



USAID
FROM THE AMERICAN PEOPLE

Decentralization/Local Government Program (DLGP) in the Kyrgyz Republic



THE URBAN INSTITUTE
Center on International
Development and Governance

Prepared for:

USAID/CAR
Acquisition and Assistance Office
Park Palace Building
41 Kazybek Bi Street
050010, Almaty, Kazakhstan

C/O
USAID/Kyrgyzstan
Attn: Ms. Irina Krapivina
Cognizant Technical Officer

**OVERVIEW OF PROGRAM IMPACT
OCTOBER 2006 – SEPTEMBER 2009**

Table of Contents

| | |
|--|----|
| 1. Executive Summary | 1 |
| 2. The Decentralization Process <i>Kyrgyzstan Advances toward Principles of the European Charter on Local Self-Government</i> | 3 |
| 3. Municipal Finance <i>Local Governments Take Control of Local Budgets</i> | 5 |
| 4. Local Economic Development <i>The Economy becomes a Priority for Local Governments</i> | 9 |
| 5. Asset Management <i>LSG Property Generates More Income</i> | 11 |
| 6. Local Councils <i>Local Councils Exercise Greater Oversight over the Executive Branch of Local Governments</i> | 11 |
| 7. Public Information & Citizen Participation <i>Using Information as a Resource for Municipal Development</i> | 15 |
| 8. Mass Media <i>Local Government Becomes a Priority for Mass Media</i> | 18 |
| 9. Grants Programs <i>Grants Stimulate Successful Local Initiatives</i> | 19 |
| 10. Institutionalizing Know-How and Best Practices <i>Institutionalization Increases the Sustainability of Good Results</i> | 20 |

1. Executive Summary

USAID's investment in Kyrgyzstan through the Decentralization and Local Government Program (DLGP) accomplished the following:

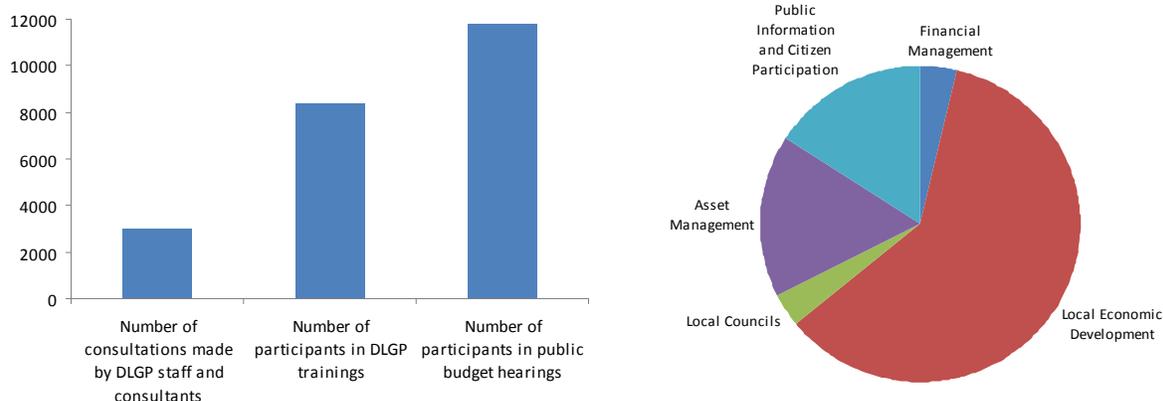
- broadened democracy and instilled democratic principles throughout the country;
- built capacity of local self-governments (LSGs) to effectively manage their resources while transparently providing municipal services;
- increased responsiveness of LSGs to needs and priorities of their citizens; and
- improved capacity of LSGs to manage local economic development and created awareness of the role of local initiatives in the country's overall economic development.

Through its work at both the national and local levels, DLGP's activities directly addressed USAID's program areas of:

- Democratic Governance, and
- Economic Growth

DLGP worked with all 25 cities and in 135 partner rural municipalities (*ayil okrugs*-AOs). On several occasions at the request of the National Agency for Local Self-Government Affairs, DLGP made program materials available to all LSGs in Kyrgyzstan – a total of 484. Over the life of the project, DLGP organized three national-level Best Practices Conferences, provided training to 8,377 participants, and conducted 3,035 individualized consultations to local self-governments. Knowing that “seeing is believing,” DLGP facilitated 21 experience exchanges, including 14 internal study tours, four study tours to Europe (Latvia, Serbia, and Poland), and three study tours to the United States.

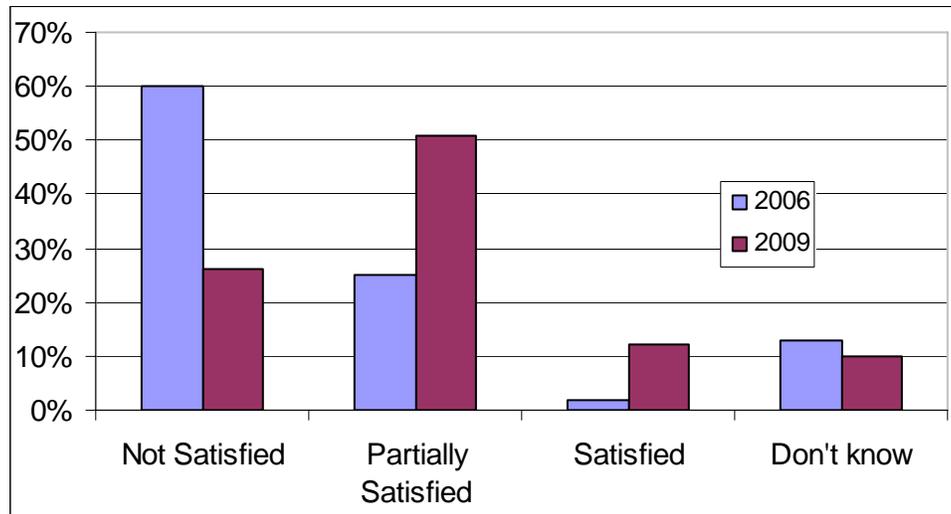
Figures 1 and 2: Number and Types of Consultations and Trainings



DLGP provided 96 in-kind grants that improved municipal services, promoted economic development, increased efficiency of LSG operations, helped connect local governments with their citizens, and improved conditions for children at school and play. The grant program also allowed LSGs to institutionalize best practices for local self-government operations and provided resources to help LSGs to be more effective in achieving their goals.

Annual household surveys in all 25 Kyrgyz cities show that from 2006 to 2009, the share of citizens who are either “satisfied” or “somewhat satisfied” with the performance of their city government increased two-and-a-half fold - from 27% in 2006 to 67% in 2009. Conversely, the percentage of citizens who reported that they were “not satisfied” with local government decreased from 60% to 26% during the same time period.

Figure 3 – Citizen Satisfaction with LSGs – 2006 and 2009



Equally impressive, when citizens rated specific municipal services, they expressed increased satisfaction with 16 out of 18 services. This is the result of many interconnected factors including effective intergovernmental fiscal reform that allows LSGs to make expenditures based on citizen priorities and increased accountability of the executive to the representative branch and of both branches to their citizens.

The following is a key to help the reader find in the report information on various elements of the USAID Task Order Scope of Work:

Task 1. Support for the Decentralization Process

- 1.1 Support to implement the National Strategy for Further Decentralization and Local Self-Government Development (See Sections 2 and 3)
 - 1.1.1 Intergovernmental fiscal reform (See sections 2 and 3)
 - 1.1.2 Improving local government legislation (See section 2)
 - 1.1.3 Assistance to implement administrative-territorial reform (See section 2)
 - 1.1.4 Support to civil service reform (See sections 2 and 10)
- 1.2 Support to the municipal associations (See section 2)

Task 2. Municipalities Strengthening

- 2.1 Assistance to implement intergovernmental reform (See section 3)
- 2.2 Assistance in implementation of the Strategic Plans (See section 4)

- 2.3 Asset Management Assistance (See section 5)
- 2.4 Strengthening Locally Elected Councils (See section 6)

Task 3. Citizen Participation and Citizen Information Techniques (See sections 7 and 8)

2. The Decentralization Process

Kyrgyzstan Advances toward Principles of the European Charter on Local Self-Government

Without a national framework of laws and practices in place to support effective local government, efforts to improve infrastructure, social services, and economic development on the local level will be unsustainable. To operate in an environment where they can be successful over the long term, local governments have three primary needs:

- political autonomy, so that local officials can be responsive primarily to local rather than national concerns;
- administrative autonomy, so that local governments have the legal authority they need to execute their functions; and
- financial autonomy, so that local governments have access to the financial resources they need, such as local tax revenue, to execute their functions.

In Kyrgyzstan, DLGP has had substantial success in creating a policy framework underpinning these three determinants of local government independence and effectiveness. Over the past three years, DLGP accomplished the following:

- preserved local taxes in the new Tax Code, by providing commentary on drafts of the Tax Code and organizing an unprecedented meeting between Parliament deputies, representatives of the Ministry of Finance, officials of the State Tax Inspectorate, and representatives of local governments from all regions of the country. DLGP also successfully carried forward the fiscal decentralization work under the predecessor program.
- increased local administrative autonomy by persuading government policymakers that local governments must be able to function independently. This resulted in clear delineation of functions that are exclusively within local government jurisdiction, in the 2008 Law on Local Self-Government and Local State Administration (LSG/LSA).¹
- counterbalanced recent re-centralization efforts by increasing local government accountability to citizens, by institutionalizing mechanisms such as public budget hearings and strengthening council oversight. DLGP also helped persuade the National Agency on Local Self Government to allow independent leadership of the Kyrgyz Association of Municipalities.

¹ Through work with the First Deputy Prime Minister, DLGP also worked on definition and delineation of functions for oblast and rayon state administrations vis-a-vis municipal local self governments.

Equally important as the overall framework for decentralization is having commensurate authorities assigned to LSGs. During DLGP, six local government authorities were introduced or clarified and an additional two were partially realized, as set out in the table below.

| Table 1: Local Government Authorities in Kyrgyzstan | |
|---|--|
| <i>New or clarified local government authorities</i> | |
| 1 | Hire other bodies and organizations to execute exclusive LSG functions and authorities related to providing services to residents; (LSG/LSA Law) |
| 2 | Hire and fire, transfer to other jobs and train staff; (LSG/LSA Law) |
| 3 | Implement steps for the purpose of economic development, unless these activities are inconsistent with State economic policy; (LSG/LSA Law) |
| 4 | Independently incur expenditures related to exercising its exclusive functions; (LSG/LSA Law, Budget Principles Law) |
| 5 | Introduce local taxes and fees (Constitution, Tax Code) |
| 6 | Issue regulatory and other acts binding on all legal entities and individuals within its jurisdiction (Law On Regulatory Acts, #241, July 20, 2009) |
| <i>Partially realized local government authorities</i> | |
| 7 | Access to information at the State Registry Agency (draft Law On State Registration of Real Property Rights and Transactions with Real Property) |
| 8 | Establish local government structures (in practice, LSGs have created LED sectors; Parliament and NALSG have publicly stated that they do not oppose this, but what remains to be done is clarify the recommendatory nature of the Model Structure specified by Government Resolution) |

DLGP identified, provided analysis and increased awareness of two other important authorities that should be the focus of future efforts to further LSG reform:

- Determine salaries, compensations payable to employees of municipal bodies and units;²
- Collect local revenues and enforce compliance with local tax and fees and administrative fines.

Some of these achievements are the direct result of DLGP-organized opportunities for LSGs to advocate directly for their interests. Opportunities for advocacy included roundtables with Parliament’s Committee on Regional Development and Local Self-Government, the Presidential Administration, Ministry of Finance, Ministry of Economic Development and Trade, and State Registry Agency. The positions of LSGs were presented on issues including the draft Tax Code, support for local economic development initiatives, and problems with municipal property registration.

Finally, DLGP instituted a new initiative for training judges (54 trained) and prosecutors (24 trained) to ensure proper interpretation of legislation affecting local government. DLGP provided a training-of-trainers for the National Judicial Training Center so that the Center could incorporate the training module into its regular training courses.

² It was envisioned that DLGP would address this by helping to develop amendments to the Municipal Service Law. However, the governmental working group on civil service reform never met and then was eliminated by political developments of 2007. Whenever possible, however, DLGP raised this key issue with the NALSG, who declared it is too early for municipalities to have this authority.

A good measure of Kyrgyzstan's progress in decentralization is the extent to which it complies with provisions of the Council of Europe Charter of Local Self-Government, the international standard for an effective local self-governance framework. During DLGP, Kyrgyzstan came much closer to meeting the requirements of the Charter, which requires compliance with 20 of 30 paragraphs, including 10 of the 14 core paragraphs. As of 2009, Kyrgyzstan was in compliance with 10 of the 14 core paragraphs. Furthermore, the number of paragraphs for which Kyrgyzstan was strictly "not in compliance" fell from 18 to 3.

| Grade | 2006 (baseline) | 2007 | 2008 | 2009 |
|--------------------------|--------------------|----------|--------|---------|
| √ in compliance | 12 (9) | 15 (10) | 17 (9) | 17 (10) |
| X not in compliance | 18 (5) | 12 (2) * | 8 (3) | 3 (1) |
| ≈ somewhat in compliance | 0 (0) | 3 (2) | 5 (2) | 10 (3) |

* Compliance with a minimum of 20 paragraphs and 10 core paragraphs is the standard for a country to be considered compliant with the Charter. Core paragraphs are shown in parentheses.

Per agreement with the DLGP COTR, the subcomponent assistance to municipal associations was effectively eliminated, with the understanding that DLGP would continue to seek windows of opportunity for helping local self-governments to advocate for their interests with or without a formal association to represent them. For several years, USAID had supported the Association of Cities and the intention under DLGP was to support the Association of Villages (AoV). However, in 2006, the National Agency on Local Self-Government (NALSG) initiated formation of a new national Association of Municipalities to replace the existing Associations of Cities and Villages, which the NALSG found to be outdated. The director of NALSG, who was a high-level state official, became the Head of this Association, calling into question the independence of the new Association and its ability to represent the interests of local self-government vis-à-vis the state. At the same time, assistance to the Association of Villages was seen as ineffective since its members were pressured to become members of the Association of Municipalities.

In July 2007, DLGP included the Deputy Director of the NALSG in a study tour to Latvia organized by the Latvian Association of Local and Regional Governments (LALRG), one of Europe's strongest local governments associations. Later that year, the Deputy Director became Director of the NALSG and he expressed to DLGP the need to democratize the Association of Municipalities. Thus, in July 2008, new leadership of the Association was elected. The elected Chair and Executive Director participated in DLGP events such as the Best Practices Conferences and focus groups evaluating Kyrgyzstan's progress in decentralization and local government reform. In January 2009, with help from DLGP, the Kyrgyz Association of Municipalities signed a Memorandum of Cooperation with the LALRG; later it developed a relationship with the Serbian Standing Conference for Towns and Municipalities after its Chair participated in DLGP's last Best Practice Conference (June 2009). When the draft Local Self-Government Law was under deliberation, DLGP made recommendations to the Presidential Administration and Parliament that an association with at least 70 percent of local governments as members could officially negotiate for local government interests with the State, but this recommendation was not included in the final version.

During the same study tour to Latvia, Parliamentarians and representatives from the NALSG, Ministry of Justice and Ministry of Finance, were exposed to Latvian

experience in administrative-territorial reform, including a visit to one of the country's first amalgamated municipalities. During a second international study tour, local government officials and a Parliamentarian were able to learn about Serbian municipalities that are comprised of an urban center and rural hinterlands. The study tour participants were impressed with the size and quality of local staff that such a system supports.

The Law on Administrative-Territorial System was part of a package of three laws that DLGP helped prepare for Parliamentarians in Spring 2007. This draft incorporated recommendations that DLGP had prepared for the National Agency on Local Self-Government affairs and Ministry of Justice in late 2006. DLGP's suggested major changes which were incorporated into this draft: the first level administrative-territorial unit is defined as a municipality, either urban or rural; and administrative-territorial units are defined as political jurisdictions, different from settlements that are populated territories. The Law On Administrative and Territorial System of the Kyrgyz Republic that was ultimately passed in May 2008 reflected DLGP's recommendations mentioned above. It did not include DLGP's recommendation to require referenda before the consolidation of municipalities.

In the first year of the project, DLGP worked with Parliamentarians and the NALSG on developing recommendations for an "okrug" level of local state administration that would simultaneously replace the rayons and oblasts. Reforms were overtaken by the President's resolution of July 2007 that set out a timetable for the gradual elimination of one level of local state administration (not specified). DLGP's later work on ministerial reform was related to Government efforts to implement this resolution.

3. Municipal Finance

Local Governments Take Control of Local Budgets

DLGP provided support for intergovernmental finance reform while also working directly with its local government partners to build their capacity to create and manage their budgets, administer taxes, and consult with their residents on budget priorities. This work built on previous USAID projects that helped put in place the legislative framework for intergovernmental fiscal (IGF) reform. In 2007, DLGP helped push forward the twice-delayed reform by helping to assure Parliamentary deputies that local governments would be prepared for the reform because DLGP, in cooperation with the Ministry of Finance and ARIS (Kyrgyzstan's Community Development and Investment Agency), would provide budget training throughout the country. DLGP also convinced journalists that the reform would be beneficial and would not result in chaos, thus changing the tone of their reporting while this issue was debated in Parliament.

Intergovernmental fiscal reform has had remarkable success in strengthening fiscal autonomy. Data shows that both own revenues and discretionary expenditures have increased. Own revenues, which are comprised of tax and non-tax revenues, increased in 2007 because of two factors: improved collection efforts and improved distribution of revenue sources. However, the increase in 2008 can be explained by improved collection alone. Cities and rural municipalities located near cities in particular benefited most from the reform as they have the highest revenue-

generating potential. Even in 2009, the first full year of a worldwide economic crisis during which most cities even in highly developed economies suffered decreased revenue, cities in Kyrgyzstan increased their own revenues. In 2009, the available sample of rural municipalities showed a decrease in own revenues, although they had an increase in tax revenues. For these rural municipalities, non-tax revenues such as special means (charges for service provision), revenues from leased land from the Land Redistribution Fund, and state duties all dropped significantly in 2009.

Table 3: Evaluating the results of intergovernmental fiscal reform

| 2006 (baseline) | 2007 | 2008 | 2009* |
|--|-----------------|--------------------|--------------------|
| Increased own revenues** | | | |
| 256 million KGS (17 cities) | 84% (17 cities) | 12% for 17 cities; | 26% for 13 cities; |
| 247 million KGS (131 AOs) | 93% (131 AOs) | 32% for 131 AOs | -0.4% for 37 AOs |
| Increased discretionary expenditures*** | | | |
| 2 336 million KGS | 71% | 70% | 22% |

* Data only available for the first six months of 2009, so year on year percentages are calculated in relation to the first six months of 2008.

** Own revenues are defined as shares of state taxes, local taxes and local non-tax revenue. Percent increases are calculated year on year based on available data from partner municipalities.

*** Discretionary expenditures are calculated by subtracting expenditures made from earmarked transfers. Percent increases are calculated with respect to the previous year based on all LSGs.

Discretionary expenditures are those expenditures that local governments can freely spend as they see fit. Increases in discretionary expenditures means that local governments can improve municipal services, repair roads and schools, and undertake other activities that are priorities of their citizens, as opposed to what is dictated by a higher level of government. The fact that discretionary expenditures increased each year helps explain why city residents report improvements in 16 out of 18 services in the past three years. (One of the services that did not improve – street lighting – was beyond LSG influence due to shortages of electric power and the centrally-imposed requirement to turn off the lighting.)

One fundamental of IGF reform is the independent local budget. Local governments had the most independence in 2007, when only one out of five reported interference by Ministry of Finance regional offices when preparing the draft local budget. In 2006, almost all local governments reported interference. In 2009, less than half reported interference. The Ministry of Finance regional offices apparently still feel compelled to provide control figures for either municipal revenues or expenditures. Both cities and rural municipalities report increased control in the past two years, but rural municipalities are more than twice as likely to report interference.

Increases in reporting interference may result not only from recent re-centralization efforts, but also an increase in LSG awareness of their right to shape their own budgets and allocate for local priorities. This increased awareness could result in more LSGs reporting interference where previously they simply did not acknowledge that the interference was happening.

“Without local taxes, there is no local initiative.” This remark was made by a local government representative during a roundtable organized by DLGP with the Parliamentary Committee on Regional Development and Local Self-Government on the new Tax Code. DLGP worked closely with other donors and with the National

Agency for Local Self-Government Affairs, Ministry of Finance, and Parliament to ensure that local taxes would not be eliminated in the new Tax Code. When the Tax Code introduced the property tax as a local tax, DLGP trained local governments regarding the tax and helped them develop a public information campaign to explain it to citizens to counteract misconceptions about how local governments would use revenues from the tax.

With local taxes clarified in the new Tax Code, DLGP provided local governments with a tool to help them with local tax administration. DLGP adapted the computerized administrative database *Berkut*, which contains household, property and land data that are collected by rural municipalities. The program was originally designed to issue forms for village residents required to sell livestock, obtain social welfare benefits, and numerous other activities. DLGP made *Berkut* bi-lingual (Kyrgyz and Russian) and added a module for municipal finance staff to use the data to calculate tax obligations. *Berkut* can also bring transparency to tax collection efforts because the program includes an option to show/print the calculation of immovable property tax obligations with all parameters in a format that is understandable to the taxpayer. Other advantages of utilizing a computerized database include improving the accuracy of the data and allowing staff to update the database frequently and easily.

Several DLGP efforts focused on helping local governments manage their budgets. Before IGF, they had not prepared their own budgets, and indeed had little skill in budget preparation. In the project's first year, DLGP provided training to both financial department staff (at a detailed level) and local government leaders (covering principles) on how to prepare the budget according to the new budget system. In the project's next year, DLGP focused on assistance to make financial management more efficient by providing training in Excel for rural municipal financial staff, many of whom had never before worked on a computer. In the third year, DLGP continued training and organized a regional network of Excel consultants that partner municipalities could access on demand to answer questions that surfaced during their work. Financial staff from rural municipalities reported that working by computer improved accuracy of their work and greatly reduced time spent on routine tasks, such as calculating monthly salaries. They also used computers to produce budget analyses, including budgets-in-brief for dissemination to citizens.

Table 4: DLGP Strengthens Local Governments Financial Management

| Year One | Year Two | Year Three |
|---|---|---|
| 225 financial department staff trained on how to implement their budget according to new budget system. | 157 financial department staff (97 LSGs) trained in Excel – in many cases, this is first time they work with a computer | 154 financial department staff (89 LSGs) trained in Excel and 41 LSGs obtain Excel consultations through regional network |
| 151 local government leaders trained on principles of new budget system | DLGP modifies <i>Berkut</i> program so that it can be used for local tax administration | 21 LSGs trained on <i>Berkut</i> for tax administration |
| DLGP publishes <i>Citizens' Guide to the Budget</i> | 1,529 citizens receive training to become more informed budget hearing participants | 153 LSGs trained on new property tax |
| 33 rural municipalities conduct a public budget hearing | 99 rural municipalities conduct a public budget hearing | 104 rural municipalities hold a public budget hearing |

USAID had supported public budget hearings in Kyrgyzstan for many years, but DLGP was the first program to extend this support to rural municipalities. During the course of DLGP, more rural municipalities took the bold step of conducting a public budget hearing. Most encouraging was that winners of the DLGP Participatory Budgeting Competition invited other rural municipalities to attend their public budget hearings so that others could learn from their experience. In Year 2, DLGP provided training on the budget process for council members, citizen groups, and NGOs - more than 1,500 citizens – to enable them to become more informed budget-hearing participants. The annual DLGP Participatory Budgeting Competition encouraged local governments not only to hold public budget hearings, but to make sure that citizen input is reflected in the revised budget after the hearing. From 2006 to 2009, the number of DLGP partner rural municipalities that published budgets-in-brief and held public budget hearings more than tripled.

4. Local Economic Development

The Economy becomes a Priority for Local Governments

Local economic development (LED) represents a new phase for local self-government in Kyrgyzstan and DLGP’s successful work with 12 pilot municipalities has shown Kyrgyzstan’s leaders – including the Ministry of Economic Development and Trade and Parliamentary Committee on Regional Development and Local Self-Government - that the country’s overall economic development depends to a large extent on local initiative. Local leaders also understand the need to manage LED and to increase their capacity to do so. Pilot municipalities analyzed both their economic potential in specific sectors and the obstacles faced by local business. Based on this information they created strategic plans with realistic but ambitious initiatives that built on their comparative advantage and addressed problematic issues such as difficulties in access to land or finance or inadequate municipal services. The municipalities created Local Economic Development (LED) offices to implement strategic projects, dialogue with the private sector (through DLGP-created local economic development councils), and attract investment. Jalal-Abad City, for example, significantly increased investment as a result of better marketing of land, outreach to existing and potential investors, and holding competitive auctions.

Table 5: Over 1,000 New Jobs Expected in the City of Jalal-Abad as a Result of New Investment

| Investment Project | Construction Jobs | Permanent Jobs |
|-------------------------|---|----------------|
| Expansion of bazaar | 150 | 450 |
| Hotel and casino | 50 | 100 |
| Oil and gas development | - | 200 |
| Luxury housing | Three local construction contractors already employed | |
| Shopping center | 20 | 60 |
| Parking lot | 7 | 7 |

Effective LED must create better conditions in order for business to start and grow and in order to attract investment. Under DLGP, municipalities introduced a host of innovations that streamlined their administrative services for businesses, supported

small-to-medium enterprises (SMEs), connected local companies with potential investors, marketed investment opportunities, and improved skills in the workforce.

| Table 6: Local Self-Government Innovations to Improve the Business Environment | |
|---|--|
| Innovation | What it Achieves |
| Guarantee Fund | Improves access to finance for SMEs by collateral enhancement |
| Joint Investment Zone | Makes land available for agricultural processing through legal partnership with neighboring municipalities |
| Public-Private Land Database | Markets available private and underutilized private land to private investors from big companies |
| Land One-Stop Shop | Streamlines purchase and lease of municipal land |
| Electronic Administrative Database | Expedites administrative services for businesses and citizens |
| New Technologies Clearinghouse | Identifies and disseminates new agricultural technologies |
| Business Support Center | Connects potential partners (investors, suppliers, customers) and helps SMEs to draft business plans and investment proposals |
| Integrated Workforce Training and Certification Program | Analyzes skills demand, Improves training capacity and facilities for vocational institutions. Makes new professional certifications available |

Pilot municipalities assessed their comparative advantages and then developed complementary initiatives to encourage growth in particular sectors. For example, municipalities in Issyk-Kul focused on initiatives to develop the tourist sector.

| Table 7: Examples of Initiatives to Strengthen the Tourist Sector | |
|--|--|
| Initiative | Goal |
| Association of Tourist Service Providers | Lobbies for and organizes joint activities in support of local tourist industry to improve the quality of tourist services. |
| Training Center for Tourist Service Personnel | Trains new and existing personnel to meet tourist industry standards and a reputation as a service-oriented tourist destination. |
| Analysis of Tourist Demand for Services and Attractions | Identifies the most attractive investment opportunities by analyzing tourist demand for various entertainment options and services. |
| Billboards and Maps of Tourist Sites | Billboards on main highway advertise nearby tourist destinations while maps located in villages help tourists find them. |
| Tourist Information Center | Centralizes and provides information on services of interest to tourists and makes it easier and more efficient for tourists and tourist service providers to connect with each other. |

| | |
|---|---|
| Historical Heritage Preservation | Rehabilitation of city street, sidewalks, and adjacent buildings in 19th Century style, which will improve the image of the city and restore historically significant architecture. |
| Lakefront Promenade | Will build a promenade along Issyk-Kul lake where small shops and vendors can rent space, which will improve the image of the city and create new business opportunities. |

Under DLGP, LED plans took into account the need to improve municipal services that are critical for business. Better service delivery was identified in anonymous surveys among business operators. The top priorities – water and roads – were consistent with needs expressed in DLGP surveys of local households.

| Table 8: Improvements in Municipal Services Critical for Business | | |
|--|------------------|---|
| Service Sector | # of LSGs | Improvements |
| Water and Sewage | 9 | Rehabilitating systems with new equipment; installing meters; improving management and fee collection. |
| Roads and Landscaping | 5 | Repaving and widening roads; repairing curbs, sidewalks, and drainage systems, improving street signs, street lighting, traffic management and parking control. |
| Solid Waste | 5 | Eliminating illegal dumps, upgrading solid waste facilities and management practices, New customer management and billing. |

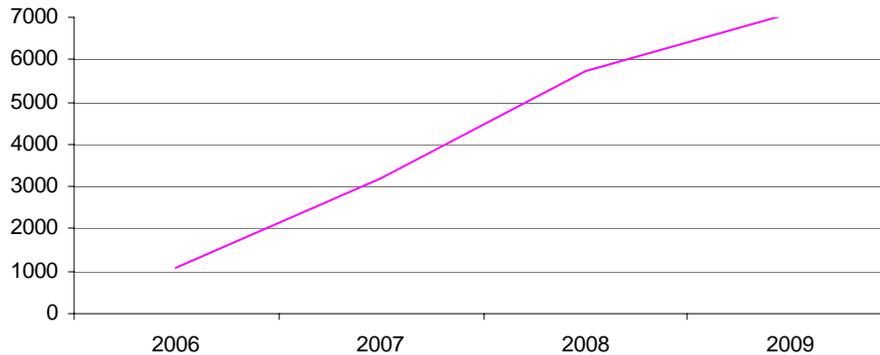
5. Asset Management

LSG Property Generates More Income

Effective management of municipal property and land has proven to be a significant source of local revenues, as well as a stimulant for local economic development. On the other hand, if not properly managed, municipal property can be a major source of corruption and end up as an obstacle to LED. Challenges faced by DLGP were to introduce this complicated topic to rural municipalities throughout Kyrgyzstan, which were almost completely lacking in asset management capacity, and to institute procedures that increase transparency and oversight in property transfers. Finally, DLGP initiated the use of advanced, market-based tools for effective land management and incorporated these into LED strategic plans.

As a result of DLGP efforts, revenue from municipal property rental increased by almost 7 times in the past three years. The city Karakol collected more than a million Kyrgyz soms in 2008 from rental agreements for municipal property and other cities are also utilizing methods taught by DLGP for obtaining maximum revenues from surplus property. Rental revenues represent recurring revenue that continues to generate income year after year. Rural municipalities have significantly smaller asset bases, but also showed growth in municipal property revenues during DLGP.

Rental Income from Municipal Property*
(in thousands of KGS)



*Data for 2009 is an annualized projection based on 6 months data. Sample size is 50 municipalities.

Through intensive training and technical assistance to its partner municipalities, including some training and TA for all rural municipalities, DLGP instituted effective and transparent municipal property management practices. By the end of DLGP, all of partner municipalities had completed an inventory of municipal property and about a third had registered their property with the State Registry Agency. Most DLGP partners had adopted a Regulation on Municipal Property Management and half instituted the practice of publicly posting a list of municipal assets. Public hearings on asset management issues became a common practice.

Table 9: Institutionalization of Effective and Transparent Municipal Property Management

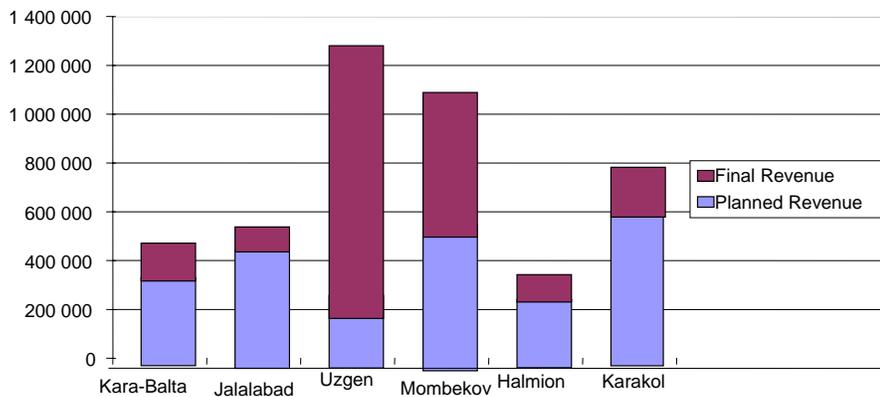
| Year 1 | Year 2 | Year 3 |
|--|---|--|
| <p>150 LSGs (780 participants) trained on Kyrgyz municipal property legislation & principles of municipal property management</p> <p><i>Manual on Land Management</i></p> <p>130 LSGs (290 participants) trained in land management</p> <p>3 public hearing on municipal property or land management</p> | <p><i>Manual on Asset Management for Rural Municipalities</i></p> <p>and</p> <p><i>Film on How to Conduct a Transparent and Competitive Auction</i> disseminated through trainings to 459 LSGs (679 participants)</p> <p>DLGP provides 400 consultations for 115 LSGs to improve oversight through a <i>Regulation on Municipal Property Management</i></p> <p>199 public hearings on municipal property or land management</p> | <p>437 LSGs trained on municipal property inventory, state registration</p> <p>All DLGP partners (160) completed inventory of municipal property</p> <p>150 DLGP partners adopted a <i>Regulation on Municipal Property Management</i></p> <p>79 rural municipalities and 13 cities post the list of municipal assets on public information boards</p> <p>205 public hearings on municipal property or land management</p> |

DLGP developed a methodology consisting of various tools for effective land management. These include the use of public-private partnerships (PPPs) to engage the private sector in managing public property or delivering public services, and the use of land databases to market available public and private land. One especially promising advance has been the integration of land management plans into

economic development plans, providing the latter with a key implementation instrument.

DLGP pilot municipalities that developed strategic plans for LED also used skills in efficient and transparent land disposition to support economic development. In response to business surveys that cited access to land as an obstacle to business development, these municipalities held competitive auctions that garnered significant municipal revenues, as shown on the chart below. Having open and competitive auctions showed local businesses and other potential investors that the municipality is “open for business” and interested in the best economic use of the land, not side deals to line an official’s pocket.

Figure 4 Revenue Growth from Use of Land Auctions
(in Kyrgyz Soms)



Today lease contracts between local governments and users of municipal property are a standard instrument, and auctioning land for leases and sales has become a routine, culturally acceptable practice in many municipalities. The cities of Karakol and Jalal-Abad have earmarked revenues from the sale of municipal property for capital investment – not required by law but representative of good public policy and practice.

6. Local Councils

Local Councils Exercise Greater Oversight over the Executive Branch of Local Governments

As the directly elected branch of local government, local councils have clear responsibility to represent the interests of their constituents. To help local councils meet this mandate, DLGP increased the capacity of local council deputies to execute their functions. DLGP conducted mass trainings for local council deputies to strengthen their abilities as policymakers and to improve their capacity to oversee the executive branch, particularly with regard to the budget and municipal property. Following the October 2008 local council elections, roughly two-thirds of council

deputies were new. To help meet this challenge, DLGP included in its training a study film showing footage of actual council sessions and interviews with experienced deputies.

| Table 10: Trainings to Strengthen Local Council Deputies' Ability to serve as Policymakers and Conduct Oversight of the Executive Branch | | |
|---|----------------------------|----------------------------|
| Year 1 | Year 2 | Year 3 |
| On the role of the local council in local self-government | | |
| 347 deputies/council staff | 190 deputies/council staff | 706 deputies/council staff |
| On municipal property legislation, inventory and principles of municipal property management | | |
| 223 deputies | 17 deputies | 34 deputies |
| On strategic planning for local economic development | | |
| 39 deputies | 49 deputies | 40 deputies |
| On public access to information and citizen participation | | |
| 270 deputies | 92 deputies | 120 deputies |
| On budget principles | | |
| 56 deputies | 19 deputies | 39 deputies* |

**In 2009, DLGP provided advanced budget training in parallel to municipal finance staff and local council deputies on capital investment planning.*

To help ensure that local councils understood and carried out their role as an overseer of the executive branch, DLGP developed and distributed model regulations for a variety of municipal functions, such as regulating the relationship between municipal bodies and municipal service providers. Dissemination of 1,080 copies of the model regulations gave local councils a framework from which to work in supervising the executive branch. This led to a dramatic increase in the number of municipalities with a regulation on executive oversight.

DLGP organized internal study tours for local council deputies to observe best practices, such as trips to municipalities that had opened LED Departments, to provide them with both information and motivation to implement similar practices in their municipalities. This helped ensure that local council deputies were integrated into all program areas: from serving on the Strategic Planning Committee, to co-organizing hearings on land management strategies and the draft budget (Table 11). DLGP also recommended 10 local councilors for inclusion in a study tour to the USA, where they studied American city council practices.

Abdilboki Tolipov, a Nookat City Council deputy, who participated in the USA study tour, said: *"We became convinced that local governments are able to address all community issues, from providing public utilities to maintaining public safety. We also saw more effective ways of organizing council activities with fewer councilors, holding sessions at times convenient for constituents to attend, and better reporting to constituents. As a result of this trip we decided to create a local network among study tour participants, and make an effort to improve city council operations in Kyrgyzstan."*

| Table 11: Institutionalizing Best Practices for Local Councils | | |
|---|-------------------|-------------------|
| Year 1 | Year 2 | Year 3 |
| Local councils receiving consultation on legal, municipal property, budget, and citizen participation issues | | |
| 35 local councils | 40 local councils | 26 local councils |
| Local councils advising executive branch on use of grant funds | | |
| 30 local councils | 13 local councils | 42 local councils |
| Local council deputies benefiting from DLGP experience exchanges | | |
| 13 deputies | 25 deputies | 21 deputies |
| Newly-elected local council chairs benefiting from DLGP partner experience (through national conference held together with National Agency for Local Self-Government Affairs and UNDP) | | |
| | | 442 deputies |

7. Public Information & Citizen Participation

Using Information as a Resource for Municipal Development

Building trust between government, particularly local government, and its citizens is an extremely important step toward embedding democratic principles in a vibrant civil society. DLGP successfully promoted improved public information practices designed to stimulate and utilize citizen participation.

DLGP seized the opportunity opened up by passage of the Kyrgyz Public Access to Information (PAI) Law in December 2006. In the project's first year, DLGP consulted with journalists on how local governments could better comply with the PAI Law and be more open with mass media and citizens. Using this information, DLGP created a Model Regulation that was later adopted and recommended by the National Agency for Local Self-Government Affairs (NALSG) for helping local governments comply with the PAI Law. Together with NALSG, DLGP disseminated the Model Regulation to 430 LSGs.

Over the course of the project, DLGP's local self-government partners increasingly recognized the importance of being open with their citizens. At the start of the project, only 12% of cities and 3% of DLGP rural municipal partners had a staff member designated for public information. By the end of the project all cities and 84% of rural municipal partners had such a designated staff member. Moreover, 143 LSG partners had developed a public information campaign on the new property tax, utilizing nine or more DLGP-disseminated PI and CP tools and techniques.

| Table 12: DLGP Enables Local Governments to Comply with Kyrgyz Public Access to Information Law | | |
|--|---|--|
| Year 1 | Year 2 | Year 3 |
| DLGP trains 20 journalists to strengthen information flow on LG issues to residents and ensure feedback, based on the new Public Access to | DLGP develops Model Regulation on Public Access to Information Law, Model Regulation approved by NALSG and recommended for | 132 DLGP LSG partners have designated staff member responsible for public information 143 DLGP LSG partners |

| | | |
|---|---|--|
| Information Law | adoption by LSGs | developed plans for public information campaign on new property tax |
| DLGP trains 135 LSGs on <ul style="list-style-type: none"> • <i>Public Information Techniques and the Public Access to Information Law</i> | Regulations presented to 430 rural and urban LSGs | All 12 LED strategies includes a project devoted to creation of information system |

DLGP provided several rounds of training for LSG staff, council deputies, and civil society representatives on the importance of and specific mechanisms for maintaining a strong two-way flow of information, and on building partnerships between the government and its citizens. Training modules incorporated international and Kyrgyz experience, and presented practical tools for effective local government operations that also help to institutionalize principles of transparency and accountability. All training sessions ended with home assignments that helped put into practice the skills and knowledge obtained through training programs.

| Table 13: Institutionalization of Public Information and Citizen Participation among Kyrgyz Local Governments | | |
|--|--|--|
| Year 1 | Year 2 | Year 3 |
| DLGP delivered training to 126 LSGs (400 participants) on: <ul style="list-style-type: none"> • <i>Citizen Participation Techniques for LSGs</i> • <i>Public Meetings, Gatherings, and Hearings</i> DLGP provides 200 consultations for 90 LSGs on Public Access to Information Law and PI CP action plans | DLGP delivered training to 135 LSGs (270 participants) on: <ul style="list-style-type: none"> • <i>How to Make LSGs Transparent, with emphasis on financial and asset management</i> DLGP provides 120 consultations for 112 LSGs on PI CP action plans, and citizen survey results application | DLGP develops manual and delivers training to 153 LSGs (573 participants) on: <ul style="list-style-type: none"> • <i>Municipal Development through Public Information and Citizen Participation Tools</i> DLGP provides 160 consultations for 142 LSGs on Public Information Campaign for Property Tax, and citizen survey results application |

DLGP built on previous USAID experience in helping cities to conduct public hearings on draft budgets by extending this support to rural municipalities and also training LSGs on the importance of holding public hearings on other issues of significance, such as municipal land management strategies. To encourage institutionalization of public budget hearings, DLGP worked with the Ministry of Finance to design a brief manual and model budget-in-brief, which the Ministry disseminated and recommended to all LSGs through the official Budget Circular for 2009 and 2010 budgets.

| Table 14: Growth in Numbers of Public Hearings | | | | |
|---|--------------------|------|------|------|
| | 2006 (baseline) | 2007 | 2008 | 2009 |
| Cities | 15 | 19 | 100 | 133 |
| AOs | 42 | 56 | 810 | 817 |

DLGP helped partner municipalities use a variety of advanced public information and citizen participation tools that enable local governments to use citizen feedback constructively. One example was an annual Citizen Survey (or Customer Survey) of

city households to evaluate the local government performance in general and with respect to 18 specified municipal services. DLGP presented survey results to leaders from all 25 cities, who used the surveys to better understand the needs of their citizens and as a means to improve decision-making. For example, the city leadership of Balykchy noted widespread dissatisfaction with the school system and responded by instituting a comprehensive program that made significant improvements in the school system. The success of this endeavor was reflected in the subsequent survey of city residents.



Sabyr Atajanov, Mayor of the City of Uzgen: *"Public information, aside from being a necessary LSG service, has helped us to address local issues in a more effective way. First, we have won the trust of the citizens. Second, we have demonstrated to higher level government bodies that we are capable of effectively managing our territory. Third, we have mobilized our internal resources to address local community issues. In other*

words, we have come to understand that it is impossible for a municipality to develop without effective public information activities."

To advance local economic development (LED), 12 municipalities created Strategic Planning Committees (SPC) and LED councils. SPCs bring together stakeholders from government, civil society and the private sector to ensure that the strategic planning process represents the community's priorities and earns people's trust. LED Councils are consultative bodies with representatives from the public and private sector which address LED issues on an ongoing basis and provide recommendations to the City Council on economic development policy.

DLGP used a stakeholder process called the Service Improvement Action Plan (SIAP) method to improve solid waste collection systems in the cities of Naryn and Talas. SIAP begins by bringing together representatives from the city administration, service provider, NGOs, and neighborhood committees to develop a results-based plan. DLGP worked with cities on identifying outcomes and performance indicators to measure progress. These indicators targeted increasing payment collection, decreasing complaints about garbage collection and increasing the number of service provider agreements and the quantity of garbage removed. According to DLGP's Citizen Survey, both cities had more than a 50 percent increase in citizen satisfaction with solid waste collection after the initiation of SIAP.

| Table 15: Advanced Tools for Public Information and Citizen Participation | | | |
|--|---|--|--|
| Tool | Year 1 | Year 2 | Year 3 |
| Citizen Survey | 2 cities involved in analysis and application of survey results 7 NGOs trained in procedures for conducting Citizen Survey | 15 cities involved in analysis and application of survey results 4 NGOs trained in procedures for conducting Citizen Survey | 25 cities involved in analysis and application of survey results 4 NGOs trained in procedures for conducting Citizen Survey |
| LED Strategic Planning Committee | 6 LSGs have SPCs | 12 LSGs have SPCs | - |
| Public-Private LED Council | | 6 LSGs have LED councils | 12 LSGs have LED councils |
| Service Improvement Action Plan | | 2 cities create SIAPs to improve solid waste disposal | 2 cities improve solid waste disposal through SIAPs |
| Transparent, competitive procurement | 22 LSGs trained in transparent competitive procurement | 12 LSGs trained in transparent competitive procurement | 25 LSGs trained in transparent competitive procurement |

8. Mass Media

Local Government Becomes a Priority for Mass Media

Citizens deserve quality information about their local government activities, so DLGP educated journalists to help them become better reporters on local government issues. DLGP press sessions presented detailed information about complicated issues such as taxes and municipal property management. By inviting journalists to signature municipal events such as land auctions and budget hearings, DLGP gave them the opportunity to better understand local government achievements and the difficulties faced. Journalists confirmed that through the information provided by DLGP they improved their reporting and were able to stimulate the interest of their readers in these issues.

"We are grateful for the cooperation with USAID DLGP. We are thankful for all of the material on local self-governments that DLGP provided, which helped us raise the interest of our readers. We now have a mutual connection with the community. For example, just last week residents from Orlovsky ayil okrug called to request that we come to see and write about the achievements of their ayil okrug".
Antonina Blindina, Editor-in-Chief of *Chui Oblast News*

Having become better reporters, the journalists now also are better able to serve as protectors of the principles of local self government.

| Year 1 | Year 2 | Year 3 |
|---|--|--|
| 5 press sessions and journalist participation in municipal events (105 participants) | 9 press sessions and journalist participation in municipal events (173 participants) | 3 press sessions (102 participants) |
| 2 Trainings on cooperation with LSGs in implementing the Public Access to Information Law (61 participants) | Mass media participation in DLGP Best Practices Conference (22 participants) | 2 press tours (24 participants) |
| | | Mass media participation in 2 DLGP conferences (52 participants) |

DLGP had a two-pronged goal for its outreach to mass media representatives. The first goal was to ensure coverage of LSG issues by the country's most important newspapers – *Evening Bishkek* (circulation 6000), *Slovo Kyrgyzstan* (circulation 5600), *Obshestveni Rating* (circulation 3500), *My Capital News* (circulation 2000). The second goal was to ensure that regional media outlets, covering Osh, Jalal-Abad, Batken, Chui, Naryn, and Issyk-kul oblasts, would be able to report on newsworthy events happening in cities and *ayil okrugs* where their readers or listeners live. DLGP achieved both of these goals with 463 independently-funded articles, TV and radio items published during the life of the project.

In addition to educating the public through mass media, DLGP generated numerous educational brochures that were disseminated through schools, NGOs, local self-government partners and governmental ministries. Each of the 12 pilot municipalities that developed LED strategic plans also disseminated a brochure-questionnaire to citizens before embarking on the activity to identify their priorities, and later a second brochure to explain the initiatives included in the approved strategic plan.

| Year 1 | Year 2 | Year 3 |
|---|---|---|
| 2,000 brochures distributed on the 2-level budget system | 51,000 brochures disseminated on <i>The Role of the Local Council</i> | 2,000 brochures distributed on the Municipal budget |
| 1,000 copies disseminated of <i>Citizen's Guide to the Budget</i> | 2,000 brochures distributed on the new budget system | 8,000 brochures distributed on the Property Tax |

9. Grants Programs

Grants Stimulate Successful Local Initiatives

In addition to strengthening the technical and administrative skills of LSGs, DLGP placed in-kind grants after holding competitions among municipalities for Best Practices, Participatory Budgeting and Local Economic Development. Winners were selected based on the quality of their best practice or public budget hearings and related information campaigns. Cities contributed a minimum 25 percent match, and for *ayil okrugs* (AOs) a match of at least 10 percent was required. The following table describes the grants made under DLGP:



| | Children | Service Improvements | LG Operations | Citizen Participation |
|-------------------------|-----------------|-----------------------------|----------------------|------------------------------|
| IT Equipment | 1 city | 1 city, 1 AO | 13 cities, 12 AOs | 4 cities, 7 AOs |
| Construction/Renovation | 3 AOs | 2 cities, 2 AOs | 2 AOs | 2 AOs |
| Furniture | 3 cities, 5 AOs | 1 city | 1 city, 7 AOs | 2 cities, 2 AOs |
| Information Boards | | 1 AO | | 3 cities, 2 AOs |
| Equipment and Services | 8 cities 10 AOs | 4 cities, 7 AOs | | 1 city |
| Municipal Web Portal | | | | 1 city, 12 AOs (one grant) |
| Total | 30 | 19 | 35 | 24 |

**Some cities were recipients of grants under two competitions, and as a result the number of city/AO recipients does not always match the total number of grants awarded*

10. Institutionalizing Know-How and Best Practices

Institutionalization Increases the Sustainability of Good Results

In producing training manuals, study films, best practices books or case studies, DLGP always considered how best to make the material interesting and practical. Many training “graduates” kept DLGP manuals on their desks for ready reference. As much as possible, DLGP presented Kyrgyz with best practices from their own and other countries. An example is the Local Government Initiatives journal – with fifteen issues (1000 copies each) disseminated during DLGP. Each issue of the journal included legislative advice, analysis of changes in legislation and policies affecting local self-government, and in-depth case studies describing advancements in local management practices based on the experience of DLGP partner municipalities. Local Government Initiatives is the only regular professional publication in Kyrgyzstan on municipal governance. It is popular not only with local government staff, but also with representatives from NGOs and educational institutions.

“We are regular readers of the Local Government Initiatives and we look forward to receiving its new issues. What is very valuable about the journal is that it includes real examples of how Kyrgyzstan’s municipalities implement best management practices and what they have achieved. This journal has become a valuable source of information for the Academy’s students and teachers, and there are no other publications like it in the country.”

Salikh Murzaev, Chairman of the State and Municipal Government Department, Presidential Academy of Management

DLGP assembled Best Practices books for each annual Best Practices Conference so participants could share them with their colleagues. The annual Conferences also demonstrated to journalists and high-level State representatives that there have been significant achievements in local government in Kyrgyzstan. The Conferences were also an opportunity to recognize the efforts of local government leaders among

their peers. Winners of the DLGP Best Practice Competitions received awards from the U.S. Ambassador and gave presentations on their winning practices.

While only a small number of local government officials were able to participate in international study tours, more than 500 participated in DLGP internal study tours and Best Practices Conferences. This assured that good local practices did not stay in one community, but were spread throughout the country.

DLGP took various approaches to instituting the know-how that it generated. DLGP conducted 23 trainings-of-trainers (ToTs) with almost 300 participants. The very best trainers with both expertise and practical experience in training and consultations were certified prior to the completion of the project. As a result, there are seven certified consultants in local economic development facilitation, four certified consultants in public information and citizen participation, three certified consultants in asset management, and three consultants in servicing *Berkut* (computerized tax administration program).

Table 19: Institutionalization of the DLGP Know-How through Training of Trainers

| Year 1 | Year 2 | Year 3 |
|--|--|---|
| Training skills and interactive methods (52 participants) | | Managing Local Economic Development (8 participants) |
| Legal Basis for LSG (46 participants) | | Municipal Development through Public Information and Citizen Participation Tools, Including Public Information Campaign for Property Tax (5 participants) |
| Public Information Techniques and the Public Access to Information Law (11 participants) | How to Make LSGs Transparent, with emphasis on financial and asset management (4 participants) | |
| Citizen Participation Techniques for LSGs (11 participants) | How to Conduct a Transparent and Competitive Auction (8 participants) | Municipal property inventory, state registration (7 participants) |
| Public Meetings, Gatherings, and Hearings (11 participants) | Strategic Land Management (8 participants) | Using Excel for more effective Finance Management in LSGs (8 participants) |
| Municipal Property Legislation and Inventory (13 participants) | Strategic planning for Local Economic Development (22 participants) | "Berkut" program for LSG's effective operation and data management (3 participants) |
| Principles of Municipal Property Management (12 participants) | Using Excel for more effective Finance Management in LSGs (1 participant) | Budget in Brief Design - 2 ToTs (8 participants) |
| Public Budget Hearings Preparation – 2 TOTs (8 participants) | | Basics of LSG and Municipal Assets Management for Judges training center (5 participants) |
| | | Role of Local Council in Local Self-Government (12 participants) |

As part of its mandate to support civil service reform, and in partnership with the Presidential Academy of Management, DLGP disseminated its materials to Kyrgyz institutions of higher education with programs in public management on an annual basis. Over the three years of the project, 99 participants from these institutions

received DLGP materials in both electronic form and hard copy, and were given basic instruction in how to use them in training the Kyrgyz Republic's next generation of public management professionals. As a result, professional lecturers have incorporated DLGP materials into their course materials, and DLGP materials will also remain available to students in the libraries of these educational institutions. DLGP materials are also part of electronic library, developed by the Academy of Management. Students at the Academy reported that they particularly value the practical examples of applying municipal governance know-how.

Finally, DLGP has instituted its knowledge in the Kyrgyz Republic through the creation of new NGO – the Development Policy Institute (DPI). DPI was founded by DLGP program staff with the goal of continuing to provide assistance on local self-government issues directly to municipalities or through donor organizations. DPI has the expertise to further DLGP's mission of building municipal capacity in the areas of finance, asset management, public information, and citizen participation, as well as supporting decentralization and local self-government reform issues at the national policy level.

ANNEX A
LESSONS LEARNED UNDER DLGP

Lessons learned are divided into two sections: (1) approaches to DLGP project implementation, and (2) recommendations for future local government programming. In both cases, they reflect what worked well, what did not work so well and what the continuing roadblocks are for development of local self-government and local economic development in Kyrgyzstan.

1. Approaches to Project Implementation

Training and Consultations

As this was the first time that rural municipalities would be a focus of USAID's capacity building efforts, DLGP together with the Association of Villages conducted an assessment of their training needs based on surveys and focus groups early in the project. The assessment confirmed that the DLGP components well matched the needs of rural municipalities. This and other factors contributed to very effective trainings, even though conducting trainings for 160 or more municipalities was extremely difficult logistically and often expensive.

Timing is important. In several cases, the reception of DLGP training was very positive because the timing was very appropriate. This was especially important in terms of the mass training for newly elected council deputies after the elections of October 2008. Participation and interest in these trainings were markedly higher than similar DLGP efforts before the elections. As the majority of council deputies were new, they were appreciative of this assistance at the time they were trying to understand their roles and responsibilities. Similarly, trainings on conducting a local public education campaign on the property tax were well received as this was a new tax that neither municipal leaders nor the general public understood.

Trainings must be practical. DLGP trainings were seen as very practical because they provided tools that partner municipalities could use to make their work more efficient and help them comply with Kyrgyz legislation. A representative from the town Sulukta thanked DLGP for its practical help, saying that when Sulukta was audited for compliance with the Kyrgyz Public Access to Information Law, local leaders were confident because the town had an approved plan on public information that it was already implementing. In the abstract, the concept of oversight – with a focus on ensuring that outcomes are achieved, is difficult to distinguish from control. Model regulations provided by DLGP provided concrete examples that made it easier for local councils to establish a framework for instituting oversight of the executive branch based on results. By compiling presentations, handouts, and supporting documents such as legislative excerpts in a published volume (in both Kyrgyz and Russian languages), the materials also serve as a lasting reference tool.

Training should facilitate ongoing interaction. Through training design and selection and grouping of participants, DLGP trainings ensured the kind of interaction that is critical to adult learning. Participants were grouped into cohorts of municipalities so that they could learn from each other. In addition to trainings, DLGP organized regular regional meetings during which municipal representatives presented their experience with a particular issue, for example conducting an inventory of their municipal land. In trainings on public information and citizen participation, representatives from local government staff, the local council, and civil society were invited. By including these different viewpoints from the same

municipality, the trainings became the beginning of a dialogue among stakeholders on the importance of instituting mechanisms for maintaining a strong two-way flow of information and building partnerships between government and its citizens.

Work should continue after the session ends. DLGP found it important to end all trainings with “homework” assignments, which allowed the participants to practice the skills and knowledge obtained through the training program. On-site consultations were made available that both encouraged and facilitated the municipalities in completion of their assignments. This also provided reinforcement between trainings so that participants were better prepared for the next round of training and could present results of their own.

Challenges to DLGP Training. One of the most serious challenges faced by the DLGP training program was small number of staff in rural municipalities, many of whom were unaccustomed to working a full day, particularly during the planting and harvesting seasons. Sometimes one staff member would be responsible for multiple technical areas; other responsibilities made it difficult for such persons to attend a series of training sessions on different issues during the short time period.

State Permission Requirement. Another complication was that a Kyrgyz Government Resolution requires that local government executives obtain permission from a State representative before taking any business trip. Early in the project, DLGP encountered cases where rayon and oblast leaders deliberately created obstacles for municipal representatives to participate in DLGP activities. To circumvent this problem, DLGP made a point of regularly informing the rayon administrations about upcoming activities and explaining the practicality of the trainings, and as confidence grew in the value of the project these efforts paid off. In fact, the akim of Nookat rayon requested that DLGP provide training for all councils in the rayon, not just those of partner municipalities. In addition, DLGP provided training schedules to the National Agency for Local Self-Government Affairs (NALSG) so that it could facilitate the participation of partner municipalities. NALSG staff members were invited to participate in many of the trainings, which also served as an instrument for institutionalization of DLGP know-how. NALSG was receptive to these invitations and expressed gratitude for the opportunity to strengthen its staff capacity through participation in DLGP trainings.

Conclusion: DLGP recommends that future training programs follow an approach similar to that described above, and to resist overloading rural municipalities in particular with too many training sessions. It is feasible to expect most rural municipalities to be able to send a representative to a training approximately once per month.

Experience Exchanges, Best Practices Competitions and Conferences

Exchanges within Kyrgyzstan. DLGP organized 14 exchange programs within Kyrgyzstan that proved to be very useful by allowing people to hear and see experiences in other locations, and to ask very practical and specific questions of staff members and entrepreneurs in the host municipality. Exchange program participants came home with samples of documents from the host municipality. For example, council members from other cities brought back procedural documents from an experience exchange with the Bishkek city council. Considering the physical

and political north-south divide in Kyrgyzstan, it was particularly useful to bring representatives from one region to another to introduce professional communication and respect between the two regions.

International Study Tours. DLGP also facilitated seven international study tours, of which three were funded by the U.S. Embassy, two were fully funded by DLGP, one was partially funded (participant air travel) by DLGP, and one was fully funded by the Polish Assistance Agency but facilitated by a DLGP Resident Advisor. Participants found each of the international study tours very stimulating, and in many cases they were inspired to try different approaches. For example, Mr. Bakirov, Director of the National Agency for Local Self-Government Affairs (NALSG), participated in the DLGP study tour to Latvia. The program was organized by the Latvian Association of Regional and Local Governments, an excellent example of a powerful independent association capable of lobbying for local government interests. In the following year, Mr. Bakirov reversed the direction of his predecessor and supported an independent Kyrgyz Association of Municipalities, with a Chair elected from the local government representatives. The prior Director had appointed himself the Chair of the Association, making it difficult for the Association to have even a semblance of independence or to lead by demonstrating democratic practices.

Best Practice Competitions and Conferences. DLGP held three Best Practice competitions and three annual conferences during which winners of the Best Practices competitions received awards from the U.S. Ambassador and a high-level representative of the Kyrgyz Presidential Administration. The goal of the competitions and conferences was to encourage and recognize innovation and good practices in local governance. Through competition, municipalities were awarded an in-kind grant. The conferences also represented a significant non-material reward to local government leaders by recognizing them for their achievements in front of their peers. Together they were effective in encouraging, rewarding, and disseminating information about best practices in cities and rural municipalities.

Conclusion: DLGP recommends continuation of such activities to inspire local government leaders and develop professional connections.

Surveys

Individual Reporting of Citizen Survey Results. During DLGP, all 25 cities used citizen surveys as a tool for providing objective information about their performance and guidance on areas that needed improvement. In USAID's previous local government program, results for each city from the citizen surveys were published. This sometimes embarrassed local government leaders who then were inclined to discount the survey results. Under DLGP, survey results were presented individually to each city. This encouraged candid discussion about the underlying reasons for less than desirable results and a more proactive approach to using the results to improve performance.

Business Surveys. Surveys of businesses were equally useful for the 12 DLGP pilot municipalities that created economic development strategic plans in this area. Anonymous surveys of large, medium and small business owners identified obstacles to economic development, which were then addressed in the strategic plans.

Conclusion: DLGP recommends continuation of surveys of citizens and businesses. When rural municipalities learned about the surveys conducted in the cities, several expressed to desire to have them conducted in their municipalities. This indicates that this is a good time to expand such activities to some rural municipalities.

In-kind Grants Program

Small Best Practices Grants. In-kind grants were meant to stimulate best practices and support innovation by provided funds to winners of DLGP competitions. Winners of the competition selected how to spend in-kind grant funds. This practice worked well in allowing a large number of local governments to support many small priority projects, such as furniture and equipment for schools and IT equipment for local government administrations. However, during the course of the project, USAID began to enforce its environmental compliance more strictly, which made it more complicated to manage DLGP's large number of relatively small grants. (Larger in-kind grants, for example for rehabilitate major infrastructure, were beyond the scope of the project.).

Environment Compliance Issues. For future programs, compliance with the environmental regulations could be better handled with one of two changes in the program. The first is to employ an environmental expert at least part-time during the grant process to help make judgments about how much evaluation and monitoring each grant will require, and then to carry those procedures out. This would require increasing the timeline for giving grants to allow for environmental evaluations both pre- and post-grant. The second would be to award fewer grants of a greater value, so as to decrease the administrative cost of ensuring the environmental compliance. This could be effective at reducing the burden because usually the grant-making process is much more time consuming on a per-grant basis than it is on a per-dollar basis.

Grant Competitions. It was originally envisaged that DLGP would hold three annual competitions for its partner municipalities. However, partly through Year 1 DLGP decided that two annual competitions would be better. The first reason was that holding a separate competition to encourage best practices in public information / citizen participation was not necessary as many of the submissions for the first competition involved public information or citizen participation. The second reason was that partner municipalities were somewhat confused and overwhelmed by even two competitions. The final reason for having fewer competitions was to allow for a larger prize pool for the remaining competitions. This seemed effective as the number of applications increased significantly in Year 2. However, the number of applications reduced slightly in Year 3, probably because the application process was fairly involved, particularly for the Participatory Budgeting Competition.

Procurement Process. For smaller in-kind grants, the procurement process could be simplified if the project made the procurements and the municipality's co-funding of the grant came from transporting, installing, and maintaining the equipment as well as organizing a public awareness campaign about USAID's donation. (After the DLGP Branding and Marking Plan was approved, DLGP began to require recipients to hang a certificate in the room where the donated equipment was located, to acknowledge that USAID had purchased the equipment. This practice was well received by DLGP partner municipalities, who sometimes requested multiple certificates.) This division of responsibilities would be an alternative to the matching

requirement practiced under DLGP (25% for cities and 10% for rural municipalities) that often required an iterative decision-making process in selecting and procuring the items, because the actual costs were not known until the tender was completed. This was one factor that extended the implementation process for the in-kind grants program.

Conclusion: DLGP recommends future USAID programs with grant components have at a minimum a grants management unit with an administrator and environmental expert. Larger grants to rehabilitate infrastructure will require a long timeframe with extensive environmental work upfront as well as throughout implementation. In addition, smaller in-kind grants can be used as awards for competitions, but DLGP recommends that these be managed through a simple procurement process without strict percentage matches for partner municipalities.

2. Recommendations for Future Programming in Local Government

DLGP recommendations for future programming in local government are based on analysis of the current status of decentralization in Kyrgyzstan and its evaluation of need for municipal capacity building.

Effects of Recentralization. The increased role of state authorities in the selection of local government executive heads is a step backward in terms of political autonomy. Future programming should continue to look for windows of opportunity to reverse this, but it seems unlikely that this change to occur in the near future. One approach would be to amend the Law on Local Self-Government, with regard to procedures for selecting local self-government executive heads. These amendments would stipulate that all candidates for this position be a local councilor. Should Kyrgyzstan institute this system, then it should also strengthen the qualifications of a council deputy (by requiring higher education, work experience, etc.).

Challenges to Fiscal Autonomy. A major continuing roadblock to fiscal autonomy is the lack of local government authority to collect local taxes. DLGP recommends continuing lobbying for this authority as well as the authority to collect states taxes for which local governments receive 100 percent of revenues (e.g., the patent). To assist local self-governments in this authority, DLGP recommends the roll out of the program Berkut to be used by rural municipalities for tax administration.

Challenges to Administrative Autonomy. A major continuing roadblock to administrative autonomy is that local governments lack authority to independently determine staffing plans and salaries. Recently one rural municipality was charged with acting illegally because it decided that it needed a deputy head. According to the government resolution specifying the model staffing and compensation scheme, this rural municipality should not have a deputy head based on its population. Under DLGP, several cities created LED departments, and this was given a “wink” by NALSG and Parliamentary deputies. But it is desirable for LSGs to have the authority to do this and not be at the legal risk of a prosecutor questioning their actions.

Delegating Functions. Another continuing problem with regard to both fiscal and administrative autonomy is the need for a clear methodology for delegating functions. While the new LSG/LSA Law calls for strict procedures for delegating

functions, in practice this is still happening on an *ad-hoc* basis, in many cases with no methodology for financial compensation. Two alternative approaches for resolving this issue include the “individual” or “group-based” methods of delegating. According to the individual method of function delegation, each city or rural municipality would have an individualized list of delegated functions and authorities that would be included in its founding Law. According to the “group-based” method, different sets of functions would be delegated to groups of municipalities and these groups would be defined according to specific features such as size of population or own revenues

Linking Budgets with Strategic Plans. DLGP recommends continuing to build municipal capacity in separating current and capital budgets, and linking both budgets to the municipality’s strategic plans, including LED strategy and capital investment programs (CIPs). Parallel training for local council deputies on these issues would strengthen their role as policymaker and in their ability to conduct budget oversight. DLGP began such efforts on a pilot level and found that cities are indeed ready for this next step, and a small group of rural municipalities can also begin work in this area. To institutionalize a best practice, future projects may consider working to establish a legal requirement that revenues from land sales be earmarked for capital investment.

Economic Development and Asset Management. DLGP recommends promoting an integrated approach to economic development and asset/land management. Probably the most significant resource within a municipality’s full management authority is its property and land. This resource is also an essential component of economic development and attraction of the private sector. In confidential surveys, businesspersons identified lack of access to land as a major obstacle to business development. DLGP developed the tools to promote this integrated approach, and pilots were launched, but it will take continuing effort to follow up with these pilot projects and then roll out.

Engaging the Private Sector. Engaging the private sector in management of public properties and delivery of municipal services should expand and improve. Future projects in Kyrgyzstan should advocate competitive outsourcing of public services through lease and operation and management contracts. More long-term public-private partnerships should be pursued when a business case can be made, but in the foreseeable future such cases will be rare. PPP preparation needs substantial upfront investment and professional expertise, which many LSGs cannot afford. Simpler and shorter-term arrangements, such as outsourcing of street cleaning, on-street & off-street parking or operation of public parks and public toilets can be standardized and launched by LSGs on their own. Procuring such contracts through real competition instead of entering into sweetheart deals appears to be an important and achievable objective for Kyrgyzstan’s LSGs.

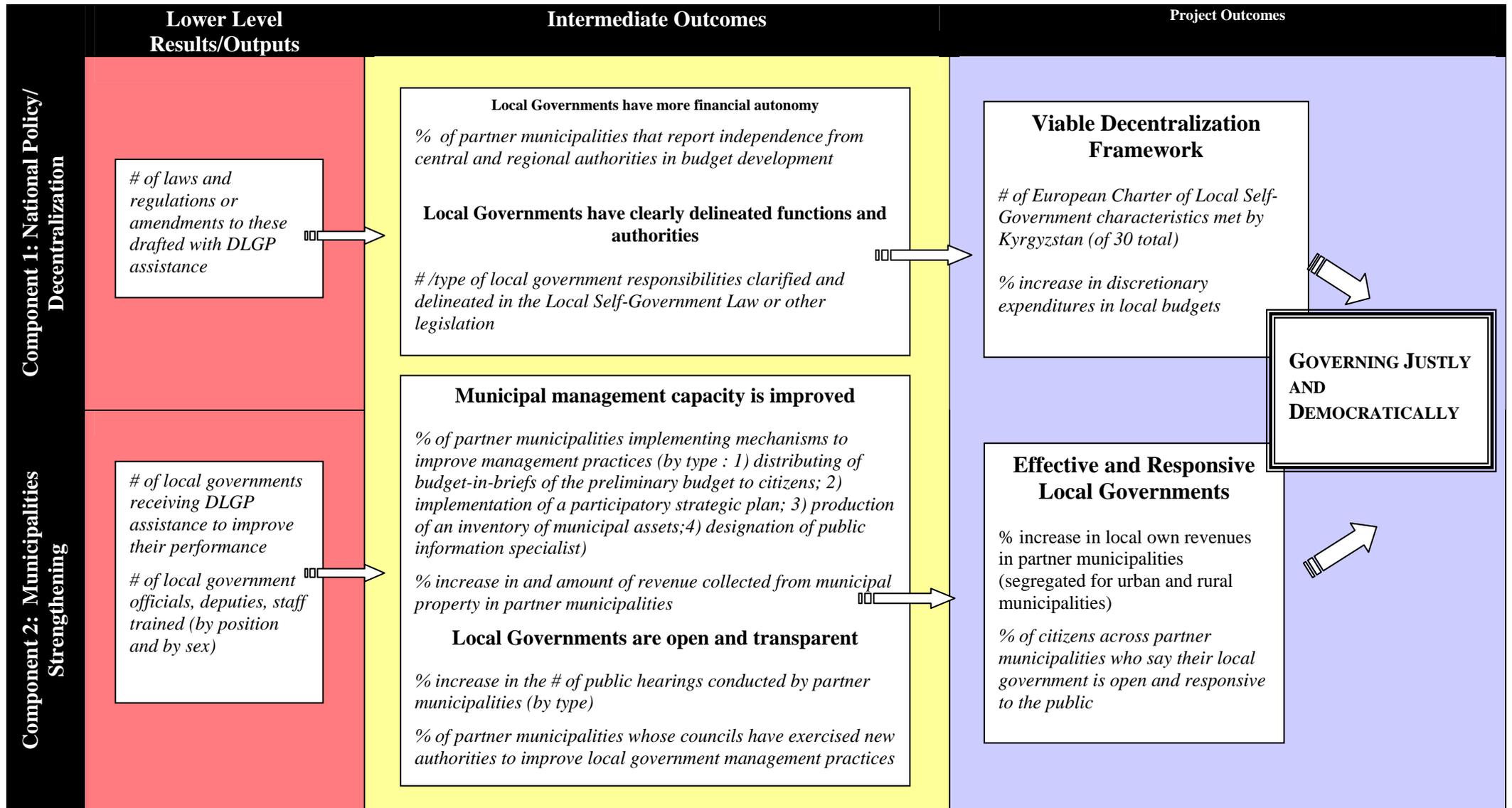
Local Economic Development. Twenty-three municipal LED specialists were trained under DLGP. Successful implementation of local economic development (LED) by local governments will require continuing assistance to develop professional staff in municipal LED offices that can help attract investment, implement strategic projects and create a business support infrastructure. To retain highly-skilled individuals in these positions, LSGs should have the authority to establish their remuneration independent of any model staffing structure. In addition to training and technical assistance, a professional association of sorts (not necessarily an official association) will help them learn from one another and lobby for local economic development. The 12 LED pilot municipalities introduced several innovations for

Kyrgyzstan that need additional support to be successful. These include guaranty funds or other mechanisms to increase access to finance and initiatives to increase access to land. The pilot municipalities have identified priority sectors, but they require assistance working with private sector actors in building value chains that will make them competitive in these sectors.

Public Information and Citizen Participation. Even if future USAID programs do not have separate components for public information or citizen participation, DLGP recommends integrating these principles into all program activities. One of the successful achievements of DLGP was integrating PI / CP tools into other program areas. This way, DLGP helped local governments develop public information plans for the new property tax and encouraged greater transparency in management and disposition of municipal land.

ANNEX A
FINAL REPORT ON IMPLEMENTATION OF THE PMP

I. Decentralization and Local Government Program (DLGP) Results Framework



II. DLGP PERFORMANCE INDICATOR TABLE

| Performance Indicator | Definition | Data collection source/method | Baseline 2006 | Target 2007 | Actual 2007 | Target 2008 | Actual 2008 | Target 2009 | Actual 2009 |
|--|--|--|--------------------|-------------|-------------|-------------|-------------|-------------|----------------|
| PO 1: Viable Decentralization Framework | | | | | | | | | |
| # of paragraphs of the European Charter on Local Self-Government met by Kyrgyzstan (of 30 total) | KR compliance with the 30 provisions of the European Charter for Local Self-Government. A country is in compliance with the Charter if it meets at least 20 paragraphs. | As evaluated by local and national LSG experts at a focus group discussion | 12 | 13 | 15 | 14 | 17 | 17 | 17 |
| % increase in discretionary expenditures in LSG budgets | % annual increase in LSG expenditures other than those funded by earmarked transfers; for entire country; | DLGP obtained data from websites of the Treasury & Ministry of Finance | 2,336 million soms | 10% | 71% | 7% | 70% | 4% | 22% (see note) |
| IO 1. Local governments have more financial autonomy | | | | | | | | | |
| % of partner municipalities that report independence from central and regional authorities in budget development | Partner municipalities' response to 3 questions: Did MF subdivisions interfere in budget development, did they provide control figures for expenditures or for revenues? | DLGP survey of partner municipalities | 86% | 50% | 21% | 40% | 35% | 30% | 42% |
| IO 2. Local governments have clearly delineated functions and authorities | | | | | | | | | |
| # / type of LSG responsibilities clarified and delineated | # / type of new or clarified LSG authorities (cumulative) | DLGP analysis | 0 | 1 | 0 | 1 | 3 | 2 | 6 |
| LLR 1. Improved decentralization legislation is drafted/amended | | | | | | | | | |
| # of laws and regulations, or amendments to these, drafted with DLGP assistance | Laws, decrees, amendments to sectoral legislation affecting LSG functions and model regulations that are drafted with substantive input by DLGP (cumulative) | DLGP records | 0 | 5 | 11 | 10 | 16 | 10 | 21 |

| Performance Indicator | Definition | Data collection source/method | Baseline 2006 | Target 2007 | Actual 2007 | Target 2008 | Actual 2008 | Target 2009 | Actual 2009 |
|---|---|---|---|---|---|---|---|--|--|
| PO 2: Effective and Responsive Local Governance | | | | | | | | | |
| % increase in local own revenues in partner municipalities | % increase compared with previous year, segregated for urban and rural municipalities. Own revenues are defined as shares of state taxes, local taxes and local non-tax revenue | Budget data from DLGP partner municipalities | 256 million som (17 cities) 247 million som (131 AOs) | 12% cities; 15% AOs | 84% (17 cities); 93% (131 AOs) | 7% cities; 10% AOs | 12% (17 cities); 32% (131 AOs) | 4% cities; 6% AOs | 26% (13 cities); .2% (37 AOs) (see note) |
| % of citizens in partner municipalities who say their local government is open and responsive to the public | In response to the question, "How open, in your opinion, are local government officials to the public in terms of their activity?" (open, somewhat open, closed), average % of citizens responding "open" across partner municipalities . | Citizen survey conducted in all Kyrgyz cities. | 4% (data only available for cities) | 8% | 12% (data only available for cities) | 15% | 11% (data only available for cities) | 20% | 11% (data only available for cities) |
| IO 1. Municipal management capacity is improved | | | | | | | | | |
| % increase in revenue collected from municipal property in partner municipalities | % increase compared with previous year. Revenues from rent and sale of municipal property and rent of LRF land. | Budget data from DLGP partner municipalities | 4.0 million som (17 cities) 31.6 million som (131 AOs) | 22% | 316% for 17 cities 75% for 131 AOs | 27% | 115% for 17 cities; 42% for 131 AOs | 32% | -29% for 13 cities; -5% for 37 AOs (see note) |
| % of partner municipalities implementing mechanisms to improve management practices (by type) | % of partner municipalities that are (1) distributing budget-in-briefs of draft budget to citizens; (2) implementing a participatory strategic plan; (3) have an inventory of municipal assets; (4) have a designated public information specialist | DLGP survey of partner municipalities and information from other donors | (1) 56% cities; 22% AOs (2) 80% cities; 21% AOs (3) 60% cities; 21% AOs (4) 12% cities; 3% AOs | (1) 65% cities; 30% AOs; (2) 90%; (3) 70% cities; 50% AOs; (4) 80% cities; 20% AOs | (1) 76% cities; 36% AOs; (2) 100% (3) 88% cities; 72% AOs (4) 100% cities; 51% AOs | (1) 80% cities; 50% AOs; (2) 100%; (3) 92% cities 85% AOs; (4) 92% cities; 75% AOs | (1) N/A (see note); (2) 100%; (3) 100% cities; 88% AOs (4) 100% cities; 81% AOs | (1) 92% cities; 75% AOs; (2) 100%; (3) 100% cities & AOs; (4) 100% cities; 93% AOs | (1) 76% cities; 67% AOs; (2) 100% cities & AOs (3) 100% cities & AOs (4) 100% cities; 84% AOs |

| Performance Indicator | Definition | Data collection source/method | Baseline 2006 | Target 2007 | Actual 2007 | Target 2008 | Actual 2008 | Target 2009 | Actual 2009 |
|---|--|---------------------------------------|----------------------|--|---|---------------------------|---|---------------------------|---|
| IO 2. Local Governments are open and transparent | | | | | | | | | |
| % increase in the number of public hearings conducted by partner municipalities | % increase annually in the # of public hearings conducted by partner municipalities segregated by two types--budget hearings and hearings on topics other than the budget (compared to baseline). DLGP will also attempt to collect information on the number of participants in public hearings | DLGP survey of partner municipalities | 41 PBH; 23 other (#) | 10% increase in PBHs; 20% increase in other hearings | 17% PBHs; 43% other | 40% PBHs; 50% other | 141% PBHs; 3413% other | 95% PBHs; 60% other | 215% PBHs; 3470% other |
| % of partner municipalities whose councils have exercised new authorities to improve local government management practices | % of partner municipalities whose councils have adopted a regulation to improve oversight of the executive (on budget execution, asset management, citizen information, municipal service, strategic planning, etc.) | DLGP survey of partner municipalities | 44% cities; 5% AOs | 50% of cities; 10% of AOs | 84% cities; 26% AOs | 88% of cities; 50% of AOs | 88% of cities; 86% of AOs | 92% of cities; 90% of AOs | 96% of cities; 95.5% of AOs |
| LLR 1. Training on municipal management methods (asset management, budget, public information, strategic planning) conducted | | | | | | | | | |
| # of local governments receiving DLGP assistance to improve their performance | # of DLGP partner municipalities who have participated in training or received technical assistance (of 484 municipalities total / 459 rural municipalities and 25 cities) | DLGP records | 25 cities | 25 cities; 135 AOs | 25 cities 135 AOs | 25 cities; 135 AOs | 25 cities; 382 AOs | 25 cities; 135 AOs | 25 cities; 459 AOs |
| # of local government officials trained (by position and by sex) | # of local government officials participating in DLGP training (cumulative) | DLGP records | 0 | 2,000 | 2,995 of which 1,199 women and 675 deputies | 3,500 | 4,657 of which 1,719 women and 1,017 deputies | 5,000 | 8,377 of which 2,839 women and 2,277 deputies |

Summary Evaluation of KR Compliance with European Charter of Local Self-Government

| Grade | Status as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|--------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| √ in compliance | 12 (9) | 15 (10) 21 (<i>13</i>) | 17 (9) | 17 (<i>10</i>) |
| X not in compliance | 18 (5) | 12 (2) 9 (<i>1</i>) | 8 (3) | 3 (<i>1</i>) |
| ≈ somewhat in compliance | 0 (0) | 3 (2) 0(<i>0</i>) | 5 (2) | 10 (<i>3</i>) |

Grades for Core Paragraphs of the Charter are shown in parentheses. The 14 Core Paragraphs are shown in bold in the table below.

Scores shown in italics indicate evaluation by independent experts

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|-----------------|--|---|------------------------------|--|------------------------------|
| Art. 2 | Principle of local self-government (LSG) to be included in legislation, or eventually, in Constitution | √ Principle of LSG exists in the Constitution of May 5, 1993 in Articles 7, 93-97 and in the 2002 Law on Local-Self Government and Local State Administration in Article 13. | √ Same as previous | √ On October 23, 2007 new Constitution came into force. Principle of LSG is also included in Article 7, 93-97. Also new Law on Local-Self Government and Local State Administration was adopted on May 29, 2008 and this principle is included in Article 14. | √ Same as previous |
| Art. 3.1 | Definition of LSG as the right and ability of local authorities to regulate and manage a substantial share of public affairs under their own responsibility | √ Article 93.2 of the Constitution states that local self-government within the law and under their own responsibility manages affairs of local significance. Article 3 of the LSG&LSA Law states that local self government means the right and actual capacity guaranteed by the Constitution of the Kyrgyz Republic to local communities to exercise the management of the affairs of local significance, through representative and executive government bodies, as well as by intermediate civil participation. | √ Same as previous | √ Article 93.1 of the current Constitution states that Local-self government in the Kyrgyz Republic is carried out by local communities and ensures independent resolution of issues of local significance by the population. In new LSG&LSA Law, Article 3 states that local self-governance is guaranteed by the Constitution as a right and actual capacity of local communities to address in their interests issues of local significance in accordance with the Constitution, this law and other laws. Local self-governance shall be carried out by local communities through representative and executive-administrative bodies of local government on the territory of an ayil okmotu, town and city, as well as through direct participation of citizens. | √ Same as previous |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------|--|---|--|--|------------------------------|
| Art. 3.2 | Right of LSG exercised by councils whose members are freely elected by secret ballot on basis of direct, equal, universal suffrage | √ Article 94.2 of the Constitution: Deputies of local councils elected by citizens residing in respective administrative territorial unit in order stipulated by law. Article 17 of the LSG&LSA Law: Rural and city councils consist of deputies elected on the basis of universal, equal and direct election right by secret ballot. Procedures for elections of deputies of rural and city of rayon significance keneshes are established by Election Code of the Kyrgyz Republic. Also: Article 2 of the Law on the Status of Deputy of local kenesh. | √ Same as previous | √ Same provision in Article 95.2 of the Constitution. Same provision in Article 21 of LSG&LSA Law. Also in addition to rural and city councils, rayon councils were added. And same Article 2 of the Law on the Status of Deputy of local kenesh. | √ Same as previous |
| Art. 4.1 | Basic powers and responsibilities shall be prescribed by constitution or statute. However, this provision shall not prevent attribution to local authorities of powers / responsibilities for specific purposes | √ Basic powers and responsibilities have been defined in Article 15 of LSG&LSA Law as Affairs of Local Significance. However, these functions are in many instances unclear and shared with local state administrations. Article 95 of the Constitution states some basic functions of the local councils. | √ Same as previous | √ Article 95 of the Constitution states some basic functions of the local councils. In LSG&LSA Law Issues of Local Significance were clearly defined in Article 18. They become more precise and their list is closed instead of previous open list. | √ Same as previous |
| Art. 4.2 | Local authorities shall have full discretion to exercise their initiative with regard to any matter, which is not excluded from their competence nor assigned to any other authority | √ The LSG&LSA Law does not have a closed list of issues of local significance (article 15), therefore allowing LSGs to address issues they deem of local significance. Local councils (article 23) and rural and city heads (article 37, 39,43) may decide other issues in accordance with the legislation. | √ Same as previous <i>Note: Experts in focus group on evaluating compliance of Kyrgyz Republic to European Charter thought that KR is compliant by legislation, but not in practice.</i> | X Since new Constitution came into effect, heads of cities of rayon significance and heads of rural municipalities are no longer elected directly by citizens (Article 95.1). Local councils approve heads, who are nominated by state bodies – National Agency for Local-Self Government and rayon state administrations. Thus, local councils do not have full discretion in selecting LSG heads. Also according to Article 31.1 of LSG&LSA Law local councils are entitled to create their own apparatus, but | X Same as previous |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|-----------------|--|---|---|---|---|
| | | | | according to the standard norms determined by the Government. And Article 27. 2(14) states that local councils approve the structure and staffing of an executive-administrative body but also on the basis of the standard norms, determined by the Government. So, again local councils do not have their own discretion to decide on their own apparatus or structure of their executive body. | |
| Art. 4.3 | Public responsibilities shall generally be exercised by those authorities, which are closest to the citizen. Allocation of responsibility to another authority should measure extent nature of task and requirements of efficiency and economy | X Although functions of LSG are defined in Article 15 of the LSG&LSA Law as affairs of local significance, many functions related to local service delivery are also shared by the local state administrations. | X Same as previous <i>Note: Experts' opinion differs from DLGP evaluation. They thought that legislation does not stipulate that, but it is happening in practice</i> | √ Functions of LSG are defined in Article 18 of LSG&LSA Law as Issues of local significance. They became more precise and clear, which leaves less room for interference from state bodies. | √ |
| Art. 4.4 | Powers given to local authorities shall normally be full and exclusive; they may not be undermined or limited by another central or regional authority | X Although functions of LSG are defined in Article 15 of the LSG&LSA Law as affairs of local significance, many functions related to local service delivery are also shared by the local state administrations. | X Same as previous <i>Note: Experts' opinion differs from DLGP evaluation. They thought that KR is in compliance.</i> | X Although LSG functions became more clear and separate from state functions. But nevertheless some duplication is still left in Article 62 where few functions of local state administration still resemble local-self government functions. | ≈ Even if de-juro there is no duplication between local-self government bodies and regional bodies, there are still cases in practice when some local authorities are undermined by regional bodies. |
| Art. 4.5 | Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions. | X Article 96 of the Constitution and Articles 1 and 16 of the LSG&LSA Law establish principles for the delegation of functions to LSG, but does not allow for LSGs to use discretion in adapting them to local conditions. | X Same as previous | ≈ Article 96 of the Constitution and Article 20 of the LSG&LSA Law establish principles for the delegation of functions to LSG, but lack of practice in delegation of functions since adoption of new Law leaves this question open. | ≈ There is still no practice of proper delegation of authorities as envisioned by Article 20 of LSG&LSA Law. |
| Art. 4.6 | Local authorities shall be consulted, insofar as possible, in due time and in | X Article 8 of the LSG&LSA Law states that during preparation and adoption of | X Same as previous | X Legislation stipulates this provision in Article 8 of the LSG&LSA Law. | ≈ Majority of focus group participants think that in |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------|---|---|--|---|--|
| | an appropriate way in the planning and decision-making processes for all matters which concern them directly. | decisions on the issues directly affecting the interests of local communities, the state authority bodies shall hold consultations with the local self-government bodies as per the procedures stipulated by the law. As well as article 69 of the same law states that the supreme bodies of the state power and administration of the Kyrgyz Republic, republican organs of public organizations are obliged to consider and take into account in their activities any proposals from local self-government bodies and to inform them on the results in accordance with the legislation. In practice, however, this is not done as Kyrgyzstan does not have an independent association to represent the interests of LSGs. | <i>Note: Experts' opinion differs from DLGP evaluation. They also agreed that practice differs from legislation, but stated that Kyrgyzstan is in compliance</i> | But in practice this provision is not realized. | practice consultations take place, particularly when local-self government bodies initiate them themselves |
| Art. 5 | Changes in local authority boundaries shall not be made without prior consultation of communities concerned, possibly by means of a referendum | X Introducing changes to the administrative territorial system of the Kyrgyz Republic is the authority of the Parliament (article 58 of the Constitution) but there is no provision in the Constitution that such changes must be with consultations of communities concerned. Boundary changes are regulated by the Regulation adopted by the Supreme Council of the Kyrgyz SSR on September 22, 1981, which is still valid. This Regulation does not include a provision on consultations. | X Same as previous | X In new Law on Administrative Territorial System of the Kyrgyz Republic from April 25, 2008 Articles 11 and 12 stipulate that local state administrations take into account opinion of local councils and present to the Government proposals regarding any changes of administrative territorial units within their territory. Local councils take into account opinion of local community regarding any changes of administrative territorial units within their territory. In practice recent changes of several administrative units were made without consultations. | √ Majority of focus group participants think that in practice consultations take place. |
| Art. 6.1 | Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative | X Article 42 of the LSG&LSA Law states that the number of staff of rural administration is determined by the rural kenesh based on the model norms | X Same as previous | X Also according to Article 31.1 of LSG&LSA Law local councils are entitled to create their own apparatus, but according to the standard norms | X Same as previous |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------|---|---|--|---|------------------------------|
| | structures in order to adapt them to local needs and ensure effective management. | approved by the decision of the Government of the Kyrgyz Republic. Municipal administrations' staff positions and their number are set by National Government Resolutions. | | determined by the Government. And Article 27. 2(14) states that local councils approve the structure and staffing of an executive-administrative body but also on the basis of the standard norms, determined by the Government. | |
| Art 6.2 | Conditions of service of local government employees to permit recruitment of high-quality staff on basis of merit and competence; provision of adequate training opportunities, remuneration and career prospects | X Salaries of the staff of municipal administrations are set by National Government Resolutions at very low rates which accounts for frequent staff turnover. | X Same as previous <i>Note: Experts' opinion differs from DLGP evaluation. They thought that both legislation and practice is in compliance.</i> | ≈ Despite some increase in salaries for municipal officials, there is still high percentage of staff turnover. | ≈ Same as previous |
| Art. 7.1 | Conditions of office of local elected representatives shall provide for free exercise of their functions | √ The free exercise of deputies of local councils are stipulated in the Law on the Status of Local Council Deputy, in particular article 24 – Nobody is entitled to limit authorities of the local council deputy other than in cases stipulated in the Constitution and current legislation of the Kyrgyz Republic. | √ Same as previous | √ Same as previous | √ Same as previous |
| Art 7.2 | Allow for appropriate financial compensation for expenses in exercise of office, compensation for loss of earnings or remuneration for work done | X Article 4 of the Law on the Status of Local Council Deputy and Article 31 of the LSG&LSA Law: Only chairman of councils of cities of republican and oblast significance receive remuneration. | X Same as previous <i>Note: Experts' opinion differs from DLGP evaluation. They agreed that practice differs from legislation and stated that Kyrgyzstan is in compliance.</i> | √ Before only chairmen of cities of republican and oblast significance received salaries. Article 33.4 and 5 of new LSG&LSA Law stipulate that chairmen of cities of rayon significance and rural councils will also be compensated during council sessions. | √ Same as previous |
| Art 7.3 | Functions deemed incompatible with holding local elective office to be determined by statute or fundamental legal principles | √ Article 5 of the Law on the Status of Local Council Deputy defines positions that could not be compatible with local council deputy status. | √ Same as previous | √ Same as previous | √ Same as previous |
| Art. 8.1 | Any administrative supervision of local authorities may only be | √ Provisions on state oversight over local-self government activities and | √ Same as previous | √ Provisions on state oversight over local-self government activities and local | √ Same as previous |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------------|---|--|--|---|---|
| | exercised according to such procedures and in such cases as are provided for by the Constitution or by statute. | local budget by the state bodies are stated in the Constitution, LSG&LSA Law, Law on Financial and Economic Basis of Local-Self Government. Article 96 of the Constitution: state bodies are not entitled to interfere into local-self government authorities stipulated by law. Article 55 of the LSG&LSA Law states that interference of higher standing bodies to the process of development, approval and execution of the local budget is not allowed. Normative legal acts of the local councils have to be registered by the State Justice departments but this requirement applies to all normative legal acts including those developed by state bodies and could not be interpreted as undue interference. | | budget by the state bodies are stated in the Constitution, LSG&LSA Law, Law on Financial and Economic Basis of Local-Self Government. | |
| Art 8.2 | Administrative supervision shall aim at only ensuring compliance with the law and constitutional principles. Administrative supervision may however be exercised with regard to expediency by higher-level authorities in respect of tasks the execution of which is delegated to local authorities. | X Article 96 of the Constitution: LSG bodies are responsible before the state and its bodies for compliance and execution of laws as well as for delegated state authorities. However, in practice local state administrations do interfere, especially in the work of executive bodies of local-self government, e.g. provision of local service (article 9, 61 of LSG&LSA Law) or development of local budgets. Also President is entitled to dismiss Mayor and Head of regional state administration is entitled to dismiss a Head of Rural municipality. | ≈ Situation improved in developing municipal budget. Since the implementation of the FEBSLG Law in 2007 rayon and oblast state administrations lost their rights to develop local budgets. <i>Note: Experts' opinion differs from DLGP evaluation. They thought that both legislation and practice is in compliance.</i> | ≈ Article 96 of the Constitution: LSG bodies are responsible before the state and its bodies for compliance and execution of laws as well as for delegated state authorities. Also please see status on 4.2, 4.4. | ≈ Same as previous |
| Art. 8.3 | Administrative supervision of local authorities shall be exercised in such a way as to ensure that the | X LSG&LSA Law as well as FEBSLG Law does not address this issue. In practice, heads of regional state | X Same as previous <i>Note: Experts' opinion differs</i> | X Same as previous | ≈ Opinions of focus group participants differ, those working in local-self |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------------|--|--|--|--|--|
| | intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect. | administrations attempt to exercise control, not merely administrative supervision of the executive heads of LSGs. | <i>from DLGP evaluation. They thought that both legislation and practice is in compliance.</i> | | government bodies recognize that administrative supervision is not in appropriate proportion |
| Art 9.1 | Local authorities entitled to adequate financial resources, of which they may freely dispose within the framework of their powers | X Provisions in the FEBLSG and amendments to the Law on Basic Principles of Budget guarantee adequate financial resources, but these provisions will only be implemented for 2007 budget cycle. Article 55 of the LSG&LSA Law: interference of higher-level bodies in the process of development, approval and execution of local budget is not allowed. However, in practice higher-level state bodies set control figures on both budget revenues and expenditures by functions and economic items for local-self government bodies. LSGs do not have their predictable own source revenues. | √ LSGs now have their own source revenues (tax and non-tax) clearly established by the legislation (Law on FEBLSG and Law on Basic Principles of Budget). LSGs also receive equalization grants from republican budget, which they can freely dispose. Local budget expenditures for 2007 have been approved and are executed independently under the new provisions in Law on FEBLSG and BPB Law. | √ Same as previous | √ Same as previous |
| Art 9.2 | Local authorities financial resources commensurate with responsibilities provided for in constitution and the law | X Currently, functions of local-self government are not clearly delineated in the legislation. LSGs are delegated tasks by the state for which they do not receive adequate resources. It is supposed that LSGs perform some delegated functions at the expense of their own revenues. | ≈ The situation with not clearly delineated functions is the same. After implementation of IGF reforms in 2007 budget cycle own revenues of LSGs are increasing, enabling LSGs provide more services than in previous years. <i>Note: Experts' opinion differs from DLGP evaluation. They thought that both legislation and practice is in compliance.</i> | ≈ Own functions of Local-self government are clearly delineated in the new LSG&LSA Law. 2008 local budgets were prepared and approved in accordance with the old delineation of functions. 2009 local budgets possibly will be prepared in accordance with the new functions. | ≈ Same as previous |
| Art 9.3 | Part of financial resources of local authorities should | √ Local councils have a right to introduce | √ Same as previous | √ Same as previous | √ Same as previous |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------|---|--|---|--|---|
| | derive from local taxes and charges, of which local governments have the power to determine the rate | local taxes, fees and preferences on them according to the Constitution (article 95), Law on FEBLSG (article 1). The range of the taxes is set in the Tax Code but within that range local councils have flexibility to set rates. | | | |
| Art. 9.4 | Financial system of local authority resources should be sufficiently diversified and buoyant to keep pace with real evolution of cost of carrying out their tasks | X LSG budgets are assigned local taxes (local taxes can be shared between LSG and subnational budgets), shares of general state taxes, non-tax revenues and also receive equalization and categorical grants from republican budget. However the upper level of government decides on sharing arrangement on local and general state taxes and on the amount of negative transfer. | √ LSG budgets are assigned local taxes, which are not a shared, shares of general state taxes, non-tax revenues and also receive equalization and categorical grants from republican budget. | √ Same as previous. However new draft Tax Code approved by Parliament on October 2, 2008 reduced number of local taxes from current 8 to 2. | ≈ Since new Tax Code became effective local-self government financial resources are not diversified as before (only two local taxes left). |
| Art. 9.5 | The protection of financially weaker local authorities calls for the institution of financial equalization procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility. | X Article 55 of the LSG&LSA Law, article 1, 7 of the Law on FEBLSG, article 35 of the BPB Law, Government Resolution on equalization grant calculation formula establish the principles of equalization, but these provisions were not implemented until 2007. Equalization grant amounts for LSGs were determined by the upper level of government without any formal criteria. | √ In an annex to the 2007 Annual Budget Law, equalization grant amounts to each LSG are provided. Amounts of equalization grants were calculated by the formula. The equalization formula was approved by the Government resolution. | √ Same as previous | √ Same as previous |
| Art. 9.6 | Local authorities shall be consulted, in an appropriate manner, on the way in | X Budget legislation does not stipulate any consultations about allocation of | X Same as previous | X Same as previous | ≈ Focus group participants agree that there is no |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------|---|--|---|--|---|
| | which redistributed resources are to be allocated to them. | redistributed resources. | <i>Note: Experts' opinion differs from DLGP evaluation. They agreed that practice differs from legislation, but stated that Kyrgyzstan is in compliance.</i> | | general rule on consultations but they take place on ad hoc basis |
| Art 9.7 | To extent possible, grants to local authorities not to be earmarked to finance specific projects. Provision of grants shall not remove freedom of local authorities to exercise policy discretion in their jurisdiction | X LSGs receive categorical grants to pay teachers' salary and social insurance payments and earmarked transfers for specific purposes or projects (for example to pay increase in teachers salary). Stimulating grants are paid from republican budget to stimulate LSGs to implement projects/ programs important to the state. Poor LSGs also receive equalization grants, which can be used at their discretion. However the upper level of government determines the expenditures of LSGs by setting control figures (ceilings) on expenditures. | ≈ Same as previous with categorical and stimulating grants. Equalization grant amounts to each LSG established by an annex to the 2007 Annual Budget Law are at full discretion of LSGs. <i>Note: Experts also had doubts but majority decided that KR is not in compliance.</i> | ≈ Categorical and stimulating grants can be used only for specific expenses and projects. Equalization grant amounts are at full discretion of LSGs. | ≈ Same as previous |
| Art.9.8 | In order to borrow for investment, local authorities should have access to the national capital market | X The legislation has provisions allowing LSGs to borrow in short and long-term for investment. However in practice LSGs do not borrow because of the weak capital market. | X Same as previous <i>Note: Experts' opinion differs from DLGP evaluation. They thought that both legislation and practice is in compliance.</i> | X Same as previous | X Same as previous |
| Art 10.1 | Entitled in exercise of powers to cooperate with, form consortia with other local authorities to carry out tasks of common interest | √ As stipulated by article 11 of LSG&LSA Law local communities are entitled to create organizations, associations to carry out their rights and interests. Also article 26 of the Law on FEBLSG local self- government bodies may cooperate with state bodies and other local self governments for maintenance of more effective and operative rendering of services to the population and have the right to transfer certain authorities, budgetary | √ Same as previous | √ Same as previous (in new LSG&LSA Law it is Article 12) | √ Same as previous |

| Article | European Charter | Local Government Status in Kyrgyz Republic as of October 1, 2006 | Status as of October 1, 2007 | Status as of October 1, 2008 | Status as of October 1, 2009 |
|----------|---|--|---|---|------------------------------|
| | | resources and other municipal property. | | | |
| Art 10.2 | Right to belong to an association to protect & promote common interests, and to belong to an international association of local authorities | X As stated in comment to article 10.1 legislation does not preclude creating associations but there cannot exist practical implementation of this article while the Agency for Local Self-Government Affairs under the President's Apparatus forces LSGs to be members of its government-run "Association of Municipalities" | X Same as previous <i>Note: Experts' opinion differs from DLGP evaluation. They thought that KR is in compliance.</i> | √ Article 12 of LSG&LSA Law allows creation of such associations. In July 2008, a general meeting of the Association of Municipalities elected a new Chairman of the Association – a mayor, not state official. It is still expected to be influenced by National Agency for Local-Self Government Affairs but leaves a chance to be more independent. | √ Same as previous |
| Art 10.3 | Entitled to cooperate with counterparts in other countries | √ Nothing in the legislation precludes such cooperation with counterparts in other countries. | √ Same as previous | √ Same as previous | √ Same as previous |
| Art 11 | Legal protection: Right of recourse to judicial system to secure the exercise of their powers and respect for principles of LSG enshrined in law | √ Article 97 of the Constitution and article 69 of the LSG&LSA Law provide the right of the local-self government bodies to apply to court protection with regard to violation of their rights. | √ Same as previous | √ Article 97 of the Constitution and article 71 of the LSG&LSA Law provide the right of the local-self government bodies to apply to court protection with regard to violation of their rights. | √ Same as previous |

EXPLANATORY NOTE ON THE YEAR 2 PMP REPORT

Project Outcome 1: Viable Decentralization Framework.

(1) *Number of paragraphs of the European Charter on Local Self-Government met by Kyrgyzstan (of 30 total)*

During the project, DLGP conducted two focus groups to obtain independent assessments of Kyrgyzstan's compliance with the 30 paragraphs of the European Charter on Local Self-Government (ECLSG). The first focus group conducted in April 2008 assessed Kyrgyzstan's compliance as of October 1, 2007 (end of the project's first year). The second focus group conducted in September 2009 assessed Kyrgyzstan's compliance as of October 1, 2009. The first focus group consisted mostly of so-called experts on local self-government, including several academics, representatives from donor agencies and relevant national agencies. The second group consisted mostly of local self-government representatives, thus the reverse of the first focus group. The LSG representatives included both executive heads and council chairs, and came from the North and South of the country and from cities and rural municipalities. Interestingly, the first focus group was much more generous than DLGP program staff in assessing Kyrgyzstan's compliance, while the second focus group's assessment mirrored the assessment of DLGP program staff.

During DLGP, the number of paragraphs with which Kyrgyzstan complies increased from 12 to 17. In earlier years intergovernmental fiscal reform and the passage of the new Local Self-Government and Local State Administration Law contributed to the greater compliance with the Charter principles. Changes brought about by the new Constitution (October 2007) meant that in 2008 Kyrgyzstan was no longer in compliance with the core paragraph 4.2 (*Local authorities shall have full discretion to exercise their initiative with regard to any matter, which is not excluded from their competence nor assigned to any other authority*).

The 2009 focus group stated that with regards to Article 5 (*Changes in local authority boundaries shall not be made without prior consultation of communities concerned*), Kyrgyzstan was now in compliance, taking into consideration that local councils were consulted regarding the merger of their rural municipality with the neighboring city. On the other hand, because the new Tax Code reduced the number of local taxes, the focus group judged that with regards to Article 9.4 (*Financial system of local authority resources should be sufficiently diversified and buoyant to keep pace with real evolution of cost of carrying out their tasks*) Kyrgyzstan was now only somewhat in compliance.

The 2009 focus group judged four articles previous not in compliance to now be somewhat in compliance. These are Articles 4.4, 4.6, 8.3, and 9.6. Article 4.6 is concerned with LSGs being consulted on planning processes and the focus group thought that this is becoming more the rule, particularly when LSGs are proactive in developing their own plan (such as an economic development plan). In fact, there are cases when the plans of higher-level governments incorporated aspects of the LSG plan. Similarly, the focus group stated that Kyrgyzstan is somewhat in compliance with Article 9.6, which is concerned with consultation on redistribution of resources, indicating that such consultations are more *ad hoc* than systematic.

(2) *Percent increase in discretionary expenditures in LSG budgets.*

The targets for all three years were exceeded. The 2006 data (baseline) were taken from the Ministry of Finance website and are according to the plan as actual data disaggregated for local governments were not presented. The actual data for 2007-2009 were taken from the Ministry of Finance. Data on local government discretionary expenditures were calculated by subtracting amounts for categorical and stimulating grants, transferred means and means on teacher salary increase from local government total expenditures. These all represent earmarked expenditures. For 2009 data for 6 months of 2009 were compared with data for 6 months of 2008.

Intermediate Outcome 1: Local governments have more financial autonomy

(1) Percent of partner municipalities that report independence from central and regional authorities in budget development

The indicator estimated increase in budget independence by response to the question “Has the Ministry of Finance interfered in budget development?” In 2006 (baseline) 86% of LSGs responded that Ministry of Finance subdivisions interfered in budget development. After implementation of IGF reforms in 2007 the target for 2007 was far exceeded (21%). According to the survey of DLGP partner municipalities, there was more interference in 2008 and 2009 than in 2007 (35% and 42% respectively), although still much less interference than in 2006 (86%). About one in five cities reported interference, but more than two in five rural municipalities reported interference.

Intermediate Outcome 2: Local governments have clearly delineated functions and authorities

(1) Number/type of LSG responsibilities clarified and delineated (cumulative)

During DLGP there were six local government responsibilities / authorities that were clarified. There were no improvements in 2007. In 2008, the target was exceeded as three responsibilities were clarified in the Local Self-Government Law

- Hire other bodies or organizations to execute LG exclusive functions and authorities, related to providing services to people (Article 19, LSG & LSA Law)
- Hire and fire, transfer to other positions and train staff (Law on Municipal Service and LSG Law, Sub item 4, Item 1, Article 37, Art. 43(10) and Art. 48(8))
- Implement steps for the purpose of economic development in its fellow citizens’ interests, unless this activity fails to comply with the state economic policy (Art. 18(1) of LSG & LSA Law)

In 2009, three additional responsibilities were clarified:

- Independently incur expenditures related to exercising its exclusive functions; (LSG/LSA Law, Budget Principles Law)
- Introduce local taxes and fees (Constitution, Tax Code declares that local councils will have the authority to introduce the property tax as of January 2011)

- Issue regulatory and other acts binding for all legal entities and individuals within their jurisdiction (Law On Regulatory Acts, #241, July 20, 2009)

Progress was made in terms of two other responsibilities:

- Access to information at the State Registry Agency (draft Law On State Registration of Real Property Rights and Transactions with Real Property)
- Establish local government structures (in practice, LSGs have created LED sectors; Parliament and NALSG have publicly stated that they do not oppose this, but what remains to be done is clarify the recommendatory nature of the Model Structure specified by Government Resolution)

Project Outcome 2: Effective and Responsible Local Government.

(1) Percent increase in local own revenues in partner municipalities

Data for 2006-2008 were collected from most DLGP partner municipalities – 17 cities and 131 ayil okmotus (AOs). For 2009, data could only be collected from 13 cities and 37 ayil okmotus (AOs). For 2009 the first 6 months of 2009 data were compared to the first six months of 2008 data.

The results show significant own revenue increases for 2007 and 2008, exceeding the target in both years. Own revenues, which are comprised of tax and non-tax revenues, increased in 2007 because of improved collection efforts as well as an improved distribution of revenue sources. The increase in 2008 can be explained by improved collection alone. In 2009 own revenue in cities continued growing and exceeded the target (26%), while in AOs the own revenues remained almost at the 2008 level (0.2%). It should be noted that an increase of 4% in AO tax revenues was outweighed by a 12% decrease in AO non-tax revenues.

(2) Percent of citizens in partner municipalities who say their local government is open and responsive to the public

Data were collected from the Citizen Survey conducted in all 25 cities. The result is response to the survey question: “How open, in your opinion, are local government officials to the public in terms of their activity?” When looking at the average results for all 25 cities, 2008 and 2009 (11%) are not significantly different from the result for 2007 (12%). In 2006, when the survey response was “very open” (later was changed to “open”), only 4% of citizens responded positively.

If the responses of “open” and “somewhat open” are combined, the responses also show a positive trend. In 2006, one in three (32%) citizens said that their local government officials were “very open” or “somewhat open.” In later years, close to one in two citizens said that their local government officials were “open” or “somewhat open.” (Openness was highest in 2007 (51%); in 2008 and 2009, the combined responses for “open: and “somewhat open” were 49% and 48% respectively.)

In 2006, 30% of citizens said that their local government officials were “somewhat closed” and 18% said they were “very closed.” In later years, when the response was simply “closed”

the share reduced each year, from 27% (2007) to 26% (2008), to 24% (2009). Thus, in 2009 half as many citizens said that their local government officials were closed compared to 2006.

The survey results, however, are skewed by the increase in the response “difficult to answer” in many cities; in 2009 in Talas 63% of the sample said it was “difficult to answer” this question. The table below reflects results for the 17 cities where in 2006 and 2009 less than one-third responses were “difficult to answer.” In these cities, the positive trend shows more clearly. In 15 of the 17 cities (all but Kyzylkiya and Uzgen), there was an increase in the share of citizens stating that their local government officials were open. On average, the share of citizens stating that their local government officials were open increased 23 percentage points. In 16 of the 17 cities (all but Kochkorata), there was a marked decreased in the share of citizens stating that their local government were closed. On average, the share of citizens stating that their local government officials were closed decreased 25 percentage points.

| Change (increase/decrease in percentage points) in responses to the question “How open, in your opinion, are local government officials to the public in terms of their activity?” from 2006 to 2009 | | | |
|---|--------------|---------------|----------------------------|
| City | Open* | Closed | Difficult to answer |
| Tokmok | 53% | -40% | -13% |
| Shopokov | 51% | -38% | -13% |
| Karakol | 39% | -31% | -8% |
| Karakul | 34% | -35% | 1% |
| Tash-Kumyr | 31% | -34% | 3% |
| MailuSuu | 30% | -32% | 2% |
| Karabalta | 26% | -25% | -1 |
| Cholpon-Ata | 26% | -35% | 9% |
| Osh | 23% | -21% | -3% |
| Kerben | 18% | -6% | -12% |
| Jalalabad | 16% | -23% | 5 |
| Karasuu | 16% | -26% | 10% |
| Bishkek | 13% | -18% | 4 |
| Kochkorata | 3% | 8% | -11% |
| Kokjangak | 2% | -10% | 8% |
| Kyzylkiya | -1% | -4% | 5% |
| Uzgen | -6% | -10% | 16% |
| Average | 23% | -25% | 1% |

* Combined responses “very open” and “somewhat open” in 2006 and “open” and “somewhat open” in 2009.

** Combined responses “very closed” and “somewhat closed” in 2006 and “closed” in 2009.

Yet another way to look at the results is seeing how many cities had more than half of their citizens stating that their local government officials are open or somewhat open. In 2006, there was only one city (Uzgen) with this degree of openness. In 2009 there were 10 cities with this degree of openness. In 2009 in Karakul and Tokmok, the ratios of citizens stating that their local government officials are open (or somewhat open), compared to “closed” is 6 to 1 and 5 to 1 respectively.

These results are further confirmed by another survey question that probed if citizens are satisfied or more or less satisfied with information provided about local government activities. This has increased from 29% in 2006 to 59% in 2007, 60% in 2008 and 63% in 2009. Although the two questions are related, the first may be more of a subjective measure,

while the second may be more directly related to efforts made by local government to provide information to their citizens.

Intermediate Outcome 1: Municipal management capacity is improved

(1) Percent annual increase in revenue collected from municipal property in partner municipalities

Data were collected from DLGP partner municipalities – 17 cities and 131 ayil okmotus (AOs) in previous years and 13 cities and 37 AOs in 2009. The first 6 months of 2009 data were compared to data from the first six months of 2008. Other percent increases compare annual budget data. This indicator aggregates revenues from municipal property sales and rent, as well as rent of the land from the Land Redistribution Fund (LRF), which is under municipal management. There were large increases in both 2007 and 2008. In 2009, there was a decrease in revenues in both cities and rural municipalities. The decrease of 29% in cities in 2009 (compared to 2008 revenues) was driven by a decrease of 47% in sales of municipal property. Revenues from the rent of municipal property and LRF land in cities increased by 64% during the first 6 months of 2009. This is a positive development that cities are continuing to generate **additional recurring revenues**, as opposed to relying on one-time revenues from sale of property and land. In rural municipalities the decrease in revenues was driven by the decrease of 18% in the revenues from rent of LRF land. Revenues from rent of municipal property increased by 82% and sale of municipal property by 2%. Although neither cities nor rural municipalities met the 2009 target, closer examination of the data shows that both increased revenues from rent of municipal property. One of the aims of the project was to demonstrate to LSGs that they should formalize all municipal property use agreements through contracts and charge rent if appropriate. To this end, there has been significant progress, particularly on the part of cities.

(2) Percent of partner municipalities implementing mechanisms to improve management practices (by type)

DLGP did not meet the (ambitious) indicator “% of partner municipalities that are distributing budget-in-briefs of draft budget to citizens,” but there was significant improvement, in particular among rural municipalities, during the life of the project. Among cities, the percent distributing a budget-in-brief increased from 56% to 76%. Among rural municipalities, the percent increased more than three-fold from 22% to 67%.

The indicator % of partner municipalities implementing a strategic plan met its goal 100%. All partner municipalities had developed strategic plans under earlier projects and were successfully implementing their plan in the past two years. In addition, twelve pilot municipalities developed economic development strategic plans and 100% of these pilot municipalities were implementing their strategic plan by the end of DLGP.

DLGP met the goal of 100% for the share of partner municipalities with an inventory of municipal assets. At the beginning of the project, only one out of five rural municipalities had an inventory of its municipal assets. Without an inventory, there cannot be effective municipal management, thus this is a critical first step in improving municipal property management.

DLGP met its goal for cities (100%) having a designated public information specialist, but slightly missed its goal for rural municipalities, achieving this in only 84% of its partners. This can be explained mostly by the fact that DLGP somewhat changed the composition of its rural municipal partners at the beginning of Year 3, by removing and adding fifteen rural municipalities (the total number staying the same). The new rural municipal partners had not gone through the extensive training in Years 1 & 2 explaining the importance of having a designated public information specialist. At the beginning of the project, having a designated public information specialist was rare among cities (12%) and almost unheard of in rural municipalities (3%).

Intermediate Outcome 2: Local Governments are open and transparent

(1) % increase in the # of public hearings conducted by partner municipalities (by type)

This indicator responds to a key prerequisite of effective governance—that local governments are willing and able to open their doors to public input and scrutiny. The indicator is the percent increase in the # of public hearings conducted annually by partner municipalities segregated by two types—budget hearings and hearings on topics other than the budget (compared to the baseline of 2006). The number of public budget hearings steadily increased through the life of the project, particularly among rural municipalities.¹

The number of other types of hearings effectively exploded both in cities and rural municipalities. In all of 2006 and 2007, there was only one public hearing on municipal property and six public hearings on municipal land or LRF land among DLGP partner municipalities. In 2008, DLGP partners held 94 hearings on municipal property and 103 hearings on municipal/LRF land. In 2009, DLGP partners held 99 hearings on municipal property and 108 hearings on municipal/LRF land. Other types of hearings were on matters of local significance such as capital investments and capital repair work, co-financing or other donor requirements for receiving grant funds, and socio-economic development programs.

Some of the reported increase in other hearings may be due to the fact that in the first two years DLGP asked partners to specify the types of public hearings they had held by writing in the type. In later years, the DLGP questionnaire had separate boxes for different possible types of hearings, which may have prompted the officials' memories that indeed they had held such a hearing over the past year.

¹ The final numbers for this indicator are substantially higher than those indicated in the project's 2008 Annual Report. This is because the previous indicator data for 2008, which indicated a decrease in the number of public budget hearings, was collected in September of that year, prior to the completion of the budget cycle due to the passage of the new Tax Code and delay in issuance of the Budget Circular. When partners were asked in 2009 for updated data for both 2008 and 2009, the number of reported 2008 PBHs increased substantially due to the number of hearings held between September 2008 and the end of that year.



USAID
FROM THE AMERICAN PEOPLE

KYRGYZ REPUBLIC

SUCCESS STORY

Making a Case for Taxation

(Better education for journalists on the new property tax helps citizens better understand its importance)

USAID's Decentralization and Local Government Program educates mass media representatives on the benefits of the new property tax and ensures the public gets all the facts



“After the press tour, my view on the property tax has changed. Previously, I saw it as an unnecessary burden on the business, but now I see that when the revenue is used to improve local infrastructure then the tax improves the community at large: citizens, businesses, and the local budget” – Larisa Li, Journalist for “My Capital News”

Challenge

Around the world, the property tax is the backbone of local government budgets, but in Kyrgyzstan the property tax was met with opposition from all sides. Confusion over and misperceptions of the property tax spurred the President to call for a moratorium on its introduction until the public would understand its purpose. The main problem was that neither citizens nor businesses made the connection between the taxes they would pay and the services they receive from their local government.

Initiative

To help gain public understanding and acceptance of the new property tax, the USAID Decentralization and Local Government Program (DLGP) organized two press tours for media representatives in both the north and south of the country. The press tours took media representatives to cities and rural municipalities to meet with both local government officials and businesspeople. There, they were able to see what the municipal revenue from the new property tax would turn into: new hospital beds, improved systems for drinking water and sewerage, and road repair, among other important improvements. The businesspeople talked about how they were eager to pay the new property tax, with the understanding it would bring about important infrastructure and service improvements that would allow them to open or expand their business. DLGP also helped 153 local governments in developing their own public information campaigns to ensure their residents would get the message.

Results

Prior to the study tour, journalists were contributing to the populist backlash against the property tax. After being shown how and why the property tax would improve quality of life, journalists published much more balanced articles. Some local governments have begun their public information campaigns by organizing roundtables with the most influential people in the community to gain their support. This has begun to make the once detestable now acceptable, to the benefit of local government budgets, citizens and businesses.

September 2009



USAID
FROM THE AMERICAN PEOPLE

KYRGYZ REPUBLIC

SUCCESS STORY

Information at the Speed of Light

(An electronic database helps local governments modernize administrative procedures and tax administration)

USAID's Decentralization and Local Government Program helps streamline local governments' administrative procedures and more quickly meet citizens' needs



“Since I need to update my livestock data four times a month before going to the local market, the long process of getting certificates of sale from the local government really inhibited my business. Now with Berkut, everything is much faster and my business runs much smoother.” – **Azamat Asanaliev, Resident of Luxemburg and Livestock Trader**

Challenge

Mira Jamankulova, municipal secretary of Luxemburg rural municipality, used to spend endless hours turning the pages of one of her 39 ledgers. Since her job was to manage information about the municipality's residents and their land and livestock, her ability to find and provide this information in a timely fashion was critical for facilitating the community's daily business. Even something as simple as selling a cow would be drawn out by the time required to change the property ledger, inhibiting business and leading to black market transactions.

Initiative

To address this inefficient and error-prone process, the USAID Decentralization and Local Government Program (DLGP) trained 21 rural municipalities in how to use the electronic database Berkut. Not only does Berkut make it possible to issue forms quickly to residents; a second module used by the municipal finance department calculates local taxes representing 60% of own revenues in a typical rural municipality. Using Berkut, local governments have updated their tax base data and made it more complete, thus contributing to improved revenue collections. Also, the finance department can easily track arrears; when a resident comes for a form, the municipal secretary can check whether he has paid his taxes.

Results

Life in Luxemburg has changed significantly since Berkut was installed. Obtaining data that once took hours or days now happens in minutes, making business transactions much easier. In other rural municipalities where 100 paper ledgers have been combined into Berkut's single electronic database, the effect is even greater. Much less time is required for providing data, issuing forms and calculating tax obligations; the potential for human error is greatly decreased, and transparency has increased as a taxpayer can receive a print-out explaining how his tax bill was calculated. The overall result is local governments are more cost effective in gathering the revenues they need to function properly and deliver services to citizens.

September 2009



SUCCESS STORY

Better History, Better Future

(A Kyrgyz city invests in preserving and restoring its unique history in order to improve its economic future)

USAID's Decentralization and Local Government Program helps a city understand and build on its strengths to develop a stronger tourism sector



"It's amazing that Karakol is on the way to renovate its historical streets. These are just the kinds of sites that tourists want to see – I will definitely be bringing more people here." – Tourist Guide from Kazakhstan

Challenge

Karakol, a historical city located on the far eastern tip of the Kyrgyz Republic's scenic Issyk-Kul Lake, is often overlooked by the multitude of tourists who come to the region every year, with most stopping at one of the many resorts to the west of the city. With tourism a major industry in the region, city leaders had been looking to find ways to make Karakol stand out as a tourist destination. Though the city contains Kyrgyzstan's best examples of 19th century architecture, most historical buildings had fallen into disrepair and some had even been demolished to make way for newer buildings.

Initiative

Community leaders from Karakol's government, business, and non-profit sectors worked with USAID's Decentralization and Local Government Program (DLGP) to develop a strategic local economic development plan. Working with DLGP, city leaders launched various initiatives to protect historical sites and develop tourism. They also won an in-kind grant from DLGP to help restore a historical street and the surrounding buildings as a demonstration of how the city's history could help attract tourists.

Results

Due to the city's intensive work with DLGP, preservation of its history and the development of its tourism sector has begun. The renovation of the city's historical street has been completed, and was unveiled at the celebration of the region's 70th anniversary, which was held in Karakol. Many citizens present at the ceremony were impressed, remarking that they were very pleased that their city now had a nice public place that they could feel proud of and visit with their families. Karakol has also established an Association of Tourist Service Providers, to help organize joint activities to promote tourism. And city and regional officials have helped attract almost \$4.8 million for improvements on a ski resort near the city. With a plan in place and the first significant steps taken, Karakol is now well on the road towards expanding its tourism sector, growing its economy, and improving the quality of life for all its citizens.

September 2009