

Maria C. Andrade-Stern
Senior Contract Administrator

Direct Dial: (202) 261-5396
FAX: (202) 728-0231
mandrade@ui.urban.org

October 15, 2002

Mr. John Lord
CO
USAID/Almaty
c/o American Embassy
97A Furmanov Street
Almaty, Kazakhstan 480091

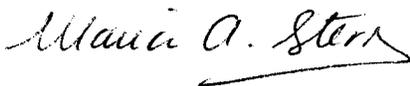
RE: Contract No. EEU-I-00-99-00015-00, TO No. 805
UI Project 06901-005, Kyrgyzstan Local Government Initiative
Quarterly Task Order Progress and Cost Report, July to September 2002

Dear Mr. Lord:

Please find enclosed *Quarterly Task Order Progress and Cost Report, July to September 2002, Kyrgyzstan Local Government Initiative*. This report is required by Sections F.5 and F.6 of our Local Government Assistance Initiative Indefinite Quantity Contract.

Please direct any technical questions to Mr. Charles Undeland, CoP, at 011-996-312-66-04-28 or e-mail at cundeland@ui.kg. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: Ivan Apanasevich (CEN, ASIA/ODT)
Mike Keshishian (USAID/W)
Charles Undeland (Kyrgyzstan/UI)
USAID Development Clearinghouse
IAC Deliverables File (06901-005)
IAC Chron File

bcc: Maria C. Andrade-Stern
IAC Chron Notebook
IAC Staff Person

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

**KYRGYZSTAN LOCAL
GOVERNMENT PROJECT**

JULY TO SEPTEMBER 2002

Prepared for



Kyrgyzstan Local Government Project
United States Agency for International Development
Contract No. EEU-I-00-99-00015-00, Task Order No. 805

Prepared by

Charles Undeland
Chief of Party
The Urban Institute

William Kugler
The Urban Institute

Hillary Smith
Barents Group



THE URBAN INSTITUTE
2100 M Street, NW
Washington, DC 20037
(202) 833-7200
www.urban.org

October 2002
UI Project 06901-005

TABLE OF CONTENTS

I.	Highlights.....	1
II.	Progress of Major Activities	1
	Introduction of Democratic Practices.....	1
	Increased Local Government Capacity	3
	General	3
	Financial Management & City Planning	3
	Asset Management	4
	Condominiums	4
	Development of Effective Local Government Training	5
	Information Sharing Increased/Association of Cities	6
	Increased Local Government Authority	6
III.	Deliverables and Reports	6
IV.	Problems or Delays Affecting Task Order Performance	7
V.	Work Planned for Next Reporting Period.....	7
VI.	Specific Action Requested.....	7

ATTACHMENT

Cost Report

QUARTERLY TASK ORDER PROGRESS AND COST REPORT
KYRGYZSTAN LOCAL GOVERNMENT PROJECT
JULY TO SEPTEMBER 2002

Contract and Task Order No.:	EEU-I-00-99-00015-00, Task Order No. 805
Date of Issuance:	October 1, 1999
Amount Obligated Under Task Order:	\$4,515,661
Total Potential Task Order Amount:	\$4,515,661
Dollars Expended To-date:	\$4,083,388
Key Personnel:	Charles Undeland, Chief of Party +996-312-66-04-28, cundeland@ui.kg

Task Order Description

In October 1999, United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement what became a three-year local government project in Kyrgyzstan. UI has worked to improve the efficiency, responsiveness and accountability of local government in Kyrgyzstan by providing training and technical assistance in financial and asset management and democracy and governance, contributing to the development of beneficial national policies affecting local governments and disseminating good practices, both domestic and international.

I. HIGHLIGHTS

- Close out of the project; dissemination of case studies and tools for better local government to all cities.
- Prime Minister praised UI's work on housing sector.
- Facilitated Development of Joint Position of City Governments on Functional Responsibilities.
- Drafted model budget procedures strengthening role of the keneshes and presentations to all cities.

II. PROGRESS OF MAJOR ACTIVITIES

INTRODUCTION OF DEMOCRATIC PRACTICES

All 12 projects funded through the third round of UI's community grants program were completed this quarter, despite some delays in implementation owing to tardy co-financing payments by local partners. The projects were implemented in Osh, Kyzyl-Kia, Batken, Sulukta, Isfana, Tash-Komyr, Uzgen, Tokmok,

Karakol, and Balykchi. The combined value of the projects was 4.4 million soms (\$96,000), of which 2/3 were funded by grants and 1/3 by local government and community contributions. Projects were for repairs of schools, water pumps, water pipelines, and street lighting. Projects were awarded against criteria of citizen participation in prioritizing needs and in executing the project. Feedback has been strong; the mayor of Kyzyl-Kia said that the grants helped galvanize his community into taking on other projects as well.

UI provided detailed commentary on the text of the Citizen's Guide to Budget. The Russian and Kyrgyz versions have been prepared, layouts have been completed, and publication of nearly 4000 copies were completed by the end of September. The Guide is a joint project between UNDP, the Soros Foundation-Kyrgyzstan, and UI. The somewhat dry subject matter was well counterposed by exceptional drawings made by a well-known Kyrgyz cartoonist.

UI conducted a procurement to produce television programs to provide the general public with an understanding of what local governments do and how they are composed. The goal of these programs was to both educate the public (and the central government) and introduce an element of peer pressure in highlighting certain cities' successes. Six programs were commissioned from Bishkek Independent Television (NBT in its Russian acronym); these programs were aired on Kyrgyz National Television and NBT. Initial programs have caused a substantial reaction as city governments point out their problems with unclear mandates.

Service quality hearings were conducted in Tokmok on July 30 and August 1 and 6 respectively, to increase citizens' awareness on how utility tariffs are established and to determine problems and issues in the water and wastewater utilities. The first hearing focused on the sewage company, the second hearing was an in-depth look at the operations of the water company, and the third hearing was a culmination of the first two. The purpose of the third hearing was two-fold. First, it reached a broader audience than the first two with approximately 85 citizens participating (the first two hearings targeted smaller groups of about 25-35 active citizens, including condominium chairpersons and block committees). The second goal was to develop a list of recommendations based on comments, suggestions, and criticisms made during the first two hearings in order to improve the quality of service provision. The recommendations focused on small achievable steps—doable without large sums of money—and highlighted the need for compromise on the part of all relevant parties including the City Administration, citizens, and the utility companies. Immediately following the final hearing, the City Administration created an official working group to monitor implementation of the recommendations.

Two regional round table discussions were conducted on the Role of the Local Kenesh in the Budget Process for kenesh chairmen and heads of local kenesh budget commissions. The first was held in Bishkek on September 10th for northern cities and the second on September 12 in Osh for southern cities. The roundtables included a presentation of the Financial Information System and a discussion of how the system and the reports generated by it can be used to improve the kenesh's input into the formulation of the budget and its oversight of budget execution. In addition, model municipal budget procedures developed by UI and the necessity of implementing these in cities throughout Kyrgyzstan were discussed. The goal of the roundtables was to encourage keneshes to take a greater role in the budget process and to institutionalize municipal budget procedures (to date, only Bishkek and Karakol have passed such procedures). The model municipal budget procedures allows keneshes to do this by mandating a role for

them, ensuring that they are included throughout the process, both planning and execution, and providing them with greater flexibility to change and modify draft budgets.

The round of hearings in cities on the planned 2003 budget was completed this quarter. Of the 22 cities in Kyrgyzstan, 16 cities have held a hearing on the 2003 budget, and 19 cities in all have held budget hearings over the last two years. Of the three cities that have never held a budget hearing, Bishkek and Talas plan to hold a hearing this fall after the control figures have been passed down, and tiny Shopokov has considered holding a budget hearing but because of the size of the budget (in 2001 the budget was only 567,000 soms or just over \$12,000 USD), the relevance of holding a hearing is questionable.

INCREASED LOCAL GOVERNMENT CAPACITY

General

Either directly or through the Eurasia Foundation, UI has ensured that every city in Kyrgyzstan has at least one computer capable of running its financial and asset management software and that local officials have adequate training to use these systems. UI and the Eurasia Foundation conducted onsite-monitoring visits to nearly all Kyrgyz cities to check on the use of computer equipment provided to local governments. In the case of the cities of Karakol and Kara-Kul (which received equipment from a Eurasia grant), the computers had not been located in the finance department or the communal property department, but rather had ended up in the mayors' offices. In order to rectify this situation, the Eurasia Foundation, at the request of UI Bishkek, sent out a letter to each grantee requiring them specifically to relocate the equipment to the proper departments.

In mid-July, UI, together with AED, organized the third and final phase of a study tour to Poland for mayors of oblast significant cities. In addition to mayors and/or local kenesh deputies from Mailuu-Suu, Tash-Kumyr, Karakul, Talas, and Kyzyl-Kia, the study tour included Aaly Karashev, a member of the President's apparatus responsible for local government, and Jogorku Kenesh Deputy Tokoyev, who was responsible for drafting the LSA and LSG law. The study tour focused on local government budgeting and local property taxation, city level strategic planning, and oversight of municipal enterprises (particularly water enterprises).

Financial Management & City Planning

UI worked closely with officials from Kara-Balta on developing a city development plan. First, a retreat with the city's steering committee was organized. The first draft was presented and discussed at community meetings as well as at meetings of the city Kenesh. Experts were later invited to comment on the draft. The plan will be fine-tuned and presented to the public at a kurultai in early October, after which it will be approved by the Kenesh.

Based on the public budget hearings held during the last two years and the data inputted to date in each city's FIS, UI has now gathered data for all cities' budgets for a three-year period. This is perhaps the most comprehensive data on municipal finances that exists in Kyrgyzstan in light of the fact that the Ministry of Finance collects oblast consolidated data, rather than data for individual cities.

UI Bishkek has reached preliminary agreement with the Ministry of Finance to develop a new set of standardized reporting forms for sub-national government. UI has long stressed the need to replace the

out-of-date Soviet forms. Because of the absence of an adequate reporting system, oblasts and/or rayons have developed their own forms resulting in a myriad of reporting systems throughout Kyrgyzstan, making comprehensive and comparable data difficult to gather. This problem partially precipitated the creation of the Financial Information System in an effort to standardize municipal reporting. Based on the FIS and the financial information UI Bishkek has accumulated from cities throughout the country, UI, together with the Ministry of Finance, will develop the new forms to be implemented January 1, 2003.

Asset Management

Follow-up presentations of the Asset Management Toolkit were made at 4 regional meetings across the region. These meetings were an opportunity to provide additional concrete technical assistance, to allow city officials to network on their experiences, and to get feedback on the utility of the toolkit. The toolkit is being used in most locations, particularly the model lease agreements, which UI developed. Further, the communal property database has been welcomed in many cities, because it provides a framework for what kind of information needs to be gathered; the analytical functions of the database are still not being used very heavily in this initial phase. Cities' greatest problems continue to be with local registration offices in securing their communal property. An additional problem is the poorly conceived provisions in the communal property law, which make disposition of property onerous.

In addition to the regional meetings, a roundtable on ongoing communal property problems in cities was conducted in July. Participants included 20 people from 8 cities (Bishkek, Osh, Jalal-Abad, Uzgen, Tokmok, Balykchy, Talas, and Kara-Balta). Issues discussed included: legal status of communal property departments in cities, state registration of communal property, city relationships with leasers and users of communal property, city policy regarding debatable property, communal property privatization program, and legal advice.

Tokmok financial data analysis was completed and distributed to cities. This document demonstrates Tokmok's experience in communal property management, analyzes its advantages and disadvantages, and methods of improved property management. Tokmok's materials illustrate that by using competitive procedures, revenues from leasing should be increased by over 300%.

Condominiums

UI is getting a lot of (if sometimes inappropriate) recognition for its housing work. UI also learned that Prime Minister Tanaev praised its work in the housing sector at a government meeting in late July—and *issued an order* to UI and KSCAC to find a way to increase grant funding for housing issues! Further, a deputy mayor of Osh with whom we have had little contact sent UI a report on how the city is making efforts to promote condominiums (as if we had oversight for this). At a recent round table discussion, two participants indeed criticized UI—for its poor performance in appointing heads of *Zheks*! While misinformed about the nature of our role, these references point to the stature of UI/USAID's housing program in Kyrgyzstan.

UI, together with its partner regional condominium associations, has promoted round table meetings in Tokmok and Jalal-Abad on contracts between utility service providers and condominiums and/or residents of multi-unit buildings. Meetings focused on the nexus between maintenance responsibility for networks and tariffs. The Jalal-Abad regional association is drafting model contracts between service providers and

condominiums. The association has succeeded in getting support from the Oblast administration on resolving service delivery issues.

At the request of the Kyrgyz State Committee on Architecture and Construction, UI provided legal commentary to a draft of a new Housing Code, as well as other legislation concerning the maintenance of multi-unit buildings.

At the request of Gosregister, UI developed a draft Government Resolution and the related Instruction on the Registration of Land Around Multi-unit Residential Buildings. The Resolution also has provisions obliging executive bodies of local self-government, architecture bodies, and archives to make public any and all documents in their possession related to the definition of borders of such land plots. Two important issues remains unresolved. First, how can land around multi-unit buildings be registered in cases where only one document exists which defines borders for one land plot, which include several multi-unit buildings (more than 10)? An additional concern is that such a land plot might include land in common use, such as parks, a road, or water pipes, that cannot be in private ownership as stipulated in the Land Code; and therefore needs to be excluded from registration of common shared ownership of owners in multi-unit buildings. Gosregister agreed to review UI's proposed documents and provide their suggestions for resolving these two issues. UI intends to disseminate a brochure to explain property rights to land for citizens in multi-unit buildings.

On July 23 UI conducted a roundtable devoted to the development of professional housing management. Participants included Bishkek, Jalal-Abad, and Osh regional condominium associations and business representatives. The roundtable included: information on housing management in other countries; a presentation on business start-up in Kyrgyzstan made by Pragma/USAID Business development Center; the Kyrgyz experience presented by Ak-Buura condominium manager; and a discussion of the potential for housing management business start-up in Kyrgyzstan.

Another four condominiums were registered and four standard training seminars were delivered.

Development of Effective Local Government Training

UI received a monitoring report on training effectiveness conducted by specialists from the Initiative and independent experts. Condominium training was rated extremely highly, with 96% highly rating the training and 69% noting improvement in condominium operations after undergoing training. In addition, training for NGOs on the budget process in advance of budget hearings clearly increased interest and citizen participation; prior to trainings only 24% of participants planned to attend the hearing, while after the training 73% of participants planned to attend.

Unfortunately, the head of the Institute for State and Municipal Servants of the Academy of Management resigned from his position. This once again underlines the lack of stability in the country's best training institution and the difficulties of institutionalizing training.

The final round of computer training on the FIS and the AM database was conducted in Osh for representatives of four cities: Osh, Jalal-Abad, and Uzgen, Tash-Kumyr. Two communal property and two financial specialists from each city were trained. Asset management training for Karakol and Cholpon-Ata City Keneshes was conducted.

Information Sharing Increased/Association of Cities

Based on the results of a survey on functional assignments previously conducted in several cities the Association of Cities, together with UI, held a roundtable for the heads of all cities in Kyrgyzstan. The result of discussion was a consensus on the strategic approach and the necessity of developing a “package” of functional assignments for all cities regardless of their status (oblast or rayon subordinated) or their size. The Association also co-sponsored the follow-up seminar with representatives of central government bodies at which the unified position of cities was presented.

Association published its Strategic Development Plan and Booklet for distribution among cities and partner organizations. continues to consult cities on various legal issues and to produce its information bulletin and distribute it among its 22 member cities. Work on developing an ACKR web-site continues.

UI's monthly information bulletins continue to be produced and may be viewed at www.ui.kg.

INCREASED LOCAL GOVERNMENT AUTHORITY

A joint UI/ Association of Cities roundtable on the Optimization of City Functional Responsibilities was held from September 5-7 in Issyk-Kul. Almost all 22 mayors participated. Using a Compiled Matrix of Responsibilities, which included inputs from several cities inputs for the basis of discussion, the main goal of the roundtable was to create a unified position of all cities on which functions they would seek responsibility. Several agreements were reached at the end of the roundtable. First, the cities agreed to the strategic approach of one unified set of responsibilities for all cities, rather than developing different sets of responsibilities—for example, different responsibility sets for rayon-subordinated vs. oblast-subordinated cities. Secondly, a set of recommendations and a revised Matrix of Responsibilities were formulated with the realization that on some items additional input from sectoral experts was necessary. Lastly, the cities agreed to have the Association of Cities present the results of the roundtable on their behalf to the National Government.

In order to present the conclusions of the roundtable to the National Government a second roundtable was held on September 26 with representatives of central bodies including the President's administration, the Apparatus of the Prime Minister, the Ministry of LSG, and other ministries. The purpose of the roundtable was to present the cities' position on functional assignments, particularly the division between cities' and local state administrations' functional responsibilities, and to discuss practical implementation steps to reach the goals stated in the recommendations from the first roundtable. In addition, the cities' view on future administrative territorial division—that oblasts and rayons should be amalgamated into one level whose main function would be to monitor the provision of public services by LSGs according to state standards—was presented.

III. DELIVERABLES AND REPORTS

- Survey on Effectiveness of Budget Training for NGOs
- Citizen's Guide to the National and Local Budgets
- Association of Cities' Recommendations on Functional Assignments Matrix

- Ak Buura Condominium Best Practice

IV. PROBLEMS OR DELAYS AFFECTING TASK ORDER PERFORMANCE

None at this time.

V. WORK PLANNED FOR NEXT REPORTING PERIOD

None. UI will initiate implementation of Phase II of the Local Government Initiative in Central Asia in the next quarter.

VI. SPECIFIC ACTION REQUESTED

None at this time.

VII. UP-TO-DATE SCHEDULE OF WORK

Work was completed on September 30, 2002 in accordance with the approved workplan.