information which is much more difficult to get for local NGOs.

³ Government of Kyrgyz Republic, National Poverty Reduction Strategy 2003 – 2005. Expanding the Nation's Potential, Bishkek 2002

⁴ The Kyrgyz Republic was among a dozen of CDF pilot countries: Bolivia, Côte d'Ivoire, the Dominican Republic, Eritrea, Ethiopia, Ghana, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam, and West Bank/Gaza. Later on further non-pilot countries followed.

⁵ We follow the description of the World Bank in www.worldbank.org/cdf/cdf-faq.htm

⁶ One interviewee noted – despite many differences in the process – fundamental analogies between CDF and NPRS, and the Soviet planning efforts.

⁷ Government of Kyrgyz Republic, The Comprehensive Development Framework of the Kyrgyz Republic to 2010. National Strategy, Bishkek 2001

consecutive NPRSs for the periods 2001-2004, 2005-2007, 2008-2010, so the current NPRS was (and continues to be) considered as the first stage of CDF implementation, while the schedule for the NPRS 2003-2005 is obviously different now. The CDF and the Interim NPRS (I-NPRS) were completed almost simultaneously in May 2001. In June 2001, the I-NPRS was presented to the IMF and the World Bank. I-NPRS was used as a background document for concluding the Poverty Reduction and Growth Facility (PRGF) agreement with the IMF in December 2001.

The process of preparation of the full NPRS was long (2001-2002). It is coordinated by the Office of the President. There are 30 working groups for different sectors and issues to draft the NPRS. In addition to government officials, members of Parliament, representatives of civil society and the private sector were invited to participate in the working groups. Donors however, were not usually part of these working groups. In August 2002, drafts of major parts of the NPRS were available but without budgets. Selected NPRS issues were discussed in seminars, with participation by representatives of the government, donors and civil society. While the thematically focused working groups usually assembled much of the know-how available in the country, it is said that the overall structure putting together the different contributions remained rather weak, leading to a draft document of 250 pages. The full draft NPRS was completed in September 2002 in Russian. By early October 2002, the Government made the entire draft NPRS available in Russian and English. It was discussed at the Consultative Group (CG) meeting mid-October 2002. While the participants of the CG meeting praised the Kyrgyz Government for its efforts in formulating a strategy, the text of NPRS was criticised for the lack of focus, prioritisation and costing⁸. Responding to this critique the government announced its intention to revise the draft version in the light of the comments received, to prepare a summary of some 40 pages including prioritisation, and invited the donor community to comment. The short NPRS version was submitted to the World Bank and the IMF, which were to consider them on meetings of their Executive Boards as early as January 2003 since the World Bank intends to revise its Country Assistance Strategy (CAS) and base it on the NPRS.

Interviews revealed different points of view on the extent to which the process of NPRS preparation was inclusive. Opinion ranged from “Government dominating the process” to “the Government no longer running the show” as a major innovation. A number of key figures from central government and the major donors – the World Bank and the IMF, which are seen as main customers of the document – made the main input into the process. As already mentioned, involvement of civil society organisations was much more modest in comparison to the CDF process, which is considered as truly participatory. Few members of parliament attended the working groups as the meeting schedules were not harmonised and Parliament did not put the NPRS on its agenda, neither in its plenary nor in one of its committees. A few written suggestions were submitted by MPs. Some interviewees criticised the process as intransparent and disorganised, mainly due to lack of staff and unwillingness to delegate. The evaluators tried to get a detailed picture of the process in the sense of when people were consulted but this could not be done in the time available.

⁸ See chapter 2.3

2.3 Key Issues of the NPRS

Integration with the CDF process has implications for the content of the NPRS contents. It covers almost all main areas of social, economic and political life of the country and does not concentrate on poverty reduction issues – as the title of the document suggests – and macroeconomic and budget management, as the International Monetary Fund (IMF) and the World Bank would like to see it. Basically, both the CDF and NPRS address three key priorities: (i) a fair society, free of poverty, (ii) good governance, and (iii) sustainable economic growth. The NPRS addresses in more detail many of the problems described in chapter 2.1, as well as their possible solutions, development of different parts of the country, involvement of different players, including civil society, into the NPRS implementation. It also contains some ideas on monitoring and evaluation of the NPRS processes and results.

There are several key NPRS-related questions deserving more detailed discussion in the context of this report. These are:

- ◆ *Ownership of the document.* The interviews with government officials have displayed their perception of the document as a necessary country management tool. The NPRS should provide the government with an internally consistent action plan for the next three years. From the point of view of the representative of the Ministry of Finance the next NPRS should substitute for the IMF-authored PRGF document. In this sense, government ownership of the document is quite visible. This is a new phenomenon in Kyrgyzstan because previously developed country- or sector-wide strategies were obviously donor-driven and the government often did not take seriously those programmes. However, the representatives of Parliament and civil society pointed out that the sense of country ownership is rather weak. For example, Parliament never had plans to discuss the document. Civil society representatives did not feel committed to implementing the strategy, considering it a government-donor matter. At the level of local government and community, the document was said to be practically unknown.
- ◆ *Purpose of the document.* While senior government representatives claim that the document is intended first and foremost for formation of domestic policies, many middle-level government officials and non-government representatives believe that the main goal of the NPRS is to satisfy donor requirements and ensure the inflow of foreign aid. This belief is grounded in the clear intervention by major donors into the NPRS preparation process. The attitude of looking for aid first and considering self-help later, is spreading. A Kyrgyz interviewee mentioned as a major weakness of the NPRS its reliance on foreign aid instead of a maximum mobilisation of national resources. Other see it as a major achievement to have an official government-owned and poverty-focused reference document.
- ◆ *Prioritisation.* Many representatives of donor organisations, but also some government representatives viewed the document as too broad. Of course, the country has problems in almost every sphere, but with scarce resources some prioritisation is necessary. The NPRS does not provide guidance for either the government or the donors in identifying the most important points of intervention

during the forthcoming three-year period. The financial gross requirements are around USD 2.5 billion. Up to USD 1 billion is supposed to be financed by Government, leaving a gross gap of USD 1.5 billion. According to the pledging at the Consultative Group meeting some USD 0.7 billion are available⁹ during 2003-2005. The net resource gap is, therefore, USD 0.8 billion.

- ◆ *Costing of programmes.* Another and related problem brought forward by many of the interviewees is lack of assessment of costs and benefits associated with different NPRS components. In particular, a link between the Medium Term Fiscal Framework and the budget, and the NPRS is missing. Poverty alleviation is more than a government or aid exercise; the link of the NPRS to the private sector is weak. Furthermore, a cost estimate for the Kyrgyz Republic to reach the Millennium Development Goals (MDG) in 2015, and its implications for foreign aid grants, is not part of the NPRS. Whereas the Ministry of Finance favours clear costing, other ministries live well with the present vague situation because they have more discretionary room for ad-hoc decisions. Very often this lack of costing is also a consequence of insufficient government capacity to estimate accurately all programme-related costs.
- ◆ *Lack of capacity.* Implementation of the NPRS is not only a question of sufficient resources but capacity at all levels. The absorption capacity in government, the private sector and civil society is not adequate to deal with the implementation of NPRS in an effective and efficient manner. Effectiveness and efficiency in the service of poverty reduction can be strengthened a great deal. There are very big reserves in efficiency and targeting of existing aid programs. With the expected inflow of aid into the country an effective monitoring system is needed, ensuring proper use of the aid money and preventing adverse effects on multilateral debt, domestic tax effort, transparency of government operations and other problems. If this analysis is correct, all programmes – whether government owned or foreign financed – should encompass a capacity building component.
- ◆ *NPRS as an instrument for donor coordination.* One of the potential functions of the NPRS is to be a tool for coordination of donor activities in the country. In international comparison, donor coordination in the Kyrgyz Republic is at an early stage. There is no systematic reporting¹⁰ of financial flows by the donors to the government. Improved donor coordination is badly needed because, as a good number of interviewees stated, donor aid inconsistencies¹¹ are widespread. In its current form, the NPRS leaves room for any activity donors would like to implement in the country.
- ◆ *Gap between policies and implementation.* On various occasions, the risk of a growing gap between the policies laid down in the document and their implementation was mentioned. The government has accumulated some experience in adopting different sectoral programmes and then neglecting them in

⁹ This figure is indicative and has to be viewed with a lot of caution. It is used for political purposes to demonstrate the donors' support to the Kyrgyz Republic.

¹⁰ Some donors do report their financial flows to the government. This relates, of course, to all grant and loan money going directly to the budget. The Swiss coordination office provides this information on request. Some donors (USAID, in particular) refuse to disclose their aid flow information, showing just totals (where all expenditures on foreign consultants are included).

¹¹ We found different opinions on how much these inconsistencies include serious overlap.

favor of short-term considerations and/or because of poor initial costing and consequent lack of funds for implementation. The insufficient prioritisation and costing of the NPRS increase the risk of divergence between policy and practice. Against this background, monitoring implementation becomes crucial. One of the respondents mentioned that goals should be monitored and not merely the output of farms and factories as in the former Soviet Union.

2.4 Overview of the Donor Community

The Kyrgyz Republic is one of the major recipients of foreign aid in the former Soviet Union. From 1992-2000 the country received about USD 1.7 billion, or 370 dollars per capita. On average, this is roughly USD 40 per capita/year, equaling some 10% of GNP during the nine years in question. The aid consisted of three elements:

- grants going to the revenue part of the current budget;
- programme loans used for financing the current budget deficit;
- investment loans used for the Public Investment Program (PIP – the so-called development budget).

In 2001 these elements accounted for 4%, 6.6% and 21% of the expenditures of the general government budget (current budget + PIP); i.e., altogether the aid composed 31.6% of the government expenditures or 6.6% of GDP.

All donors of Kyrgyzstan may be subdivided into three groups: multilateral international organisations, governments of foreign countries and non-governmental organisations. In general, multilateral donors provided 65% of total international aid resources, governments of foreign countries 29%, and non-governmental organisations 6%. For a detailed overview on multilateral and bilateral donors consult Annex 5.

The most important (both in terms of the aid amounts and political influence) multilateral donors are the World Bank, the Asian Development Bank, and the International Monetary Fund. EBRD, EU, UNDP and other UN agencies are also active in Kyrgyzstan. There is a special donor situation in the Kyrgyz Republic. Among the bilaterals, Japan and the United States are by far the largest donors in volume. Switzerland, Germany and the United Kingdom follow. The most active international NGO is George Soros's Open Society Institute.

Good informal contacts among the rather small donor community prevail. In some areas there are ad-hoc coalitions of cooperation. After the CG meeting efforts were started to explore a stronger and more formal cooperation among bilateral donors.

2.5 The Cooperation Programme Switzerland – Kyrgyz Republic

The Swiss Cooperation Programme in the Kyrgyz Republic is a joint effort and an umbrella for the Swiss Agency for Development and Cooperation (SDC), the State Secretariat for Economic Affairs (seco) and the Political Affairs Division IV of the Department of Foreign Affairs (PD IV).

As mentioned in the previous section, Switzerland is a significant donor in Kyrgyzstan. Since 1992, it granted about USD 80 million to Kyrgyzstan. Overall,

Switzerland is the fourth largest bilateral donor to the region of Central Asia after Japan, the United States and Germany. In Kyrgyzstan Switzerland is even number three but a large difference to the leader Japan and the U.S has to be taken into account. Looking at the total of bilateral and multilateral ODA in the year 2000, Switzerland had a share of 3%. As Swiss aid is usually offered as grants, it is particularly attractive to the indebted Kyrgyz Republic. For detailed information regarding Swiss ODA to the Kyrgyz Republic, see Annex 6.

Swiss support is directed to different sectors. The most important are energy production, agriculture and forestry, health care, development of mountainous areas, SME development and foreign trade promotion. SDC provides an economic advisor to the President. Switzerland also provided grant money for budget support of targeted social assistance within the framework of the World Bank's structural adjustment credits. While acknowledging the substantial Swiss contribution, several interviewees mentioned key issues from a Kyrgyz perspective which match key Swiss competences: Finance, including the banking system, food processing, federalism and decentralisation, hydropower, tourism, mountain development.

Many projects funded by the Swiss government are implemented in Kyrgyzstan through Swiss NGOs, of which the largest and best known in the country is Helvetas, which has its own support programme. Other Swiss NGOs are Intercooperation, the Swiss Red Cross, the Centre for Development and Environment (CDE) of the University of Berne, and Caritas Switzerland.

3 Mapping Swiss Involvement in the PRSP-Process

3.1 Motivation

A primary motivation for Swiss involvement is the obvious fact that the NPRS is covering most of the key issues of the Swiss cooperation programme with the Kyrgyz Republic. It has to be noted, however, that when Switzerland started the cooperation with transition countries, the facilitation of democratic and economic transition rather than the alleviation of poverty had been a primary concern. Now poverty reduction figures among the overall goals of the new Regional Mid-Term Program (RMTP) 2002 – 2006.

The Kyrgyz Republic is a member – as are Tajikistan, Uzbekistan and Turkmenistan – of the Swiss-led voting group in the Bretton Woods Institutions (International Monetary Fund, World Bank Group). Likewise, in the European Bank for Reconstruction and Development (EBRD) Switzerland leads a constituency including the Kyrgyz Republic, Uzbekistan and Turkmenistan. The Swiss RMTP for 2002 – 2006 states: "Their joining Swiss led constituencies was associated with the belief and expectation that Switzerland as a small, landlocked and neutral country but well integrated into the world economy would be a particularly relevant and reliable partner to support their political and economic transition. Switzerland shares the political responsibility to support and assist these countries." This basic motivation is also valid when dealing with the NPRS.

3.2 Activities & instruments

Sources of information

SDC staff dealing with NPRS issues used the locally available documents of the CDF, the I-NPRS, some draft chapters of the NPRS, and finally the draft NPRS. A major source of information was the programme experience, discussions with the Government, with other donors and third parties. The basic brochure produced by seco and SDC on PRSPs is known. Overall assessments of PRSPs by the World Bank, international NGOs or reports from the South have not been “digested”. The Vietnam experience of the present head of the SDC office, however, is an important asset of process experience.

Dialogue

There are different forms of dialogue which matter in relation to the NPRS:

- Switzerland actively participated in the preparation and the meeting of the Consultative Group in October 2002, which served as the primary platform to exchange views on the NPRS; it delivered a presentation¹² of the donors’ position on Social Protection and Human Development;
- SDC participated in more or less regular government/donor meetings, which were more frequent during the CDF/NPRS processes. They mainly served as a platform to exchange information;
- Occasionally, SDC participated in NPRS-related meetings, like the NPRS “Energy working group” meeting;
- SDC participated in regular sector coordination meetings between donors, multilaterals and government on health, SMEs – including framework conditions such as investment climate – agriculture and forestry;
- On the occasion of high-level mission visits, there was a high-level (seco and/or political level) and informal policy dialogue between Switzerland and the Kyrgyz government concerning macroeconomics, energy, health and the agricultural sector but not explicitly NPRS-related;
- SDC is involved in a working dialogue with the World Bank due to joint projects¹³, in particular on the occasion of the annual review and planning;
- Due to operational cooperation, SDC is in a working dialogue with USAID in agricultural sector and SMEs;
- Usually, before SDC’s annual programming, an annual dialogue between Switzerland and the Government takes place. The government chooses the representatives from its side. SDC can comment on observations and plans. Concrete points regarding the PRSP could be integrated. This dialogue is very open and comments are being received positively. In 2002, however, it was omitted due to the coincidence with the CG meeting and high-level visits.
- The Swiss special advisor to the President usually meets twice a year with the President of the Kyrgyz Republic. So far, however, the NPRS has not been on their agenda.

¹² See below chapter 3.5

¹³ Cofinancing of the Consolidated Structural Adjustment Credit; joint implementation Helvetas/Worldbank and joint funding SDC/IFAD of the Rural Advisory Service (RAS); experiences of the Kyrgyz-Swiss Health Reform Project in Naryn Oblast (implemented by the Swiss Red Cross, funded by SDC) will be taken up by the Health loan programme of the World Bank; the IFC Central Asia Partnership which is financed by seco; the seco funded cadastre project which again is closely linked to what the World Bank is doing in land registration.

Funding

- Switzerland funded the Consultative Group meeting in October 2002, the first CG meeting since 1999, also the first one which was prepared by the country's authorities and which took place in the Kyrgyz Republic.

3.3 The Washington connection

The fact that the Kyrgyz Republic is a member of the Swiss-led voting group in the IMF, the World Bank and the EBRD was frequently mentioned as a special relationship. Obviously, there are frequent formal and informal interactions using personal contacts to Washington and Berne. To the extent that Switzerland sponsors trust funds at the World Bank¹⁴ which are related to poverty reduction, it is of importance to the COOF to have adequate information on the opportunities for the Kyrgyz programmes and to know how decisions are taken.

SDC Bishkek provides, on important occasions, inputs to the coordinating agency (seco) in Berne regarding the World Bank or the Ministry of Finance in Berne concerning the IMF. This may be the case for the Swiss comments on the NPRS early 2003. They use it as raw material to prepare the official Swiss input to the Executive Director. The EDs have a margin of manoeuvre to deal with potentially differing concerns of the Kyrgyz Republic in their voting group by referring in their statements specifically to opinions held by the Kyrgyz Government. It is not possible, however, to split the votes and to cast the Kyrgyz voting share – or those of other voting group members – in a different way than the dominating Swiss opinion.

3.4 Extent of Involvement

The reasons given by SDC staff for not commenting on the partial drafts in August/September 2002 included:

- Many staff are absent during July and August;
- A very short time slot was available to contribute;
- All the messages had already passed through other channels or fora;
- SDC does not have to duplicate what other donors are contributing;
- Respect for Government ownership of the process;
- Low expectations of the process.

It was said that overall there was a rather weak involvement of many donors due to the short time span between the availability of a draft and the deadlines for comments. On at least two occasions the Government of the Kyrgyz Republic is said to have given SDC two days only to comment and even stated that there was no room for major changes. "This was indeed very discouraging as we felt [we were] to be consulted only as part of a formality"¹⁵.

Apart from the written input to the CG meeting¹⁶, no other SDC documents related to the NPRS could be traced.

¹⁴ SDC is working on a new strategy in view of a "Learning Partnership Trust Fund"; moreover, SDC contributes to a PRSP trust fund of the World Bank.

¹⁵ Statement SDC staff

¹⁶ See below chapter 3.6

On the occasion of the CG meeting the Government invited the donors to submit written comments on the NPRS, not later than mid-November 2002. Some SDC-related inputs were passed on. The process, however, was again not perceived as really being open to comment. The same reasons for abstention as in August/September applied with the exception of physical absence of staff.

Whereas SDC had intensively followed the CDF process in 2000 and 2001, providing inputs, participating in meetings, etc., in 2002 an attitude of “business as usual” was adopted, reflecting the perception of the overall NPRS process and the internal resource constraints.

3.5 Content of interventions

On the occasion of the Consultative Group Meeting in October 2002, Switzerland made a presentation¹⁷ on “**Social Protection and Human Development**” on behalf of the donors, complementing the Government’s view. Switzerland stated that “macroeconomic stabilisation has also been reached by a significant curtailing of social sector expenditure¹⁸ as percentage of GDP. This trend has created a broad range of problems in the social protection, education and health sectors, which are all very clearly and frankly analysed in the NPRS”. It goes on to stress that under these circumstances a “much better targeting of available resources” is required to protect the most vulnerable groups, and that ensuring “access to good quality educational and health services and to safe drinking water depends on the implementation of rigorous sector reform strategies”. Moreover, “progress in the social sector as foreseen in the NPRS in turn depends on drastic reform steps in other key areas, such as revenue collection, budget procedures or public service employment policies.”

More specifically, since the mid-1990s there has been “a shift from direct social spending to implicit social subsidies in the form of low-priced tariffs for services. ... We are convinced that implicit subsidies are untargeted, inefficient and costly, and ultimately unsocial”. Switzerland acknowledges that this problem is “well recognised in the NPRS”, endorses policies towards direct **social spending** including the adoption of the draft “Law on State Benefits”, beneficiary assessments¹⁹ involving non-governmental institutions, timely and in-cash payments of social benefits, and finally it notes that “additional donor funding also needs to be mobilized”.

“Spending for **education** has reached a critically low level, also in international comparison”. On the one hand the “NPRS recognizes the need for action and proposes a broad range of measures”. On the other hand, Switzerland sees the “need to formulate a comprehensive Education Sector Strategy”. Unlike for health the NPRS does not mention a target budget for education. An assessment of

¹⁷ All subsequent quotations are taken of the Swiss speaking notes and presentation.

¹⁸ It should be noted that “IMF programs do not include any ceiling on social spending. To the contrary, under the PRGF program it is a requirement that social spending is a priority, and that its share in total expenditures increase.” Excerpt of a note by the IMF’s Resident Representative in the Kyrgyz Republic of 15 November 2002.

¹⁹ Together with the World Bank, Switzerland has initiated an independent pilot beneficiary assessment of the Unified Monthly Benefit, the socially protected prices and the housing allowance systems.

rehabilitation needs, review of teacher salaries, and gearing curricula to vocational education are considered important measures.

“The NPRS correctly identifies the problems and foresees increased public spending on **health** care”. To deepen the on-going health reform process, Switzerland recommended addressing the “consolidation of the co-payment system nationwide”, “strengthening the Mandatory Health Insurance Fund (MHIF)”, “expanding investment in preventive health care”, and linking rehabilitation with “funding for sustained operation and maintenance”.

Access to **safe drinking water** is still a widespread problem, especially for the poor. “In the NPRS the provision of safe drinking water is mainly addressed as an environmental issue but would deserve a more full treatment and a clear reflection in the plans for public spending”. There should be a debate on the role of the state, private institutions and the consumer, and the necessary means for rehabilitation, operation and maintenance should be allocated.”

In the interview with the representative of the Ministry of Agriculture, it was mentioned that a Helvetas staff member was invited to the working group on **agriculture**. He participated and provided valuable analysis and material on their experience in agriculture which was partially used to draft the agricultural part of the NPRS.

In a programmatic way the RMTP 2002 – 2006 states “Switzerland will support the mainstreaming of **gender equity** issues in the development of PRSPs and related poverty assessments, and promote gender budget analysis where necessary.” So far gender has not (yet) been an issue of particular relevance in Swiss NPRS-related interventions.

4 Effects of Swiss Interventions

4.1 Effects on the PRSP contents

The general problem of attribution has to be mentioned first. Usually there are numerous comments going into the same direction. In a world of cooperation it is the exception and not the rule that a specific change can be attributed to a specific actor such as Switzerland.

Looking at the Swiss interventions, we characterised them overall “business as usual”. Limited efforts, however, lead also to a limited direct influence in the NPRS process. Inputs into the on-going sector dialogues probably are partially mirrored in NPRS.

4.2 Effects on the PRSP process

The grant for the CG meeting made a large platform for an exchange of views on the draft NPRS possible and as such strengthened the process.

4.3 Repercussions on the Swiss Cooperation Programme

The Swiss Regional Mid-Term Programme (RMTP) 2002-2006 states: "Cooperation and coordination with other donors is a necessity to increase the effectiveness of Swiss interventions. The Swiss programme is developed in coordination with the Government's Poverty Reduction Strategy Papers (PRSP), the World Bank's Comprehensive Development Framework (CDF), and its Country Assistance Strategies (CAS)". And: The Kyrgyz Republic is "in the process of elaborating Poverty Reduction Strategy Papers (PRSP), having an Interim PRSP already. As PRSPs are supposed to be based on a participative political process, they provide an opportunity to improve donor coordination based on a pro poor strategy document owned by the partner government. Switzerland will examine how participatory the process has been and how the Swiss support can be brought in line with the PRSPs". This is yet to be done.

We did not find a donor representative, either bilateral or multilateral, stating that the Interim-NPRS of May 2001 had been of practical relevance to the cooperation programme with the Kyrgyz Republic. Similarly, for SDC there are no repercussions whatsoever to be reported.

In the Swiss-Kyrgyz Annual Programme 2003 the NPRS is mentioned as an overriding process but more concretely it had no impact on either the priorities or the budget. It is envisaged that due to the NPRS, costs for coordination and policy dialogue may be higher 2003. COOF is currently looking for additional financial means to support the newly launched donor coordination initiative. E.g. part of the grant provided by SDC for the CG meeting was not used and could be allocated for these purposes.

No changes in the Swiss cooperation programme are to be expected; the main reason being (1) it now addresses poverty issues, (2) the weak focus of the NPRS. However, the Swiss operational grassroots approach will be key for NPRS implementation, due to the outstanding quality of operations – working with people, long term commitment – which offers a basis for replicating positive experiences of a small donor in NPRS implementation.

5 Activities of other donors

Department for International Development (DFID): The corporate DFID strategy requires special attention to PRSPs and deals with them as a priority concern. There are, however, no specific instructions from Headquarters how to become involved into the process as DFID wants to make sure that the NPRS is country driven and owned. DFID provided in Kyrgyzstan unfocused support to the process in the form of a consultant for 45 days. DFID's operational priorities in the Kyrgyz Republic are health, rural environment and governance – all three areas are considered to be compatible with the NPRS so no changes of the DFID programme are envisaged.

United States Agency for International Development (USAID): There are no directives from headquarters on how to deal with PRSPs. USAID provided extensive comments on the October draft version. The adjustment of USAID priorities due to the NPRS will be considered as many USAID supported programmes lie in NPRS priority areas and are expected to be affected.

German Technical Cooperation (GTZ): GTZ activities are strongly focused on economic reform and private sector development. It has Resident Representative in the country but GTZ is an implementing agency and not a policy making body. In its ongoing working contacts related to the priority areas some of its experiences have been transmitted to Government. Beyond the current contacts GTZ abstained from participating in the NPRS process, nor did the BMZ, representing Germany in the CG meeting, provide written comments on the draft NPRS.

Norway: Norway, hardly present in the Kyrgyz context, supported through its Norwegian trust fund at the World Bank the World Bank Report "Kyrgyz Republic. Enhancing Pro-poor Growth"²⁰. The explicit goal of this report was to assist the Kyrgyz authorities in designing their NPRS.

United Nations Development Programme (UNDP): For UNDP PRSPs are a corporate priority in view of proactive policy making. UNDP focuses its support on its human development concerns, being convinced that these are preconditions for any other achievements. In the Kyrgyz Republic, UNDP had been actively involved in the CDF, the I-NPRS as well as recently in the NPRS, in close cooperation with the leading office of the Government. UNDP is very satisfied with the effectiveness of its interventions. In particular, it claims that, due to its activities, the inequality issue and gender aspects are now part of the draft. In the NPRS process, UNDP used the following instruments:

- It organised **workshops** and seminars on NPRS relevant issues; for example a gender workshop with members of all working groups participating lead to mainstreaming of gender in all domains;
- UNDP recruited four **consultants** to strengthen the NPRS process, two of them national experts as members of working groups, and two international consultants;
- UNDP prepared an **assessment of the NPRS** draft of mid-September;
- UNDP provided a **research report** authored by a group of national and international experts on Macroeconomics and Poverty in support of the working group drafting the relevant chapter of the NPRS;
- UNDP is preparing a **field study** collecting voices from people living in poverty on the NPRS draft, working through its on-going programmes.

6 Concluding Observations

The above discussion supports the following observations related to the PRSP process in Kyrgyzstan and current/future SDC involvement in it:

²⁰ World Bank, Kyrgyz Republic. Enhancing Pro-poor Growth, Report No. 24638-KG, Washington August 23, 2002

- *Majority of donors do not see NPRS as a coordination tool.* Because of insufficient prioritisation and very broad formulation of policies, the NPRS allows each donor to consider its own priorities as those of the country and its own approaches as fully matching the policy of the Government. So, at least from the donors' point of view, the NPRS in its current form does not solve the problems of donor duplication, overlapping and inconsistency. In a sense this situation is convenient for donors, because the NPRS does not require changes to their usual practices. Demands for coordination through the NPRS by donors are based on the assumption that their own priorities, of course, will be reflected in the strategy. It remains to be seen whether the donors are prepared to adjust their programmes in the event that the Government does set strict priorities, leaving less room for donors' manoeuvres. In fact, many government representatives stressed that the Government faces a dilemma: to improve coordination and at the same time to prevent possible conflicts with donors related to the necessity to adjust their programmes. Realistically speaking and taking into account the degree of aid dependency of the country, the potential for the Government to maintain a very strong position in donor relations is limited. Another problem of prioritisation is the donors' demand – and the Government's readiness – to make the NPRS process inclusive of civil society. However, the dialogue between the Government and civil society could be meaningful only if the Government was prepared to accommodate at least some part of the civil society's concerns. This, of course, necessarily broadens the country's reform agenda and makes the list of priorities even longer.
- *Involvement of donors varies from proactive support to virtual abstention.* Different donors have different approaches to the NPRS. The largest ones – the World Bank and the IMF – initiated this process and are deeply involved in it (organising seminars, providing consultants and background materials, extensively commenting on the document drafts at all stages, etc.). Some other donors (for example, ADB, UNDP) are also pretty much involved, considering the process an opportunity to ensure representation of their own agenda in the country strategic document. Some bilaterals also contribute to the process, providing advisory services and actively participating in the document discussion. Finally there is a group of donors (both multilateral and bilateral), who are not directly involved in the NPRS process but who are influencing the policy formation mainly on a sectoral level. The broad range of instruments²¹ used by the active donors present a wealth of interesting experiences for shaping the Swiss involvement in the NPRS and its implementation.
- *No guidance from SDC HQ on priority & involvement in the NPRS process.* So far the Headquarters of SDC neither provided its country offices in general with guidance on corporate policy on priority and involvement in the NPRS process nor gave any specific instructions to its representation in the Kyrgyz Republic. The latter is not astonishing as SDC is highly decentralised. This leaves the SDC country office in perhaps a comfortable but also an unclear position.
- *Doubts whether adequate resources for active NPRS-involvement can be mobilised.* Keeping in mind that resources are necessary for effective interventions in the NPRS process, it may be significant that SDC does not

²¹ See chapter 5.

dispose of earmarked budgets for research, meetings or other activities in the framework of PRSP processes. More generally, the different behaviour of donors may also reflect the availability of resources allocated for these purposes. Success or failure in mobilising them may demonstrate diverse donors' perception of the PRSP process in general. It was suggested that SDC's future involvement in the PRSP process in the Kyrgyz Republic (and eventually other countries) could become a specially designed project with its own programme and budget.

- *Neither Government nor donors try to use the NPRS process for revisiting strategic approaches to the reforms in the country.* Reform in Kyrgyzstan to a large extent follows the standard recipes of the World Bank and the IMF²². The process of preparation of the NPRS could become a forum for discussion of alternative development policies. This has not happened so far²³ despite the international experience that orthodox economics have been a mixed blessing for a good number of developing countries²⁴. The IMF-led stabilisation policy of the Kyrgyz Republic requires a ceiling for public investment in 2005 of 3% of GDP borrowing (not grants) with implications for growth and poverty. The summary version of the NPRS, dating November 2002, surprisingly mentions 4% as a ceiling. The 1% difference is projected to correspond to USD 15 – 20 million in 2005. It is said this significant change was mainly the result of a debate between the IMF and the large creditors in Kyrgyz Republic, the World Bank and the Asian Development Bank²⁵. Do Government and bilateral donors – in particular Switzerland – have the political will and the analytical capacity to question for example key figures and reform measures of the IMF led stabilisation path?²⁶*Ambiguity concerning aid conditionalities will impact on the NPRS.* An unresolved issue in current aid practices is the provision of aid tied to the fulfillment of specific changes in the policies of the recipient Government. It may occur that the Government cannot or does not wish to fulfill imposed conditions. In co-financing the World Bank's structural adjustment credit (CSAC)²⁷ Switzerland is directly aligned to the conditionality of the Bretton Woods Institutions, thus losing its autonomy in policy dialogue and aid disbursements. Despite frequent interruptions and power play, the aid flows are not fundamentally disrupted because overall the reform policies of the Kyrgyz Republic enjoy a reasonable

²² According to an expert on macroeconomics, the present austerity policies followed in the Kyrgyz Republic run against economic growth and poverty reduction. An obvious symptom that basic issues are wrong, he said, are real interest rates around 35% which entirely discourage local investment and job creation on a profitable basis. But also the World Bank is said to have followed in early reform phases ideological paths in destroying collective farms and rural credit facilities despite the lack of viable alternatives. "It is up to bilateral donors to challenge dogmatic attitudes of the IMF and the World Bank".

²³ The IMF Resident Representative mentioned that the introduction of the 3% ceiling in the Public Investment Program (PIP) was not accepted without challenge and hotly debated for a considerable period of time. Mainly the World Bank and the Asian Development Bank as interested creditors participated in that debate. Swiss interventions are not known.

²⁴ See e.g. Wilks Alex/Lefrançois Fabien, *Blinding with Science or Encouraging Debate? How World Bank Analysis Determines PRSP Policies*, Bretton Woods Project & World Vision International 2002

²⁵ The Kyrgyz Government was said to have been split over the issue. Whereas the Ministry of Finance favours a large PIP reduction, the line ministries prefer a higher ceiling to have more investment opportunities.

²⁶ Interestingly, the IMF and the World Bank criticize themselves in their latest report to the Development Committee "Poverty Reduction Strategy Papers (PRSP) – Progress in Implementation" (DC2002-0016 of September 13, 2002) the very limited discussion of the macroeconomic framework and of alternative policy options (pp. 17-22) in view of the often overoptimistic assumptions of full implementation of key reforms. It is "desirable for countries to incorporate alternative scenarios and contingency plans in their PRSP at the outset" (p.20).

²⁷ See below footnote 24.

reputation and there are adjustments if conditions are not fulfilled. In Central Asia the Kyrgyz Republic is a political ally in the struggle against terrorism. The Government as well as the donors are well aware of this situation which makes the very idea of aid-related conditionality questionable and also affects the perception of the NPRS.

- *Switzerland has a special reputation in the Kyrgyz Republic.* The President looks at Switzerland as a model for his country and advocates the idea of the Kyrgyz Republic as the “Switzerland” of Central Asia. This special situation of Switzerland being the “donor darling” may have its risks but implies also opportunities. On the one hand there is the risk that SDC is too close to the Government, lacks courage and no longer says anything critical. On the other hand, such a basically positive attitude may facilitate the scaling up of local pilot programmes to the national level, an option which is rare for a small donor. It was said that in relation to poverty the SDC advantages are a long history of cooperation, high credibility, grants instead of loans or technical assistance, no hidden agenda, since there are no political or economic interests. A large donor would welcome a more prominent role of Switzerland, feeding all the grassroots experience into the national channels. In other words: SDC can make a difference in the NPRS implementation. Are the means adequate and the political will clear enough to seize this opportunity?
- *Programme/budget support or project operations:* There is no budget transparency yet in the Kyrgyz Republic which is required to really value the NPRS. The Public Expenditure Review (PER) covers only the Public Investment Program (PIP) which is largely donor-financed anyway. The remaining parts of the Government’s budget are not transparent, however. It is striking that the weak involvement of parliament in the NPRS is not raised in a more serious way by multilateral as well as bilateral donors despite their emphasising the need to link the NPRS to the medium-term budgetary framework. Obviously, preconditions do not (yet) prevail that would allow the final step towards general budget support²⁸. There are limited ad-hoc trends towards closer collaboration among donors, including the World Bank, for programme implementation.
- *Coherent Swiss position:* COOF Bishkek asked the question whom are we representing? Is there a consistent opinion held by all offices involved? The difficult and politically delicate situation about CSAC conditionality (electricity tariff increases, privatisation issues) is of importance for the overall Swiss supported programme and its perception among the Kyrgyz partners. The feedback loops and cooperation (pursuit of a common policy/strategy) between the Swiss ED's Office in Washington, seco, SDC's geographical and BWI Divisions, the COOF and the diplomatic Departments in EDA should be examined²⁹.

²⁸ Switzerland (seco) co-finances the Consolidated Structural Adjustment Credit (CSAC) of the World Bank/IDA (see Annex 6 and the IDS-evaluation by Rachel Sabates-Wheeler, 2002). CSAC is a big step towards general budget support but focuses on structural reforms in the energy sector, including a trust fund allocation to protect the poor of energy price increases. The IDS evaluation proposes replacing a multilateral co-financing arrangement with a bilateral one, leading to higher visibility and influence as well as disconnecting the Swiss voice from the more political orientation of the World Bank.

²⁹ One of the conclusions in Christoph Graf/Anne Bichsel’s Back to Office Report

- *Channelling the experience of Swiss NGOs into the NPRS process:* Agriculture and SMEs Helvetas, Health Swiss Red Cross, SMEs Intercooperation, mountain development CDE/University of Berne policy dialogue. SDC is in close contact with its implementing NGOs and has a dialogue with project staff. When policy issues are concerned and discussed with Government, SDC becomes involved. At least some of the implementing NGOs (Helvetas) would be interested to be more directly involved in the dialogue with Government and the NPRS process. Complementing a stronger experience feedback relationship, it was also suggested that Swiss NGOs could consider cooperation with one or several national NGOs, to share the experience gained with them and to encourage their direct interventions in the NPRS process. In such a way, knowledge transfer becomes a capacity building exercise.

Annex 1:

Abbreviations

CAS	Country Assistance Strategy
CDE	Centre for Science and Environment
CDF	Comprehensive Development Framework
COOF	Coordination Office
DFID	Department for International Development
ED	Executive Directors
GTZ	German Technical Cooperation
IDA	International Development Association
IFI	International Financial Institutions
IMF	International Monetary Fund
I-NPRS	Interim National Poverty Reduction Strategy
I-PRSP	Interim Poverty Reduction Strategy Paper
NGO	Non-governmental Organisation
NPRS	National Poverty Reduction Strategy
PER	Public Expenditure Review
PIP	Public Investment Program
PRSP	Poverty Reduction Strategy Paper
RMTP	Regional Mid-Term Program
SDC	Swiss Agency for Development Cooperation
seco	State Secretariat for Economic Affairs
SWAP	Sector Wide Approach
TOR	Terms of Reference
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank

Annex 2:

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- World Bank Note on Fiscal Adjustment and Public Expenditure Reform for Growth and Poverty Reduction, prepared for the Consultative Group Meeting for the Kyrgyz Republic, Bishkek 9-10 October 2002

Annex 3:

List of Interviews & Consultations

Abdymomunov Azamat	World Bank, Economist
Biderski Hans	Save the Children, Programme Manager
Bruni Stefan	Swiss Development Cooperation
Cupik Alfred	TACIS, Resident Representative
Doran Eamon	USAID, Private Sector Advisor
Fellmann Felix	Swiss Development Cooperation, Programme Officer
Fueg Karin	Helvetas, Programme Director
Herren Urs	Swiss Development Cooperation, Coordinator
Isaev Nurkaly	DFID, Resident Representative
Kaeser Daniel	Advisor
Kadyrbekovich Salih Murzaev	Academy of Management, Docent
Kanimetov Kubat	Head of Economic Policy Department, Administration of the President of the KR
Kasybekov Erkin	Counterpart Consortium, Director
Mudahar Mohinder S.	World Bank, Resident Representative
Mukanbetova Aikan	UNDP, Programme Analyst
Mukhopadhyay Bhaswar	IMF, Resident Representative
Rakov Vladimir	Swiss Development Cooperation, National Programme Officer
Roesler Ulrike	GTZ, Representative & Project Manager
Sultanov Marat	Deputy of Jogorku Kenesh
Toromyrzaev Emirlan T.	Ministry of Finance, First Deputy Minister
Tynaev Sabyrbek	Head of Economic Policy and International Affairs Department, Ministry of Agriculture, Water Resources and Processing Industry

Annex 4

End-of-mission Workshop: List of participants

Venue: "Pinara" Hotel, Bishkek, November 15, 2002

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Vladimir Rakov	Swiss Coop. Office	N.P. Officer	vladimir@swisscoop.kg , 666480
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Almazbek Jakypov	Secretariat of the Special representative of the President on the investment attraction		
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Julia Mironova	CASE-Kyrgyzstan	economist	case@elcat.kg , 217947

Annex 5

Official Development Assistance (ODA) to Central Asia

Total Official Development Assistance (ODA), net disbursements, in USD millions (2000)

Donor	Kyrgyz- stan	Tajikistan	Uzbekistan	Kazakh- stan	Turkmeni- stan	Total
Japan	48	2	82	83	1	216
US	25	23	36	58	8	150
Germany	5	4	9		1	19
Switzerland	7	5	1			13
France			4	1		5
UK	2		1	1		4
Netherlands	2					2
Sweden		2				2
Spain				2		2
Norway		1		1		2
Other		1	36	13	16	66
Total bilateral	91	38	134	159	10	432
World Bank	52	23				75
IMF	15	43				58
EC	15	13	11	5	3	47
Asian Dev. Bank	21	12	1	4		38
UNDP	2	2	1	1	1	7
UNHCR	1	2	1	1	1	6
WFP		5				5
UNICEF	1	1	1	1	1	5
IFAD	2			1		3
EBRD				1		1
Other	3	3	2	2		10
Total multilateral	112	104	17	15	6	254
Other donor agencies	12	1	35	15	16	79
Total	215	143	186	189	32	765

Source: DAC, Geographical Distribution of Financial Flows to Aid Recipients 1996 – 2000, OECD, Paris 2002

Annex 6:

Overview Cooperation Portfolio Switzerland – Kyrgyz Republic
(December 2002)

Part A: Projects in the Kyrgyz Republic

Economy

Debt Management and Negotiation (seco)

Aim: to help the MOFK and the Central Bank to develop and strengthen their capacities in the field of Debt Management

Sector: Debt relief measures

Swiss Contribution: CHF 0.9 mio

Duration: 2002-2003

Partner(s): IMF

Budget Support – Co-financing of the Consolidated Structural Adjustment Credit (CSAC) (seco)

Aim: the CSAC focuses on structural reforms to accelerate the transition from the plan to the market economy, some of the grant is general budget support, the rest is allocated to social protection measures

Sector: Debt relief measures

Swiss Contribution: CHF 8.75 mio

Duration: 2002-2003

Partner(s): WB

Trade Facilitation Programme (TFP) (seco)

Aim: to promote international and inter-regional trade

Sector: Trade promotion

Swiss Contribution: CHF 2.0 mio

Duration: 2002-2003

Partner(s): European Bank for Reconstruction and Development, EBRD

Kyrgyz Republic Small and Medium-Sized Enterprise Finance facility (seco)

Aim: to respond to the increasing demand for micro and small loan funding.

Sector: Promotion of the private sector

Swiss Contribution: USD 2.2

Duration: 2002-2012

Partner(s): European Bank for Reconstruction and Development, EBRD

Support to Enterprises in Food- and Wood processing (SDC)

Aim: to contribute to the support of the private sector in enabling SMES to produce profitably

Sector: Private Sector

Swiss Contribution: CHF 2.3 mio.

Duration: 2001-2003

Partner(s): Intercooperation, Helvetas

Support to MSMEs (SDC)

Aim: to support potential MSMEs for further development.

Sector: Private Sector

Swiss Contribution: CHF 1.3 mio.

Duration: 1999 to 2002

Partner: SERVUS GmbH

GIS/Land Registry Project (Consolidation Phase) (seco)

Aim: to make better use the equipment supplied and the know-how provided during the first phase.

Sector: Land registry

Swiss Contribution: CHF 3.3 mio

Duration: 2001 – 2003

Partner(s): Ministry of Finance and Gos Cartography, Federal office of Topography

Legal Advice for Rural Citizens (LARC) (SDC)

Aim: to provide the population with information on their rights and to advise and support persons involved in court cases

Sector: Governance, Security and Conflict Prevention

Swiss Contribution: 1.86 Mio CHF

Duration: 2002 to 2004

Partner(s): Helvetas

Environment/Energy

Karakol Water Supply Project (seco)

Aim: to have a secure and continuous supply of drinking water for the population.

Sector: Water

Swiss Contribution: CHF 10.3 mio

Duration: 2002-2006

Partner(s): City of Karakol

Naryn III Substations Rehabilitation Project (seco)

Aim: to improve the supply of electrical power in the region.

Sector: Energy

Swiss Contribution: CHF 7.6

Duration: 2002-2005

Partner(s): National Electricity Networks of Kyrgyzstan

Dairy Siut Bulak (SDC)

Aim: to make the dairy an independent, financially healthy and profit oriented enterprise

Sector: Private Sector and Infrastructure

Swiss Contribution: CHF 0.7 mio.

Duration: 2001-2005

Partner(s): Leuenberger Consulting

Health/Social/Cultural

Improvement of the Health Services in Naryn and Bishkek (SDC)

Aim: to support the implementation of the national health reform programme

Sector: Health

Swiss Contribution: CHF 4.4 mio

Duration: 2001-2004

Partner(s): Ministry of Health of the Kyrgyz Republic, Swiss Red Cross

Prevention of/Information regarding Sexually Transmitted Diseases (SDC)

Aim: to decrease the spreading of sexually transmitted diseases in Osh

Sector: Health/Social

Swiss Contribution: CHF 0.5 mio

Duration: 1999-2003

Partner(s): Médecins sans Frontières, Paris

Rural Advisory Service (RAS) (SDC)

Aim: To support farmers in developing sustainable livelihood systems.

Sector: Natural Resources and Infrastructure

Swiss Contribution: CHF 6.68 mio.

Duration: 2002 to 2004

Partner(s): Ministry of Agriculture and Water Resources, WB, IFAD, Helvetas

Kyrgyz Swiss Forestry Programme (KIRFOR) (SDC)

Aim: To support the development of a sustainable forestry sector

Sector: Natural Resources and Infrastructure

Swiss Contribution: CHF 4.6 mio.

Duration: 2001 to 2003

Partner(s): National Forestry Administration of the Kyrgyz Republic and Intercooperation

Culture (SDC)

Aim: to support the development of identity and to promote respect and tolerance

Sector: Governance, Security and Conflict Prevention

Swiss Contribution: CHF 0.5 mio.

Duration: 2002 to 2005

Partner(s): SDC self implemented with local partners

Part B: Regional Projects*Economy*

The Swiss-IFC Central Asia Partnership (PEP) (seco)

Aim: to support the private sector in the region

Sector: Promotion of the private sector (leasing sector, trade promotion, risk capital)

Swiss Contribution: USD 4.3 mio

Duration: 2001-2004

Partner(s): International Finance Corporation

Regional Export and Trade Promotion Central Asia (seco)

Aim: to integrate the countries successfully in a multilateral trading system

Sector: Promotion of trade

Swiss Contribution: USD 1.5 mio. (phase 1)

Duration: 2002-2003

Partner(s): International Trade Center (ITC), Geneva

Regional Debt Management Programme (seco)

Aim: to deliver guidance and training to local staff

Sector: Debt relief measures

Swiss Contribution: CHF 4.7 mio

Duration: 2002-2003

Partner(s): IMF

State/Education

Workshop on questions in relation to the WTO (seco)

Aim: to develop educational modules for negotiators in the WTO-negotiation process

Sector: Economic politics, WTO

Swiss Contribution: CHF 2 mio

Duration: 2002-2004

Partner(s): World Trade Institute, Berne

Strengthening of Social research in Central Asia (SDC)

Aim: to contribute to the reform and strengthening of social research in Central Asia

Sector: Governance, Security and Conflict Prevention

Swiss Contribution: CHF 0.4 mio

Duration: 2000-2003

Partner(s): WB

Hydro-Meteorology (SDC)

Aim: to train staff and strengthen institutions of the five national hydrometeorological services

Sector: Natural Resources and Infrastructure

Swiss Contribution: CHF 1.7 mio.

Duration: 2001 to 2004

Partner(s): Global Environmental facilities in the five countries

Environment/Energy

Hydrometeorological Project (in the frame of the Aral Lake Programme) (SDC)

Aim: to support the by the environmental catastrophe affected countries in dealing with environmental problems

Sector: Environment/Water

Swiss Contribution: CHF 3.5 mio

Duration: 1994-2002

Partner(s): The five national hydrometeorological services, Federal Office for Water and Geology

Water management in the Ferghana-Valley (SDC)

Aim: to identify possibilities for saving water and to improve the local water management services

Sector: Natural Resources and Infrastructure

Swiss Contribution: CHF 0.5 mio

Duration: 2001-2003

Partner(s): BVO Syr Darya (local organisation), Interstate Commission for Water Coordination, Scientific Information Centre, International Water Management Institute

Central Asia Mountain Development Programme (SDC)

Aim: to formulate strategies for the development of the alpine regions in Central Asia

Sector: Natural Resources and Infrastructure

Swiss Contribution: CHF 3.8 mio.

Duration: 2003 to 2006

Partner(s): Centre for Development and Environment

Health/Social/Cultural

Regional Media Programme (SDC)

Aim: to provide practical training to local journalists with a view to improve the quality of the reporting

Sector: Governance, Security and Conflict Prevention

Swiss Contribution: CHF 0.9 mio.

Duration: 2003 to 2005

Partner(s): CIMERA

Peace Building (Regional Dialogue and Development) (SDC)

Aim: to promote mediation/negotiation in conflict situations and to rehabilitate the infrastructure

Sector: Governance, Security and Conflict Prevention

Swiss Contribution: CHF 4.8 mio.

Duration: 2002 to 2004

Partner(s): local NGOs, RRDP/UNDP
