

Name of the Project: «Analysis of Efficiency of Use of Foreign Assistance in the Kyrgyz Republic» (*Twelve Years of Donor Aid: Lessons for the Country*)

Date of application: November 10, 2006

Applicant organizations: Economic Policy Institute “Bishkek Consensus”
Executive Secretariat to the Public Association “Kyrgyz Parliamentarians against Corruption”

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Total amount requested: EUR 82,230

Duration of grant period: November 2006 – September 2007

Have you submitted this proposal in full or in part to any other donor organization? No

Co-partners: NGOs, Kyrgyz government, donor agencies

Project Summary

The project “Twelve Years of Donor Aid: Lessons for the Country” is aimed to collect and analyze the data on the external aid received by the Kyrgyz Republic between 1992 and 2005 in order to evaluate its effectiveness and to prepare suggestions and recommendations on harmonization of donor aid and NGOs’ capacity building in monitoring the incoming foreign aid.

Statement of Purpose

The project is intended to raise awareness of the civil society, donor community and the governmental structures of their roles and priorities in distribution and use of external aid as well as to involve the civil society into assessment of external aid effectiveness, transparency of its distribution and use to a greater extent.

Background

The most important factor of the development of Kyrgyzstan during its sovereignty is a wide-ranging financial and technical assistance rendered by the international community. Kyrgyzstan needs this assistance as during the Soviet period the socio-economic activities were mostly funded by subsidies coming from Moscow. Suspension of these subsidies as a result of collapse of the Soviet Union threatened with degradation of the most spheres of socio-economic life of the country. On the other hand, by the moment of gaining its independence from the Soviet Union Kyrgyzstan had no proper state mechanism, developed institutes and professional managing staff. All that had to be developed immediately and required external assistance. Kyrgyzstan declared that it would create a democratic society based on a market economy, that would be open to the external world and that would establish friendly relations

with all countries. Those intentions were supported by the world community in the person of both multilateral international organizations, governments of highly developed countries and numerous NGOs and foundations.

According to data of the Ministry of Economy and Finance of the Kyrgyz Republic, as of October 31, 2005 the national debt of Kyrgyzstan was USD 2,038,911,000 (internal debt – 8.5% and external debt – 91.5%).

As of late 2004 the structure of the external debt by source of borrowing was as follows: public multilateral debt (including IMF) – 60%, public bilateral debt – 29.5%, state-guaranteed debt – 2.5% and private non-guaranteed debt – 8%.

In the structure of multilateral debt principal creditors are the World Bank – 26.9%, ADB – 22.3%, IMF – 10.3% and other sources – 4.2%.

It can be assumed that effect of such an impressive by scope external assistance rendered to Kyrgyzstan should also be significant. From this point of view, it is important to assess the effectiveness of the external assistance and in what areas it was most or least effective. It should be noted that the program effectiveness criteria are not always clearly formulated. It is assumed that these programs (which are investment programs in substance) are useful and justified in those cases when they have a long-term effect even after completion of the program. Kyrgyzstan can not allow itself to attract external assistance (not only in form of borrowings but grants as well) if it is not aimed at long-term development of the country. Some programs aimed at patching up existing holes can hardly be acknowledged as effective ones.

Total external debts and current critical situation with debt service forced the Kyrgyz Republic to apply to the Paris Club with a request to restructure external debt.

In early March 2002 the appeal of the Kyrgyz Republic on the external debt restructuring was reviewed at the meeting of the Paris Club. As a result of the meeting countries-creditors decided to provide Kyrgyzstan so called improved Houston conditions for restructuring of the bilateral external debts within framework of which it was decided to write-off a part of the external debt of Kyrgyzstan in 2005. In accordance with decisions of the Paris Club debts of Kyrgyzstan received as commercial credits will be reduced by 50%. Other part of the external debt on this scale should be paid off during 23 years. As to the debts on credits received for development projects, they should be returned during 40 years (first 13 years – on privileged terms).

Taking into consideration the above mentioned, issues of improvement of effectiveness of use of external assistance and regular independent monitoring have been brought to the forefront. This is the aim of the proposed Project.

It should be noted that the civil society has been dealing with this issue for quite a long time. For instance, the Monitoring & Assistance Group consisting of leading NGOs which provide monitoring of international financial agencies and their impact on Kyrgyzstan has been set up. In addition, there is an EITI Consortium which includes EPI. Objectives of the Consortium is monitoring of transparency of public allocations from extracting industries which are also funded by donors. Also, the Soros Foundation - Kyrgyzstan jointly with the Bishkek Business Club implemented a project on monitoring of Britton-Wood institutes (WB and IMF).

Now donors more actively try to coordinate their activities, therefore it will be easier to promote the survey results through their own coordination council (relevant information is available in the following web-site: www.donor.kg).

The Project is well-timed as the process of development of donor strategy on how they can help Kyrgyzstan will be discussed with the Kyrgyz Government at the CG meeting to be held in May 2006. It is intended that the first Project outcomes will be available by that time.

Information on Applicant Organizations

The Economic Policy Institute (EPI) was created in December of 2003 as an independent think tank and discussion forum with the mandate to promote market economic policies and practices in the Kyrgyz Republic. The EPI's mission is to develop local capacity and participatory processes to create effective economic policy in the Kyrgyz Republic based on the best international experience.

The EPI has good relations with government, business, international donors and civil society. Its strategic position is as an independent and highly objective source of information and research on public policy issues as well as a neutral forum for collaboration of diverse interest groups in public policy reform.

The EPI is a member of the EITI Consortium and has completed recently the project "Enhancing the Transparency of Benefit Streams from Extractive Industries in the Kyrgyz Republic". Besides, the EPI conducted surveys on estimation of migrant laborers' transmittances from abroad and its impact on macroeconomic indicators of the country, formulated a short-term strategy of country stabilization followed after ouster of ex-president Akaev, developed a couple of alternative economic strategies for the country, worked on the new edition of the tax code, etc.

Public association "Kyrgyz Parliamentarians against Corruption" (KPAC) was founded in November 2005 by a group of acting deputies of Jogorku Kenesh (Parliament) of the Kyrgyz Republic as a not-for-profit organization with the mandate to strengthen systems of accountability, transparency and public participation in the governance process. The KPAC's mission is to unite parliamentarians and other statesmen and public figures of the country in the fight against corruption and to promote the rule of law and the accountability of state institutions.

KPAC aims to achieve these objectives by:

- Building the commitment and capacity of Parliament to exercise accountability and to supervise the activities of the government and other public institutions thereby making them more accountable.
- Encouraging Parliament and Parliamentarians to develop and enact legislation that promotes good governance, transparency and accountability.
- Raising general awareness on the issue of corruption at all levels of society.
- Sharing information, lessons learned and best practices.
- Undertaking projects to reduce corruption and promote good governance.
- Working for the improvement of the capacities of national and regional institutions to deal effectively with corruption.
- Cooperating with state institutions and organizations in civil society with shared objectives.

KPAC is the Kyrgyz Republic National Chapter of Global Organisation of Parliamentarians against Corruption (GOPAC) - an international network of parliamentarians dedicated to good governance and combating corruption throughout the world. KPAC works in close cooperation with local state and civil society institutions, as well as with international parliamentary and donor organizations, on strengthening the anticorruption role of legislature and ensuring transparency and accountability in governance. Since its founding, KPAC conducted a series of anticorruption trainings for deputies of local assemblies in all regions of the Kyrgyz Republic and in Bishkek, held a conference dedicated to the fight against money laundering and financing terrorism, published a number of books on the nature of corruption and ways of combating it, etc.

Description of the Project

The Project is aimed at collection and analysis of data on external assistance received by the country from 1992 to 2005 (by regions, donors, trades, beneficiaries, etc.), summarizing similar surveys which were implemented earlier, assessment of the effectiveness based on macroeconomic indicators, as well as preparing proposals and recommendations on harmonization of donor assistance and capacity building of NGOs in monitoring and assessment of external aid.

Objectives of the Project

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| Objective 1 | Collection and systematization of data |
| Objective 2 | Analysis and evaluation of the collected data |
| Objective 3 | Conclusions and preliminary recommendations for the country and donors |

Project Outcomes

Outcome 1. A unified and most complete data bank on donor assistance has been created.

Outcome 2. Effectiveness of the external assistance use has been assessed by regions, sectors and donors (multilateral and bilateral projects).

Outcome 3. Recommendations on harmonization of delivery and use of donor assistance and capacity building of NGOs in monitoring and assessment of external assistance have been prepared.

Outcome 4. International donor community and public structures use the survey results in their work when planning external assistance.

Outcome 5. Use of external assistance has become more transparent. The public awareness of the ongoing projects funded by donors has been raised.

Outcome 6. The findings of the survey enable the civil society acting more effectively in monitoring the assistance delivery processes.

Strategies and Mechanism for Achievement of Set Goals

The Project will be implemented by stages

1st stage of the project implementation (July-November 2006)

Collection of information on major multilateral and bilateral donor organizations (including private ones). Information will be systematized by types of assistance (credits, technical assistance, and grants), titles and subjects, beneficiaries (government, public organizations, and private sector), organizations implementing such projects, etc.

Outcomes of the 1st stage of the project implementation

An analytical document with assessment and some recommendations will be disseminated among donors. In addition, the document will be presented at the national level with participation of the Kyrgyz Government and civil society.

2nd stage of the project implementation (December 2006 –May 2007)

A full list of all donor-funded projects and programs will be developed.

A full report will include analysis of effectiveness of use of external assistance and recommendations on its improvement.

Preliminary document will be discussed at the national round-table meeting. The comments and the feedback will be incorporated into the final document and evaluation paper of the implemented work. The final report will be submitted to donors, Kyrgyz government, NGOs and mass media.

Budget

Total requested: EUR 82,230

№	Budget items	Amount (EUR)
1	Payments to full-time experts	50,400
	including:	
	2 experts * €900 * 10 months	18,000
	3 experts * €550 * 10 months	16,500
	Wage tax	15,900
2	Payments to part-time consultants	5,840
	including:	
	10 consultants * €400	4,000
	Wage tax	1,840
3	Round-table discussions	5,050
	Holding a round-table (1 coffee-break, 30 participants, stationary, logistical support)	1,350
	Holding a conference (outside of capital city; 30 participants * €50* 2 days, stationary, transportation costs, logistical support)	3,700
4	Promotion of the survey findings	6,500
	holding 2 press-conferences	600
	PR campaign in local print and electronic media	1,200
	Development and maintenance of the web-site with forum for discussions, Internet services	2,200
	Publication of materials	2,500
5	Overhead expenses	14,440
	including:	
	Payment to a project manager, €500 * 10 months	5,000
	Payment to a secretary-treasurer, €400 * 10 months	4,000
	Wage tax	4,140
	Telecommunication expenses	800
	Others	500
	Total	82,230

Explanation to the Budget Items

1. Payments to full-time experts – the project will have 5 full-time experts in total, including 2 experts that will be responsible for overall supervision after the survey, and 3 full-time experts that will be responsible for analysing and processing the collected data and preparation of the final document.
2. Payments to part-time experts – the project will have 10 part-time experts that will be recruited in different periods of the project duration for collection of the data and its processing.

3. Round table discussions – the preliminary findings of the survey will be discussed at the round table discussion held in Bishkek with 30 participants. The comments and suggestions produced at the round table discussion will be incorporated into the final document which is supposed to be discussed at the conference held outside of Bishkek for 30 participants during 2 days.
4. Promotion of the survey findings – it is important that the public and the international community are aware of the progress of the project, this is why it is necessary to ensure public campaign in the local media, to cover the major results and accomplishments at 2 press conferences, to develop the web-site where all relevant information will be posted and which will have the forum for discussions. The final document with findings and recommendations will be published and distributed among all involved stakeholders.
5. Overhead expenses – the project will have the project manager responsible for logistical support in the project implementation; the secretary-treasurer will be responsible for financial accounting and general correspondence issues. Also, the project implementation will require telecommunication expenses.