

# Kazakhstan and Kyrgyzstan Assessment of Local Government Programs and Opportunities

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## FINAL REPORT

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# Executive Summary

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Over the past several years the United States Agency for International Development (USAID) Central Asia Region (CAR) Mission has carried out a number of local government programs in Kazakhstan and Kyrgyzstan. These programs have sought to support economic and political reforms and encourage fiscal and programmatic decentralization by the two governments. The CAR Mission has seen the need to assess the impact of these programs and identify new opportunities in this sector. Further assessment is needed to determine if there is duplication, overlap, or potential to merge components of the strategic objective framework for more focused and effective implementation of USAID's governance and democracy programs.

The CAR Mission issued a task order to ARD, Inc. to provide a three-person team to carry out this assessment. The Statement of Work focused on three principal areas:

- Direct impacts on local governments receiving assistance under the various contracts and the long-term institutionalization of these activities;
- Improvements of the intergovernmental finance and budgeting system; and
- Evaluation of the relationships between and among the various strategic objectives (SO) dealing with local government programs and possible options for merging some part of them.

The Assessment Team developed a work plan and methodology for this assignment. The team reviewed the contracts, work plans, and reports of the three implementing contractors of the relevant Mission programs: the Urban Institute (UI), International City/County Management Association (ICMA), and the Barents Group. The assessment methodology was based on interviews and roundtable sessions with USAID and contractor staff, program clients, and other national and local government officials. This provided the necessary information to determine the impacts of the training and technical assistance, and what opportunities exist for continuing or expanding support.

This report is organized as follows:

- Section 1.0: Introduction
- Section 2.0: Local Government Program Impacts and Opportunities
- Section 3.0: Strategic Objectives Assessment
- Section 4.0: Status of Commitment to Decentralization
- Section 5.0: Local Government Elections

This Executive Summary focuses on the main findings and recommendations of the assessment. Section 1.0 summarizes the assessment objectives and methodology. Section 2.0 presents findings concerning the impacts of the various programs under review. Section 3.0 focuses on an analysis of Strategic Objectives (SOs) and Intermediate Results (IRs) with recommendations for actions the Mission could envision to revise the program structure. Sections 4.0 and 5.0 summarize the team's findings regarding the political will for

decentralization reforms and observations on the integrity of local elections in Kazakhstan and Kyrgyzstan.

## **Local Government Program Impacts and Opportunities**

### ***ICMA-Kazakhstan***

The Assessment Team looked at three primary areas of the program carried out by the International City-County Management Association (ICMA). These included:

- Community-Based Economic Development;
- Organizational and Functional Analysis; and
- Program Budgeting.

The Economic Development Councils in the target areas found that the process they are following has begun to make people in the area take more responsibility for their own future. Further work in community-based economic development should be undertaken by USAID. The model for this work should be used by the Regional Training Centers (RTCs) in oblasts throughout the country, and constitutes an excellent opportunity for further USAID assistance.

A second part of ICMA's approach involves organizational and functional analysis (OFA). The approach was used to analyze the mandated functions and operations of the Health and Education Departments in the Pavlodar Oblast to explore which of these could be devolved to lower levels of government. The analysis was done in an interactive way with the departments' personnel. As a result of this exercise, some functions have been transferred to lower levels of government.

This effort helped inform the debate on governmental decentralization in Pavlodar Oblast and has implications for decentralization throughout the entire country. The Deputy Akim of Pavlodar Oblast would like to see more such analyses done in other departments. This is an opportunity where further USAID assistance can support additional movement towards decentralization.

A third part of ICMA's approach involves Program Budgeting. Pavlodar was the first oblast in Kazakhstan to do a program budget. The program budgeting process revealed budget shortfalls in certain areas and resulted in the devolution of some fire and public safety functions to lower levels of government, with corresponding fiscal allocations to perform them. The program budgeting process has great potential for identifying other functions that can be devolved to lower levels of government.

The integrated package of community-based economic development, organizational and functional analysis, and program budgeting represents an effective model for regional development in Kazakhstan, and perhaps other countries of Central Asia.

### ***Barents Group - Kazakhstan***

The Barents Group focuses on five programmatic areas under its program in Kazakhstan: tax code, tax administration, fiscal analysis, budget reform, and intergovernmental finance. The impacts in the first four areas have been substantial, and Barents' technical reports, training, and capacity-building activities have all been well received.

Based on interviews with members of Parliament and staff within the Ministry of Finance, two opportunities are expected to emerge in the coming months. These involve intergovernmental finance and decentralization, and the longer-term issue of joint-stock companies and ownership of these enterprises. Decentralization and intergovernmental finance are at the top of the policy agenda both for Government and Parliament. The President has appointed a commission to address these issues and prepare a report to be completed by April 1, 2002. This represents an important strategic opportunity for USAID, where Barents and ICMA could both play leading roles. Additional technical assistance and study tours could contribute to the development of decentralization and intergovernmental finance systems.

### ***Urban Institute-Kyrgyzstan***

The Assessment Team reviewed the Urban Institute's (UI) program in Kyrgyzstan, in particular in the area of condominium association development, support to the Association of Cities, budget hearings, and the Financial Information System (FIS).

The condominium association work has resulted in an association comprised currently of 18 of Bishkek's 50 condominiums. These 18 represent about 6,000 owner-occupied apartment units. The membership in the association is growing at a rate of two to three condominiums per month.

The condominium association is linking with other associations in the country, such as the Association of Cities, the Association of Accountants and Auditors, and various other NGOs. These linkages represent a nascent coalition of economic interest groups in Kyrgyzstan with important potential for providing "bottom-up" pressure for continued decentralization.

The Association of Cities was formed one year ago with the help of UI. The association's objectives include representing the interests of cities to higher levels of government, developing a legislative reform and advocacy agenda, providing training for city officials, and disseminating information to member cities. An active, unified voice for cities is needed in a decentralized government structure. This association is poised to provide that voice. An opportunity exists for USAID to provide ongoing assistance to the Association to ensure its sustainability and enhance its effectiveness as a voice and an advocate for cities throughout the country.

UI has aided local governments in conducting 13 public budget hearings that are becoming the norm in Kyrgyzstan. Recently, the President issued a decree that public hearings be held

on the budget before adoption. The fact that citizens now expect public hearings is a positive result of the UI assistance.

The Financial Information System (FIS) component aids cities in capturing and reporting their financial information. The current FIS allows local governments to aggregate and report financial information quarterly, and it is beginning to be required by some of the local elected bodies.

### ***Barents Group - Kyrgyzstan***

The Barents Group project in Kyrgyzstan has had significant impact in the areas of budget reform through the introduction of program budgeting and the development of a budget code defining the budget process. Another important impact has been the development of a program savings option that allows for reallocation of 20 percent of the lowest priority funds within an individual ministry budget. The advice and support in the areas of tax code development with VAT/Customs, VAT refund, and recommendations on tax policy for SMEs have also been important. Another related area that should receive significant technical assistance involves implementation of the property tax for local governments.

## **Strategic Objectives Assessment**

### ***Conclusions***

Based on field analysis, document review, and interviews, the Assessment Team has concluded that:

- Effective coordination between contractors and grantees working with fiscal, local governance, and democracy issues is limited. This strongly impacts upon the overall effectiveness of USAID/CAR's Local Governance and Democracy programs.
- USAID's DG strategy is currently 'stovepiped' in part because of the mechanism of its various SOs. Because the Strategic Objectives are stovepiped, partners' programs, in turn, also become stovepiped.
- SOs 1.2, 2.1, and 2.3 that collectively constitute USAID/CAR's democracy and local governance program should be seen as three legs of a stool, or the interlocking components of an arch. Properly assembled, they could reinforce one another.
- USAID's partners have a fragmented view of the Mission's vision for local governance and democracy in CAR. Typically, partners see their worlds through the prism of a single strategic objective. While most partners formally work under the framework of one SO, they actually carry out work under other SOs that is not reported to USAID or internalized in their thinking and operations.
- Based on the Mission's present configuration of SOs, the Assessment Team concludes that USAID/CAR is currently getting more impact from SOs 1.2 and 2.3 than it is from

SO 2.1. Strategic Objective 2.1 is particularly fragmented, perhaps because of the multiplicity of its implementing partners. If it were reengineered, SO 2.1 *might* represent a potential bridging mechanism to help span the differences between SO 1.2 and 2.3, to link together USAID's overall Governance and Democracy Program.

- Partners have carried out substantial experimentation with their individual programs over the past several years. These activities are starting to produce significant results. However, most contractors and grantees report on activities, rather than on impacts and results.
- Important lessons from partners' pilot activities or models are not being fully internalized by individual stakeholders, or shared among partners. One such model that seems particularly effective has been developed by ICMA for Pavlodar Oblast. The model could have utility for other oblasts in Kazakhstan as well as in Kyrgyzstan.

### ***Recommendations***

USAID needs to create new mechanisms to link together program objectives that unite SO 1.2 with SOs 2.1 and 2.3. One mechanism might involve a Personal Services Contractor to oversee the work of the relevant contractors and grantees. USAID should also consider holding one or more strategic planning workshops for partners and stakeholders.

SO 2.1 represents one area where USAID can change its approach. A revised program for SO 2.1 could link together several components. These should include (i) a capacity to strengthen economic interest groups, (ii) a substantial public media and communications component, (iii) development of a social science research capacity, and (iv) development of a polling and survey capacity. Linking together these four functions could lay the groundwork for a more effective DG strategy.

Several partners have developed models that deserve broader replication and dissemination. USAID and its partners should (i) look for multiplier approaches that allow partners' strategies to become more widely known; (ii) jointly develop outreach strategies that publicize partners' successes in different sectors, using video documentaries that can be widely disseminated; and (iii) seek ways to build a broad-based constituency for local governance and democracy-related reforms, working from the bottom as well as the top.

### **Status of Commitment to Decentralization**

#### ***Kazakhstan***

The effort to decentralize both programmatic functions and fiscal capacity has languished for most of the past decade. However, recent events indicate that decentralization has emerged as a high priority for the Government and Parliament to address in the next year. A Presidential speech of September 3, 2001 contained some encouraging remarks suggesting that Government wanted "gradual decentralization of state management, [to] improve the mechanisms of elections, and further development of political parties and institutions of civil

society.” This has been followed up with the creation of a State Commission on Decentralization of State Functions and Inter-budgetary Relations. The Commission is composed of high-level officials including the Deputy Prime Minister, plus other ministerial and oblast-level officials. The Commission is scheduled to complete its work by April 1, 2002. This represents a major opportunity for USAID’s assistance to encourage and promote decentralization in ways that were not previously possible.

### ***Kyrgyzstan***

At both national and local levels, Kyrgyzstan is currently showing a definite commitment to implement framework laws that are needed for a decentralized system. At the present time, Parliament is considering laws on local self-government and communal property. Soon the Government may propose a law on property tax for local governments. Pressure to enact these laws comes as result of a presidential commitment to decentralization, and the forthcoming election of local officials at the village and city level. Cities need power and authority, coupled with a clear assignment of responsibilities in order to meet the expectations of local constituents. If the local elections and the enactment of these laws are successful, Kyrgyzstan will have many of the necessary prerequisites for a decentralized system of government.

### **Local Government Elections**

#### ***Kazakhstan***

The election law and recent elections of rural akims have not received international acceptance. The results are not regarded as free, fair, or transparent. In comparison with the development of local elections in the transition countries of Central and Eastern Europe, the utility of electing these officials on a “pilot” basis to determine if further elections are appropriate seems implausible.

When questioned about the opportunity for further elections of all akims, the chairperson of the Parliament Committee on Economics, Finance and Budget indicated that Kazakhstan is a unitary government with Presidential powers as the main source of authority. A senior-level Ministry of Finance official who was interviewed was not able to indicate the criteria by which the “pilot” elections would be determined to have been successful. He added that only after the akims had received some budget authority would they have the capacity they needed. As a consequence, the prospect for electing local officials does not seem very good at this point.

However, substantial debate has begun on this issue. The process may be accelerated by working primarily at the oblast level, where there is some potential for applying bottom-up pressure through reformist maslikhats and akims, and local government associations.

## ***Kyrgyzstan***

In contrast to the situation in Kazakhstan, Kyrgyzstan is showing positive signs with the passage of an election law and the election of mayors in 458 villages and 12 cities. A pilot election was held earlier in the year that severely limited those who were eligible to run for the position of mayor. Through pressure from both national and international organizations, these limitations were eliminated for the elections held on December 16, 2001. These later elections allow more candidates to run for the position of mayor, and should provide for more competitive, open, and fair elections. It is commendable that Kyrgyzstan is willing to elect officials at the local levels of government through a fair and open electoral system. It will be important to monitor election results closely, however, to see that present positive signs are confirmed in the actual elections.

# 1.0 Introduction

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The countries served by the United States Agency for International Development (USAID) Central Asia Region (CAR) Mission are at an important turning point in their development. Renewed emphasis is now being directed toward these countries in order to facilitate their further transition from communism to stable democratic systems.

Over the past several years the CAR Mission developed its Strategic Objectives (SOs) and Intermediate Results (IRs) to encourage national-level governments to initiate economic reforms and carry out political changes. Differences among these countries have made a uniform approach impractical. For this reason, the CAR Mission has tailored its programs and projects to meet different conditions in these countries, as shown in its Assistance Strategy for Central Asia 2001-2005. The Mission also understands that the historical, cultural, and economic conditions of the region make it difficult to duplicate approaches that have successfully been used in local government programs in the countries of Central and Eastern Europe (CEE).

Today there is a need to assess the impact of the Mission's local government programs in Kazakhstan and Kyrgyzstan, and to explore program options that will have the greatest potential to:

- Further fiscal decentralization;
- Increase the capacity and authority of local governments; and
- Support the development of more decentralized systems of government.

To carry out this assessment, USAID issued a task order to ARD, Inc. under the Governance - Decentralization, Participatory Government and Public Management IQC to review the impact of the Mission's local government programs and provide advice and recommendations for future activities.

## 1.1 Objectives

The assessment Statement of Work cites two major objectives:

- Determine the impact of USAID programs in the areas of local government and intergovernmental finance in Kazakhstan and Kyrgyzstan; and
- Make recommendations to USAID regarding future programming.

Furthermore, three principal focus areas emerge from this Statement of Work. These include:

- Direct impacts on local governments receiving assistance under the various contracts and the long-term institutionalization of these activities;
- Improvements of the intergovernmental finance and budgeting system; and

- Evaluation of relationships between or among USAID’s various strategic objectives dealing with local government, and possible options for merging some part of these SOs.

The Assessment Team looked at how the strategic objective framework presently relates to the ongoing local government programs. The framework includes:

- SO 1.2: Increased Soundness of Tax and Budget Policies and Administration, including:
  - IR 1.2.1: Improved tax code and implementation of the code;
  - IR 1.2.2: Improved budget development and execution;
  - IR 1.2.3: Improved intergovernmental finance.
- SO 2.1: Strengthened Democratic Culture Among Citizens and Targeted Institutions, including:
  - IR 2.1.1 Stronger and more sustainable civic organizations;
  - IR 2.1.2: Increased availability of information on civic rights and domestic public issues; and
  - IR 2.1.3: Enhanced opportunities for citizen participation in governance.
- SO 2.3 More Effective, Responsive and Accountable Local Governance, including:
  - IR 2.3.1: Introduction of Democratic Practices
  - IR 2.3.2: Increased Local Government Capacity
  - IR 2.3.3: Increased Local Government Authority

This assessment provides an opportunity to review the appropriateness of these SOs and IRs, to determine whether they should be maintained as they are presently constituted, or if they should be merged to provide more focused direction for assistance.

In conducting its work, the Assessment Team also considered the three local government principles prepared by the USAID/CAR Mission. These include:

- *Accountability of the Executive to the Electorate*

This principle encourages elected and appointed officials to understand that they are directly responsible to the citizens, and that they can be held accountable through public processes such as public hearings, public information dissemination, media sources, and ultimately by the direct election of local councils and executive officials.

- *Delineation of Appropriate Roles and Responsibilities*

A democratic system has clear assignments of authority, and tax and expenditure decision-making processes, as well as methods for coordinating such overlapping functional areas. Such work is done through laws on local government power and authority, appropriate budget and tax laws, and through the intergovernmental finance system.

- *Budgeting Authority and Financial Resources Adequate to Meet Responsibilities*

Local governments meet their roles and responsibilities and respond to the wishes of the local electorate for services when budget and tax-raising decisions are fully under their control. This requires that local authorities should not be overly constrained in the sources of revenues available to them and that systems permit them opportunities to raise revenue to the level that local taxpayers will support.

The Assessment Team has considered all of these principles in developing its methodology, establishing its findings, and formulating its recommendations – all of which are described in the following sections.

## **1.2 Methodology**

The team's assessment methodology is briefly summarized below.

In preparation for the team's field visit to Central Asia, extensive preparations were initiated in Washington, DC. This involved collecting materials such as contracts, work plans, and reports for the three main contractors involved in the local government and intergovernmental finance activities in Kazakhstan and Kyrgyzstan. Interviews were conducted with USAID officials and with contractor/grantee personnel where available. When contractor/grantee personnel were not available for interviews, email contact was made to receive reports and information. This work was carried out during the week of October 15-20, 2001 in Washington, DC.

A field visit was conducted to Kazakhstan and Kyrgyzstan from October 22 to November 10. During this period, interviews were conducted with Glen Anders (the USAID Regional Mission Director for Central Asia), Susan Fritz (the current CTO for the International City/County Management Association {ICMA} and Urban Institute {UI} contracts), and Lewis Tatem (the current CTO for the KPMG-Barents contract.) These three organizations have primary responsibility for the local government and intergovernmental finance programs in both countries.

The Assessment Team also visited contractors' offices and interviewed staff in Almaty, Astana, and Pavlodar in Kazakhstan, and Bishkek and Tokmok in Kyrgyzstan to collect additional information and reports. Visits were also made to local officials and organizations receiving assistance as well as to those involved in the provision of training and technical assistance. The cooperation and support provided by these organizations and individuals has contributed substantially to the development of this report.

## **1.3 Report Content**

Following this introductory section, Section 2.0 examines the impact of local government activities conducted by the three contractors, UI, ICMA, and KPMG-Barents. Section 3.0 focuses on USAID/CAR Mission concerns about the structure and number of its SOs and IRs and their relationship to the ongoing programs being implemented by the three contracting organizations in the two countries. Section 4.0 addresses the issue of political will and

commitment to functional and fiscal decentralization in Kyrgyzstan and Kazakhstan and compares them with the CEE countries that have undergone a similar transition while receiving USAID assistance over the past decade. Section 5.0 reviews the situation with respect to local elections and the prospects for locally elected officials to become more responsive to their constituents. The recent elections in Kazakhstan and Kyrgyzstan are assessed, based in part on international standards and reports by international observers.

## **2.0 Local Government Program Impacts and Opportunities**

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The International City/County Management Association (ICMA), The Urban Institute (UI), and the Barents Group are the three principal contractors implementing programs that address USAID SOs 1.2, 2.1, and 2.3. ICMA and UI are carrying out the local government program in Kazakhstan and Kyrgyzstan, respectively, while the Barents Group is working in fiscal decentralization in both countries. The ICMA and UI scopes of work focus on the following activity arenas:

- Developing, disseminating, and institutionalizing good local practices;
- Improving the governance skills of local officials;
- Increasing the role of local officials;
- Improving the management skills of local officials;
- Increasing the capacity of resident-controlled housing associations;
- Decentralizing responsibilities and authorities to local governments;
- Establishing more reliable and locally controlled sources of revenue; and
- Developing more effective local government associations.

### **2.1 Relationship of Strategic Objectives, Intermediate Results, Work Plans, and Results**

Many of the activities undertaken by the various contractors directly and indirectly address several of the strategic objectives and intermediate results of the USAID strategic objective framework. There are many interrelationships between and among these projects, however, and the Assessment Team believes, as a general rule, that the contractors are not recognizing these interrelationships and coordinating their various activities to enhance the achievement of mutually reinforcing objectives.

In reviewing the work plans and the monthly reports of all contractors, the Assessment Team found that there is an across-the-board absence of focus on results. For the most part, reports focus on descriptions of activities and outputs (e.g., meetings held, workshops conducted). More emphasis should be placed on impact and results and less on reporting of activities.

### **2.2 ICMA Pilot Municipalities Strategy - Kazakhstan**

In reviewing ICMA's work plan, the Assessment Team focused on three primary activities, as follows:

- Community-Based Economic Development;
- Organizational and Functional Analysis; and
- Program Budgeting.

### **2.2.1 Community-Based Economic Development**

ICMA has two primary community-based economic development activities underway, both located in Pavlodar Oblast. These activities are being carried out in Bayan Aul and Ekibastus. The Assessment Team visited with representatives of both communities while in Pavlodar. ICMA works with representatives of both communities to assist them in establishing a Coordinating Council to manage their economic development efforts. ICMA assists the Coordinating Council to determine priorities and formulate action plans to address them. In addition, a study tour to Bulgaria was organized to look at community-based economic development initiatives. This trip appears to have been beneficial to both groups and therefore a good use of project funds.

The economic development initiative in Bayan Aul is focused on tourism. The Coordinating Council is aggressively pursuing this initiative. ICMA should continue to work with Bayan Aul, aiding them to create an NGO in order to continue the effort.

The economic development activities in Ekibastus has three areas of focus:

- Developing SMEs that support larger industries in the area;
- Agribusiness and agricultural zone development; and
- Leisure, social development, culture, and youth.

Ekibastus plans to use the electric power-generating facilities in the area as well as the coal extraction industry and the resulting inexpensive power as a lever to attract additional business and industry. The city has created an Entrepreneurs Association as a part of their economic development efforts. ICMA should continue its efforts to support the development of this group.

The Assessment Team also recommends that further work be done to create demand for similar economic development efforts in other communities throughout the country. Expansion of this kind of activity could benefit from preparing and disseminating documentation on successful economic development efforts. Lessons from the two ongoing efforts could be documented in videos and other media to create demand for further activities of this type. ICMA's Regional Training Centers are another mechanism for publicizing successful local economic development initiatives.

In roundtable discussions with both of the Economic Development Coordinating Councils, some recurring themes emerged. One was that both groups felt that the entire process and experience had been beneficial to the community as well as to them personally. The process helped communities focus on their strengths and comparative advantages. Both groups mentioned a noticeable change in the attitude of the participants and the community at large. One roundtable participant said that more and more people in her community are feeling that it is up to them to make positive changes in the community and not to wait for someone else to do it. Participants also mentioned that they learned a new way to arrive at decisions through consensus building. Such attitudinal changes appear to be among the most important results of ICMA's community-based economic development activities.

In a meeting with Mr. Ospanov, the Pavlodar Oblast Deputy Akim, he mentioned that he supported the community-based economic development program. He felt that the program helps residents focus on improving their own condition. As he described it, “People begin to view their roles differently. They begin to see how they can influence the process and the outcome.”

### **2.2.2 Organizational and Functional Analysis**

An ICMA short-term advisor conducted an organizational and functional analysis (OFA) of the Health and Education departments of Pavlodar Oblast and issued a report in September 2001. This report will be used in the ongoing decentralization dialogue at the central government level in Astana. The process was an interactive method involving representatives of both departments to discuss and “flow chart” the functions, activities, and responsibilities of each department. Much of the discussion centered around which level of government should have the responsibility for delivering which service. This exercise has had an impact on Pavlodar Oblast’s government as described below. The organizational changes in the health area has drawn the attention of the Minister of Health who sent representatives to learn more about what has been done in Pavlodar.

#### **Program Results**

The Assessment Team spoke with representatives of the Education and Health Departments while in Pavlodar. Mr. Silkin, the Education Department’s representative, shared the following results of the OFA with the Assessment Team:

- Clearer determination of each department’s vision, mandate, and improvement objectives; and
- Provision of tools for planning, analysis, and forecasting to be done by the department.

The Assessment Team also met with the head of the Health Department, Ludmila Kazakova. She felt that working with the OFA effort had been beneficial and that the healthcare system was undergoing reforms as a result. The department had a more centralized structure before the analysis. Now the department is discussing what healthcare functions can be devolved to lower levels of the oblast government. Functions under consideration include:

- Hiring managers of local facilities;
- Approving cost estimates for acquisition of local facilities; and
- Approving employee pay and performance bonuses.

The Health Department is also using program budgeting in their department for the first time this year. The budget is modeled after the Pavlodar Oblast’s budget.

#### **Program Opportunities**

The OFA is a starting point for the development of a model for decentralization of functions between the central and subnational governments within Kazakhstan. It has linkages to other projects undertaken by USAID contractors such as program budgeting and community-based

economic development. The potential synergies among these program areas are a powerful combination that USAID should exploit more fully.

The OFA should be discussed as part of the national-level dialogue with the recently created State Commission on Decentralization, encouraging them to adopt this tool in the decentralization effort. USAID should ensure that lessons learned from the OFA is disseminated throughout the entire country as a “best practice.” A video explaining the process and demonstrating results achieved would be a good method of dissemination. The method should also be documented and captured in a training module that could be used by the Regional Training Centers (RTCs) across the country. The newly formed League of Trainers as well could be trained in the OFA methodology.

### **2.2.3 Program Budgeting**

As a result of the study tours to the U.S. by key members of the Pavlodar Oblast, the idea of program budgeting in the Pavlodar Oblast took root. Following the tour, the Pavlodar Oblast staff prepared a program budget, the first of its kind in Kazakhstan. The Assessment Team was impressed with the quality of this document. Program budgeting should become a part of the Pavlodar model and incorporated therein for enhanced nationwide impact.

#### **Program Results**

In a meeting with the Pavlodar Oblast Deputy Akim, Mr. Ospanov, the Assessment Team discussed the Oblast’s program budget and received from him the following comments and observations:

- The old method of budgeting did not give any detail justifying requested allocations.
- The new program budgeting provides greater detail supporting why money is needed and the expected results from planned expenditures.
- The Agricultural Department presented an excellent program budget and, as a result, received more money than they would have under the old budgeting system.
- Some problem areas were also revealed as a result of program budgeting (e.g., budget shortfalls). This led Oblast officials to examine whether some functions should be decentralized, such as fire service in a community 150 km away. The Oblast gave the lower-level government the money and the responsibility for the service.
- Similar situations resulted in public safety services being decentralized.
- Program budgeting resulted in Oblast officials undertaking closer scrutiny and asking critical questions about specific items in the budget.

#### **Program Opportunities Based on Pavlodar’s Experience**

The Deputy Akim believes there are many opportunities to continue working in the Pavlodar Oblast. He specifically mentioned two areas in which USAID could be of further assistance.

- Decentralization and intergovernmental revenues; and
- Further technical assistance on assignment of public service responsibilities. (The OFA is an important tool to inform decision making on which functions should be decentralized.)

The Assessment Team recommends that USAID make every effort through its contractors to ensure that program budgeting and the lessons learned from the Pavlodar experience are disseminated throughout the country. Replication of technical assistance in program budgeting to other areas of the country should be supported by USAID.

#### **2.2.4 Training**

The Assessment Team examined ICMA's training activities. ICMA has given assistance to the 14 Regional Training Centers (RTCs) located throughout the country. The RTCs were established in all oblasts by order of the central government, which provides some funding to them. Some of the RTCs are nongovernmental organizations (NGOs), some are joint NGO and government entities, and some are fully independent. Most training for local governments is done through the RTCs.

Training materials for use in the RTCs were adapted by ICMA from materials developed in Slovakia. The materials were revised to reflect the local government reality in Kazakhstan. Local government experts from Kazakhstan were trained by ICMA to deliver the training to local government personnel. Developing a cadre of trained local trainers is a key element of the ICMA program strategy.

Interactive training that heavily involves the trainee in his/her own learning, is another important aspect of ICMA's training program. This approach to training was new to Kazakhstan and was well received by the trainees.

#### **Program Results**

ICMA training efforts have had a high level of impact. ICMA reports that they have trained approximately 300 trainers in the interactive training approach through its training-of-trainers (TOT) program. ICMA plans to conduct three more TOTs, which will result in approximately 60 more trainers being trained. A roundtable discussion with RTC trainers and the Director of the Almaty RTC revealed that there were approximately 600 trained trainers in the country, half of whom were trained through the ICMA TOT program. Of those 600 trainers, about 200 are currently active in training.

When asked what the long-term impact of this training has been, all participants at the roundtable agreed that it was difficult to quantitatively measure results of training at this time. They said that the ICMA training has had many positive qualitative impacts such as:

- Interactive training encouraged people to speak freely about real issues without fear of repercussions;
- Training got people together who would not normally come into contact with each other;
- Training led to a change in people's attitudes and working styles;
- There is an increased level of cooperation between various government departments and functions; and
- There was no experience with public hearings prior to the training. Now hearings are held frequently.

The roundtable group estimated that, to date, ICMA's interactive training techniques and methods have directly impacted approximately 5,000 trainees. They agreed that there would be a very significant multiplier effect over time.

A poll of those who had taken ICMA training was conducted in January of 2001. Of the Maslikhat Deputies who responded to the poll, over 80 percent reported that they had initiated new citizen participation efforts as the result of the training they received. Over 90 percent of the deputies reported that they had a much clearer understanding of their roles as elected leaders.

Pavlodar Oblast Deputy Akim, Mr. Ospanov, attested that the Pavlodar Oblast RTC was "functioning successfully." He stated that the RTC was working without the financial support of the oblast government, and the fact that it was an NGO would enhance its prospects for sustainability.

The Assessment Team believes that the USAID efforts to promote and stimulate the type of training being delivered by ICMA have had important impacts on the decentralization process. The type of training given through the interactive and case study methods enables the participants to become accustomed to the open dialogue and to better articulate their views and opinions in public. There is also evidence that the training provided to the Maslikhats is providing them with the capacity to be more assertive in their local budget decision-making authority. As a result of training provided in the communities of Ekibastus and Bayan Aul, community leaders are becoming more aware of how they can develop and implement local programs without waiting for assistance from the central government. Overall, the Assessment Team feels that the training provided by ICMA is strengthening local government capacity to take initiatives and to meet their responsibilities rather than following commands of the national government.

### **Program Opportunities**

Regarding future program opportunities, the Assessment Team recommends that USAID:

- Continue support of ICMA's interactive training through the RTCs with emphasis on ensuring sustainability of the RTC network.
- Support the new League of Trainers and/or an association of RTC Directors in order to:
  - maintain consistent quality of training and training techniques;
  - share trainers, training materials, and other resources among RTCs to lower training delivery costs;
  - maintain consistency of training topics and materials;
  - develop "certification" programs, such as finance directors, budget directors, and others;
  - "cross-fertilize" with training centers in other countries (e.g., Poland); and
  - expand RTC capabilities in areas of consulting/TA and other fee-based activities.
- Support the RTCs in the use of videos and other means such as the Internet to disseminate information to a broader base of recipients across the country.

### **2.2.5 Video Production and Dissemination**

The production of videos and their dissemination provides an effective means for the ICMA program to meet the objective of informing national policy dialogue through local government experiences on the ground. The capability of ICMA staff to do this is well developed and already proven with a video on housing issues that has achieved national exposure.

#### **Program Results**

A few videos have been produced by ICMA on various topics, including conducting public hearings and management of condominiums. Other videos on relevant topics are underway. These videos are well done and well received by those who view them.

#### **Program Opportunities**

The Assessment Team recommends that USAID seek to use more video presentations to link all USAID programs in housing, water, health, and local government. This series of videos could be released to television stations in all regions of the country.

### **2.2.6 Maslikhat Institutional Development**

It is apparent that the maslikhats are beginning to recognize their importance and their role in the governmental structure. There is still a substantial opportunity to further develop the knowledge and skills of maslikhat members. Several maslikhat members interviewed by the Assessment Team were keen to assert their authority and actively participate in local budget decision making. Instances were cited in which the maslikhat effected changes in the local budget in Pavlodar City and in Ekibastus.

#### **Program Results**

Several training programs have been designed to assist maslikhat deputies in understanding their role in the local government structure and the extent of their power under the law.

#### **Program Opportunities**

Significant program impacts could be achieved through support to institutional development of the maslikhats. These bodies should be a force for bottom-up pressure for further decentralization in Kazakhstan. Maslikhat secretaries should be organized as an association to bring a more focused voice and influence on policy issues, particularly on intergovernmental fiscal relations and decentralization.

The Assessment Team recommends further support to maslikhats to enhance their role in the local governmental structure. The RTCs should train maslikhat councils and provide them with tools in setting community priorities, budget and finance decisions, and executive oversight. ICMA should assist RTC staff trainers with this effort.

### **2.2.7 ICMA Program Linkages**

There are important linkages of the ICMA program that should be recognized and possibly used in other USAID programs. This applies to:

- Community-Based Economic Development;
- Organizational and Functional Analysis;
- Program Budgeting; and
- Training and Technical Assistance.

There are important lessons to be learned from these activity areas and the models that arise from them. These lessons are not being fully captured, or understood by other contractors, and no effort has been made to document “best practices” and models that could be of great utility for a number of them.

One model that has potential for broader application is shown in Figure 1. Even though this model is still being tested and will be further refined, it currently provides substantial benefits to Pavlodar Oblast and should have utility for other oblasts throughout the country.

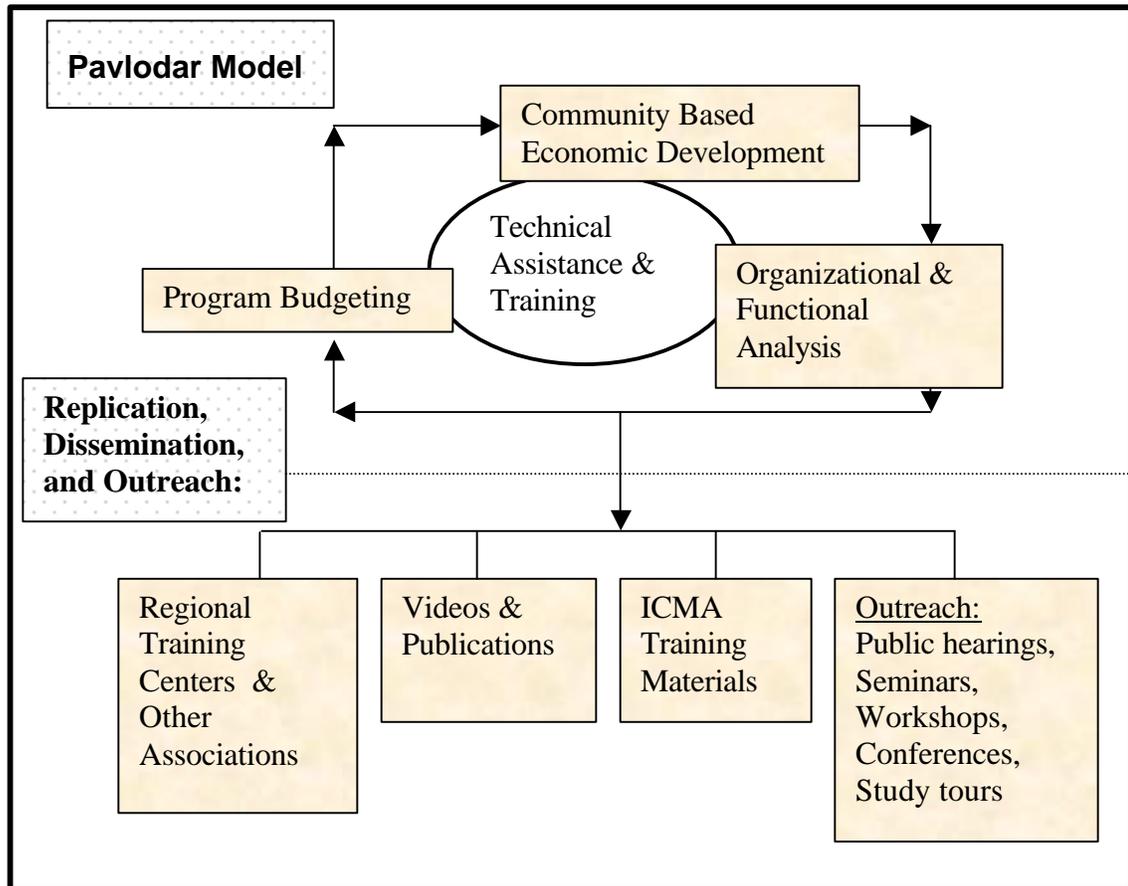
The power of this model comes from combining (i) an economic development component with (ii) public administration analysis that supports devolution and decentralization, and (iii) a program budgeting component. These components, in turn, are combined with important outreach and replication activities involving a network of Regional Training Centers, public hearings, and several other complementary activities.

The “Pavlodar model” in many respects mirrors many USAID local government programs in CEE. The components of the CEE assistance programs focus on three areas of local government activity: (1) budgeting methods, primarily program-based budgeting; (2) economic development; and (3) citizen participation. In some of the CEE programs, two additional elements are common: municipal associations and municipal credit.

USAID-sponsored activities in Pavlodar represent a closer integration of these standard components and are achieving significant impact. It is also evident from the interviews conducted with local and oblast officials that they recognize the interrelationships of these components as well. As a result, decisions are being made in a more coordinated and integrated manner.

The Pavlodar Model contains Critical Success Factors (CSFs) that individually and in combination with each other greatly increase their impact at the local government level. The Assessment Team believes that these CSFs are important for further development of USAID programs in Kazakhstan and Kyrgyzstan and should be considered in the design of programs in other countries of the region.

Figure 1: ICMA's Regional Development Model



The CSFs identified from the Pavlodar Model are:

- Bottom-up development of civic and business organizations that aggressively represent their interests in the political arena. The Assessment Team was impressed with some of the individuals interviewed from Bayan Aul and Ekibastus who have established business and civic organizations and led efforts in economic development and social programs in these communities.
- Community vision and strategic planning efforts were also evident in both Bayan Aul and Ekibastus. The work of the coordinating groups in these communities and the involvement of the public in defining the future of both communities is very encouraging. More importantly, this community visioning exercise produced a consensus within the communities and energized local citizens to undertake activities to support local development.

- ICMA as a catalyst/facilitator is also a CSF. It appears from the interviews with the individuals from the communities and the oblast level that ICMA consultant support has been applied at strategic moments to further the local economic development and decentralization programs. This was evident from comments concerning the development of the coordinating councils in Ekibastus and Bayan Aul, as well as the development of the OFA effort in Pavlodar. At critical points in the process, the ICMA consultants were able to provide breakthrough ideas and get the process moving toward compromise and consensus among the participants.
- The acceptance and adoption of program budgeting and the OFA by the local government cadre are also important factors. While political support for these efforts was evident, the acceptance by the administrative staff of these methods ensured success and institutionalization of these management practices.
- The Pavlodar RTC, with its strong presence in training of local officials through interactive methods, is another CSF in promoting the adoption of these new methods. The Pavlodar RTC is well regarded and has had substantial influence in changing the mentality and work practices of the local government professional level staff.
- The Maslikhat Councils in Ekibastus and Bayan Aul also represent a contribution to the success of the Pavlodar Model. In both communities, it was evident that the councils are influenced by the civic and business organizations, and assert their authority over budget decisions. Further development of the maslikhats would be an important factor in continuing the gains made in developing the economic and social programs already begun in these communities.

The Pavlodar Model represents a comprehensive approach to building local government capacity and should be applicable to other localities where CSFs are present. The model can be applied in areas where there are similar reform-oriented conditions, and should be tested in other locations such as Atyrau and Shimkent to determine the degree to which it can be replicated and adapted to a variety of specific local conditions. Nonetheless, the Assessment Team believes that the Pavlodar model is replicable throughout Kazakhstan and other countries where some of the CSFs identified above are present. The following assessment criteria can be used as a guide to identifying other areas where the Pavlodar Model could be successfully applied.

- Areas where strong linkages can be made between SO 2.3 and 2.1 efforts in developing the relationship between the local government and civic and business organizations. The Assessment Team feels that more synergy and coordination between the SO 2.3 and 2.1 contractors is critical to successful application of the model.
- Strong RTCs that have good relations with the local governments. The RTC should perform the catalyst/facilitator role that ICMA consultants perform in Pavlodar.
- An assertive and reform-oriented maslikhat council should also be considered as a critical factor in identifying any opportunities for application of the Pavlodar Model in other regions. Continuing the professional and institutional development of the maslikhats

should be a priority area for further USAID program support as they can represent a political force for developing the decentralization and program budgeting efforts being practiced in Pavlodar.

- The development of the local government professionals and their receptivity to best practices should also be assessed. This criterion is strongly linked to the development of the RTCs or training institutions supporting the local governments in that area and use of interactive training methods to change the mentality of the local government professionals. Associations of local government professionals and associations of local governments should be an important support component to these efforts.

The Assessment Team believes that the above factors are the most important in developing and institutionalizing the impacts of USAID-sponsored local government programs. The political situation at the provincial akim level is still unstable and represents a high risk of failure if too much emphasis is placed at this level. Longer-term and more sustainable impacts can be achieved with a more focused, bottom-up development of local governments and their elected and appointed officials.

### **2.2.8 Local and National Impact Opportunities**

This section identifies programs that should continue to be developed at the local level as well as some that should be focused at the national level. Pilot efforts should continue with the development of the community-based economic programs in Ekibastus and Bayan Aul with the expectation that they are transferable to other regions of Kazakhstan. Furthermore, the OFA should be refined and developed for replication in other regions of Kazakhstan.

Other local government programs are ready for nationwide implementation at this time. The full value of their potential impacts can only be realized if they are extended beyond the pilot areas. The program budgeting methods at the oblast and local levels have potential for significant national impact; achieving this will require the coordinated efforts of ICMA and Barents. The training strategy of ICMA is achieving national impact, and the future direction should be in strengthening the RTCs and other training organizations with improved management methods and financial sustainability. The use of video production and dissemination is one means to achieve national-level impact based on these successes. It should be fully exploited in areas such as housing, local citizen and NGO organization development, and public hearings.

Support for the development of the maslikhats should be expanded nationwide, and include the creation of an association. This would further strengthen these local councils and increase the pressure for election of local officials, decentralization of functions and fiscal capacity, and reform of the intergovernmental finance system.

Pursuing the strategy of moving successful local government pilot programs to the national level should achieve a spread effect throughout the country. Continued support of municipal associations and training organizations is a key element of this strategy.

## **2.3 Barents Group - Kazakhstan**

The following review of the Barents Group-implemented project in Kazakhstan focuses principally on intergovernmental fiscal finance and future possibilities for improving the intergovernmental transfer system. However, other program areas are also considered, including tax policy, tax administration, budget reform, and fiscal analysis. The Barents' contract activities come under SO 1.2: Increased Soundness of Tax and Budget Policies and Administration. The areas of tax policy and tax administration relate to IR 1.2.1, the budget reform and fiscal analysis relate to IR 1.2.2, and the intergovernmental fiscal finance comes under IR 1.2.3. An examination of these program areas is also part of the analysis of the pros and cons of merging of SO 1.2 with SO 2.3.

### **2.3.1 Tax Code and Tax Administration**

Activities in the area of tax code modernization and more effective tax administration have largely been completed with support to the Ministry of Finance in rewriting the tax code and implementation of computerization of the tax administration system.

#### **Program Results**

The support given to tax code development and administration is substantial and has contributed to the development of a more modern tax code and to increasing the level of tax collection. This project activity has met or exceeded expectations as evaluated in the Mission's R4.

#### **Program Opportunities**

While there is always some effort needed in updating the tax code, there appears to be very little further effort needed in tax code and tax administration. Activities relating to these areas should substantially diminish in the coming year.

### **2.3.2 Fiscal Analysis**

Support in the area of fiscal analysis has focused on developing the Fiscal Analysis Unit in the Ministry of Finance and a similar effort in the Parliament. In both situations, substantial effort has been made in developing staff capacity to provide analytical support to their respective clients.

#### **Program Results**

While there has been a substantial effort on the part of Barents, results have been modest, particularly when considering the ability of the Fiscal Analysis Unit to sustain their services without continuing high-level contractor support.

#### **Program Opportunities**

To achieve greater impact, it is recommended to focus future support on either the Ministry of Finance or the Parliament. Presently, the effort to serve both clients creates some potential conflicts with respect to providing information and analysis. The support to the Parliament represents the greater and more promising opportunity as this could lead to influencing

decentralization policy reform and enhancing the possibility for developing an intergovernmental finance system.

### **2.3.3 Budget Reform**

The major activity in the area of budget reform has been the development of a manual for the preparation of a medium-term budget framework and the implementation of program budgeting at the central level. This is also an area where both Barents and ICMA can have significant roles in supporting the development of program budgeting at the oblast and rayon levels, and contribute to better coordination of their respective SOs and IRs.

#### **Program Results**

Efforts to develop program budgeting at the national level have been successful. Barents is beginning to look for opportunities to push this downward to the oblast and rayon level in the coming year.

#### **Program Opportunities**

Budget reform is an area that represents a high impact opportunity for USAID programs. The Mission should therefore continue ICMA-supported activities in the Pavlodar Oblast, including the organizational and functional analysis with the Education and Health Departments and additional development of the successfully implemented program budgeting method by the oblast administration.

Barents intends to work in both the East Kazakhstan and Pavlodar Oblasts in program budgeting. This would promote development of this practice in a manner compatible with the national-level budget process. This is a very important aspect in the development of fiscal decentralization and intergovernmental finance and should be continued as well as coordinated with the ICMA efforts in this area.

### **2.3.4 Intergovernmental Finance**

Substantial amounts of technical assistance have been provided to the Ministry of Finance and the Parliament Committee on Economics, Finance and Budget in the area of intergovernmental finance. Several analytical reports outlining an intergovernmental finance system to promote greater equalization and incorporate fiscal capacity measures have been prepared. The Government has made at least two unsuccessful attempts, with Barents assistance, to get the Parliament to enact a new law on intergovernmental finance.

#### ***Parliament Committee on Economics, Finance, and Budget***

The Assessment Team met with members of the Parliament Committee on Economics, Finance, and Budget<sup>1</sup> to assess the work of Barents and the future prospects for fiscal and administrative decentralization in Kazakhstan. The Chairperson repeatedly praised the work

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<sup>1</sup> Including Chairperson and Senator Gouljanan D. Karagousova, along with three other members of the Committee, Senators Bakbergen S. Dosmanbetov, Senator Eygenij I. Aman, and Senator Sagyndik O. Esimhanov.

of the Barents Group in providing analytical and technical support on inter-budget relations to the Committee. Particular aspects of this support included corporate income tax and the issue of sharing these revenues between the central and local governments. The Committee members indicated that they had valued the assistance provided by the Barents team on this and other issues.

The Chairperson believes that, in the coming months, there will be an increased effort to move forward with fiscal and administrative decentralization reforms. This will require strong technical support to ensure that a sound intergovernmental finance system is enacted and implemented. The Committee members indicated their commitment to decentralization and to giving local governments more authority over their local budgets.

### ***Ministry of Finance***

The Assessment Team met with Maulen A. Utegulov, Deputy Director, Budget Department of the Ministry of Finance, to get the Ministry's perspective on the support provided by the Barents Group. Mr. Utegulov indicated that the support on the tax code and on intergovernmental finance had been particularly helpful. He indicated that it was often the case that the Parliament would accept the Ministry's position when it was supported by USAID based on the work of the Barents Group.

In future efforts, the Ministry of Finance would like to develop a comprehensive budget code, similar to the tax code, in which all related regulations on the budget could be incorporated.

The priority area for next year will be to determine the distribution of transfers between the central and local levels. This is an area where additional support in determining the effects of the allocation schemes is greatly needed. There is consideration being given to a distribution scheme based on different sharing arrangements from one oblast to another. Careful analysis would be required to determine the basis for and the effects of any particular scheme.

Another area where support is required is in the definition of a better local tax base that would compensate for the removal of the corporate income tax. This would serve to supplement the excise taxes and fees that have been given to the local governments, but are clearly inadequate if further responsibilities are devolved to them.

### **Program Results**

Significant program impact in the intergovernmental finance area has not been achieved, but this is not due to lack of effort on the part of Barents. It is evident that the technical analysis and advice given by Barents has been well received in both the Parliament and the Ministry of Finance. However, the failure of the intergovernmental finance issue to come to the top of the agenda is a result of the lack of the political will for decentralization reforms over the past several years.

## **Program Opportunities**

The development of an intergovernmental finance system is one of the cornerstones of fiscal decentralization, and every effort should be made to support this development. Kazakhstan is on the threshold of achieving progress in this area. The President has recognized the importance of this issue, and the establishment of a State Commission on Decentralization and Inter-Budgetary Relations provides an opportunity for USAID to significantly influence the work of the Commission. The combined efforts of Barents and ICMA to develop and promote a sound intergovernmental finance system has potential to achieve significant impact. ICMA should focus its efforts at the local government level with more effort on developing the OFA and maslikhat activities. Barents should focus on the development of program budgeting and fiscal analysis at the oblast level. Both organizations should work in the same oblast to maximize impact and ensure coordination of their activities.

## **2.4 Urban Institute – Kyrgyzstan**

The Urban Institute (UI) is the principal contractor for the implementation of the Local Government Initiative in Kyrgyzstan. The Local Government Initiative is designed to achieve USAID/CAR Strategic Objective 2.3, “More effective, responsible and accountable local governance in Kyrgyzstan.” The strategy for meeting the Strategic Objective (SO) is based on the attainment of three Intermediate Results (IRs) as follows:

- Introduction of Democratic Practices (IR 2.3.1)
- Increased Local Government Capacity (IR 2.3.2)
- Increased Local Government Authority (IR 2.3.3)

To achieve these IRs, UI has focused its activities in a number of areas, primarily working in pilot cities. Among these areas are:

- Budget hearings;
- Financial information system;
- Association development;
- Community development grants; and
- Support for local government laws.

UI implemented their program activities in 18 cities throughout Kyrgyzstan. These activities focused on several technical areas including public budget hearings (13 hearings in 8 cities), asset management (3 cities), computerized financial information system (2 cities), condominium associations and condominium management training (over 300 condominiums and 3 regional associations), community infrastructure grants with citizen participation, and training in local government budgeting and management.

The Assessment Team conducted a field visit to Tokmok to assess the impact of the UI activities in that city. UI had assisted Tokmok in holding two budget hearings, developing an asset management database, providing infrastructure grants, and training in condominium association management.

The Mayor of Tokmok indicated that the several areas of assistance provided by UI had been effective and greatly appreciated. In particular, the Mayor felt that UI assistance in areas of social and economic planning through the budget process was very useful. UI also assisted in establishing a Department for Communal Property. Under this activity 234 properties valued at 137 million som had been added to the city's asset management database. Training provided by UI has been given to all city council members and city staff, including on-the-job training in the use of computers.

Tokmok was successful in obtaining several grants to rehabilitate city garbage collection equipment and for local manufacturing of 150 garbage containers. The grant request for garbage containers was supported by a public hearing during which the citizens indicated their preference for improved garbage collection over street repairs or improved city lighting.

#### **2.4.1 Budget Hearings**

The interest by citizens and local governments in holding public budget hearings and other public hearings on local government issues represents a positive development in Kyrgyzstan. The interest in public hearings is substantiated by reports and requests received by the Urban Institute from local governments and NGOs. This was occurring even before the Presidential Decree requiring public hearings.

##### **Program Results**

UI has assisted in the conduct of 13 budget hearings in 8 cities. It has four more budget hearings scheduled this year. UI staff attends all the budget hearings and provides feedback to the local government in a write-up indicating positive aspects and areas for improvement. Attendance at budget hearings has been very good with an average of 150 to 250 persons in attendance. UI reports that NGOs are among the most vocal participants at the hearings.

UI prepared a set of budgets with the participating cities and provided the templates so the cities could replicate them in the future. They also provided training in the conduct of a public budget hearing.

In part as a result of public hearings, local *keneshes* (councils) are becoming more assertive in exercising their budget approval authority, and these hearings are becoming the norm, not the exception. Another positive impact is that the public now expects to have public budget hearings.

##### **Program Opportunities**

The institutionalization of public hearings is well on its way to acceptance among the citizens and local governments; therefore, efforts to support this practice should continue through training in the conduct of public hearings for NGOs or training organizations that could meet the demand in the future.

#### **2.4.2 Financial Information System**

The development of Financial Information Systems (FIS) is an important component in developing the capacity of local governments. Support to FIS development is a cooperative

effort of UI and the Eurasia Foundation, which provides computers to pilot local governments.

### **Program Impacts**

UI provided assistance to two pilot cities (Uzgen and Naryn) for implementation of a FIS that was tailored to meet the particular needs of each local government. The FIS enables the local government to track and report expenditures. Training is given to the city on the use of the system and its outputs. UI reports that some of the *keneshes* are requiring reports from their cities using the FIS.

### **Program Opportunities**

Presently, impact is limited to those cities receiving the assistance and having the technical capability to operate the computers. There are opportunities to replicate the FIS system in other local governments through training and technical assistance that could be done in collaboration with the Association of Cities, the Academy of Management, or another cooperating local partner. The FIS should lead to development of program budgeting at the local level, improvement of the budget decision-making process, and better information to citizens on local government in spending through public hearings. The replication of assistance with FIS should provide a high level of impact in other areas of the country.

### **2.4.3 Association Development**

The development of local government associations is one of the most effective ways to increase local government authority and capacity. Therefore, it should be a high priority area for USAID assistance. There are presently two local government associations in Kyrgyzstan. One is the Congress of Local Communities, which was founded in 1996, largely with support and direction from the President's Office. Recently, a more independent Association of Cities has been formed. The Assessment Team met with representatives of the Association of Cities, which reports that 19 out of 21 cities are co-founders of the Association. The aims of the Association are to represent the interests of the cities at Parliament, provide training to member cities, develop a legislative framework, and disseminate information to member cities. The Executive Director of the Association praised UI for the help it has given the Association by providing training to develop in-house capacity to manage training programs developed by UI.

### **Program Results**

UI provided technical assistance to the Association of Cities in organizational development and strategic planning. Some of the UI-developed training will be taken over by the Association. This transfer of training responsibility is an opportunity to enhance the Association's chances of sustainability by providing training for its member cities in revenue generation.

### **Program Opportunities**

Continuing support to sustain the efforts of the Association of Cities should be a high priority. Strengthening the Association through the legislative lobbying process provides an underpinning for the further decentralization and fiscal capacity development of Kyrgyz local

governments. Efforts should be made to achieve financial sustainability of the association. In this regard it is important to increase its membership base beyond the current 21 cities. This is being examined by the Association officers and is well worth support by UI in their continuing cooperation with the Association. Future USAID program support to the Kyrgyz Association of Cities should also focus on expanding contacts in other countries of the region to promote establishment of their own associations and with the international local government association movement to link the Kyrgyz Association to this worldwide network.

#### **2.4.4 Condominium Association Development**

In a meeting with the Director of the Bishkek Condominium Association, the Assessment Team was informed that there are 18 condo association members out of a total of 50 in the city of Bishkek. One year ago they had only three condo association members. The Director said that they register two to three new condos in their association every month. The 50 condos in the city of Bishkek represent eight percent of the total housing stock in the city. The 18 member condo associations represent 6,000 apartments, all owner-occupied.

The member associations pay a small fee to the larger association plus a fee based on the number of square meters of total area in the condo group. This may not be adequate for the long-term sustainability of the association. The association advertises itself and its services through meetings (the Director has conducted over 300) and a video that has been shown on television.

The association maintains regular contact with the Association of Cities, the Association of Accountants and Auditors, and regularly cooperates with various NGOs. This is an indication that there are emerging linkages among associations in the country, an encouraging note.

#### **Program Results**

The UI training provided to the Condominium Association has enabled them to improve association management and provide better maintenance services to the residents. They can take advantage of economies of scale in providing routine maintenance to the units, thus lowering the operating costs.

#### **Program Opportunities**

While efforts to date have had medium-level impact, there are significant opportunities to expand and enhance the progress that has already been made. The Association Director informed the Assessment Team that there is a definite trend toward more apartment blocks being turned into condos. This expansion emphasizes the need to work on condo association sustainability. There are opportunities to publicize information about the growing number of condo residents who are taking responsibility for their own living environments, electing their own leaders, and approving and managing their own budgets. The Assessment Team recommends further use of video productions to disseminate information about the advantages of condominiums and the services of condominium associations.

#### **2.4.5 Community Development Grants**

Under the UI contract in Kyrgyzstan, grants are provided to support local development and local government capacity building. The community grants program was developed through a competitive process to provide financing for a local improvement, generally infrastructure. Citizen participation is an important aspect of the program.

##### **Program Results**

Although UI developed a sound competitive system for grants, and a number of grant applications were received, the results have been relatively modest. Two cities out of six, Naryn and Uzgen, were awarded each three grants. The applications were evaluated more on the level of citizen participation and less on the economic value of the project. In fact, 60 percent of the evaluation scoring was based on citizen participation in the selection of the community priorities and in the execution of the project. The projects, while undoubtedly benefiting the particular community, achieved a low level of impact based on criteria applied in this assessment.

##### **Program Opportunities**

The limited impact of this activity beyond the grant-recipient communities argues against continued support to community development grants.

#### **2.4.6 Support for Local Government Laws**

During the period of this assessment there were a number of important local government laws under consideration by the Parliament. These laws include a local government law, a municipal property law, and a property tax law.

##### **Program Results**

UI has provided important support through the Association of Cities and national-level actors to influence the development of these laws. In particular, the support provided to the Association of Cities in assisting them to develop their proposals has been highly valued. Supporting roundtables dealing with these issues in cooperation with the Open Society Foundation is another significant activity.

##### **Program Opportunities**

There is significant opportunity to further the development of local governments in Kyrgyzstan by focusing efforts on developing the legal framework that is presently being considered by the Parliament and the Government. This opportunity must not be missed and every effort should be made to continue or increase the present level of support to the Association of Cities for this purpose.

#### **2.4.7 Support for Newly Elected Mayors**

The local government elections to be held in December represent the continuing progress of Kyrgyzstan to further decentralize and increase local government authority and capacity. After amending the election law to eliminate many of the obstacles to open and competitive

elections, assurance is needed that not only is the election held successfully, but that the newly elected mayors have the knowledge and skills to fulfill their mandates and citizens' expectations. This need is amplified by an estimated 80 percent turnover in the mayors in the next local government elections.

### **Program Results**

UI and other USAID-funded implementers and affiliated NGOs, and other international organizations, succeeded in getting the local election modified after the results of the pilot elections revealed significant problems.

### **Program Opportunities**

USAID has a great opportunity to support many of its program initiatives in the local government area by providing training to the newly elected mayors. There is a significant need since the Kyrgyz government cannot meet this responsibility with its limited resources. To the extent that any funding is available, the CAR Mission should provide training and other support to the newly elected mayors.

## **2.5 Barents Group – Kyrgyzstan**

The activities of the Barents Group in Kyrgyzstan have basically been the same as those for their project in Kazakhstan, with a few exceptions. The project in Kyrgyzstan includes tax administration, tax policy, fiscal analysis, budget reform, and intergovernmental fiscal relations. Like the project in Kazakhstan, the main areas of accomplishment and impact have been tax policy, tax administration, and budget reform. The project has been less successful in the development of the Fiscal Analysis Unit in the Parliament and in intergovernmental fiscal relations.

Barents has also provided support in two areas not directly called for in their contract. These are property tax law and support to the Ministry of Education.

### **2.5.1 Budget Reform**

Budget reform has largely been in the areas of developing program budgeting at the national level and adopting a budget code that defines the budget process.

### **Program Results**

The implementation of program budgeting at the national level has expanded to nearly all the ministries and departments over the past two years. It is now poised for implementation at the subnational levels of government. The introduction of program budgeting at the oblast level could be accomplished in the coming year.

Another important impact has been the development of a budget code that defines the budgeting process. This is still in the development stage, but appears to be a promising area. The draft budget code could be used in the budget reform effort in Kazakhstan, as the Ministry of Finance there has indicated that USAID support for the development of a budget code would be greatly appreciated.

Another result has been the introduction of a program savings option to the budget decision-making process within the central ministries. This option allows for the reallocation of 20 percent of the lowest-priority funding areas to other purposes. This has introduced some flexibility into the budget process and budgetary decision making.

### **Program Opportunities**

The implementation of program budgeting to subnational governments represents a significant opportunity for further development of decentralization and fiscal capacity to the local level. This should be actively pursued in the coming year, and should improve the possibility of developing an intergovernmental finance system as well.

### **2.5.2 Tax Policy**

Tax policy has focused on development of a value added tax (VAT) refund policy, revenue estimations, and proposals for more favorable small and medium enterprise (SME) taxation.

### **Program Results**

A parliamentary moratorium on the issuance of such regulations by the Ministry of Finance has impeded adoption of recommendations made by Barents. Hopefully, the moratorium will be lifted in the near future, and issuance of regulations on tax code implementation will be forthcoming.

### **Program Opportunities**

The moratorium has caused a backlog of tax regulations. Once the moratorium is lifted, there is significant opportunity for a high impact in developing the tax policy in Kyrgyzstan. Barents should continue its efforts in this area while waiting for the moratorium to be lifted.

### **2.5.3 Fiscal Analysis**

The establishment of a Fiscal Analysis Unit in the Ministry of Finance and in the Parliament has been ineffective due to the lack of staffing for this purpose. As a result, Barents has directly provided most of the fiscal analyses for the Parliament committees.

### **Program Results**

The impact of this effort has been minimal to date, and continued support in this area should be carefully considered.

### **Program Opportunities**

Although opportunities may exist in the future to provide support to the Ministry of Finance and Parliament as is being done in Kazakhstan, it is now considered untimely. Therefore, support in fiscal analysis is not recommended until there is further commitment from the Ministry of Finance or the Parliament to provide the required staff.

#### **2.5.4 Intergovernmental Finance**

A Commission on Intergovernmental Finance was created at the beginning of the year, but has done very little. There seems to be little support for an intergovernmental finance system at this time.

##### **Program Impacts**

Support has been given in developing some policy papers on intergovernmental finance and to roundtable discussions held with Parliament and Ministry of Finance.

##### **Program Opportunities**

Future support in intergovernmental finance should be carefully considered relative to the enactment of a number of local government laws and particularly the property tax law being developed with the active involvement of Barents. Until these framework laws are enacted, there is little possibility of developing an intergovernmental finance system. For the time being, intergovernmental finance should be given a low level of activity with higher priority for development of the property tax law.

#### **2.5.5 Property Tax Law**

The development of a property tax is another positive indication of the pace toward decentralization in Kyrgyzstan. Property tax is a strong ingredient for increasing local government revenues and their capacity to provide services.

##### **Program Results**

Barents has made a significant impact in providing support to drafting a local property tax law. The provisions of the draft law are comparable to similar laws in Central and Eastern Europe.

##### **Program Opportunities**

The local property tax has significant potential for the development of the local government finance system and provides a basis for further development of intergovernmental finance as well. Presently, the proposed draft law developed by Barents is under review within the Government. While there are still many obstacles to overcome, this effort should receive a high level of attention by USAID and Barents.

### **2.6 Program Opportunities within the Central Asian Region**

The Assessment Team recognizes the limited opportunities that exist for democracy and governance programs in other countries of Central Asia. However, an assessment of the possibility of applying some of the experiences and methods being developed in Kazakhstan and Kyrgyzstan should be undertaken. The events of recent months and the significant U.S. presence in the region may provide opportunities for democracy and governance programming.

Primarily based on the experience of one of the team members in Uzbekistan, the Assessment Team believes that certain activities undertaken in Kazakhstan and Kyrgyzstan could have application in Tajikistan and Uzbekistan. This is the case with the ICMA model being implemented in Pavlodar. One area where this model could be tested is in the Fergana Valley area. The establishment of local government associations or associations of local government professionals based on the experience of the Association of Cities in Kyrgyzstan may also be adaptable to Kazakhstan and other Central Asian countries.

Another possibility is the development of video productions to demonstrate the advantages of certain activities, such as budget hearings, NGO development, condominium management, and issues such as housing policy. These have been effective in Kazakhstan and Kyrgyzstan and could be adapted to the other countries.

## **2.7 Conclusion**

This section has examined each of the USAID contractor program activities, identified results over the past year, and addressed opportunities for further USAID assistance and contractor efforts. There is substantial evidence of high-level impact in several program areas in both Kazakhstan and Kyrgyzstan. Many activities demonstrate the potential for ultimately achieving national-level impact in all local governments. Further efforts by USAID and the contractors should focus on these activities and ensure that widespread replication and dissemination of these is pursued.

## 3.0 Strategic Objectives Assessment

USAID/CAR has been implementing its democracy and governance program within the framework of three strategic objectives. These include:

- SO 1.2: Increased soundness of tax and budget policies and administration;
- SO 2.1: Strengthened democratic culture among citizens and targeted institutions; and
- SO 2.3: More effective, responsive, and accountable local governance.

### 3.1 USAID Program Assessment

USAID’s own internal evaluation of the effectiveness of these three SOs for the year 2000 is summarized in Table 1, below. (Data is from the Mission’s R4s.)

**Table 3.1: USAID’s R4, (Year 2000) Showing Mission Scoring of SOs**

Strategic Objective	Kazakhstan	Kyrgyzstan
SO 1.2: Increased soundness of tax and budget policies and administration	<u>Status</u> : Exceeded Expectations	<u>Status</u> : Met Expectations
	Partner: Barents	Partner: Barents
SO 2.1: Strengthened Democratic Culture among Citizens and Target Institutions	<u>Status</u> : Met expectations, but with mixed results	Status: Did <i>not</i> meet expectations
	Partners: ABA/Ceeli, Internews, NDI, IFES, Counterpart, Eurasia, ISAR, AED, Soros	Partners: ABA/Ceeli, Internews, NDI, IFES, Eurasia, Counterpart, AED
SO 2.3: More Effective, Responsible, and Accountable Local Governance	<u>Status</u> : Did <i>not</i> meet expectations	<u>Status</u> : Met expectations
	Principal partner: ICMA	Principal partner: Urban Institute

The data in Table 1 suggest that SO 1.2 generally has been judged more successful in meeting expectations than SOs 2.1 or 2.3. To further assess the impact and utility of these three SOs, the Assessment Team conducted an informal program mapping exercise for each of the principal contractors or grantees associated with the SOs. This mapping exercise looked at the following:

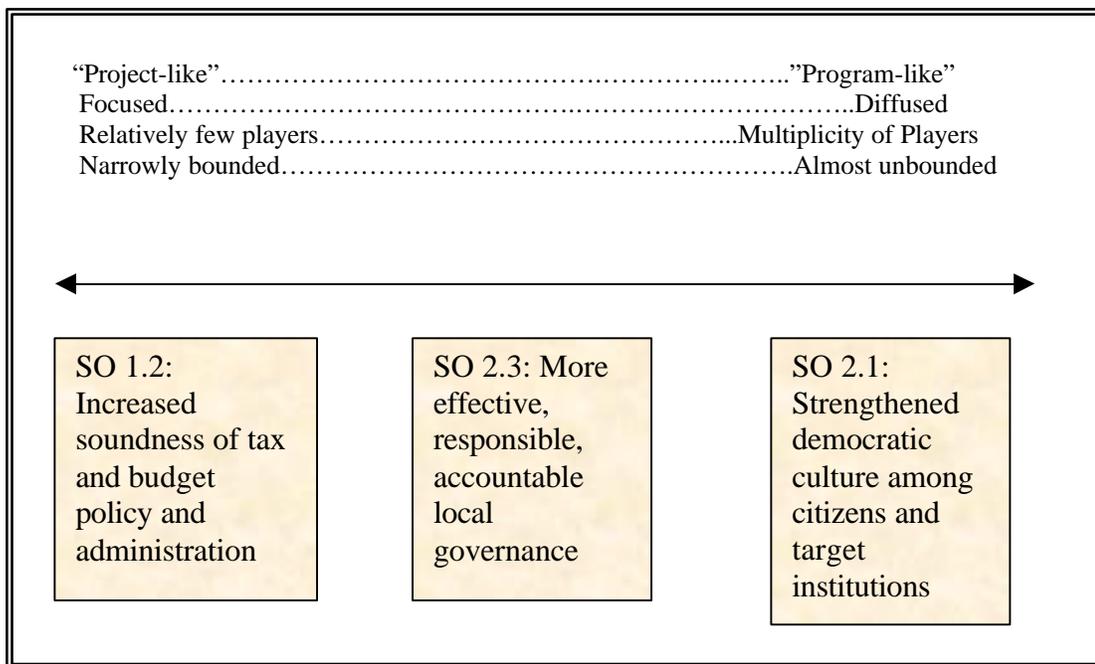
- The contractors or partners engaged with each specific SO (and its subsidiary Intermediate Results);

- The principal program activities that each contractor or grantee carried out to support the IR or SO;<sup>2</sup>
- The impact of such program activities on the overall objective of the IR, the SO, and USAID’s overall governance and democracy programs; and
- The cross-linkages between individual IRs.

### 3.2 Strategic Objective Programs Continuum

Field analysis, extensive interviews, and mapping of program activities to SOs revealed that the various components of USAID’s local government program exist along a continuum. At one end of the continuum there is a relatively focused and narrowly bounded ‘project-type’ activity (SO 1.2) and, at the other end, a relatively diffuse and loosely focused program (SO 2.1), with SO 2.3 falling somewhere between these two. The relationships among the three SOs connected with USAID’s governance and democracy programs are shown graphically in Figure 2.

**Figure 2: A Continuum of Strategic Objectives**



<sup>2</sup> The Assessment Team spent substantially more time with the contractors and grantees working with SOs 1.2 and 2.3. The Statement of Work did not call for, and time did not permit, much direct interaction with partners associated with SO 2.1.

The analysis also revealed another important difference between the three SOs. This concerns the number of contractors or grantees responsible for carrying out the work of each SO. SO 1.2, for example, has one prime contractor (Barents) working in both Kazakhstan and Kyrgyzstan. SO 2.3 has two prime partners (ICMA and the Urban Institute) working in two countries. SO 2.1, by contrast, has nine grantees working in Kazakhstan, and seven grantees working in Kyrgyzstan. As the three Strategic Objectives shown in Figure 2 move along the continuum from the relatively focused on the left-hand side (SO 1.2), to the programmatically more diffuse (SO 2.1) on the right, the number of stakeholders and players increases, as does the number of contractors or grantees, along with the complexity of the overall tasks or objectives.

### **3.3 Primary Findings and Conclusions**

Based on field analysis, document review, and extensive interviews with dozens of stakeholders and beneficiaries, the Assessment Team concluded that:

- Effective coordination between and among contractors and grantees working with fiscal, local governance, and democracy issues is currently limited. Such limited coordination strongly impacts upon the overall effectiveness of USAID/CAR’s governance and democracy programs.
- USAID’s DG strategy is currently “stovepiped”<sup>3</sup> in part because of the mechanism of its various SOs, as well as its contracting mechanisms. Because the Mission’s SOs are stovepiped, partners programs, in turn, are also stovepiped.

The indications of a stovepiped approach are based on the examination of the contractor activities in relation to the SOs under which they are working. Also, there are indications that contractors are not focusing on utilizing contractors in the other SOs to support their efforts.

In examining the activities of ICMA in Kazakhstan, it became clear to the ICMA Chief of Party that several activities, particularly intergovernmental finance, OFA, and program budgeting, cross over to support SO 1.2. Second, ICMA activities in support of developing NGO training organizations and municipal and housing associations, cross over to SO 2.1. In both of these instances, ICMA project management was not aware of this cross-relationship or that the other SO contractors could be utilized and efforts with them coordinated. In discussion with other contractor Chiefs of Party, there was little indication that they had any awareness of the SO structure and how their activities cross over to the other SOs.

Another example of the stovepipe perspective is the efforts of Barents in Kazakhstan to develop an intergovernmental finance system under SO 1.2. Barents has focused on developing the policy dialogue at the national level, but this has been unsuccessful. A coordinated approach between Barents working from the top down to build support with

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<sup>3</sup> The term “stovepipe” is commonly used in USAID programming parlance to describe programs that work in parallel, but don’t effectively cross-link.

ICMA working from the bottom up under SO 2.3 could help build the political will and support needed to get the intergovernmental issue on the national political agenda. It seems that both contractors see this issue only from the perspective of their SO and program activities. Both contractors continue to develop activities in the intergovernmental relations area, but without any coordination of these efforts. The Assessment Team has pointed out that both contractors have intentions to work in the Pavlodar region on intergovernmental finance, but no communication or coordinating mechanism seems to be in place.

More cross-border and cross-SO synergies could be achieved that would overcome the stovepipe perspective. Examples identified by the Assessment Team include the development of the ICMA regional development model to certain areas of Kyrgyzstan and Uzbekistan, and the transference of the municipal association experience in Kyrgyzstan to Kazakhstan.

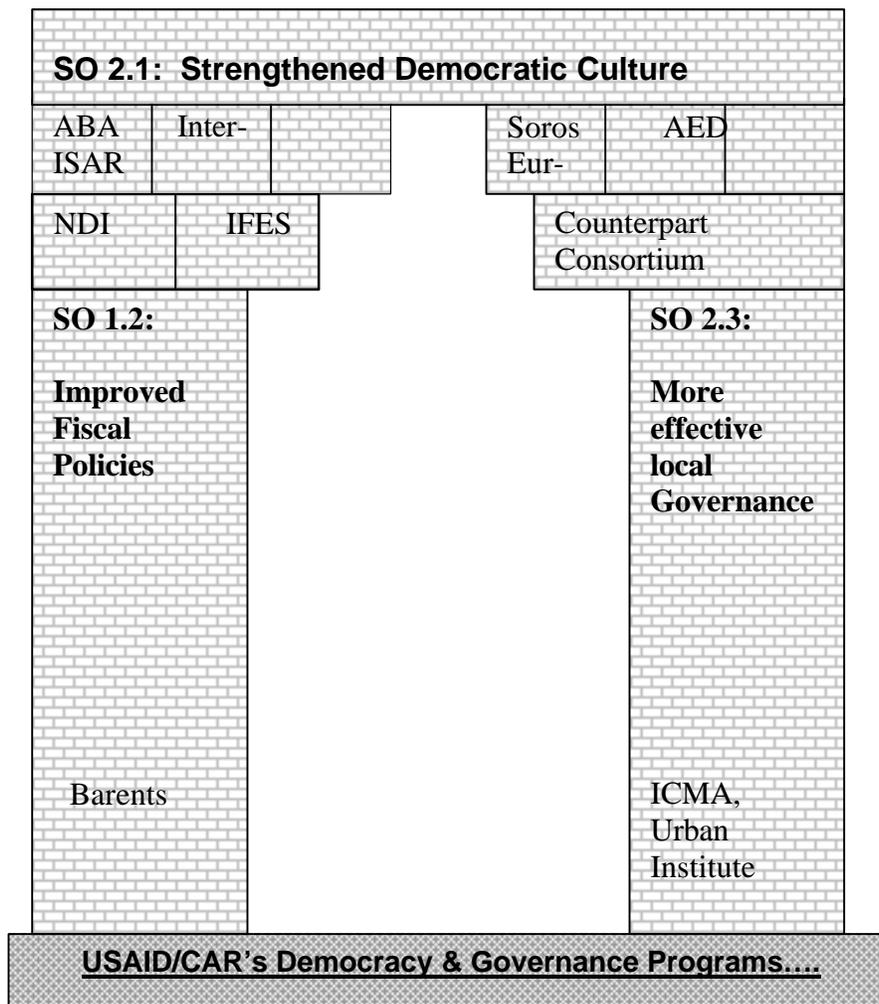
The above examples indicate that the stovepipe perspective could be overcome with more focus on communication and coordination mechanisms, rather than merging of the SOs.

- USAID’s partners have a fragmented view of USAID’s overarching ‘vision’ for democracy and governance in CAR. Typically, partners see their worlds through the prism of one single Strategic Objective.
- While most partners formally work under the framework of one SO, they actually carry out work under other SOs that is not necessarily reflected in their thinking, or reported to USAID. ICMA, for example, nominally reports its activities under SO 2.3, but actually carries out work that could be reported under each of the three SOs, and all nine of the IRs that relate to local governance and democracy. Similar situations prevail among the other contractors and grantees.
- The three SOs that collectively constitute USAID/CAR’s democracy and governance program should be seen as three legs of a stool, or the interlocking components of an arch. Properly assembled, they should reinforce one another. (Figure 3 below illustrates how the DG programs might be reassembled so the SOs could reinforce one another.)
- Based on the Mission’s present SO configuration, the Assessment Team concludes that USAID/CAR is currently getting more impact from SOs 1.2 and 2.3 than it is from SO 2.1. Strategic Objective 2.1 appears to be particularly fragmented, perhaps because of the multiplicity of its implementing partners. We believe that this diffuse implementation seriously dilutes its overall impact.<sup>4</sup>
- If it were reorganized or reengineered, SO 2.1 *might* represent a potential “coping stone,” or lintel that could help to span the differences between SO 1.2 and 2.3, and begin to link together USAID’s overall governance and democracy program.

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<sup>4</sup> This hypothesis is tentative, since the Assessment Team did not have the opportunity to formally interview most of the grantees and stakeholders carrying out the work of SO 2.1.

Figure 3: A Design for Building a Democracy, Governance, and Fiscal ‘Arch’



### 3.4 Secondary Findings and Conclusions

- Partners have carried out substantial experimentation with their individual programs over the past several years, and these activities are starting to bear significant results (see Section 2.0, above).
- At the same time, contractors and grantees have a difficult time aggregating the impacts from their assorted activities, and thus understanding the cumulative results they are achieving from their programs. Most contractor and grantees reports, for example, consist of a listing of activities, rather than a statement of impacts or results. Reports repeatedly say things like, “We held a meeting.... We conducted a training program.... Or a consultant visited....”

- Important lessons from pilot activities or models are not being fully internalized by individual contractors or grantees, nor are they being shared between partners. No effort has yet been made to affect a synthesis of “best practices” among various contractors, drawing upon their individual models.
- One such model that seems to be particularly powerful is shown in Figure 1. While this model is still being tested and refined, it seems to provide significant value-added utility for Pavlodar Oblast. The model also seems to have utility for other selected oblasts in Kazakhstan, and might have utility for Kyrgyzstan.

### **3.5 SO and IR Assessments**

The Assessment Statement of Work posed a number of questions relative to the issue of the configuration of the SOs and the advantages and disadvantages of merging these with a different results framework or leaving the present configuration as presently arranged. The Assessment Team made careful consideration given the findings identified above as to whether reconfiguring, merging, or other alternatives would be the most viable alternative for the CAR Mission. The results of this assessment with respect to the questions posed in the Statement of Work are presented in the following sections.

#### **3.5.1 A Comparison of SO 2.3 with SO 1.2: *Is there Overlap and Duplication or Potential Synergy?***

From the narrow perspective of these SOs, there would appear to be no overlap or duplication. SO 1.2 is directed at national-level activities relating to tax codes, budget preparation, and intergovernmental finance. SO 2.3 is oriented toward local government capacity development and institutionalization of democratic practices.

At the contractor activity level, there is evidence of overlap in particular areas of SO 1.2 and the activities of ICMA-Kazakhstan and Barents-Kazakhstan. ICMA has contractual requirements under SO 2.3 that relate to SO 1.2. These are:

- (1) Clarifying intergovernmental roles; and
- (2) Local governments informing national policy dialogue.

Both of these activities relate to SO 1.2 and the IR, Improved Intergovernmental Finance, in the activities that ICMA is undertaking in Pavlodar relating to the implementation of program budgeting and the organization and functional analysis. These activities are establishing an intergovernmental relations model that has potential for national-level impact.

Barents-Kazakhstan is intending to work in the Pavlodar region with further development of the program budgeting methods initiated at the national level at the oblast and lower levels. There is also some intention by Barents to work in East Kazakhstan Oblast as well.

On the basis of the activities of the two contractors, there is overlap in the intergovernmental finance activities between the two SOs.

## Options to Avoid Overlap/Duplication of Effort

- Option 1: Merge SO 2.3 and SO 1.2 under SO 2.3

### *Advantages*

1. Would ensure more USAID coordination by being under one SO manager.
2. More coordination and communication between contractors working with focus on only one SO area.
3. Would ensure more continuous policy direction from USAID on intergovernmental finance issues.

### *Disadvantages*

1. The intergovernmental finance activities constitute only a small portion of the overall contractual and programmatic activities of both contractors.
2. Merging would divert focus of each contractor from their primary areas of activity.
3. Merging the SOs would still require USAID to provide the coordinating mechanism between the two contractors.

- Option 2: Define responsibilities between the two contractors and ensure more coordination and communication

An additional option is to more fully define the intergovernmental finance areas of activity between the two contractors while retaining the SO 1.2 and SO 2.3 structure. The following is an approach to defining the two contractors' activities and areas of responsibility and ensuring that a coordinated intergovernmental finance system is developed at the oblast and lower levels of government.

1. Barents works at only the national and oblast level on developing program budgeting utilizing and refining the Pavlodar program budget.
2. ICMA continues at oblast and raion level to define the organizational and functional analysis for further devolving responsibilities.
3. Barents and ICMA work in the same oblasts to insure more coordination and communication, *with each concentrating on their programmatic areas.*

### *Advantages:*

1. Plays to the strengths of each contractor: Barents' technical skills and ICMA's local government knowledge are both effectively utilized.
2. Would allow them to maintain their focus on respective SOs with which they are familiar.
3. Allows for synergistic approach with Barents working from the top-down national and oblast levels and ICMA working at the local level from the bottom up and developing an "intergovernmental pilot site" to test methods.

*Disadvantages:*

1. Would not resolve conflicts in intergovernmental finance policies or implementation methods among contractors without USAID involvement.
2. Requirements for maintaining continuous coordination and communication would require substantial time and attention of each contractor which could divert them from other priorities.

**Recommended Option**

Option 2: Define responsibilities between the two contractors as outlined above and ensure better coordination and communication through working in the same region as a pilot site.

This solution applies particularly to the situation in Kazakhstan, but is also applicable to a more limited extent in Kyrgyzstan where the intergovernmental finance system is not developed and Barents has been largely responsible for development of program budgeting. A strategic planning workshop with the relevant stakeholders should be organized, to clarify areas of responsibility and to develop appropriate coordination mechanisms.

**3.5.2 A Comparison of SO 2.3 and SO 2.1:  
*Is there Overlap and Duplication or Potential Synergy?***

From a contractual and programmatic perspective, there is greater connectivity and potential for leveraging the activities of SO 2.3 and 2.1. The SO 2.3 focus on local government capacity development has included activities relating to the more active involvement of citizens in local government decision making that overlap into the SO 2.1 dealing with creating civic society and democratic processes. In particular, the efforts to institutionalize the public budget hearings and development of civic organizations to influence local decision on infrastructure are directly related to SO 2.1 IRs.

Activities of the two main SO 2.3 contractors in Kazakhstan (ICMA) and Kyrgyzstan (UI) link well with the SO 2.1 area, and programmatic activities of both contractors are supporting SO 2.1. ICMA in Kazakhstan has achieved success in developing housing associations and furthering the growth of local economic development associations to influence local budgets and social development. The activities in Ekibastus and Bayan Aul demonstrate overlaps with SO 2.1 activities. In Kyrgyzstan, the UI has been successful in implementing the public budget hearings as a means for local citizens to have input into budget decisions. Also, the infrastructure grants program was focused on citizen participation in local government decisions. The UI work with condominium associations is also reflective of SO 2.1 activities.

There is potential for cross-border sharing of experiences between the two contractors that would be mutually supporting of SO 2.1. ICMA and UI have both developed some programmatic activities that could promote SO 2.1 development in each country. Efforts to further develop housing associations and housing management could be applied from the model developed in Kyrgyzstan to Kazakhstan. The creation of citizen-based economic development councils in the Pavlodar region has potential for cross-border application in Kyrgyzstan as well.

## **Should SO 2.1 and 2.3 be Merged?**

These two SOs reflect fundamental building blocks of democratic and market systems and are mutually supportive. However, the focus or client targets of each of these SOs are fundamentally different and require unique institutional capacity that may not be interchangeable. In other words, an organization that is capable in dealing with SO 2.1-type issues may not be nearly as successful in attempting to deal with 2.3-type issues.

SO 2.3 is relatively narrowly focused on developing the technical and professional capacity of the elected and appointed officials of local governments (public administration technology transfer, training, etc.), while SO 2.1 is more broadly directed at providing the broad section of citizens and NGOs with capabilities to organize and activate, and to influence and monitor local or even national governments.

The contractors in SO 2.1 have a broader scope of activities directed toward the development of civic society, and methods and approaches to enhance NGO and civic society organizations with demands for government services.

SO 2.3 is more exclusively directed toward the elected and appointed officials of the local governments and is working in a more narrow geographical area, primarily Pavlodar, with potential to expand their successes in Pavlodar to local governments in other regions.

These differences in focus and capabilities required by contractor organizations are limiting factors when it comes to merging these SOs. The value systems, cultures, and personnel skills of organizations working in each of these SOs are rather specialized and may not be easily transferable or adaptable if they should lose their SO focus.

### *Advantages of Merging SOs 2.1 and 2.3*

1. Would likely encourage the myriad of present contractors under existing SOs 2.1 and 2.3 to focus more attention on the cross-relationships existing among the contractors.
2. Would provide USAID with a chance to more directly monitor the cross relationships between the two SOs and contractors and achieve more selective targeting of resources and efforts.
3. Potential for greater focus on national policy issues, such as housing, coupled with development of municipal associations and housing associations to influence policy dialogue.
4. Would simplify SO reporting requirements of the Mission.

### *Disadvantages of Merging SOs 2.1 and 2.3*

1. Would hide or disguise a fundamental building block SO that should be given visibility in the Mission's SO structure.
2. The requirements of these SOs are fundamentally different. They have different target audiences: 2.1 is directed toward citizens and NGOs, and 2.3 is directed

toward local capacity building. These different approaches require different strategies, skill sets, and programmatic activities from contractors.

3. The dominant SO might override the secondary SO and diminish efforts to have effective program impacts for both of these important building blocks for democracy and free market systems.
4. Merging might require even more coordination and monitoring by USAID considering the number of present contractors under 2.1 and adding additional contractors presently under 2.3.
5. A results framework would be difficult to develop that provided for the evaluation of these two fundamentally different SOs under a merged structure.
6. Merging would still require some Mission coordinating mechanism.

### **SO 2.3 as a Stand-alone Strategic Objective**

#### *Advantages:*

1. Maintains this fundamental building block effort as a major focus of USAID/CAR Mission activity.
2. Ensures that the present existing contractual and programmatic activities are not diluted by being incorporated into other SOs.
3. Existing contractors have focused their efforts on the requirements of this SO, and their work plans and activities are directed toward accomplishing SO 2.3 IRs.
4. SO 2.3 seems to be reaching a level of take off, where the work of the past several years, both in Kazakhstan and Kyrgyzstan is starting to bear significant results.

#### *Disadvantages:*

1. Might continue some of the fragmented programmatic efforts of the multiple contractors that are not fully aware of the impact of their activities, and that ignore how their work extends over to other SOs.
2. Could perpetuate the lack of coordination and communication with other SO contractors, particularly with SO 1.2 in Kazakhstan, that needs to be addressed.
3. May further diffuse the monitoring of contractor's impacts, by maintaining multiple contracts under SO 2.3 (ICMA and UI) while SO 1.2 has only one contractor (Barents) in both Kazakhstan and Kyrgyzstan.

### **Recommendation**

SOs 2.1 and 2.3 should not be merged and SO 2.3 should continue as a standalone SO.

The Assessment Team believes more possibilities exist to achieve programmatic impacts through methods other than merging of the SOs. On balance, merging is seen to have more risks by blurring the focus of the Mission and contractor efforts and hiding an important SO with related activities from the visibility that it should be given. SOs 2.1 and 2.3 are seen as focusing on fundamental democracy-building activities with different target groups and requiring different approaches. Focusing on developing contractor awareness of the SO structures, the cross-relationships, and the synergies that can be achieved provides a lower risk with higher probability of success than other options.

## 3.6 Recommendations for a New Strategic Programmatic Perspective

### 3.6.1 SO 2.1: Building a Constituency for Democratic Culture

SO 2.1 currently is being implemented through 16 contractors or grantees working in two separate countries.<sup>5</sup> Unlike SO 1.2 and SO 2.3, no prime partner or consortium is tasked with developing an overall approach to address SO 2.1, “Strengthening democratic culture....” Thus, SO 2.1 appears to be one area where USAID could change its approach. We recommend that USAID/CAR explore the efficacy of designating a prime contractor to oversee the work of SO 2.1. This would echo the other governance and democracy SOs, which have a prime contractor working in Kazakhstan and/or in Kyrgyzstan. A revised program for SO 2.1 should bring together several potentially interlocking components with the following characteristics:

- A capacity to support the strengthening of economic interest groups<sup>6</sup> (SO 2.1.1).
- A substantial public media and communications component to deliver pungent messages to interested audiences across Central Asia concerning the content of USAID’s programs (SO 2.1.2).

These two activities, in turn, should be linked with two other activities that collect relevant socio-political and economic data to provide USAID and its partners with relevant inputs for a comprehensive Mission-wide D/G strategy. These two activities should include:

- A social science research capacity to look at social science variables such as classes, clans, ethnicity, and the economics of interest groups, and assess how these and other variables affect USAID’s governance and democracy programs.
- A polling and survey capacity to assess individual and group interests, and help USAID navigate its D/G portfolio.

Over time, linking together the four functions described above through appropriate integrating mechanisms<sup>7</sup> would lay the groundwork for a more targeted and systematic D/G strategy. Over time, it could also lead to the formation of coalitions of economic interest groups, which in turn would affect policies as well as broader structural and political changes. Such a package, as illustrated in Figure 4, represents a medium-term vision for ‘strengthening democratic culture.’ It should facilitate changes in the region’s political culture, and provide enhanced capacity to carry out the work of USAID’s conflict mitigation program.

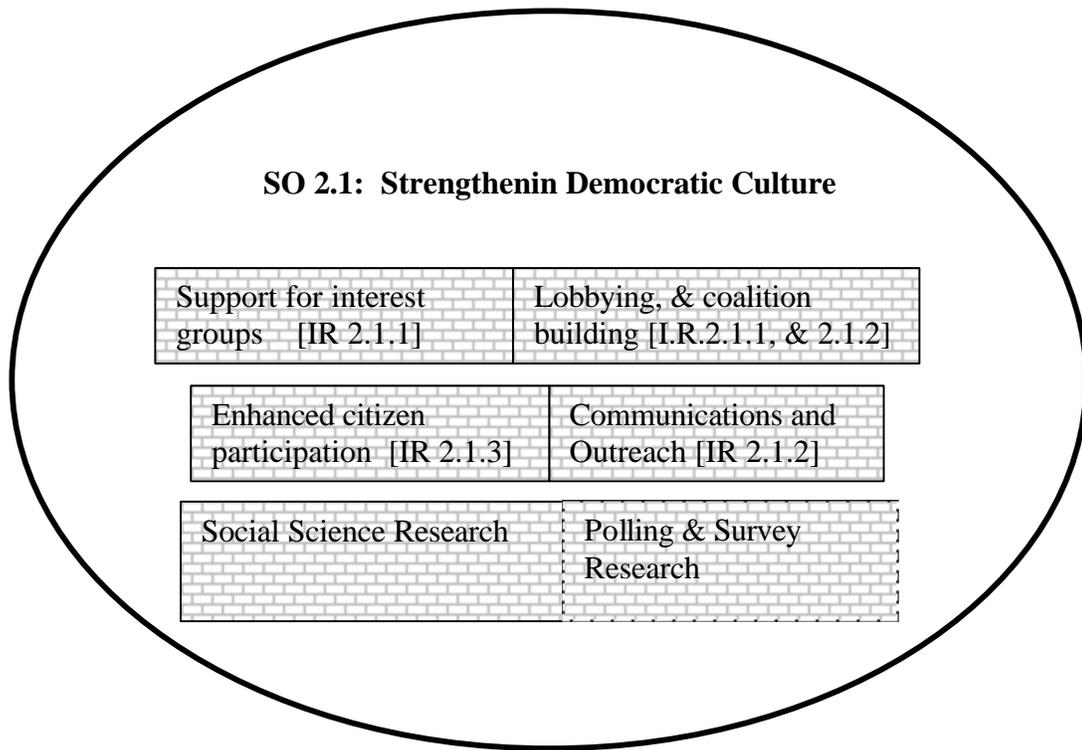
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<sup>5</sup> The actual total is nine contractors and grantees in Kazakhstan and seven in Kyrgyzstan.

<sup>6</sup> Examples of economic interest groups include condominium and housing associations, SME associations, professional associations, the Associations of Cities in Kyrgyzstan, etc.

<sup>7</sup> Integrating mechanisms might include a contractor, a consortium, strengthened USAID management supervision and oversight, or some combination of all three.

**Figure 4: A Program to Strengthen Democratic Culture across Central Asia**



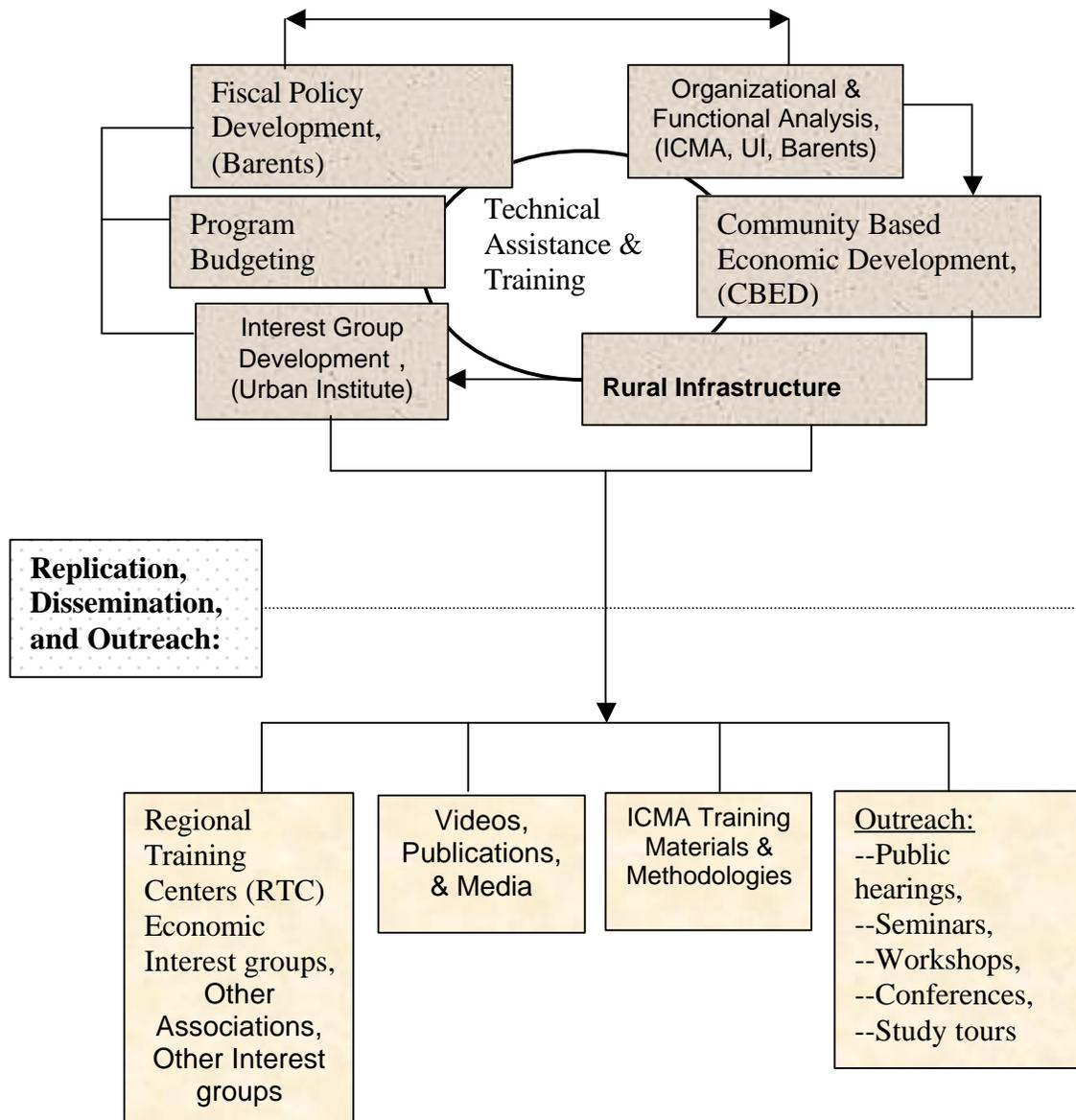
Under such a program, local firms could carry out some of the proposed activities such as polling, surveys, and social science research. Figure 5 presents a schematic of these programmatic linkages.

USAID also needs to create additional organizational mechanisms to link together the program objectives that unite SO 1.2 with SOs 2.1 and 2.3. Currently, objectives that should unite these three SOs are dissipated among a multiplicity of contractors, grantees, SOs, and task managers. A mechanism to help bring the three SOs together might involve adding a Personal Services Contractor to oversee and integrate the work of the relevant contractors and grantees. USAID should also consider holding one or more strategic planning workshops, where the relevant stakeholders responsible for the work of SOs 1.2, 2.1, and 2.3 come together to prepare common work plans or program approaches. The Assessment Team has seen repeated opportunities for joint programming initiatives among the contractors and grantees. USAID should take fuller advantage of such opportunities.

Several of the partners have done substantial experimental work over the past few years, and have tested and developed models that merit broader replication, and publicity. In a number of cases, these models should now be shared and perhaps blended with other partners' models. To help bring this about, USAID and its partners should:

- Look for multiplier approaches that will allow USAID's partners' strategies and models to become more generally known within individual countries, as well as across the region. Some of this multiplier effect might come from enhanced work with Internews and independent media across Central Asia.

**Figure 5: Programmatic Linkages**



- ICMA, for its part, should be encouraged to take the program model that it has developed in Pavlodar, and replicate it in two or three other oblasts. It also seems to have utility for Kyrgyzstan.
- Partners should be encouraged to work together to develop outreach strategies that jointly publicize their successes in different sectors, using video documentaries that can be widely disseminated. (Some of these successes should be packaged so they can reach across international borders.)<sup>8</sup>
- USAID’s local governance program should begin to explore possible ways to target other countries in Central Asia including Uzbekistan and Tajikistan, in addition to Kazakhstan and Kyrgyzstan.
- USAID should begin to seek ways to build a broad-based constituency for reforms in local government policies, working from the bottom as well as from the top. *Inter alia*, this will probably involve more sustained work with assorted economic interest groups such as condominium and housing associations,<sup>9</sup> farmers’ cooperatives, local government associations, small and medium enterprise owners associations, and the Association of Cities. Such groups need help with organizational development, constituency building, outreach, and lobbying.

### **3.6.2 Clarifying Priorities among the Democracy and Governance SOs**

If priorities were to be established among the SOs, the Assessment Team would give priority to SO 2.3 program efforts as the most critical for the Mission’s overall democracy and governance strategy. The second priority would be to SO 1.2 because of the fundamental role that fiscal policies play in the development of transition economies. The third priority would be to SO 2.1, which represents a more difficult and less focused area for development at this time. This SO requires a long-term strategy, and results are more difficult to achieve in the near term.

The alternative solution proposed by the Assessment Team is to begin a repositioning of the three SOs into a more coordinated and integrated program. The SO with the greatest potential for repositioning is SO 2.1. Restructuring the activities of SO 2.1 to provide a connecting “arch” and catalyst to improve coordination and communication between contractors and grantees working with SO 1.2 and SO 2.3 would represent a program opportunity for the Mission, and would achieve greater impact from the three SOs and the contractors/grantees.

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<sup>8</sup> Kyrgyzstan’s relative success with condominium associations seems relevant for Kazakhstan and Uzbekistan. Kazakhstan’s success with participatory economic development planning seems relevant for Kyrgyzstan and perhaps for Uzbekistan. Kyrgyzstan’s experience with local elections might eventually be something to publicize across the region.

<sup>9</sup> Such coalitions or broad-based constituencies are beginning to form in Kyrgyzstan. The Bishkek Association of Condominium Associations, for example, has recently joined forces with the Kyrgyz Association of Cities as well as with an Association of Accountants to lobby Parliament and Government for specific changes in specific laws that directly affected their interests and ability to function. USAID should explore opportunities to strengthen such interest groups and coalitions.

## **4.0 Status of and Commitment to Decentralization**

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USAID's Assistance Strategy for Central Asia 2001-2005 states: "The Eastern European model of a rapid, structural transition to open market democracy is not appropriate for the Asian republics of the former Soviet Union."

The Statement of Work calls for an assessment of the commitment to decentralization in Kazakhstan and Kyrgyzstan and how efforts toward fiscal and programmatic decentralization compare with other transition countries, particularly CEE countries. In this section, we highlight some of the factors that facilitated the transition in the CEE countries and how these either are applicable or not applicable within the conditions of the Central Asian republics, and more particularly with the two countries that are the focus of this assessment.

### **4.1 Conditions Promoting Decentralization in CEE Countries and Comparison with Central Asian Countries**

#### **4.1.1 Historical and Traditional Factors**

The countries of the CEE have history and traditions relating to democratic and market systems prior to their communist domination from after the Second World War. The Central Asian nations have no such similar democratic backgrounds having long been under Soviet rule, and tribal and clan traditions incompatible with democratic values.

#### **4.1.2 European Union Accession**

Much of the pace of the effort to reform the political and economic systems in the CEE countries derives from their eagerness to join the European Union. The models for laws, regulations, and systems based on the EU standards are required for this purpose. For example, a driving force for local governments was the compliance with European Charter on Local Self-Governments that provides the fundamental guidelines for adopting local government systems in the CEE countries. The geographic position of the Central Asian countries obviously makes this force of little or no consequence in determining how they should model their laws or develop their local government systems.

#### **4.1.3 Proliferation of Local Government Units**

Most of the CEE countries experienced a substantial increase in the number of local government units following their political changes in the post-Soviet era. Hungary, Czech Republic, Poland, and others nearly doubled the number of local government units. The same situation has not occurred in the Central Asian countries, with political and administrative units largely the same size and number as under the Soviet system.

#### **4.1.4 Political Parties at the National and Local Level**

In the CEE countries, political parties competed at both the national and local levels of government for elected positions. This made for a very competitive political situation, and

citizens of the smaller government units could feel some influence over as well as affiliation with their locally elected officials. In the Central Asian republics, there is little political party development either at the national or local level. This deprives the local governments of any potential to pressure the central level. If the central authorities appoint the local executive leadership, there is little opportunity for the local citizens to feel they can influence local decisions.

#### **4.1.5 Growth of Municipal Associations**

One of the most powerful influences in some cases within CEE has been the development of local government associations, either of elected officials or professional civil servants within the local government structures. The countries of Central Asia have barely begun to develop associations similar to those in the CEE countries, with the exception of Kyrgyzstan where some effort is underway to create an association that is not dominated by the central level.

#### **4.1.6 Force of International Donor Programs**

The primary focus of USAID efforts in the CEE countries has been directed toward the local governments, NGOs, and development of citizen participation in local decision making. While these efforts can have substantial influence and have been practiced in the USAID programs in Central Asia, other factors have served to make for a much slower pace of fiscal and programmatic decentralization. This is not to say these efforts will not succeed, but as recognized by the Assistance Strategy for Central Asia 2001-2005, the process and progress will not be as rapid.

## **4.2 Steps Toward Decentralization**

There are a number of benchmark indicators by which we can compare the level and commitment to decentralization in Kazakhstan and Kyrgyzstan with CEE countries.

### **4.2.1 Local Government Laws**

Most of the countries of the CEE had enacted local government laws based on provisions in their constitutions providing for the independence of local governments within two years of the political changes. Even 10 years later, Kazakhstan and Kyrgyzstan are lacking acceptable local government laws and the basis for most local government authorities comes from Presidential Decrees.

### **4.2.2 Local Election Laws and Locally Elected Officials**

In parallel with local government laws, election laws that meet international standards were enacted in CEE within a few months of the first parliamentary elections. Kyrgyzstan and Kazakhstan are just beginning a process of electing at the akim level and international organizations, such as OSCE, find substantial faults with these election laws and the conduct of the elections.

### **4.2.3 Local Public Finance Laws**

The enactment of adequate local public finance laws took some time in the CEE countries and in some countries these laws are still not adequate, such as in Romania, Bulgaria, Slovakia, and Croatia. The local public finance laws are still in the early stage of development in Kazakhstan and Kyrgyzstan and reflect the continuing control over the local governments' sources of revenue.

### **4.2.4 Intergovernmental Fiscal Relations**

The development of a workable system of intergovernmental fiscal relations is difficult under any system. CEE countries have lagged as well in this regard. The main problems have been associated with developing an adequate statistical basis for developing transfer formulas and the desire to continue the old normative system that focused more on conditions of equality than on indicators of need. The development of intergovernmental transfer systems has been a focus of the USAID program in Kazakhstan and despite an effort to make changes, the political will and support within the Parliament has not been sufficient. In Kyrgyzstan, even though technical assistance has been offered, very little action has been taken in this area.

### **4.2.5 Civil Service Laws**

Civil service laws provide an important component for the development of fiscal and programmatic decentralization efforts. Even in CEE countries, civil service laws are still in the development stage with political factors being an important determinant of who will hold positions should there be a change in government. Kazakhstan has made some progress in this area, while Kyrgyzstan has largely a political patronage system run from the President's Office.

## **4.3 Observations from Meetings with Kazakhstan and Kyrgyzstan National and Local Officials**

### **4.3.1 Kazakhstan**

Decentralization has not proceeded at a pace comparable to the CEE countries for many reasons described above. For the most part, Kazakhstan is still in the formulation and conceptual phase of this effort. However, some recent events give reason to believe that decentralization, both programmatic and fiscal, has a greater opportunity for development in the next year. Several reasons exist for such optimism at this time.

Some observers feel that the Presidential message of September 3, 2001 is a demonstration of the political will to implement some decentralization, although still at a gradual pace. In early November 2001, a Presidential Decree established a *State Commission on Decentralization of State Functions and Inter-budgetary Relations*. This high-level Commission has to make its report by April 1, 2002.

In meeting with the Chairperson, Senator Gouljana D. Karagousova, and members of the Parliament Committee on Economics, Finance and Budget, it was indicated that decentralization was the highest priority issue to be addressed in the coming months and that USAID technical assistance would be welcome in this area. Mr. Maulen A. Utegulov, Deputy Director, Government Budget Department, Ministry of Finance, stressed the importance of the issue of inter-budgetary relations and decentralization of budget authority to the local akims. He believes this is one area where greater effort would be made and continuation of USAID support in this area would be greatly appreciated.

It appears that there is a stronger possibility now for USAID support to have a greater impact than under previous efforts. Therefore, USAID should look closely at this area in terms of the potential of its contractors, Barents Group and ICMA, to influence policy and decisions. Opportunities exist for organizing study tours to Central and Eastern Europe, particularly Hungary and Poland, that would provide participants with relevant examples of decentralization reforms.

### **4.3.2 Kyrgyzstan**

There has been a steady development in increasing the capacity of the local governments throughout the 1990s. In 2001 there is a definite acceleration of this effort evidenced by the commitment of the Presidential administration, Parliament, and local government officials to provide more authority and responsibility to the local level. Kyrgyzstan is definitely moving ahead in this area and, if the Parliament enacts framework laws by early next year, many of the requirements for a decentralized system will be in place.

With the current development of laws pertaining to the election of local officials, several framework laws on local government (including a local self-government law), a law on communal property, and a property tax law, there is reason to be quite optimistic that Kyrgyzstan will develop a more decentralized system. Interviews with Tolobek E. Omuraliev, Minister for Local Self-Government and Regional Development, and Aali Karashev, Organizational Department of the President's Administration, indicated that the President was committed to further decentralization. Minister Omuraliev indicated that with the coming elections of local officials, there is great pressure to provide the legal framework for these local officials to assume their responsibilities and be accountable to the people.

## **4.4 Conclusions**

Kazakhstan and Kyrgyzstan can be characterized as still in the formative and conceptualization phase of both fiscal and programmatic decentralization. Where some laws or regulations have been enacted, they are generally less than comparable to the initial efforts made in the CEE countries. They still lack clear expenditure and revenue assignments between the central and local levels. The authorities of the local governments and officials are not clearly defined and subject to change by Presidential Decree.

The USAID-sponsored programs have contributed to the development of policy initiatives in these areas. Notable progress has been achieved in terms of increased awareness among policy- and decision-makers of the importance of a clearly defined decentralization scheme.

Greater impact can be achieved through more support and formulation of policy alternatives for bottom-up decentralization. To this end, more effort at developing municipal and professional associations is needed as well as supporting some of the popular and more independent locally elected officials. A two-pronged approach would be to focus on developing the institutional capacity of local government associations and on the emerging local elections system. This would help to make locally elected officials more responsive to their constituents rather than to those who previously appointed them from the center.

## 5.0 Local Government Elections

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The Statement of Work calls for an assessment of the election law and results of the early “pilot” elections held in Kazakhstan and Kyrgyzstan in 2001. In the early stages of local government election support, USAID assistance was limited to providing comments on the provisions of draft laws. The Assessment Team has reviewed these comments as well as the reports offered by the OSCE, which has a more direct effort in evaluating the proposed laws and the fairness, transparency, and compliance to international standards.

### 5.1 Kazakhstan

The OSCE prepared a comprehensive assessment of the local election law in Kazakhstan based on Presidential Decree Number 633 on Elections of the Akims of Aul (rural) Districts and the Law on Elections of the Republic of Kazakhstan. The report makes the following salient points:

- Presidential Decree 633 provides for selective granting of the right to vote in akim elections, and thereby violates the rights of all citizens of Kazakhstan to universal suffrage and equal treatment before the law.
- Presidential Decree 633 violates the international standard that requires a secret ballot for voting.
- Presidential Decree 633 fails to adequately provide for observers in akim elections.
- Presidential Decree 633 fails to adequately ensure transparency in the counting and tabulation of the voting results in akim elections.

The OSCE report also notes other deficiencies in the provisions of the Presidential Decree.

Actual results of the October 20 election were not available to the Assessment Team, but from the apparent deficiencies identified in the Presidential Decree, the elections did not provide a sound basis for the akims to be more accountable to their constituency. The OSCE press release dated 16 October, immediately before the October elections called for “new local and regional elections, based on universal suffrage, secrecy of the ballot and transparency in the counting.” OSCE officials contacted on October 26 indicated that they had no further comments on the results of the elections and continued to stand behind the October 16 press release.

#### 5.1.1 Other Observations on Local Elections in Kazakhstan

The issue of the local government elections was raised in three different meetings with Kazak officials at the national and local levels. The Chairperson of the Parliament Committee on Economics, Finance, and Budget, Senator Gouljana D. Karagousova, took a decidedly gradualist approach to expanding the number of locally elected akims. While professing that this process would continue, it would unlikely accelerate until the results of the present “pilot” test of local elections and the functioning of the rural akims could be evaluated. In Senator Karagousova’s words: “Local akims are not ready strategically to do this.” Based on

this perspective, the priority area is to further develop inter-budget relations. This is the main interest of the Committee at this time.

Mr. Maulen A. Utegulov, Deputy Director, Government Budget Department, Ministry of Finance, also addressed the capacity of the rural akims to assume the responsibilities without the financial resources or budget authority necessary to meet the expectations of the citizens who elected them. From the Ministry of Finance's perspective, they see the need to develop the local village budgets in the coming year and, based on this test period, determine the pace of future elections.

Pavlodar Oblast Deputy Akim, Mukhamedkali Ospanov, reflecting the views of the Oblast Akim, indicated that faster pace of locally elected akims is necessary and possible. The Pavlodar Oblast has taken several initiatives to decentralize functions from the oblast to rayon level in areas of procurement, health, and education utilizing technical assistance support provided by ICMA. Pavlodar Oblast provides a useful model on which locally elected officials can succeed in assuming responsibilities from decentralization efforts. Success in Pavlodar, which is being closely examined by central ministry officials, could help to overcome some of the fears expressed by the Parliament Committee and Ministry of Finance toward further decentralization and additional elections for the local akims.

## **5.2 Observations on Local Elections in Kyrgyzstan**

The election situation in Kyrgyzstan has a more positive look in meeting international standards and representing an example of how the country is moving toward a more democratic system. Kyrgyzstan held pilot elections early in 2001. These elections were not well conducted, as there were severe limitations on the candidates eligible to run for office. One such limitation was the requirement for two years in government service. After the elections were held, there was widespread agreement that they were not well-executed and substantial pressure developed from groups in Kyrgyzstan and internationally to change the limitations and open up opportunities for others to compete for mayoral positions.

Subsequently, these limitations were eliminated and the process is now more open to candidates being able to run. In fact, the removal of limitations may have gone too far as presently there is no residency requirement to run for mayor in a city or village and no requirement to collect a certain number of signatures, or other requirement to test the support and viability of a candidate. Because of this, it is now expected that there will be many candidates who will run for the city and village mayor positions in the elections to be held on December 16. Minister Omuraliev indicated that already there are 600 candidates identified to run in the 458 villages and 12 cities that will hold the mayoral elections.

Minister Omuraliev predicts that in 80 percent of the elections there will be a new mayor elected, and this will mean a "huge army of newly elected officials." There is no provision presently for training these newly elected officials, and they most likely will not have a good understanding of the functions and responsibilities of the position, or be familiar with the new laws that are pending in Parliament concerning local governments.

Holding mayoral elections in Kyrgyzstan in over 400 villages and 12 cities represents another positive development for an emerging democratic system. While the election law still has some problems, it is an improvement over the method used in the pilot elections held earlier and demonstrates that changes to the election system can be made rather quickly. Thus, the election of mayors in Kyrgyzstan symbolizes the progress the country is making to enhance the power of the citizens and make local officials accountable to them.

### **5.3 Conclusions**

The situation in Kazakhstan is not promising for rapid organization of the local election of akims. There are some reform-oriented akims that are recognizing that the pace is too slow and needs to be accelerated. USAID has a strategic opportunity here to help in this development through greater emphasis on support to these akims and in providing technical assistance in decentralization models similar to that being developed in Pavlodar. One of the primary recommendations of the Assessment Team is the development of the Pavlodar model in other regions of Kazakhstan, and this should be vigorously pursued. Another effort should be to develop bottom-up pressure through local officials, such as the Maslikhat Councils, and creating municipal and professional associations from the local level to influence the policy debate and the nature of future reforms.

Kyrgyzstan is experiencing continuing progress toward a democratic system with the election of the local akims in December. It is vital that full support be given to the newly elected mayors to assume their responsibilities effectively. This is a major opportunity for USAID and its contractors and grantees in Kyrgyzstan.

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## **ATTACHMENT A**

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## **Attachment A:**

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**ATTACHMENT B**

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**List of Persons Interviewed**

## **Attachment B:**

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### **List of Persons Interviewed**

#### ***Washington, DC***

USAID

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ICMA

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Susan Fritz, Director Democracy and Media and current CTO for ICMA and UI

Lewis Tatem, Senior Economist, Office of Enterprise and Finance and current CTO for Barents

Ivan Apanasevich, Project Management Specialist

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Mira Khodjashova, Training Coordinator

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Ekibastauz Coordinating Council  
Aleksandr Vasyutin, Deputy Akim  
Olga Kaledenok, Head of Department of Economics  
Aman Zhakselekov, President of Association of Entrepreneurs  
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Department of Education, Pavlodar  
Nikolai Silken, Deputy Director

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William Melara, Democracy Program Specialist  
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Barents Group  
Dana Frey, Chief of Party

Presidential Administration  
Tolobek Omuraliev, Minister for Local Self-Government and Regional Development  
Aali Karashev, Inspector, Organizational Department, Presidential Administration

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Almaz Ismailov, Mayor  
Zamirbek Sazbakov, Department Head, Communal Property  
Valentina Syroviatkina, Chairperson, Ala-Too Condominium

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UNDP Governance Project  
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Association of Cities of Kyrgyz Republic  
Bolot Asanakunov, Executive Director  
Kubanychebek B. Shadybekov, Legal Expert

Bishkek City Council  
Zootbek Kydyraliev, Chairperson, Bishkek City Council

Academy of Management  
Erkin Rakimbaev, Head of Institute for State and Municipal Management

Regional Condominiums Association  
Gennady Gorbunov, Chairperson, Nash Dom

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**ATTACHMENT C**

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**Scope of Work**

# Attachment C:

## Scope of Work

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### Assessment of local government programs and opportunities in Kazakhstan and Kyrgyzstan

#### SCOPE OF WORK

#### BACKGROUND

##### USAID Strategic Objectives Related to Local Government

Under its new Assistance Strategy for Central Asia 2001-2005, USAID has two Strategic Objectives (SOs) related to local government:

- SO 2.3 More Effective, Responsive, and Accountable Local Governance, and
- SO 1.2 Increased Soundness of Tax and Budget Policies and Administration.

Under SO 2.3, there are three Intermediate Results (IRs) expected:

- Introduction of Democratic Practices,
- Increased Local Government Capacity, and
- Increased Local Government Authority

Under SO 1.2, only one IR relates to intergovernmental finance and budgeting:

- Improved Intergovernmental Finance

##### USAID Contracts for Assistance to Local Governments (including Budgeting)

USAID/Central Asia has been supporting local government strengthening programs since 1993 in Kazakhstan and Kyrgyzstan. Initially, through a \$1,991,160 contract with the Research Triangle Institute (RTI), assistance was provided to the city of Atyrau, Kazakhstan, and through a \$1,944,000 contract with RTI, assistance was provided to the city of Karakol, Kyrgyzstan. Both contracts began in July 1993 and ended in December 1996. The core activities developed for Atyrau project fell into four categories: (1) design and installation of a computer system in the Tax, Health, Education, Municipal Services, and Finance Department of the Atyrau city government; (2) creation of a city development strategy; (3) stimulation of citizen participation through non-governmental organization building; and (4) institutionalization of local economic development through local entrepreneurial development and establishment of sources of local capital. The core areas of the Karakol project included (1) design and installation of a computer system in the finance and tax departments of the Karakol city government; (2) economic development based on tourism; and (3) citizen awareness through increased flow of information from the city government.

On June 1, 1998, the International City Management Association (ICMA) was awarded a \$3,037,003, 1-year task order to implement local government activities in Kazakhstan and Kyrgyzstan. Activities focused on three areas: (1) citizen-local government relations; (2) local government effectiveness; and (3) legal and policy framework. Eventually this task order was extended by 2 months to July 31, 1999.

On July 1, 1999, ICMA was awarded a \$1,698,823, 1-year task order for local government work in Kazakhstan. Activities consisted of: (1) developing and disseminating “good local practices” which promote citizen input and involvement, and improve service delivery or management of resources; (2) improving the governance skills of local officials; (3) increasing the role of elected councils; (4) improving the management skills of local officials; (5) increasing the capacity of resident controlled housing associations; (6) devolving more responsibilities and authority to local government; (7) establishing more reliable and locally controlled sources of revenue; and (8) developing effective local government associations.

On October 1, 1999, USAID signed a \$1,808,557, 1-year task order with the Urban Institute (UI) to undertake local government strengthening programs in Kyrgyzstan. That program consisted of (1) developing and disseminating “good local practices” which promote citizen input and involvement, and improve service delivery or management of resources; (2) improving the governance skills of local officials; (3) increasing the role of elected local councils; (4) improving the management skills of local officials; (5) increasing the capacity of resident controlled housing associations; (6) promoting legislative and administrative actions which support decentralization; (7) establishing more reliable and locally controlled sources of revenue; and (8) developing effective local government associations. On September 29, 2000, this task order was modified to increase the ceiling price to \$4,515,661 and to extend the period of the task order by an additional 20 months, to May 30, 2002.

On July 1, 2000, a new, 2-year, \$3,399,066 task order was signed with ICMA to continue efforts in Kazakhstan. This program, which expires on June 30, 2002, includes: (1) increasing opportunities for meaningful citizen participation; (2) establishing transparent and fair municipal procedures; (3) strengthening the role of elected local councils; (4) developing and institutionalizing good local practices; (5) developing effective local government training; (6) increasing information sharing among local officials; (7) clarifying intergovernmental roles; (8) local governments getting increasing control over their own resources; and (9) local governments informing national policy dialogue.

#### USAID Contracts for Assistance in Intergovernmental Finance and Local Gov't Budgeting

USAID undertook limited assistance in intergovernmental finance by helping to develop a model in 1995. Also, USAID worked with the Government of Kazakhstan on the assignment of responsibilities.

In 1998, USAID/Central Asia signed a \$14,000,000, 3-year contract with the Barents Group to provide assistance in a range of activities related to fiscal and tax policy in Kazakhstan, Kyrgyzstan and Uzbekistan. The contract includes intergovernmental finance activities in only Kazakhstan and Kyrgyzstan, and to date, the only work in this area has been done in Kazakhstan. This has been mainly in the form of advice to the Ministry of Finance(?) on developing a more stable and transparent system for the allocation of revenues to the regions, and on clarifying expenditure responsibilities of local governments, both at the oblast and municipal levels. Barents has also completed credit analyses of Almaty city and Atyrau city, and has improved Atyrau's capacity for budgetary and capital planning.

#### Purpose of the Assessment

USAID/Central Asia is contracting for this assessment to inform its decision-making for its 2002 R4, due to take place early in the calendar year of 2002. More specifically, USAID expects the assessment to determine answers to the following questions:

Have USAID-funded activities supporting local government (including budgeting) through the ICMA and UI contracts had an impact? If so, how? If not, why not? What are the chief accomplishments of assistance provided through these task orders?

Have USAID-funded activities supporting intergovernmental finance and budgeting under the Barents contract had an impact? If so, how? If not, why not? What are the chief accomplishments of assistance provided through this contract?

Is the current mix of activities the most effective? Do activities under the two SOs support each other? Are there ways that activities under the two SOs can be more mutually reinforcing? If so, how?

Are activities implemented under SOs 2.3 and 1.2 duplicative and overlapping? If so how can this be mitigated in the future?

Should USAID reconsider the way its SOs are configured? For example:

Could USAID reduce the number of SOs that it manages by combining the activities of SO 2.3 with SO 1.2? What would be the advantages and disadvantages of merging SO 2.3 with SO 1.2?

Alternatively, could the activities of SO 2.3 be merged with SO 2.1 Strengthened Democratic Culture Among Citizens and Target Institutions? What would be the advantages and disadvantages of merging SOs 2.1 and 2.3?

What would be the advantages and disadvantages of keeping SO 2.3 as a stand alone Strategic Objective?

What is the current state of decentralization (both fiscal and programmatic) in Kazakhstan and Kyrgyzstan? How does the situation in each country compare to others in the Europe and Eurasia region and compared to Western standards?

Are there indications of commitment to decentralization and rationalization of the intergovernmental finance system by the government in either Kazakhstan or Kyrgyzstan? If so, what are they?

Given the current state of decentralization in each country, can USAID expect to have impact with its programs at the local government level? Why or why not? What are the implications for future USAID assistance to local government in Kazakhstan and Kyrgyzstan?

Will the current plans for introducing elections for municipal akims in both Kazakhstan and Kyrgyzstan improve accountability of akims to their local constituencies? How do the current/proposed electoral systems for local government councils/akims compare to western standards?

## **OBJECTIVE**

This evaluation will assess two different but related USAID programmatic areas: local government and intergovernmental finance, in both Kazakhstan and Kyrgyzstan. The objective

of the assessment is twofold: (1) to determine the impact of USAID programs in these areas; and (2) to make recommendations to USAID regarding future programming. More specifically, the Contractor is to review the impact of local government programs given the state of and commitment to decentralization in each country, and make recommendations to USAID regarding future programming given the overall intergovernmental finance system and the governments' commitment to decentralization. Finally, if the recommendation is to continue programming in both of these areas, the Contractor is to make recommendations regarding the possible consolidation of the Strategic Objectives under which these activities operate.

## **STATEMENT OF WORK**

The assessment team leader will be responsible for the preparation and presentation of the assessment report and all other deliverables. S/he will be responsible for liaising with USAID/Central Asia. The team leader will assign specific tasks to the team and will provide instruction on how tasks should be accomplished. In addressing the questions outlined in Article III, the assessment team will perform the tasks outlined below.

### Task 1: Preparatory Work

Before undertaking field work in Kazakhstan and Kyrgyzstan, team members should familiarize themselves with documentation about current USAID-funded local government and intergovernmental finance activities in each country. The documentation includes:

- USAID's Assistance Strategy for Central Asia 2001-2005
- FY 2001 R4 for SOs 1.2, 2.3 and 2.1
- FY 2000 R4 for SOs 1.2, 2.3 and 2.1
- MIR4s for 2000, 2001

- ICMA Task Order #801 under EEU-I-00-99-00013-00
- Urban Institute Task Order #805 under EEU-I-00-99-00015-08
- Barents Contract # OUT-PER-I-800-99-00002

- Workplans under each task order/contract
- Periodic performance reports under each task order/contract

- “Intergovernmental Fiscal Reform in Kazakhstan: Progress to Date and Recommendations for the Future” by James Wooster, 12/2/1999

- “Intergovernmental Fiscal Reform in Kazakhstan: It's Time to Rethink the Direction of Intergovernmental Fiscal Reform in Kazakhstan: Part I of Series” by James Wooster, 1/10/2001

- World Bank Public Expenditure Review for Kazakhstan dated June 2000

- Draft paper entitled “Concept of Decentralization of State Functions in the Republic of Kazakhstan”, June 2001

*Legislation:*

Civil Service Law/Kazakhstan, adopted in January 2000

Local State Government Law/Kazakhstan, adopted in January 2001

Budget Law of Kazakhstan

*Pending LG draft legislation:*

Local Self-Government Law/ Kazakhstan

Municipal Property Law/ Kyrgyzstan

Local Civil Service Law/ Kyrgyzstan

Local Finance Law/ Kyrgyzstan

Budget Code (draft) of Kyrgyzstan

Draft Law of the Kyrgyz Republic on Changes and Supplements to the Code on Elections

Upon commencement of work under the contract, the assessment team leader will prepare an assessment approach and work plan in collaboration with the other team members that sets out the methodology to be used – one on one interviews, focus groups, questionnaires, etc. – to address the key assessment questions. This workplan will be submitted to USAID/Central Asia for comment, which will respond with comments within 1 week of receipt of the draft workplan. The assessment team will finalize the workplan, incorporating USAID/Central Asia's comments and shall submit it to USAID/Central Asia for approval. Working with USAID/Central Asia, the assessment team leader will set up a schedule for visiting each country.

**Task 2: Assessment of Local Government and Intergovernmental Finance Activities, and General Enabling Environment for Local Government**

To assess the appropriateness, quality, and impact of local government and intergovernmental finance activities in Kazakhstan and Kyrgyzstan, the assessment team will interview USAID Washington and Mission staff, Washington and local implementing partner staff, and in-country counterparts from partner local governments (oblast and municipal) and associations, appropriate central government ministries and agencies, parliament members, and other donors. Suggested contacts include:

Implementing Partners

Mark Bidus and Michael Shea, ICMA Washington

Mark Hannafin, COP ICMA Kazakhstan

Peter Epstein, Urban Institute Washington

Katie Reikowski, former COP Urban Institute Kyrgyzstan

Charlie Undeland, current COP Urban Institute Kyrgyzstan

Mitch Mokhtari, COP Barents Kazakhstan

James Wooster, former COP Barents Kazakhstan

Dana Frye, COP Kyrgyzstan

**Local Partners**

Kazakhstan:

Galym Zhakijanov, Akim of Pavlodar Oblast,

Nikolai Chmykh, Akim of Pavlodar city,

Serikbek Daukeev, Akim of Atyrau Oblast,  
Albert Rau, Akim of the city of Lisakovsk,  
Tamara Amanturlina, Secretary , Atyrau City Maslikhat,  
Sansyzbai Akinbekov, Secretary, Pavlodar City Maslikhat  
Zautbek Turisbekov, Chairman of the Agency of Civil Servants  
Kanat Ospanov, First Deputy Chairman of the Agency for Strategic Planning,  
Amiret Konysbaev, Head of the Department of Re-training of Civil Servants, Agency of Civil Servants,  
Nykolai Burlakov, Chairman of the Senate Committee on Regional Development and Self-Government,  
Ivan Cherkalin, Chairman of the Maslikhat Committee on Economic Reform and Regional Development  
Balzhan Dosmukhambetova, Chairwoman, Atyrau Oblast Anti-Monopoly Committee,  
Valerij Silenkov, Chairman of the Atyrau City Association of Cooperatives of Apartment Owners (KSK)  
Abyken Toktybekov, Rector, Institute for Local and State Management  
Zhailuy Umirbekova, Chairwoman, Atyrau Regional Training Center  
Nina Ermolaeva, Pavlodar Regional Training Center  
Deputy Sultanov, Chairman of the Budget Committee, Kyrgyzstan  
Mr. Kelimbetov, Deputy Minister of Finance/Kazakhstan  
Vitaly Mette, East-Kazakhstan Oblast Akim  
Marat Tataev, East-Kazakhstan Oblast Deputy Akim  
Vera Sukhorukova, Ust-Kamenogorsk City Akim

**Kyrgyzstan:**

M. Dzhamanbaev, Head of the Organizational Work and State Policy Department of the Presidential Administration  
Aaly Karashev, Chief Specialist, Organizational Work and State Policy Department of the Presidential Administration  
Asanabek Kermakunov, Mayor of the city of Naryn  
Bakhtijar Saliev, Mayor of the city of Uzgen  
Stanislav Tishenko, Mayor of the city of Kara-Balta  
Zootbek Kadyraliev, Chairman of the Bishkek city Kenesh  
Bakhtijar Saliev, Mayor of the city of Uzgen  
Arzybek Koroshev, Chief of the Department of Local Budgets and Budgetary Control  
Bolot Asanakunov, President of the Association of Cities, Kyrgyzstan  
Senator Karagusova, Chairman of Finance Committee, Kazakhstan  
Mr. Tomoryzaev, Deputy Minister of Finance/Kyrgyzstan

**USAID**

Glenn Anders, USAID/CAR Mission Director  
Kathryn Stratos, former CTO for ICMA and UI  
Susan Fritz, USAID/CAR, current CTO for ICMA and UI  
Ivan Apanasevich, USAID/CAR. Project Assistant for Local Government Activities  
Ted Priftis, USAID/E&E/DG, involved in Central Asia local government programs since 1995  
Lewis Tatem, USAID/CAR, current CTO for Barents  
Tracy Atwood, USAID/CAR Country Officer for Kyrgyzstan

#### Other Donors

Andrew Fyfe, EU Tacis  
OSCE  
Mr. Mohinder, World Bank  
UNDP Decentralization Project, Kyrgyzstan  
UNDP Kazakhstan  
Eurasia Foundation  
Soros Foundation

#### Task 3: Drafting Report

The assessment team will prepare a draft report and submit it to USAID/Central Asia for comment before leaving the region after the completion of its field work. It will also brief the USAID Mission prior to departure on the team's findings and recommendations.

### **RELATIONSHIPS AND RESPONSIBILITIES**

The team will report to Susan Fritz, Director of Democracy and Media, USAID/Central Asia. However, this assessment is being conducted under the auspices of both the Democracy and Media, and Enterprise and Finance Offices in USAID/Central Asia. Therefore, Lewis Tatem, Senior Economist, from the Enterprise and Finance Office will jointly manage this assessment with the Director of Democracy and Media. The assessment team is expected to arrange its own meetings and logistics. USAID/Central Asia is prepared to provide contact information to the team.

### **PERFORMANCE PERIOD**

The assessment will begin on October 1, 2001 and shall be completed by December 1, 2001.

### **PERSONNEL QUALIFICATIONS AND WORK DAYS ORDERED**

USAID suggests the following team composition; however, the Contractor is encouraged to present a composition that it feels will best allow it to undertake the assessment.

Overall Team Qualifications: At least one member of the team is required to be fluent in Russian, and at least two team members must have experience working on local government/decentralization programs and issues in Central and Eastern Europe or in the New Independent States. While not required, experience in Central Asia is definitely preferable.

#### 1 Senior Level Decentralization Specialist (24 days)

Qualifications: Must have comparative experience with/knowledge of intergovernmental finance systems in NIS and Central and Eastern Europe.

#### 1 Senior Level Program Development/Implementation/Monitoring/Reporting Specialist (27 days)

Qualifications: Must have evaluation experience, particularly evaluation of local government programs. Knowledge of USAID Strategic Objectives and Results Frameworks is also necessary.

1 Senior Level Public Administration/Strategic Management Specialist (24 days)

Qualifications: Practical experience working in local government or on international development programs which strengthen local governments is necessary.

For each member of the team, the level of effort is expected to be 24 days:

Preparation Time: 4 days

Field Work/Report Writing/Briefing: 18 days

Finalization of Report: 2 days

The team leader is allocated an additional 3 days.