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COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY REVIEW REPORT FOR KYRGYZSTAN

Note by the Administrator

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INTRODUCTION

1. In accordance with the procedures set forth in the programming manual for the review of country cooperation frameworks (CCFs), a review for Kyrgyzstan was held from 17 May to 4 June 1999. The present report contains a summary of the findings of the review. The findings are grouped by thematic area, for each of which are presented summaries of the conclusions reached by the review team, the corresponding recommendations and the action agreed on by UNDP and the Government. The full text of the review in the language of submission is available from the Executive Board Secretariat upon request.

I. THE NATIONAL CONTEXT

2. Conclusions. The transition to a market economy has entailed severe economic dislocations for the country. Per capita gross domestic product (GDP) has fallen by over 50 per cent and now stands at US\$ 440 according to the World Bank Atlas. About one third of the population was considered poor in 1989, but over 60 per cent are now estimated to live under the poverty line of \$7 per month. The main response to Kyrgyzstan's problem of poverty and underutilized human resources can only be economic growth, mainly through rural development and the promotion of small- and medium-scale enterprises. While Kyrgyzstan's growth is already improving, much more can and needs to be done to provide the country with an economic system that will maintain high sustainable growth and high human development levels.

3. Defining the role of the State must ultimately reflect the sovereign choices of the Kyrgyz people and must involve all segments of society. Donors can, of course, help in governance and institutional issues but success in this area depends largely on Kyrgyz ownership and commitment.

4. Recommendations. UNDP should fully support any undertaking by the Government to define the role of the State.

5. Agreed action. Following the country review mission recommendations, UNDP will, at the request of the Government, deliver high-level advice and expertise to the Kyrgyz President and Government on the role of the State. In cooperation with national think-tank centres, UNDP will facilitate a public debate on the role of the State in societies in political, economic and social transition. Best practices from countries with similar transition experience will be explored and used in this initiative.

II. THE COUNTRY COOPERATION FRAMEWORK

6. Conclusions. The CCF, approved by the Executive Board in January 1997, identified poverty alleviation, job creation, the advancement of women and the protection and regeneration of the environment as priority areas for cooperation with Kyrgyzstan, in addition to a special focus on improving governance, including support of civil society.

7. In May 1997, Kyrgyzstan adopted with UNDP support a national strategy for sustainable human development (SHD) and set up an SHD council. In this context, the broad programme priorities of UNDP fall squarely within the SHD mandate and are both appropriate and relevant to the needs of the country at this stage of its reform and development effort.

8. Recommendations. The broad priorities of the programme, i.e., governance, poverty alleviation, enterprise development, and sustainable use of natural resources should be maintained.

9. Agreed action. In the formulation of a new CCF, UNDP and the Government will carefully review the recommendations of the country review mission in order to enhance the support of UNDP to the development of Kyrgyzstan.

III. PROGRAMME PERFORMANCE

10. Conclusions. The Kyrgyzstan national strategy for SHD comprises seven overall directions, including the promotion of democratic governance, which as stated in the strategy is aimed at the reallocation of budget, human and social resources to achieve social progress and to ensure the unity of State and society, by ensuring efficient state control over social resources, promoting an equitable and reliable judicial system, developing local self-governance, developing non-governmental organizations (NGOs), and promoting the partnership of government and NGOs. It was against this backdrop that the governance component of the CCF was designed.

11. In governance, the UNDP programme in Kyrgyzstan has evolved from rather disjointed capacity-building projects in government departments to a more coherent programme addressing public administration reform, economic transition, decentralization and self-governance, governing institutions and the development of civil society.

12. The extensive aid coordination role which UNDP played to facilitate Government efforts to manage the huge inflow of external resources following the establishment of the new State had resulted in a high level of confidence in the work of UNDP. As a result, a strong, trusting relationship between UNDP and the Government had developed. This undoubtedly contributed to government requests for UNDP support in very sensitive issues of governance, including electoral administration and support to the parliament.

13. UNDP deserves high marks for responding to government requests for high-level expertise on significant policy issues, usually relating to macroeconomic stabilization. The mission is impressed with the quality of advice that has been provided to the Government, but it is not clear to what extent this advice has been utilized in follow-up dialogue with decision makers in the Government and with civil society representatives, or how far it has fed into programming of new UNDP activities.

14. The main involvement of UNDP in direct poverty alleviation initiatives emphasizes access to microcredit and social mobilization on a pilot basis across all the oblasts (provinces) of the country. The mission visited some of the

sites covered by the project in Osh and Jalal-Abad oblasts, and was impressed by the quality and dedication of international and national volunteers, their methodology and the results achieved in pilot villages, in terms of social mobilization as well as in facilitating access to microcredit.

15. The commendable work of UNDP at the community and grass-roots level is being expanded but remains too small to impact national policy. A good start has been made in outreach to civil society. Impact will be enhanced through a more inclusive approach, open communication and transparent information-sharing.

16. Access to basic social services is critical for poverty-alleviation efforts and no national anti-poverty plan or programme will succeed without addressing that issue. This will entail redirecting State expenditures to benefit the poor, particularly in education and health. The education system in Kyrgyzstan is unable to maintain good quality primary and secondary education and faces serious challenges in introducing the teaching of new skills demanded by the market economy. Many of the hospitals and health-care centres that reach the whole population have been closed down. These misdirected expenditure cuts have worked to the detriment of the poor in rural areas, where a significant deterioration in health conditions is reported.

17. Of three job-creation objectives in the CCF, only support to small- and medium-scale enterprises is being undertaken. Promoting direct foreign investment and privatization are constrained by both external and internal factors. Enterprise development will be a major source of new job creation for the foreseeable future. UNDP provides technical cooperation to entrepreneurs through a network of integrated business centres (full-fledged centres are operational in Bishkek, Osh, Naryn and Talas; Jalal-Abad is opening shortly; and the remaining oblasts are covered by consulting offices set up with other partners, including NGOs). The centres represent a partnership between the Social Fund, the UNDP project and the Kyrgyz Chamber of Commerce and Industry, and are able to offer a full range of consulting and training services. In addition, they directly provide local entrepreneurs with credits from the domestic credit line or direct them to other financial institutions offering credit. The mission is satisfied that the centres can fulfil an important function in helping entrepreneurs to set up new businesses and is making tangible progress.

18. The advocacy and operational work of UNDP in Kyrgyzstan on the advancement of women is nothing short of impressive. UNDP has been involved in the advancement of women and improving opportunities for them through support to the State Commission on Women and Family Issues, establishing the National Women-in-Development Bureau (now called the Gender-in-Development Bureau), and through two ongoing projects supporting women's organizations and women in leadership, grass-roots activities of the poverty alleviation and decentralization projects, among others.

19. UNDP has achieved good results in Kyrgyzstan in mobilizing third-party cost-sharing, particularly for the governance and poverty alleviation themes. While mobilization of third-party cost-sharing must remain a strategic priority for UNDP in Kyrgyzstan, it should be undertaken keeping in mind the need to maintain better programme focus.

20. UNDP has no clear-cut counterpart agency in Kyrgyzstan, and is obliged, therefore, to negotiate with a number of ministries, institutions and agencies. This is compounded by a lack of clarity on the part of the Government in stating its overall priorities, by the fragmentation in public service and the existence of several layers of government, and by frequent personnel and institutional changes.

21. Most projects are implemented under the national execution modality. The choice of national executing agencies has not always been based on an assessment of institutional capacity, but rather has been guided by perceptions of how effective and well connected their directors are. The recruitment process of national project staff, including project managers, is not always competitive, open or transparent.

22. Recommendations. UNDP has a greater role to play in building the base for democratic reform within the civil society and not just with government through strengthening the capacity of civil society organizations (CSOs) and facilitating linkages between them and government at the central and local levels. More attention should be paid to ensuring civil society participation in all aspects of democratization, with particular emphasis on facilitating their contributions to policy-making processes, the development of legislative frameworks, and ensuring stronger linkages with the legislative, executive and judicial branches of government.

23. UNDP advocacy of the concepts of SHD and gender issues has been highly visible but more emphasis now needs to be placed on reaching out to a wide variety of CSOs to activate these concepts and ensure their translation into concrete activities. This will require a concerted effort on the part of UNDP to broaden and deepen its relationships with NGOs, community-based organizations (CBOs), and other CSOs.

24. A task that needs to be addressed is how to integrate people-centred development (i.e., SHD) concerns into macroeconomic stabilization. This is perhaps best dealt with in a government/civil society/donor forum. UNDP and other United Nations bodies present in the country may wish to take a joint initiative in this regard. Should the Government wish to pursue the streamlining and rationalization of education and health, the mission would strongly recommend that UNDP respond by making available high-quality expertise to draw up policy options for each sector, with recommendations on how to increase the efficiency and cost-effectiveness of related public expenditure.

25. Poverty alleviation should be pursued as the top priority for SHD in Kyrgyzstan. As the programme gains more experience and capacity, additional resources should be made available both to expand geographical coverage and to address some of the identified gaps. It is recommended that the next national human development report address the question of poverty in Kyrgyzstan, including the profiling of poverty in different regions.

26. Creating an enabling environment for enterprise development, particularly small- and medium-size enterprises, is as important as providing credit, consulting and training services. The measures needed to achieve that should

remain the subject of a continuing policy dialogue with the Government and parliament.

27. In collaboration with the Government, UNDP must determine a common management structure for the public administration reform, decentralization, and civil service reform projects, otherwise the current projects risk becoming only interesting experiments without the legislative, regulatory and fiscal frameworks to achieve sustainable local economic and social development.

28. UNDP should be prepared to invest resources in strengthening the capacity of a government institution responsible for aid coordination, provided it has been endowed with a clear mandate and authority to deal with all entities of the Government.

29. The monitoring of technical cooperation projects should emphasize substance and results over process and inputs, and more evaluation is needed to capture the lessons of experience.

30. It is important that national execution modality rules and procedures be applied without exception. The recruitment of national staff and consultants for nationally executed projects, including project managers, should always be competitive, open and transparent.

31. Agreed action. Following the recommendations of the country review mission, UNDP will further enhance its outreach to civil society through its new initiative to support NGOs and CBOs. UNDP, jointly with its national counterparts, will also review the ongoing programmes (decentralization, poverty alleviation, etc.) to facilitate dialogue between NGOs and the Government at the central and local levels. In the implementation of the ongoing programmes and in the formulation of new programmes, more attention will be paid to strengthening the capacity of NGOs and CBOs and ensuring their participation in policy-making processes.

32. UNDP and the Government will consider expanding the poverty alleviation programme to enable it to reach a considerably larger number of communities, including those in remote and isolated areas, where poverty levels are believed to be higher. A new microfinance initiative will be launched to strengthen the impact and results of the poverty alleviation programme.

33. UNDP and the Government will elaborate jointly with United Nations agencies, the World Bank and other donors, the possibility of convening a policy forum on how to mainstream SHD dimensions in very concrete practical terms into the macroeconomic stabilization programme of the Government. In this vein, UNDP will consider providing high-level expertise to help the Government in the rationalization of public expenditures for the health and education sectors.

34. The national human development report for 1999 profiles poverty in different regions of Kyrgyzstan. Further work will be continued in this regard in cooperation with national research institutions in preparation of a national human development report for 2000.

35. The new programme of UNDP will put strong emphasis on practical utilization of high-level policy advice provided by UNDP to the Government of Kyrgyzstan. This would require building the capacity of civil servants at the central and local government levels, which will be implemented within the framework of public sector reform and decentralization programmes.

36. In order to ensure the sustainability of its interventions in the field of public administration reform, civil service reform and decentralization, UNDP will help the Government to build its institutional capacity, particularly for the management and coordination of the reform processes taking place in national and local government agencies.

37. UNDP will complement its ongoing support to small- and medium-sized enterprises with upstream policy advice to help the Government and parliament to create an enabling legal and institutional framework for enterprise development. Best practices and expertise from countries with economies in transition will be explored and utilized.

38. UNDP will formulate and implement a country office resource mobilization strategy in full consistency with its programme focus areas. A resource mobilization strategy will be an integral part of the programme approach, which will be reflected in the new CCF and applied throughout the new programming period.

39. UNDP will consider the possibility of providing support to the Government to build the institutional capacity needed for aid management and aid coordination, provided that it has a clear mandate and the authority to coordinate external development assistance on behalf of all government agencies and ministries.

40. All the recommendations of the country review mission related to nationally executed projects as well as to monitoring and evaluation practices will be carefully reviewed by the country office and reflected in the strategic results framework and country office work plan for 2000.

IV. UNDP SUPPORT TO THE UNITED NATIONS

41. Conclusions. UNDP is adequately performing its coordination function for United Nations agencies and reaches out to include other donor organizations. However, a greater effort must be made by all agencies to ensure substantive collaboration on common programmes and minimize duplication of efforts.

42. The mission noted that there is room for collaboration of all United Nations agencies in joint advocacy and in planning, programming and implementing joint activities in Kyrgyzstan, in such areas as poverty alleviation, addressing the needs of vulnerable groups, human rights and outreach to civil society.

43. Recommendations. Cooperation within the United Nations family should extend to joint advocacy and to joint programming and action.

44. UNDP, with the support of other agencies of the United Nations system, has produced the first common country assessment (CCA), a document which contains a good deal of socio-economic data on Kyrgyzstan. The review mission recommended that the second CCA should undertake more analysis of the data from the perspective of people-centred development.

45. The United Nations Country Team is considering the preparation of the United Nations Development Assistance Framework (UNDAF) but given that Kyrgyzstan has been selected as a pilot country for the introduction of the World Bank Comprehensive Development Framework, it is important that UNDAF be seen to serve a practical purpose.

46. Agreed action. UNDP, the Office of the United Nations High Commissioner for Refugees, the International Organization for Migration and the United Nations Population Fund will be continuing the ongoing joint efforts to coordinate their programmes in Kyrgyzstan in order to avoid duplication and to ensure effective utilization of their scarce resources. The joint initiatives, which have been undertaken in the course of conducting the capacity assessment of NGOs, in the formulation of the preparatory assistance document on human rights and a training strategy for NGOs, will be expanded to address the most critical development needs of Kyrgyzstan. The key thematic areas for joint collaboration and programming have been identified by the United Nations Country Team and highlighted in the Kyrgyz response to the United Nations global conferences, published under the resident coordinator system. These thematic areas include poverty alleviation, addressing the needs of the most vulnerable segments of the society (children, refugees, etc.), women's rights and outreach to civil society.

47. Following the recommendation of the review mission, the second CCA contains a comprehensive analysis of the social and economic situation in the country from the perspective of people-centred development. The new CCA is being used by the United Nations Country Team as an advocacy tool in their dialogue with Government and civil society of Kyrgyzstan.

48. It has been decided by United Nations agencies that the UNDAF will be formulated; it is expected to provide United Nations agencies with a tool for strengthening their coordination and joint programming efforts.

Annex

FINANCIAL SUMMARY

Country: Kyrgyzstan CCF period: 1997-1999 Period covered by the country review: 1 January 1997-June 1999			
REGULAR RESOURCES	<u>Amount assigned for the CCF^a</u> (in thousands of US dollars)	<u>Amount planned for the period under review</u> (in thousands of US dollars)	<u>Estimated expenditure for the period under review</u> (in thousands of US dollars)
Estimated IPF carry-over	900	938	938
TRAC 1.1.1 and TRAC 1.1.2 (100% of TRAC 1.1.1)	6 408	4 806	4 051
TRAC 1.1.3	-	308	200
SPPD/STS	250	156	157
Subtotal	7 558	6 208	5 346
OTHER RESOURCES	<u>Amount targeted for CCF^a</u> (in thousands of US dollars)	<u>Amount mobilized for the period under review</u> (in thousands of US dollars)	<u>Estimated expenditure for the period under review</u> (in thousands of US dollars)
Government cost-sharing	1 250	1 607	1 464
Third-party cost-sharing	16 667	2 159	1 963
Sustainable development funds			
GEF	-	21	14
Capacity 21	667	166	143
Funds, trust funds and other			
Trust Funds	-	1 341	1 063
Subtotal	18 584	5 294	4 647
GRAND TOTAL	26 142	11 502	9 993

^a Prorated for the period under review.

