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Quarterly Performance Report

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April 2008 – June 2008

Decentralization and Local Government Program in the Kyrgyz Republic

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**DECENTRALIZATION / LOCAL GOVERNMENT PROGRAM (DLGP)
IN THE KYRGYZ REPUBLIC**

QUARTERLY PERFORMANCE REPORT

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THE DECENTRALIZATION/LOCAL GOVERNMENT PROGRAM IN THE KYRGYZ REPUBLIC

QUARTERLY REPORT FOR APRIL – JUNE 2008

I. Highlights

- **DLGP announced winners of the 2008 Best Practices Competition for partner municipalities.** The Competition saw a total of 51 applications from 31 different municipalities, with Uzgen City winning the Best Practices Competition for cities for institutionalizing public information practices. Their reward for their accomplishments was a grant of 300,000 Kyrgyz Som (KS). The second prize of 150,000 KS went to Naryn City for their citizen participation and waste management program. Three more cities – Jalalabad, Karakul, and Balykchy – were given encouraging awards of 83,000 KS each. The contest for rural municipalities was won by Kotormo Ayil Okmotu of Batken Region for its improved municipal property management, and they were also awarded a grant in the amount of 300,000 KS. Sailyk Ayil Okmotu won second prize of 150,000 KS. Five more ayil okmotus (rural municipal governments) – Logvinenko, Baitik, Tulek, Akbulak and Predtechenskii – received encouraging awards of 75,000 KS.
- **DLGP jointly conducted a round table with the National Agency on Local Self-Government Affairs (NALSGA) on the topic of the state registration of municipal property in Kyrgyzstan.** The round table was exceptional because it gave local self-government representatives a rare forum with national government officials to explain the problems encountered in dealing with the State Registry. As a result of this dialogue, a Government Resolution on the State Registration of Municipal Property was initiated by NALSGA and is in the process of being adopted. The Resolution proposes free registration of municipal social assets in an effort to expedite the completion of municipal property registration.
- **Deputies from 100 city and rural councils learned about mechanisms to strengthen their policy setting and oversight authority.** Through training by DLGP specialists and presentations by their peers, council deputies became acquainted with model regulations on local budgets, municipal property management, public information and citizen participation, strategic planning and public services provision. The model regulations were assembled into a manual disseminated to all participants.
- **The City of Cholponata held a public hearing on its draft Municipal Land Strategy.** About 100 people attended the hearing, including local deputies, NGOs, local and national mass media outlets and representatives of eight other cities. With DLGP assistance, Cholpon-Ata City finished a complete inventory of all municipal land, and utilized the results for drafting their Municipal Land Strategy, which classifies land plots into groups based on whether and when they should be sold. Located in a tourist destination, land disposition is highly controversial in Cholpon-Ata so it was important to have a public forum on these issues before the City Council would formally adopt the municipal land strategy. Earlier the same day, DLGP had a press session to prepare the journalists for the afternoon public hearing by explaining principles of good land management, above all, transparent disposition procedures. After wide discussion of the strategy, the city administration collected comments and recommendations from participants in the public hearing for the design of the final version of the Land Strategy to be adopted by the City Council.
- **The National Agency for Local Self-Government Affairs approved the DLGP-designed Model Regulation on Public Access to Information and Citizen Participation and recommended that it be disseminated to all Kyrgyz local governments.**

- **DLGP trained 1529 citizens, including NGO representatives and staff from rural municipalities, on the principles of local budget formulation.** Participants expressed gratitude for the training, several saying that except for ARIS, this was the first time that they had benefited from a donor program.
- **The Parliamentary Committee on Regional Development and Local Self-Government held a roundtable on the draft Tax Code** on June 11, 2008. Upon the Committee's request, DLGP provided assistance in holding an expanded meeting on the Tax Code that included representatives of the Ministry of Finance, Ministry of Economic Development and Trade, State Committee on Taxes and Fees, National Agency for Local-Self Government Affairs, and local governments from all regions. The meeting was an opportunity for local self-government (LSG) representatives to explain to the Parliament why local taxes are important for stimulating local initiative. LSG heads spoke from experience about last year's doubling in tax revenues, either from the patent or the retail tax, when they had the opportunity to collect taxes themselves.

II. Trends in the Environment

The President of the Kyrgyz Republic signed the law on “Administrative and Territorial System of the Kyrgyz Republic” on April 25, 2008. The law establishes the main principles for dividing territory into administrative units, defines their status in terms of how the territory is to be governed (by state bodies or local governments) and establishes the conditions and procedures for creating and merging municipalities as well as changing their boundaries. A relative weakness of the law is that although the procedures for creating, changing and eliminating municipalities are based on the principle of consulting with local councils, state bodies have the final say in making such determinations.

The President of the Kyrgyz Republic signed the law on “Local Self-Government and Local State Administration” on May 29, 2008. The new law is good in that it clearly delineates functions that are exclusively within local governments' jurisdiction. Another positive feature is that it establishes strict procedures for delegating state responsibilities to local governments. At the same time the law has some weak points. Despite many meetings with the Presidential Administration and Parliament in which the DLGP Senior Legal Specialist explained what should be the concomitant list of responsibilities for local state administrations, the law contains some duplication of functions. For example, local state administrations also have responsibility for maintaining “communications” which can include water and sewerage systems and roads, and organizing “household services,” which can include waste removal. It also gives a state government body decisive influence on selecting the heads of local government executive bodies.

The draft Tax Code was reviewed by parliament and adopted in its first reading on June 20, 2008. Parliament will be in recess from July 1 to August 31, so the second reading will take place in early September. The draft Tax Code cuts the number of local taxes from 8 to 2, but the tax burden on local self-governments will be increased as a result of the new requirement that they pay land taxes on unused land from the Land Redistribution Fund.

Parliament adopted changes to the law on “Status of Local Council Deputies” on June 26, 2008. Changes were made in order to bring the law into compliance with the constitution and the new law on “Local Self-Government and Local State Administration.” Specifically, the changes

prohibit someone from serving both as a local council deputy and as a currently serving member of the military. The President must sign these changes in order for them to become effective.

III. Activities

Task 1.1. Support Decentralization Process

In April DLGP, together with Institute for Public Policy, held a round table on “Reforms of Local Self-Government through the Prism of the European Charter on Local Self-Government.” More than 25 experts conducted individual analyses of the current situation as it related to the terms of compliance with the Charter’s provisions. One of the round table’s conclusions was that the Kyrgyz Republic legislation is in compliance with the majority of the provisions, including 10 of the 14 core provisions. However, it was noted that some provisions, although incorporated in Kyrgyz legislation, are not implemented in practice. The next focus group on this topic will be held in the fall of 2008.

DLGP continued to establish a close relationship with the Parliamentary Standing Committee on Regional Development and Local Self-Government. In line with that goal, DLGP presented a more detailed overview of three components (municipal property management, information exchange and intergovernmental finance reforms) to all members of the committee. Particular attention was paid to implementation of the two-level budget system in the 2007 budget cycle and the three-level budget system in the 2008 budget cycle, as well as a general presentation on local taxes. During the meeting the Chairman of the Committee asked DLGP to provide assistance in holding expanded committee meetings on the draft Housing Code and draft Tax Code with invitations extended to national government and local self-government representatives as well as independent experts. DLGP agreed to provide such assistance. DLGP also presented its design for the Model Regulation on Public Information and Citizen Participation, which deals with how to implement the Kyrgyz law “On Access to the Information of State and Local Governments.” Additionally, DLGP raised the issue of the constraints local self-governments (LSGs) were facing while trying to obtain information from state agencies, departments, etc. This issue was identified as priority during training sessions and discussions with LSGs.

DLGP, together with the Standing Committee of the Parliament on Regional Development and Local Self-Government, conducted an expanded meeting to discuss the draft Housing Code (HC) with a wide spectrum of participants including representatives of the National Agency on Local Self-Government Affairs, National Local Self-Government Associations, Kyrgyzjilkommunsoyuz (Kyrgyz Communal Living Association) and other interested parties. During this discussion, DLGP made some comments regarding the necessity of bringing this draft into compliance with the current legislation. In addition, DLGP conducted preliminary negotiations with the Chairperson of the *Our House* Regional Association to prevent amending the Law on Condominiums, which was developed under the UI-implemented USAID LGI Project and included in the draft HC. As for the condominium part of the draft HC, a proposal was also made to extend the authority of a Condominium Board, given the experience of condominium activity in the Kyrgyz Republic.

As DLGP learned that the draft Tax Code as being formulated by an expert Working Group would eliminate local taxes altogether, the DLGP Chief of Party and Senior Municipal Finance Specialist mobilized forces to counter this development. In April, the Working Group chaired by Mr. Dykambaev, Head of the Economy and Social Policy Department of the Presidential Administration, submitted a draft Tax Code to the Government of the Kyrgyz

Republic in which local taxes were completely eliminated. Comments developed by DLGP were co-signed by four other donors (World Bank/Agency for Community Investment and Development (ARIS), the UNDP Democratic Governance Program, Soros Foundation of Kyrgyzstan and the Eurasia Central Asia Fund). In the first round of DLGP comments, two options were recommended. The first option would keep the current list of local taxes. The second option stated that should these local taxes become general state taxes, the Tax Code would contain a provision listing specific general state taxes whose revenues are 100% assigned to local budgets. Both options recommended that local self-governments have the authority to administer both local and general state taxes that are 100% assigned to LSG budgets. DLGP shared the comments with the Deputy Chair of the Working Group, Bakyt Ashirov as well as with the NALSG so the Agency could formulate their comments on a similar basis.

Several ministries and government agencies including NALSG, the Ministry of Finance, and Ministry of Economic Development and Trade supported retaining of local taxes. As a result of these combined efforts, the revised version of the draft Tax Code included two local taxes – the land and hotel tax. At this point, DLGP was again asked by the NALSGA to comment on the revised draft. DLGP made two main suggestions. The first is to expand the list of local taxes to specifically include a property tax. The second is to include in the Tax Code provisions allowing for the delegation of tax administration to LSGs. The Tax Code stipulated that all land from the Land Redistribution Fund given currently to LSGs for management will be taxed. If the land is being leased, the land user will be taxed, and if the land is not, then the LSG will be taxed. In this regard DLGP suggested exempting land from the Land Redistribution Fund that is not rented. The comments were also passed to the head of the Inter-Governmental Policy Department of the Ministry of Finance.

DLGP helped organize an expanded meeting of the Parliamentary Committee on Regional Development and Local Self-Government on the draft Tax Code on June 11. Upon the committee's request, DLGP provided assistance in holding an expanded meeting on the Tax Code that included representatives of the Ministry of Finance, Ministry of Economic Development and Trade, State Committee on Taxes and Fees, NALSGA, LSGs from all regions and independent experts. Attendance was almost 100% (the Parliament Committee had added the Minister of Finance to the invitation list and she did not attend, but the Deputy Minister did). LSG representatives during the meeting spoke of their commitment to citizens:

- We have taxes because we need a budget to deliver services to citizens.
- If the budget has no local sources, there will be no local initiative.
- As a legislative body itself, the Parliament should understand that the local council also needs to have the ability to be able to set some tax rates so that it will be a real legislative body.

LSG heads spoke from experience about last year's doubling in tax revenues, either from the patent or the retail tax, when they had the opportunity to collect taxes themselves. The Deputy Finance Minister spoke of the property tax becoming a local tax in the future. In his assessment it is too risky to do so right now, since as a new tax it might not be able to be collected effectively. The Ministry of Finance made the critical point that the overall net loss of revenues from this new Tax Code is optimistically estimated at 2.4 billion KGS, so local budgets will have to take a hit as well as the national budget.

DLGP COP explained to businesses the importance of local taxes in a roundtable sponsored by the USAID Business Environment Improvement Project. The brief statement argued that local taxes were important to support regional development and local governments perform functions that businesses rely on to be able to conduct business. In the roundtable conclusion, the moderator, a representative from the Parliamentary Budget Committee remarked that

comments regarding local taxes were included in the official comments to the draft Tax Code. This confirms some level of success from the June 11 expanded meeting of the Committee on Regional Development and Local Self-Government.

DLGP participates in development of changes to current legislation that has to be amended due to the adoption of the new law on “Local Self-Government and Local State Administration.” DLGP together with NALSGA developed a list of laws that should be changed first. This list is included into the draft Government Action Plan for 2008 – 2010 on Implementation of the National Strategy on Decentralization of State Administration and Local Self-Government Development. Currently DLGP is working on changes to the Land Code, the law “On Drinking Water,” and the law “On City Planning and Architecture.”

Task 2.1. Assistance to Implement Intergovernmental Fiscal Reform

In Osh, DLGP conducted a press session together with the NALSG State Secretary on the issue of local taxes. In the press session journalists learned the principles of assigning taxes to LSG budgets as well as the implications of eliminating local taxes in the draft Tax Code.

Public Budget Hearings on 2009 draft budgets were delayed due to the expected adoption of the Tax Code. DLGP received about 85 applications from municipalities for assistance in holding public budget hearings on their 2009 draft budgets. According to the budget calendar that is set by law, the Ministry of Finance (MoF) was supposed to issue budget circulars and provide all information necessary for local budget preparation – such as the amounts of grants paid from the national budget and the shares of general state taxes to be assigned to local budgets. However, taking into account that the new Tax Code, very likely to be approved in 2008 and be effective from January 1, 2009, will change the composition of local budget revenues, the MoF has decided to wait until the Tax Code is approved to issue budget circulars and provide tax information on local budgets. As a result, DLGP announced to those municipalities requesting assistance that it will be provided after the MoF’s budget circular is issued. As a result, the DLGP Participatory Budgeting Grant Competition will be postponed.

DLGP conducted 68 trainings on the local budget for NGOs, citizens and staff of ayil okmotus (AOs) and institutions financed from local budgets. A total of 1529 participants were trained. For many participants this was their first such training and all participants acknowledged the usefulness of the training.

DLGP created a brochure on the new budget system in the Kyrgyz Republic. DLGP prepared a brochure on the new Kyrgyz budget system, implemented for the 2008 budget cycle, which was approved by the Ministry of Finance. DLGP gave 1,000 copies in Kyrgyz and 1,000 copies in Russian to the MoF for distribution to all LSGs. The remaining copies (2000) were distributed during local budget training for NGOs, citizens and staff of AOs and institutions financed from local budgets.

DLGP continues intensive technical assistance on financial management for pilot ayil okmotus. DLGP is providing assistance to four ayil okmotus (Ivanovka, Shamshi, Syntach and Saylyk AOs from Chuy region). This includes on-the-job Excel training and help in computerizing basic operations in the financial department. As a first step, Excel files with wage calculations for the staff of the AO and school teachers, land tax and tax on vehicle owners were prepared. The staff of the pilot ayil okmotus started working with these files.

DLGP conducted training for 97 ayil okmotus on using Microsoft Excel for improving efficiency in financial management tasks. DLGP conducted a one-day training on Excel for partner AOs from Chui region. The goal of the training is to provide basic Excel skills for the staff of the financial and economic departments of LSGs, as most of them do not know how to use Excel and are therefore dependent on calculators for calculations. Based on intensive technical assistance to pilot ayil okmotus, DLGP developed templates for wage calculations for AO staff and schoolteachers as well as calculating land and vehicle taxes. These templates were distributed on CD along with the training materials. In total DLGP conducted 16 trainings for 97 municipalities and a total of 157 participants were trained. Many participants acknowledged the usefulness of the training and asked DLGP to continue such trainings.

Task 2.2. Assistance in the Implementation of Strategic Plans

In the beginning of April DLGP's Strategic Planning Team met with the Deputy Governor of the Issyk-Kul Region to inform him about the City of Karakol's economic development strategic plan. The Deputy Governor was fully supportive of the local strategy and guaranteed that some of the projects from the local strategy were included in the regional strategy. This includes, for example, street lighting, historical heritage protection and roads. The Deputy Governor also supported the idea of creating a regional cluster of municipalities with developed local development strategies and welcomed the news that DLGP plans to work with the cities of Balykchy and Cholponata. In addition to those cities, he also suggested working with the two most progressive rural municipalities: Teplokluchenka and Bokonbaev.

In April DLGP received approval from USAID for the selection of a new group of local governments to support in their strategic planning processes. Four of the new local government partners are located in Issyk-Kul Region, including two cities, Cholponata and Balykchy, and two ayil okmotus, Teplokluchenka and Bokonbaev. With the support of the Deputy Governor, it is hoped that this will create a critical mass for a cluster approach to local economic development, with some joint efforts envisioned. In addition, two active cities in the South, Uzgen and Nookat, will develop strategic plans focused on local economic development. The facilitators will be consultants who successfully completed a DLGP ToT in February and they will be closely supervised and receive tutoring by DLGP specialists. This on-the-job training is an important second stage of consultants' training. In April and May, all six new municipalities had initial meetings in which they had a detailed explanation of the process and the expected contributions of each side.

DLGP continued the strategic planning process with Karabalta and Belevoskoe. Both municipalities had undergone leadership changes that had delayed the process. After finalizing seven reports characterizing the situation in Belovodskoe, the strategic planning committee sat down to work during a two-day workshop. Participants in the workshop summarized the conclusions of these seven reports in SWOT-analysis format, defined critical and strategic issues and brainstormed ideas for interventions to address strategic issues.

The DLGP strategic planning team met with representatives of the regional administrations of Osh and Jalalabad at the end of April to present developed local development strategies and plans to develop strategies in additional partner municipalities. In case of Osh, the partner at the meeting was the Chief of Staff. He expressed understanding of and support for local strategies. Both parties agreed that regional strategic planning specialists will be invited to DLGP events concerning strategic planning. In the case of Jalalabad the partners were the Chief of Staff and the Economic Development Adviser. In this case the understanding of the importance of local strategies was somewhat limited, although a will to support local strategies was expressed.

In May DLGP has signed a cooperative agreement with the Union of Entrepreneurs to collaborate in the implementation of guarantee funds and business support centers. The Union will assign local experts as counterparts to international experts to work jointly on implementation of projects in Karakol, Karabalta, Jalalabad, and Kochkorata. Earlier, DLGP participated in roundtables in Tokmok and Karabalta organized by the Union of Entrepreneurs to present and discuss guarantee fund mechanisms. Participants at both roundtables representing entrepreneurs, city governments and local financial institutions confirmed the need for guarantee funds and expressed their willingness to create them.

During this period DLGP reviewed the implementation of strategic projects in Karakol, Jalal-Abad, Kochkorata and Mombekov. In Karakol, the Mayor and City Council decided to create a Department of Economic Development staffed by two people. The Department has already started to rehabilitate local roads in line with Karakol's strategic economic development plan – this is the first time in the history of the Kyrgyz Republic that local budget funds have been allocated to rehabilitate local roads. Local funds comprise almost sixty percent of the project's financing – 8.5 million KS – with a grant of 6 million KS expected from the Ministry of Finance. Karakol's water system project is also progressing, with the rehabilitation of the water treatment plant soon to start. Other projects have seen the installation of 500 new street lamps, out of a three-year goal of 2100, and the securing of support from the mining company Kumtor to help fund the city's Guarantee Fund.

In Jalal- Abad, the city council has adopted a resolution to create a system to manage local economic development and allocated local budget funds to support project implementation. The city is also preparing to implement a system to support the SME sector. Additionally, the city is lobbying to include some of their local projects in the Jalalabad Regional Strategy.

In Kochkorata, the City Council decided to allocate funds to hire a person to be responsible for economic development and to create an Economic Development Sector within the Department of Municipal Assets. Kochkorata will also soon start implementation of a water system development project supported by the Polish Ministry of Foreign Affairs, a result of the Mayor of Kochkorata's DLGP-facilitated visit to Poland last fall.

In Mombekov, the current focus is development of investment information for a municipal land auction. There is also progress in implementation of the Technology Shop, which has already promoted several technologies, from cotton to various breeds of livestock. In case of the Income Opportunities Shop, an inventory of people in need was developed and those people were matched with farms and enterprises searching for short-term employees. More than 200 members have also banded together to form an Association of Cotton Producers, which is currently in the process of being registered.

In May DLGP launched a tender for an international study tour. A request for proposals was sent to 18 organizations from seven countries (Ukraine, Serbia, Moldova, Georgia, Hungary, Poland and the Czech Republic). Five of them submitted proposals. A selection committee selected the proposal from the Serbian NALED (National Alliance for Local Economic Development) as the one best suiting DLGP's training needs. The tour's twelve participants – representing Kyrgyz municipalities which developed or are developing economic development strategic plans – left Kyrgyzstan on June 28. They group consisted of four mayors, three council chairmen, one economic development specialist, one member of the Parliamentary Committee for Local Government, one representative of the Ministry of Economic Development and one economic development (ED) consultant trained by DLGP. The study tour's agenda consists of visits

to Serbian municipalities with progressive approaches to managing economic development issues, as well as to related organizations and institutions. The goals of the tour are to expose people critical to the development of DLGP's strategic planning to a variety of different problems and facing local governments, and the many ways those problems can be addressed.

Task 2.3. Asset Management Assistance

DLGP conducted two trainings for judges on the basics of local self-government and municipal property in May and June. About 50 judges from all over Kyrgyzstan participated in the trainings. The aim of the trainings was to provide judges with information on the current legislation on local self-government and municipal property issues and to highlight the legal cases most relevant to the practice of local self-government. Training materials included actual legislation regarding municipal property, municipal property creation, state registration of municipal property and the main problems related to these issues. The quality of the training and training materials was evaluated highly. During the last training a representative from the Prosecutor Training Center attended in order to discuss whether there is a need to also train prosecutors on these topics.

Together with the National Agency for Local Self-Government, DLGP organized a Round Table on the State Registration of Municipal Property on April 22, 2008. The roundtable was attended by about 60 representatives from the State Registry Agency, Presidential Administration, Ministry of Finance, NALSGA and urban and rural municipalities. The agenda of the meeting included:

Problems Related to Municipal Property Registration in Cities and Villages: Overview of Problems and Proposals Discussion	M.S. Bakirov, Director of the NALSGA
Overview of Practices of State Registration in Cities and Villages Discussion	U. Narusbaeva, A. DLGP and Municipality Representatives
Issues of Access to Information Discussion	U. Narusbaeva, A. DLGP and Municipality Representatives
Applying Registration Principles in Kyrgyzstan to Municipal Property Registration Discussion	K.K.Shamkanov, Deputy Director of the State Registry Agency
Conclusion	M.S. Bakirov, NALSGA, U. Narusbaeva, DLGP

The main result of the roundtable was development of the draft of the Government Resolution on unpaid state registration of the social municipal assets and completion of the state registration of all municipal assets in the country. During the roundtable, a high level official from the Presidential Administration admonished the State Registry Agency for making excuses for not providing information to local government officials.

Government Resolution on the state registration of the municipal property was initiated by NALSGA. After the roundtable, DLGP and NALSGA developed a Government Resolution that would introduce free state registration of social municipal assets for a specified period with the aim of making it easier for municipalities to complete state registration of all municipal assets. At the moment, this document is being discussed among the appropriate ministries and institutions.

Four trainings on Land Management and Competitive Procedures for partner rural municipalities were conducted in April, 2008. Land specialists of 90 rural municipalities from four Kyrgyz regions – Chui, Osh, Jalalabad and Batken – attended the trainings. The trainings focused on teaching land inventory methodologies, mapping techniques and procedures for state registration.

Cholponata City conducted a public hearing on its Municipal Land Strategy on June 27, 2008. Cholponata City finished a complete inventory of all municipal land, and the results served as the basis of the draft Municipal Land Strategy. This document classifies land plots into four basic groups:

1. Land plots that will be sold in 2007 – 2008,
2. Land plots that will be sold after 2008,
3. Land plots that will be kept as potential financial resources to fund future city infrastructure improvements, and
4. Land plots that will be kept for the future construction of municipal infrastructure such as schools, hospitals, roads, etc.

Located in a tourist destination, land disposition is highly controversial in Cholpon-Ata so it was important to have a public forum on these issues before the City Council would formally adopt the municipal land strategy. The hearing, organized by the City Administration and City Council, was attended by about 100 people, including local deputies and representatives from NGOs, local and national mass media outlets and eight northern cities. Most of the discussion revolved around the following issues:

- Implementing the plan for selling and leasing municipal land
- What revenue this will generate for the city budget
- Allocation of revenues from municipal land

After wide discussion of the strategy, the city administration collected comments and recommendations from participants in the public hearing for the design of the final version of the Land Strategy to be adopted by the City Council.

On June 27, 2008 DLGP conducted a press-session on municipal land issues in Cholponata City. About 10 representatives from central and southern regional mass media participated in the session. The aim of the press session was to prepare the journalists for the afternoon public hearing by explaining principles of good land management, above all, transparent disposition procedures.

Exchange Program on Draft Municipal Land Strategy in Cholponata. 21 representatives from eight northern cities – Karakol, Balykchy, Naryn, Talas, Kant, Tokmok, Karabalta and Bishkek – participated in the exchange program with Cholponata. Heads of city administrations, local councils and representatives from municipal property departments had the opportunity to inquire about Cholpon-Ata's experiences in inventorying municipal land and obtaining its state registration. All participants in the exchange program attended Cholponata's public hearing, which gave them a good forum to have their comments and questions addressed.

Balykchy City completed an inventory of vacant municipal land. DLGP provided training on how to perform the inventory and helped the city process results. The city conducted visits to all sites on the surveyed territory and identified all vacant land, even including small corners and alleyways that might normally be overlooked. About 50 land plots with a total area of 966.5 hectares were identified during the inventory. Balykchy City then designed and produced detailed field surveys of the inventories areas, along with a list and sketch maps of municipal land in the

surveyed area. This information will be used when the city will develop a land management strategy.

Mombekov Ayil Okmotu announced a public land auction. Mombekov AO initiated a process to attract investment in 2007. The municipality designed 23 land plots with a total area of 18 hectares – along with an “Investment Map” – of the most attractive local territory. Mombekov started by opening up 12 of these plots of land, with a total area 1.2 hectares, for investment. The first open auction was announced on June 16, 2008. Starting prices for all 12 land plots were appraised by a competitively-hired independent appraiser.

Task 2.4. Strengthening Locally Elected Councils

DLGP published a manual for city and rural councils that includes model regulations for the local budget, municipal property management, public access to information, citizen participation, strategic planning and municipal service provision. These documents were developed over several years specifically to reflect all DLGP components with the goal of becoming useful tools for local councils to manage their primary responsibilities.

DLGP conducted five regional meetings for deputies from 100 city and rural municipal councils on June 17 – 19 and 24 – 25 separately in the north and in the south. Altogether, about 130 representatives from city and rural municipal councils participated. The goal of the regional meetings was to inform deputies about all documents included in the manual as well as to share successful experiences from fellow city and rural councils in the areas of municipal property management, information exchange and strategic planning. Notwithstanding the upcoming elections of city and rural councils in October 2008, DLGP once again proposed providing assistance to city and rural councils regarding adoption of the all procedures included in the manual.

Task 3. Citizen Participation and Public Information Techniques

DLGP specialists presented project training materials at two seminars organized by the Presidential Academy of Management for universities with departments in public management. Lecturers from seven universities participated in the seminar held in Bishkek, while 30 lecturers from universities located in Osh, Jalalabad and Batken regions participated in the seminar held in Osh. DLGP training materials on municipal asset management, legal basis for LSG, local financial management, and public information and citizen participation were presented. Electronic versions of the training materials, as well as hard copies of the manuals and newsletters, were provided to the seminar participants. The Rector of the Academy recommended for DLGP’s training materials to be widely used for public service training. All the participants expressed their great interest in the newly developed public information and citizen participation training materials. Mr. Myrzaev, Head of the Academy’s State and Municipal Service Department, suggested that this module should become a part of the official training program of the Presidential Academy of Management.

DLGP organized a roundtable discussion with representatives of Jalalabad region TV stations (May 22). 11 representatives from local TV outlets discussed how mass media can better cooperate with donors. DLGP produced a film on municipal land auctions and the Eurasia Foundation produced two films on the two-level budget that were presented at the round table and recommended for air on the TV stations. Surprisingly, the TV representatives took interest in the municipal land auction film as businessmen who want to purchase land.

DLGP designed and delivered training based on a (DLGP-developed) Model Regulation on Public Access to Information and Citizen Participation (PI CP). The model regulation and resulting training module aims to help LSGP plan, manage and institutionalize PI CP plans, with special emphasis on mechanisms to introduce transparency in municipal asset and financial management. The course covers the following main topics:

- 1) Legal basis for Public Information and Citizen Participation
- 2) Introduction to the Model Regulation on Public Information and Citizen Participation (how to implement the Kyrgyz Law On Access to Information of State and Local Governments)
- 3) PI CP mechanisms to be used for transparent municipal finance management
- 4) PI CP mechanisms to be used for transparent municipal assets management
- 5) Homework assignments to expand PI and CP municipal action plans with events/mechanisms to ensure transparent municipal financial and asset management.

Following a training of trainers, DLGP conducted training for 140 participants from 32 southern partner AOs and cities. In the north, DLGP trained representatives from 90 ayil okmotus in 15 trainings. Of the invitees, the average level of participation was 72%, with local council deputies the most likely not to participate. The training was well received by the municipalities. The head of the Aksakal Court (court of respected elders) from Stepninskii AO, said that, “if we had such trainings right after the collapse of the USSR, we would have managed to keep all our assets in better shape.” Participants appreciated the practical approach of the training design. Larisa Rubanova, secretary of Poltavskii AO (responsible for PI and CP) mentioned that she “realized that in order to properly provide information to the public, AOs should utilize the mechanisms learned from the DLGP trainings.” All the participants were assigned “homework” to revise and or design PI and CP plans with a stress on activities / steps to be undertaken in order to ensure municipal assets and finance management is being transparent. Trainer/consultants are currently providing follow-up technical assistance for DLGP partner municipalities.

The NALSG approved the DLGP-designed Model Regulation on Public Access to Information and Citizen Participation and recommended that the Regulation be implemented to all Kyrgyz local governments. The model regulation is meant to help LSGs better implement the Kyrgyz “Law On Access to Information of State and Local Governments” and to institutionalize PI and CP mechanisms, which were the main topics for the DLGP mass trainings. The model regulation also stipulates that all LSGs should design and maintain/update PI and CP plans.

DLGP published a Compilation of Legislative Acts and a Model Regulation on Public Access to Information. As agreed upon with the Director of the NALSGA, DLGP designed, published, and this Compilation to be disseminated to all Kyrgyz local governments in cooperation with the NALSG. The Compilation contains the “Law on Access to Information of State and Local Governments”, the new Model Local Government Regulation on Public Access to Information and extracts from legislation outlining consequences for lack of proper performance of the above Law, as well as a summary of the recent court cases/claims on the issue. The brochure was disseminated during the regional meetings.

DLGP published a Compilation of the new Law on Local Self-Government and Local State Administration, Law on Administrative-Territorial System, and Presidential Decree and Regulation on Selecting a Local Government Executive Head. DLGP designed and published this Compilation to be disseminated in regional meetings along with the Compilation of legislation related to public access to information. The main purpose of the Compilation was to inform LSG staff of the changes to the LSG Law, as well as to present the new pieces of legislation so that LSGs could follow the new selection procedures.

DLGP presented the Model Regulation on Public Access to Information and Citizen Participation and disseminated the Compilations of new LSG legislation and legislation on public access to information through a series of regional meetings. In May and June, DLGP organized regional meetings for executive heads of all cities and rural municipalities from Chui, Issyk-Kul, and Osh oblasts. Similar regional meetings are planned for July for Naryn, Batken, and Jalalabad oblasts. However the Governor of Talas Oblast refused the request by the NALSG to organize a regional meeting in his oblast. DLGP staff and consultants presented the Model PI Regulation, and local representatives of the NALSG presented changes to the LSG Law and selection procedures for municipal heads. Presentations were well received as they gave participants prompt access to important new information. At the same time, AO heads expressed their concern regarding changes to the LSG Law, the procedures for appointing heads and the lack of funds and authority to add a member to their staffs in order to ensure properly implemented PI and CP activities.

DLGP initiated the third round of an annual Citizen Survey in all 25 cities. DLGP distributed an invitation to bid for conducting the Citizen Survey in all 25 cities. A large number of bids were received and analyzed, and NGOs selected from this competitive process to perform field work and data entry. By late June the field work and data entry tasks had been performed and DLGP had started monitoring and performing initial analyses of the data in order to design more detailed and useful reports for local stakeholders.

DLGP disseminated one issue of the LG Newsletter. The newsletter covered various topics, including, but not limited to, the state registration of the municipal assets, specifically the need for the registration of such assets and a summary of the round table discussion on municipal asset management. Municipal finances were also discussed in the newsletter; particularly what the needs are for local taxes and the legal basics of Public Budget Hearings. A number of articles were devoted to public information issues. Finally, the newsletter contained a written invitation to AOs to participate in DLGP's Participatory Budgeting and Mass Media Competitions.

DLGP announced winners of the 2008 Best Practices Competition for partner municipalities. DLGP received 51 applications from 31 municipalities and 21 applications from 11 cities. Most of the applications described municipalities' practices in public information and citizen participation; many described municipal asset management practices. All in all applications were better designed and presented; the practices described varied more compared with applications to the competition for 2007. All applications were summarized and presented to the members of the Selection Committee (SC). All SC members submitted written evaluations of the practices submitted. After the scores were calculated, the results were finalized and presented for the SC's signatures and USAID approval, with the USAID CTO giving final approval to the selections.

Uzgen City won the Best Practices Competition for cities with their application on public information practices, and was awarded a grant in the amount of 300,000 KS. The second prize (150,000 KS) was awarded to Naryn City for their waste management practices. Three more cities were awarded encouraging prizes in the amount of 83,000 KS each: Jalalabad, Karakul, and Balykchy.

Kotormo AO won the competition for rural municipalities and was awarded a grant in the amount of 300,000 KS. Sailyk AO won the second prize (150,000 KS), and five more AOs received encouraging prizes (75,000 KS): Logvinenko, Baitik, Tulek, Akbulak and Predtechenskii AOs.

DLGP together with OSCE conducted monitoring meetings to see how Service Improvement Action Plans (SIAPs) for improving solid waste management in two cities, Naryn and Talas, are being implemented. In both cities meetings were held with working groups to go over finalized SIAPs and check the current status of the planned activities. Since the start of implementation information campaigns were begun to explain to citizens that the service is not free but must be paid, the importance of the clean streets and the damage caused by burning garbage. Information campaigns included street meetings, programs and interviews on local TV and radio as well as trainings for volunteers. In Naryn and Talas there were contests for school children which attracted hundreds of participants. Also, in Naryn ten metal garbage containers were installed and 40 more are on the way, while about 100 waste bins will be installed on Talas' central streets in the near future.

DLGP made a presentation during a Symposium on Improvements of Waste Management Mechanisms in the Kyrgyz Republic: Cities of Talas and Naryn. During the symposium dedicated to landfill management Asel Mambetova, DLGP legal specialist, informed about 50 participants of the status of a joint project with the OSCE on service improvement action plans in Talas and Naryn.

IV. Significant Meetings/Special Events

Askar Salymbekov, Chairman of the Parliament's Standing Committee on Regional Development and Local Self-Government, June 3. Clare Romanik, Anarbek Ismailov and Emil Abdykalykov met with Mr. Salymbekov to make plans for a roundtable on the draft Tax Code.

Members of the Standing Committee of the Parliament on Regional Development and Local Self-Government, April 15 and May 13. Clare Romanik, Emil Abdykalykov, Nadejda Dobretsova, Ulara Narusbaeva and Anarbek Ismailov presented three components of DLGP activities to the committee.

Nurlan Sadykov, Head of the Sector on State and Local Government of the Kyrgyz Republic President's Administration, Roza Abdraimova, Parliamentary Deputy, and Akylbek Duishembiev - Deputy Director of the National Agency for Local Self-Government Affairs April 23, 2008. Clare Romanik met with participants of the State Department International Visitors program, to explain the goal of their study tour to the United States.

Mr. Bakyt Ashirov, Head of the Financial Policy Sector of the Economy and Social Policy Department of the Presidential Administration, April 8, 2008. Emil Abdykalykov met with Mr. Ashirov to discuss the new Tax Code.

Mamasadyk Bakirov, Director of the Kyrgyz Republic National Agency for Local Self-Government Affairs, April 21. Ulara Narusbaeva met with Mr. Joldoshev to discuss the roundtable "State Registration of Municipal Property: Problems and Resolutions."

Mamasadyk Bakirov, Director of the Kyrgyz Republic National Agency for Local Self-Government Affairs, April 23. Anarbek Ismailov met with Mr. Bakirov to discuss the NALSGA's next steps to respond to the enforcement of the Law on Administrative and Territorial Structure as well as the coming into force of the Law on Local Self-Government and Local State Administration. NALSGA asked DLGP to comment on the Draft Regulation on the Election of Rural Heads and Heads of Cities of Rayon Significance as well as the Regulation on Kurultais.

Mamasadyk Bakirov, Director of the Kyrgyz Republic National Agency for Local Self-Government Affairs, May 19, 2008. Clare Romanik and Sabina Gradwal met with Mr. Bakirov to discuss regional meetings on the presentation of Public Information Model Regulations and other cooperation issues.

Mamasadyk Bakirov, Director of the Kyrgyz Republic National Agency for Local Self-Government Affairs, May 29, June 4 and 11. Clare Romanik, Anarbek Ismailov and Emil Abdykalykov met with Mr. Bakirov to discuss the draft Tax Code.

Bahtiyar Fattakhov, Secretary of State of the Kyrgyz Republic National Agency for Local Self-Government Affairs, April 9. Anarbek Ismailov and Emil Abdykalykov from DLGP, UNDP representative A. Taranchieva and a representative from the Ministry of Finance met with Mr. Fattakhov in order to discuss (1) the development of the Governmental Action Plan on implementation of third stage of the National Strategy on Decentralization and (2) the development of the new Draft Model Staffing Schedule and Structure of local self-government bodies. As a result of the meeting it was decided to send a letter to local self-government bodies with a request to send their own proposals on staffing schedules and structures in villages and cities of rayon significance.

Bahtiyar Fattakhov, Secretary of State of the Kyrgyz Republic National Agency for Local Self-Government Affairs, May 12. Anarbek Ismailov met with Mr. Fattakhov to discuss the draft Government Action Plan on Decentralization once more.

A. Joldoshev, Director of the State Registry, April 15. Ulara Narusbaeva met with Mr. Joldoshev to discuss the roundtable on “State Registration of Municipal Property: Problems and Resolutions.”

Pat Shapiro, USAID Country Director for the Kyrgyz Republic, April 30. Clare Romanik and Francis Conway met with Ms. Shapiro and DLGP CTO Irina Krapivina to discuss the results of an assessment of decentralization in Kyrgyzstan performed by Mr. Conway.

James McHugh, IMF Representative to the Kyrgyz Republic, April 29. Clare Romanik and Francis Conway met to discuss the IMF position with regard to local taxes and the draft Tax Code.

Edward Edgardo, an adviser to Minister of Economic Growth and Trade, April 30. Krzysztof Chmura met with Mr. Edgardo. During the meeting DLGP’s strategic planning component was presented, including its approach, methodology and examples of strategic plans from Jalalabad, Karakol, Mombekov, and Kochkorata. It appeared that Mr. Edgardo’s understanding of local economic development issues was compatible with DLGP’s approach and he expressed interest in being part of some activities addressing economic development. He also said he would promote local strategies as contributions to the Country Development Strategy.

Governors of Issyk-Kul, Osh and Jalalabad Regions, April 8, 23, 24. The DLGP strategic planning team met with the governors of these three regions. Local economic development strategic plans were presented and their methodology explained. At the same time arguments were made for including several projects from these plans in region strategies. During the meetings, officials supported DLGP initiatives.

Sairakan Usupova, Deputy Mayor of Osh City, April 23. DLGP’s strategic planning team met with Mr. Usupova at the city’s request. During the meeting an approach to strategic planning and

methodology was presented. The city expressed its interest in receiving assistance. Despite the fact that partners for the new strategic planning group were already selected, DLGP declared that an information seminar can be held and that DLGP can consider more intensive assistance.

Chairman and Members of the Judicial Council of the Kyrgyz Republic, May 7. Anarbek Ismailov met with the Chairman and Members of the Judicial Council with regard to DLGP's future involvement in the training of judges on issues related to local government.

Sabyrbek Bainazarov, Director of the Association of Municipalities, April 4. Krzysztof Chmura attended this meeting, during which the Director asked for financial support for the Annual Assembly. DLGP emphasized that the project is interested in a strong association of municipalities, but it can only support an association that follows certain standards, like the democratic election of its president through secret ballot and one that is focusing its activities on advocacy for municipalities.

V. Deliverables and Reports

Publications

Compilation of Legislative Acts and a Model Regulation on Public Access to Information
Compilation of the new Law on Local Self-Government and Local State Administration, Law on Administrative-Territorial System, and Presidential Decree and Regulation on Selecting a Local Government Executive Head

Brochure on the New Budget System in the Kyrgyz Republic in 2008

Manual for City Councils

Manual for Rural Councils

Newsletter for April – May, 2008

Reports

Strategic Plan of Jalalabad (adopted)

Strategic Plan of Karakol (adopted)

Jalalabad Council decision to create a system to manage local economic development, including a Department for Economic Development

Greenery Report for Karakol City Park

Template files in Microsoft Excel with wage calculations for ayil okmotu staff and school teachers as well as land and vehicle taxes for Excel trainings

Training Modules

Training Module “The Basics of Local Self-Government and Municipal Property for Judges”

Training Module “Public Information & Community Participation Plans for Better Transparency in Asset and Finance Management”

Presentations

Presentation on local taxes for the Parliament Committee on Local Self-Government and Press

Presentation on DLGP training modules for the Presidential Academy of Management

Presentation on the Model Local Budget Regulation for city and rural councils

Presentation on Model Asset Management Regulations for city councils

Presentation on Model Asset Management Regulations for rural councils

Presentation on Model Public Information Regulations for councils

Presentation on Strategy Planning for councils

Presentation on Model Communal Service Regulations

Presentation on Naryn and Talas SIAP projects for the Waste Management Symposium

Presentation on Training Modules for the Academy of Management
 Presentation on European Charter for focus groups
 Presentation on Model Public Information Regulations for LSGs
 Presentation on Municipal Land Management for mass media

Laws

Memo on draft Tax Code for the Working Group and the NALSGA
 Proposals on the draft Tax Code and the law on “Introducing into Effect the Tax Code to the NALSGA and Parliament”

VI. Donor Coordination

DLGP met with Edward Winter, Chief of Part of the Eurasia Foundation to discuss possible support for the implementation of strategic projects. As a result of the meeting, the Eurasia Foundation will consider supporting two projects in Jalalabad that are part of the city’s strategic economic development plan – an evaluation of labor market needs and an educational fund.

As described above, DLGP coordinated with several other USAID projects (namely Enhancing Reform for Economic Competitiveness implemented by BearingPoint, Business Environment Improvement implemented by Pragma, and the Land Markets Project implemented by Chemonics) and other donors (ARIS, UNDP, Soros, Eurasia) to develop a joint donor position with regard to local taxes and the draft Tax Code.

DLGP COP continues to chair the Public Financial Management (PFM) joint donor network that holds regular meetings for experts to share information on their work.

DLGP participated in the Joint Donor Coordination meeting on Public Finance Management (PFM) issues to discuss the plan for 2008, 2009 and 2010.

DLGP met with Swedish International Development Agency consultants Mr. Finn Hedvall and Ms. Kristin Sinclair on PFM issues.

VII. Performance Monitoring and Gender Reporting

PERFORMANCE				
Events	Number of Participants	Number of Local Council Deputies	Number of Female Participants	Number of Female Participants as a Percentage of the Total
<i>Strategic Planning</i>				
SP workshop - Cholponata (evaluation of previous strategy)	29	3	20	69%
SP workshop - Balykchy (evaluation of previous strategy)	82	12	38	46%
SP workshop - Bokonbaev (evaluation of strategy)	48	5	32	67%
SP workshop - Teplokluchenka (evaluation of previous strategy)	38	3	4	10,5%
SP workshop - Uzgen (evaluation of previous strategy)	30	4	6	20%
SP workshop - Nookat (evaluation of previous strategy)	28	4	11	39%

SP workshop for Belovodskoe (developing new strategy)	53	2	27	51%
	308	33	138	45%
<i>Strengthening of Local Councils</i>				
Regional meetings for city councils (northern and southern)	40	23	7	17.5%
Regional meetings for village councils (northern and southern)	90	79	36	40%
	130	102	43	33%
<i>Financial Management</i>				
Trainings for financial department specialists on Microsoft Excel (in both north and south)	152	0	141	92%
Trainings for NGOs and citizens on preparation for Public Budget Hearings (in both north and south)	1529	80	730	48%
Meeting of LSG Parliamentary Committee on the Tax Code	46	3	12	26%
	1727	83	883	51%
<i>Asset Management</i>				
Workshop on Municipal Land Management (in both north and south)	106	1	20	19%
Round Table on state registration of municipal property in Kyrgyzstan.	59	0	12	20%
Press session for mass media representatives on Municipal Land Management Strategies.	10	0	6	60%
Experience exchange program for LSGs (in Cholponata).	17	4	1	14%
Trainings for judges on the basics of LSG and municipal property	45	0	26	58%
	241	1	67	28%
<i>Public Information & Citizen Participation</i>				
Press session on the draft Tax Code.	45	0	19	42%
Press session on Information Exchange for Mass Media Representatives (in south).	11	0	4	36%
Workshop on the role of information exchange in local economic development	17	2	8	47%
Training of Trainers on the fourth PI and CP training module	3	0	2	67%
Trainings on Regulation on Public Access to Information.	285	50	156	55%
Regional meetings on Regulation on Public Access to Information for rural municipalities (Chui oblast)	87	0	18	21%
Regional meetings of cities on	39	5	15	38%

the Regulation of Public Access to Information (in both north and south)				
Regional meetings on Laws on Local Self-Government and the Administrative-Territorial System for rural municipalities (Issyk-Kul region).	66	0	10	15%
Regional meetings on Laws on Local Self-Government and the Administrative-Territorial System for rural municipalities (Osh region).	82	0	6	7,3%
	635	57	238	37%
General				
Academy of Management seminar (Osh)	30	0	14	47%
Meeting of LSG Parliamentary Committee on the Housing Code	26	0	11	42%
Round Table on European Charter on LSG.	28	1	10	36%
Presentation for LSG Parliamentary Committee about DLGP components.	15	0	6	40%
	99	1	41	41%
Total:	3136	277	1408	45%

VIII. Programmatic and Operational Update

Olga Kaganova was in-country March 31 – April 19 to work on preparation of the round table with the State Register and provide technical assistance on municipal land management to DLGP partner municipalities in the South.

Debora Kimble was in-country April 15 – 20 to advise on strategic planning issues.

Francis Conway was in-country April 21 – May 2 to assess the status of local self-government development in the Kyrgyz Republic and to provide advice on the preparation of focus groups on the European Charter.

Nurgul Jamankulova started work on April 15 as DLGP's new Training and Dissemination Coordinator.

IX. Staff Travel Chart

Employee	Travel in Past Quarter
Romanik (COP)	6/16 in Luxemburg AO, 05/1-13 in the US, 06/27-07/1 on AL
Krzysztof Chmura (RA)	04/02 in Karabalta 04/08 in Karakol 04/16 Balykchy and Cholponata 04/24 Jalalabad, Kochkorata, Mombekov 04/25 Uzgen, Nookat

	05/6 - 13 in the U.S. 05/16 Teplye Kluchi (Belovodskoe) 05/28 Belovodskoe 06/13 Karakol 06/25 Karabalta
Olga Kaganova (TDY)	03/31-04/19 in Bishkek
Deborah Kimble (TDY)	04/15-20 in Bishkek
Francis Conway (TDY)	04/21-05/2 in Bishkek
Abdykalykov (Municipal Finance)	04/02, 06/02, 06/23-25 in Osh
Narusbaeva (Asset Management)	05/29-06/5 on AL, 06/20-22 in Bulan-Sogotu, 06/23-24 in Karakol, 06/25-28 in Cholponata
Orozobekov (Strategic Planning)	04/02 in Karabalta 04/08 in Karakol 04/16 Balykchy and Cholponata 04/24 Jalalabad, Kochkorata, Mombekov 04/25 Uzgen, Nookat 05/16 Teplye Kluchi (Belovodskoe) 05/28 Belovodskoe 06/13 Karakol 06/28 -07/9 Serbia
Dobretsova (Publications and Information Dissemination Specialist)	06/2-07/1 on AL
Gradwal (Citizen Participation Specialist)	None
Ismailov (Legal specialist)	06/20-22 in Bulan-Sogotu
Mambetova (Legal Specialist)	04/17-18 in Naryn, 04/28-29 in Talas, 06/20-22 in Bulan-Sogotu, 06/23-25 in Osh
Mamytov (Municipal Finance Specialist)	04/22 in Karabalta with Francis Conway 06/02 in Osh From 06/09 till 06/26 in DLGP partner municipalities on preparation for Public Budget Hearings.
Mairambekov (Osh Coordinator)	04/22-23 Jalalabad, Kerben, 05/15-19 in Bishkek, 05/19-22 Kyzyltuu, Jalalabad, 05/26-29 Kerben, 06/10-13 Kerben
Akmatov (Land Specialist/Osh Representative)	05/22, 06/11, 13, 17 in Jalalabad; 04/09, 29, 05/13-15, 26, 06/3, 12, 17 in Mombekov; 04/9-23 in Bishkek, 04/7 in Uzgen, 04/9 in Kochkorata

X. Project Challenges and Constraints

Passage of the new Tax Code in the Parliament's fall session will most likely affect DLGP activities in the area of local budgets and intergovernmental finance for the 2009 budget year. It has already caused the postponement of public budget hearings until the new Tax Code is passed and the budget circular is issued by the MoF. If the Tax Code is passed as it is in its current version, it will seriously affect local budgets. It will make local budget revenue more unpredictable and dependent on the national government, which in turn will make it more difficult for LSGs to implement their social and economic development plans as well as executing the functions assigned to them. Since it will transfer more control over taxes to the national government, the new Tax Code is also likely to have the effect of undermining local initiative.

DLGP is facing an implementation problem with Task 2.3: Asset Management Assistance. One of the expected results of Task 2.3 is the development of a Municipal Property Manual for Cities. Because of additional activities and trainings in rural municipalities DLGP did not progress on

this task. Additionally, the project still needs additional information from cities. DLGP considers it more appropriate to develop this manual next program year.

After adding six new partner municipalities, the workload of the strategic planning component has significantly increased – this despite the fact that much of the strategic planning process is conducted by trained consultants. This is due to the fact that workers from this component continue to provide assistance to “old” municipalities in the implementation of their strategic projects.

XI. Task Chart

ACTIVITY	RESULTS IN APRIL - JUNE 2008	UPCOMING ACTIVITIES (next 2 months)
<p><i>Support to Implement the National Strategy for Further Decentralization and Local Self-Government Development (Task 1.1)</i></p>	<ul style="list-style-type: none"> • Proposals on the draft Tax Code submitted to the Parliament • Draft Action Plan for the Government for 2008-2010 on the implementation of the National Decentralization Strategy developed and submitted to the National Agency on Local Self-Government Affairs (NALSGA) 	<ul style="list-style-type: none"> • Participation in NALSGA Working Group on drafting recommendations on increasing the efficiency of local self-governments and their relationship with state bodies at the rayon level, optimization of structure and staffing schedule of local self-government executive bodies • Support in approving the Action Plan for the Government for 2008-2010 on implementation of the National Decentralization Strategy • Participation in working groups developing draft laws related to local self-government in various spheres
<p><i>Assistance to Implement Intergovernmental Fiscal Reform (Task 2.1)</i></p>	<ul style="list-style-type: none"> • Presentation on intergovernmental reforms in the Kyrgyz Republic made to the Committee on Regional Development and Local Self-Government of the Parliament • Support rendered for an expanded meeting of the Committee on Regional Development and Local Self-Government of the Jogorku Council on the new Tax Code • DLGP's comments on new Tax Code passed to NALSGA • Press session in Osh on local taxes has been held • 68 trainings on local budget issues for NGOs (with a total of 1529 participants) have been conducted • Brochure on the new budget system is prepared and published • Provision of intensive technical assistance on Excel use to four pilot ayil okmotus has started • Training on Excel for 97 partner municipalities has been conducted (16 trainings for 157 participants) 	<ul style="list-style-type: none"> • Analysis of vertical balance of the budget system to support local tax section in new Tax Code • Intensive technical assistance on financial management to five pilot municipalities • Assistance in holding budget hearings in partner municipalities, if applicable • Analysis of operating surplus in the local budgets of pilot municipalities
<p><i>Assistance in Implementation of Strategic Plans (Task 2.2)</i></p>	<ul style="list-style-type: none"> • Economic development (ED) strategic plans in two postponed cases (Belovodskoe and Karabalta) drafted. • Developed ED plans further disseminated among partner municipalities and counterpart organizations. • Systems to manage LED in Jalalabad, Karakol, Kochkorata and Mombekov designed. In Jalalabad, Kochkorata and Karako they are approved by the local kenesh (local funds allocated). 	<ul style="list-style-type: none"> • Facilitation of adoption of LED systems in Kochkorata and Mombekov by local councils • Continuation of direct assistance to implement projects in municipalities with adopted ED strategic plans. • Finalization of process (second stage – updated strategy) in Karabalta and Belovodskoe. • Launching third stage (LED system) in Belovodskoe and Karabalta.

	<ul style="list-style-type: none"> • Implementation of strategic projects started (Karakol, Mombekov, Jalalabad) • Selection of six new pilot municipalities finalized and strategic planning process launched – first stage well advanced. 	
<i>Asset Management Assistance (Task 2.3)</i>	<ul style="list-style-type: none"> • Two trainings on local self-government and municipal property for judges • Round table on state registry issues • Government Resolution on state registration of municipal property is initiated by NALSGA • Training on Land Management and Competitive Procedures for rural municipalities • Cholponata public hearing on municipal land strategies • Balykchy city completed an inventory of vacant municipal land • Uzgen city completed an inventory of vacant municipal land • Press session on municipal land strategies • Exchange Program on municipal land strategies in Cholponata • Mombekov AO announced public land auction 	<ul style="list-style-type: none"> • Intensive technical assistance (TA) on asset management to municipalities • Intensive TA to Mombekov AO on implementation of its strategic plan • Intensive TA to Karakol City on implementation of public-private partnerships • Intensive TA to Balykchy City on municipal land strategies
<i>Strengthening Locally Elected Councils (Task 2.4)</i>	<ul style="list-style-type: none"> • Manual for local councils developed • Regional meetings for 22 city councils conducted • Regional meetings for 78 Northern and Southern partner rural municipal councils conducted 	<ul style="list-style-type: none"> • Trainings on the basics of LSG to Tokmok city councils • Trainings on Budgeting, Asset Management, Public Information and Community Participation to three newly elected city councils
<i>Citizen Participation and Public Information Techniques (Task 3)</i>	<ul style="list-style-type: none"> • Model Regulations on PI approved by the NALSGA and recommended to all municipalities • Regional meetings held for all partner municipalities to present the New Model Regulations • Regional meeting conducted for all AOs of Issyk-Kul and Osh regions to present the New Model Regulations • New training module: “PI & CP Plans for Better Transparency in Asset and Finance Management” designed • Training of trainers on the new PI and CP module conducted • Mass training for all partner municipalities on “PI & CP Plans for Better Transparency in Asset and Finance Management” conducted • Competitively selected NGOs conducted field work 	<ul style="list-style-type: none"> • Regional meeting to be conducted for all AOs of Naryn, Jalalabad and Batken regions to present the New Model Regulations • Procurement training for the winning municipalities • Procurements / Grants implementation • TA to the municipalities on implementation of PI Model Regulations • Start design survey reports

	<p>and data entry of the citizens survey in 25 cities</p> <ul style="list-style-type: none"> • DLGP's Selection Committee selected winners of the Best Practices Competition for 2008 (cities and villages) • Selected winners approved by USAID and announced • Two publications produced to follow up the NALSGA request (Law on Access to Information of LSGs and State Authorities + Model Regulations on PI; and new LSG LSA Law + Procedures for selection/appointment of municipalities' heads) 	
<i>Study tour</i>	<ul style="list-style-type: none"> • Study tour on Local Economic Development to Serbia for 12 participants from June 28 - July 9 	

ANNEX A: SUCCESS STORIES



USAID
FROM THE AMERICAN PEOPLE

KYRGYZ REPUBLIC

SUCCESS STORY

Accuracy and Speed

(Municipal finance staff develop skills that double their efficiency)

Capacity building for local governments in modern financial methods helps them take a step into the future.



“We used to compute salaries on a calculator – it was very time consuming. Now we know how to use Microsoft Excel to do it, and it saves us a lot of time!” – Aiyim Uzbekova, Tax Inspector, Sailyk Municipality

Hours upon hours bent over hand-written spreadsheets, checking and re-checking her calculations, her only technological assistance a basic four-function calculator – this is how Aiyim Uzbekova a tax inspector in the village of Sailyk, used to spend her time. That was until USAID, through its Decentralization and Local Government Program, or DLGP, lent Aiyim and dozens of others involved in municipal finance a helping hand. DLGP organized trainings to assist the finance departments of municipalities throughout the Kyrgyz Republic by providing them with the skills necessary for them to computerize their municipal finances.

Until this happened, people working in municipal finance like Aiyim, and the municipalities they worked for, were hamstrung by their rudimentary financial management methods. Working out calculations by hand was very time-consuming, and costly errors were common. This led to conflict between municipal administrations and local government employees, such as teachers, over the correct value of their wages and the dates on which those wages should be paid.

The USAID DLGP responded to these problems by providing technical assistance to municipal financial departments on modern, computerized methods of financial management. Since almost all local governments already had at least one computer, these trainings leveraged existing capacity to maximize their effectiveness. By providing knowledge, instead of money or goods, DLGP has created sustainable improvements in the way municipal financial departments work. One participant estimated that computerized methods have reduced the time needed to carry out her duties by 80%, while also dramatically improving the accuracy of calculations.

The success of this program has already spawned a successor – more of these trainings will be conducted in September, this time in cooperation with the Ministry of Finance. The Ministry of Finance, has requested that, starting from this year, all local governments submit certain financial reports electronically – something that will help improve the accuracy and efficiency of government at both the local and national levels.

July 2008



USAID
FROM THE AMERICAN PEOPLE

KYRGYZ REPUBLIC

SUCCESS STORY

Opening the Debate

(Local government officials articulate their interests at an expanded parliamentary committee meeting)

Bringing local and national government officials together in one room to discuss how changes to the Tax Code will affect municipalities is a huge step forward for local government development.



“It was wonderful to be involved in a national-level meeting on the draft Tax Code. Those of us in local government really appreciate the USAID DLGP helping us get involved in the process.”
– Gairat Nishanbaev, Head of the Bazar-Korgon Municipal Government

Local governments, because they often represent relatively small groups of people, often have a difficult time in making their voices heard at the national level. Gairat Nishanbaev, as the Head of Bazar-Korgon’s Municipal Government, knows this as well as anyone. So it was to his great pleasure and surprise when he was invited to share his views on the Kyrgyz Republic’s draft Tax Code – not with a low-level administrator from the Ministry of the Economy, but with an expanded meeting of the Parliamentary Committee for Regional Development and Local Government that also included top-level officials from the National Agency for Local Government Affairs, the Ministries of Finance and Economic Development and the State Tax Committee. Mr. Nishanbaev was not alone, as the meeting was attended by 18 local government representatives from all regions of the Kyrgyz Republic.

One of the major complaints of local governments about the new draft Tax Code is that it dramatically reduces, from eight to two, the number of taxes that provide revenue for local budgets. As one local government representative said at the meeting, “If there are no local sources of income, there will be no local initiative” – a viewpoint that was echoed by many other local government attendees at the meeting. However, far from simply serving as an opportunity for local governments to air their grievances with the new Tax Code, the meeting gave Parliament Deputies specific suggestions on how to improve the Tax Code.

Having listened to these arguments, Deputy Committee Chairman Joldoshev suggested that the property tax be a local tax to provide a stable and adequate source of revenue for local budgets. The Committee’s Chairman, Askar Salymbekov, called on all local governments to familiarize themselves with the new Tax Code and send all proposals to the Committee, on the basis of which the Committee later formulated its official comments on the Tax Code.

The meeting, which was organized and facilitated by the USAID Decentralization and Local Government Program (DLGP), expanded the policy debate on the Tax Code beyond a small group of government insiders. And it was a step forward for the Kyrgyz Republic as it showed that local governments could advocate for their interests.

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KYRGYZ REPUBLIC

SUCCESS STORY

Seeing Room for Improvement

(A City Plans Improvement Measures Based on Citizen Survey Results)

At an open public meeting, a city honestly confronts its shortcomings – and discusses ways to solve them.



“We’re very happy to have more information from our citizens about their perspectives on the state of our city.” – Sabyrjan Toktogulov, Mayor of Mailu-Suu

With the help of USAID Decentralization and Local Government Program (DLGP), the city of Mailu-Suu combined a traditional form of Kyrgyz democracy – a kurultai, or town hall meeting – with the modern practice of performance management. The underlying principle of performance management is to use information to improve management. The Mayor asked DLGP to present the results of a Citizen Survey conducted in 2007. The survey showed many problems and the kurultai was an opportunity for the Mayor to inform city residents what he planned to do to address those problems.

The fifth kurultai in the history of the city, this one was attended by 300 residents. Many residents later said to the Mayor that they were thankful to have an honest hearing of their concerns. Zoya Kostikova, a local doctor who attended the Kurultai, said, “We haven’t had a Kurultai for over four years, so we were really happy to see the results of this one.”

This Kurultai was held to give the city’s local government the opportunity to inform its citizens on progress being made towards addressing its social and economic development goals. It also provided a forum for DLGP to present the results of a national survey of municipal residents – including those in Mailu-Suu – that DLGP had conducted in 2007.

DLGP has conducted citizen surveys in all 25 Kyrgyzstan cities for three years in a row. But Mailu-Suu was the first to welcome this information as a management tool. The very presentation of the results at an open public meeting like a Kurultai was a huge step forward for the openness and transparency of local governments in the Kyrgyz Republic. However, the Kurultai did not stop with just a presentation of the results. Mailu-Suu’s municipal government took advantage of the Kurultai as a chance not only to present the survey’s results, but also to elicit comments and suggestions on the issues raised in it.

Rather than hiding or ignoring the problems identified, the government of Mailu-Suu viewed citizen concerns about the water supply, sewage system, road maintenance, and municipal transportation system as an opportunity to gain more perspectives on how the community could deal with these issues. As Sabyrjan Toktogulov, the Mayor of Mailu-Suu said, “We’re very happy to have more information from our citizens about their perspective on the state of our city.”

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