Public service improvement in kyrgyzstan

Project Document, Phase I, 2015 – 2019



Bishkek, 18 March 2015

**Table of Contents**

Synopsis 3

Executive Summary 4

1. Context 5

1.1. Socio-economic environment of the Kyrgyz Republic 5

1.2. Fragility Patterns in Kyrgyzstan 6

1.3. Governance and Local Self-Governance in the Kyrgyz Republic 7

1.4. Stakeholder Analysis 11

1.5. Public Service Provision – Core Challenges 14

1.6. Alignment of the Project 18

1.7. Planning Process and Methodology 19

2. Objectives of the Project 24

2.1. Overall Objective of the Project 24

2.2. Project Outcomes 25

2.3. Outputs 26

2.4. Activities 29

2.5. Description of Beneficiaries 31

2.6. Levels of Intervention 31

3. Implementation Strategy 32

3.1. Project Area 32

3.2. Selection process of municipalities 33

3.3. Methodology and approaches 34

3.4. Transversal themes 40

3.5. Collaborations and synergies with other governance projects 43

3.6. Phasing and long-term vision 45

4. Organization, Management and Administration 48

4.1. Project Management 48

4.2. Organizational structure and steering mechanism 49

4.3. Roles, tasks and responsibilities (project team) 50

4.4. Administration 51

5. Resources 51

5.1. Human Resources 51

5.2. Infrastructure and Equipment 52

5.3. Budget 52

6. Risk Analysis 53

7. Monitoring & Evaluation, Knowledge Management and Learning 56

7.1. Monitoring and Evaluation 56

7.2. Communication, Knowledge Management and Learning 57

8. Annexes 59

Annex I Project Logical Framework

Annex II Project Budget

Annex III Synergies with SDC and other partner projects

Annex IV PIU and experts Terms of References

Annex V Concept on selection procedure for PSI Partner Municipalities

Annex VI Concept of PSI Grant Program Strategy

**List of Abbreviations**

A/O Ayil Okmotu (rural municipality government)

AA Ayil Aimak (rural municipality)

AKF Aga Khan Foundation

CIS Commonwealth of Independent States

CSO Civil Society Organization

DPI Development Policy Institute

EBRD European Bank for Reconstruction and Development

EU European Union

EWI East West Institute

GDP Gross Domestic Product

GSE Gender and Social Equity

GSI Grant for Service Improvement

GTS Grant of Technical Support

HSI HELVETAS Swiss Intercooperation

ICS Internal Control System

JAP Joint Action Plan

KPI Key Performance Indicator

KR Kyrgyz Republic

LARC Legal Assistance to Rural Citizens

LBD Legal Business Development

LSG Local Self-Government

PIU Project Implementation Unit

PO Program Office

PPP Public Private Partnership

PSI Public Service Improvement

SALSGIR State Agency for Local Self-Governance and Inter ethnic Relations

SDC Swiss Development Cooperation

SECO Swiss Economic Cooperation

SIAP Service Improvement Action Plan

SPS State Personnel Service

ToR Terms of Reference

UNDP United Nations Development Program

USAID United States Agency for International Development

VAP Voice and Accountability Project

WGI Worldwide Governance Indicators

WTO World Trade Organization

## Synopsis

|  |  |  |  |
| --- | --- | --- | --- |
| Name of project | Public Service Improvement (PSI) | | |
| Project no | 1251.15.2.0 | | |
| Country and project area | Kyrgyzstan, Issyk-Kul and Jalal-Abad Oblast | | |
| Start date | 01 May 2015 | End date | 30 April 2019 |
| Number of phases | Phase I (2015-2019), Phase II (2019-2023), Phase III (2023-2025) | | |
| Short description | The Public Service Improvement Project (PSI project) is a Swiss government funded project covering three oblasts of the Kyrgyz Republic (Jalal-Abad, Issyk-Kul, Chui) and will help to improve life conditions in rural areas through better access and increased quality of services. The PSI project is implemented by a consortium of organizations composed of HELVETAS Swiss Intercooperation (HSI) and the Development Policy Institute (DPI).  The time perspective of the PSI Project is 10 years and its first phase of 4 years starts in May 2015. The PSI Project has two main components:  a) at the local level the projects will focus on tangible public service improvements for citizens and support public service providers, both public and private, to deliver more effective, efficient, and sustainable public services and  b) locally and nationally the project will tackle the issues of governance structures by strengthening various interaction systems of citizens input, municipal oversight over public service providers and interaction system between local and national stakeholders | | |
| Development goal | Municipalities increase quality of and access to public services for own population | | |
| Outcomes | 1. Citizens receive efficient and sustainable public services from local public service providers 2. Effective stakeholder interaction systems for public service improvements is in place | | |
| Outputs | For Outcome 1:   1. Local service providers have better management capacities 2. Municipalities practice public service improvement mechanisms   For Outcome 2:   1. Citizen participation mechanisms in public service definition, execution and monitoring are established in municipalities 2. Municipal oversight over public service providers in strengthened 3. Advocacy and information dissemination capacities of municipalities and national counterparts are strengthened | | |
| Leading Agency | HELVETAS Swiss Intercooperation | | |
| Consortium partner | Development Policy Institute, Kyrgyzstan | | |
| Strategic Implementation Partner | Legal Business Development Consulting/LARC Network, Kyrgyzstan | | |
| Resources (phase - budget) | CHF 4,010.910 | | |

# Executive Summary

The **Public Service Improvement** (PSI) project is a ten year, approximately 10 mil CHF initiative funded by the Swiss Agency for Development and Cooperation (SDC) and implemented by Helvetas Swiss Intercooperation in consortium with the Development Policy Institute.

The overall goal of the Swiss Cooperation in the Kyrgyz Republic as set in the Strategy of Central Asia 2012-2015 is to “increase of equitable access for citizens to services through transparent and efficient use of public resources”. The PSI project with its own objective of **municipalities increasing quality of and access to public services for own population** is contributing to this overall SDC goal.

PSI will work on achieving two outcomes that contribute to the overall goal:

* **Outcome 1**: Citizens receive efficient and sustainable public services from local service providers, and
* **Outcome 2**: Effective stakeholder interaction system for public service improvements is in place

During the phase I implementation (May 2015 – Apr 2019) the project strategy towards achieving these results is grouped into two main interventions: a) focus on tangible public service improvements for citizens and support public service providers, both public and private, to deliver more effective, efficient, and sustainable public services and b) improving governance structures on local level by strengthening various interaction systems of citizens input, municipal oversight over public service providers and interaction system between local and national levels.

The project emphasis lies on achieving visible and tangible improvements of the living conditions for citizens in the project area (outcome 1). However, PSI regards tangible public service improvement only as a means to trigger more comprehensive systemic change at local level. Improvements of public services are therefore underpinned and closely linked to improved and strengthened governance principles (outcome 2). For this the PSI will produce a series of interlinked outputs and delivery activities that strengthen all aspects of governance while working towards the achievement of the project outcomes.

PSI strongly builds on the achievements of the SDC-funded Voice and Accountability (VAP) project currently implemented in Kyrgyzstan. PSI develops further initiatives, methods and tools of VAP, and will work to the maximum extent possible in synergy with VAP. In its first project phase PSI will work in the same two regions (Jalal-Abad and Issyk-Kul) where VAP operated and include all VAP pilot municipalities into its project area.

PSI will target a total of up to 60 municipalities which will get the necessary technical assistance and financial support to elaborate and implement solid and feasible service improvement action plans based on the citizens’ demands and priority.

The chosen implementation approaches and methodologies are:

* Citizens’ centered approach in selection of services to be improved – services selected on real needs and priorities of the population defined in a transparent and participatory way
* Practicing service improvement through Service Improvement Action Plan (SIAP) – a structured technical document which represents a practical tool building on the Joint Action Plans (VAP) and existing development documents, with the participation of citizens/users, local self-government, experts and service providers
* Two-tier grant scheme – municipalities receive two levels of grant support aimed at the first instance to elaborate a solid and comprehensive service improvement action plan (for all partner municipalities) and at the second instance to implement the plan (for winning municipalities through a competitive selection)
* Clustering of municipalities, both geographically to foster inter-communal knowledge exchanges, creation of inter-municipal working and planning groups, and joint service delivery models, as well as thematically for technical assistance interventions designed for all project municipalities (strengthening basic managerial capacities, delineating roles and responsibilities etc.)
* Anchoring good governance principles in applied processes and procedures

The current phase of PSI is the first phase of four years of a project with a ten year horizon. Main goal of PSI phase I (2015 – 2019) is to introduce sustainable, effective, efficient, accountable and responsive management solutions in targeted municipalities that address real needs and demands of citizens and that deliver tangible service improvements. It further aims at better delineating roles and responsibilities of the various stakeholders involved in public service delivery on local level, and to strengthen meaningful citizen’ involvement mechanisms in service delivery planning and monitoring. The project will create a number of model procedures and solutions for further dissemination and replication in Phase II. In addition, municipalities will be empowered to better interact with their national counterparts and to make their concerns heard at this level. In turn, relevant national actors will be strengthened to gradually take up their assigned roles and responsibilities to facilitate and improve the work of LSGs.

The groundwork laid during the first project phase will allow to quickly expand operations in the second project phase (2019 – 2023). Main thrust of PSI phase II will be to replicate tested models and solutions from phase I in further provinces to tangibly improve public services for a significant portion of the population of the Kyrgyz Republic. By this stage good governance practices on local level should be firmly anchored with project municipalities and the critical mass be achieved for municipalities to influence for themselves the national policy framework through evidence-based advocacy. Phase III (phasing out (2023 - 2025) will be used to consolidate the project experiences, firmly anchor achievements in the national normative framework, and secure sustainability of its outcomes.

# Context

## Socio-economic environment of the Kyrgyz Republic

*Economy:* Following independence, Kyrgyzstan was progressive in carrying out reforms, such as an improved regulatory system and a land reform. As a result, Kyrgyzstan was the first Commonwealth of Independent States (CIS) country to be accepted into the World Trade Organization (WTO). The World Bank estimates the Kyrgyz GDP per capita (nominal) at US$ 1,263 for 2013[[1]](#footnote-1), while the IMF indicates that over 26% of the GDP is produced through a huge shadow economy[[2]](#footnote-2).

Agriculture remains the backbone of the Kyrgyz economy, with over half of the population (55%) engaged in agriculture and herding, contributing 38.5% of GDP. Most of the cultivated area which is 1’202’600 hectares is irrigated (1’021’000 hectares, equal to ~85% of arable land), though the infra-structure is rapidly deteriorating. Most of the rural poor live from subsistence or semi-subsistence farming and depend on a multifunctional agriculture for their livelihoods.

Low income from agriculture it is one of the factors leading to migration. Especially – but not only – young men are migrating first internally to Osh and Bishkek; and then mainly to visa free Kazakhstan and Russia, but also to Turkey, South Korea and the United Arab Emirates, from where more than 500’000 largely low-skilled Kyrgyz migrants (18.5% of total Kyrgyz labor force) contribute with remittances worth US$ 1.2 billion / year to 23% of GDP (5th highest in the world).[[3]](#footnote-3)

*Poverty and Inequality[[4]](#footnote-4)*: Persistent poverty and economic disparities contributed to the past popular unrest and remain the government’s greatest challenges. The poverty rate declined rapidly from 56.4% in 2001 to 31.7% in 2008, but a harsh winter in 2008 and the effects of the global economic crisis in 2009 stalled progress. The global crisis particularly affected remittances, which are an essential source of financial support for many households. The poverty reduction gains of the 2003-2008 have halted and in some areas been reversed. The overall poverty rate has increased from 34% in 2010 to 37 % in 2013[[5]](#footnote-5) , with an increasing proportion of poor women, as a result of the 2010 violence and 2011-2012 food price increases. Poverty rates often differ little between rural and urban areas within oblasts. Currently, an estimated 5 percent of the population lives in extreme poverty, and 2012-2013 food price increases may push poverty rates up, especially in urban areas. Inequality measured by the consumption Gini coefficient declined from 0.27 in 2005 to 0.23 in 2011, while the income Gini coefficient declined from 0.43 to 0.38. Education level is a significant determinant of poverty.

*Gender equity*: The Kyrgyz Republic scores high on international gender equity indices for education but consistently low on the economic and political empowerment of women. Since independence, declining employment opportunities have limited the economic activities of women. Women are active in the informal sector, but their average earnings in the formal labor market in 2010 were only 63.6% of men’s. The labor force participation rate for women is 52.3%, compared with 76.6% for men. Women are overrepresented in public education and health sector jobs, which pay relatively low salaries but provide other benefits and often demand shorter working hours. Women are also underrepresented in managerial positions.

Kyrgyzstan decided in late 2014 to join the Eurasian Economic Union, to take effect in early 2015. The socio-economic consequences of this strategic move are not yet clear, but could result in a drop of GDP and lower State revenues. The economic slow-down in Russia and devaluation of the Ruble is already now causing a fall of remittances to the country, and could further lead to a return of large numbers of migrants.[[6]](#footnote-6) These factors could further aggravate existing poverty and inequality; have adverse effects on the political stability of the country, and on the ability of the central government to provide adequate funds to local self-governments.

## Fragility Patterns in Kyrgyzstan

The OECD defines a fragile state as “one which has weak capacity to carry out basic governance functions and lacks the ability to develop mutually constructive relations with society.”

Conflicts pose a real threat to and constitute a challenge for the country’s sustainable development. During the period 2008 through 2012, some 254 conflicts of socioeconomic nature were registered in Kyrgyzstan, including more than 30 inter-ethnic conflicts with 1,012 instances of violence.[[7]](#footnote-7)

Analysis shows existence of three major types of conflicts in Kyrgyzstan which may at the same time be “mixed” and “transform” into another form: (i) conflicts caused by unequal or unfair access to resources (water, land, pastures, mineral deposits, etc.), (ii) identification conflicts: interethnic and interdenominational conflicts; (iii) conflicts caused by perceived discrimination or exclusion: local conflicts between communities and local governance bodies, between community groups and state power institutions, etc.

*Causes of conflicts within communities*:

Table 2 provides an overview of the presumed causes of social conflict - opinions are arranged by respondent groups of representatives of government, and municipal staff and civil society/NGOs and academia, respectively.[[8]](#footnote-8)

|  |  |
| --- | --- |
| **Group** | **Reasons for possible social conflicts** |
| Local and national authorities | 1. Poverty among the population 2. Corruption and the unequal distribution of social benefits and privileges 3. Lack of experience among the local and the central government officials 4. A traditional, passive, dependent mentality of the local population and its representatives, who are used to being taken care of by the State 5. External factors (influence by abroad) 6. Reluctance of the LSG structures to work on conflict resolution, despite the fact that it is their responsibility 7. Lack of coordination between the actions of the State and the LSG structures 8. Lack of resources and help from the central government |
| Experts (from civil society, NGOs, academia, and municipal staff) | 1. Poverty among the population 2. Corruption and the unequal distribution of social benefits and privileges 3. Ineffective governing policies 4. Lack of control and oversight from the national government 5. Reluctance of the LSG structures to work on conflict resolution 6. A poor relationship between the LSG structures and the local population (unresponsiveness of the LSG leaders to the people, as a result of their being appointed by and oriented toward the State |

Table 2: Opinions of causes of social conflict, by respondent group

## Governance and Local Self-Governance in the Kyrgyz Republic

According to the Worldwide Governance Indicators (WGI) published by the World Bank[[9]](#footnote-9) including year 2013, the Kyrgyz Republic has severely deteriorated over the past 10 years in fields such as control of corruption, rule of law and political stability, while improving voice and accountability. While the quality of the regulatory framework is considered strong, a huge gulf in implementation of the law exists. Until recently there were 21 different state supervisory bodies, such as Tax Inspectorate, Customs, Sanitary Inspection and Financial Police, all authorized to inspect and punish businesses accused of wrongdoings, a fact that caused regular harassment and massive extortion by abundant corrupt agents. The Kyrgyz government has thus adopted a programme on improving governance and fighting against corruption as a priority in its overall reform programme.

The increased power given to political parties and local authorities under the new political regime is expected to result in stronger decentralization, strengthened local governance and public accountability. However, most local government officials lack the professionalism and experience to govern according to the new legislation, and are often criticized for a lack of efficiency. Many members of local councils are also unaware of their own roles and responsibilities, while heads of villages (Ayil Okmotu) often do not pass their knowledge and experience on to their successors.

Local self-governance in the Kyrgyz Republic is the primary level of the public administration system. According to the current Constitution, local self-governance – LSG – aims to guarantee the right and capability of local communities to address the issues of local significance. Local Self-Governments (municipalities) consist of a representative body – local kenesh (council) and an executive body – mayor’s office or ayil okmotu (village government) elected by the council.

The present budget process policy should lead to a more predictable, transparent and fair distribution of transfers from central government to local governments, but will largely depend on the central government’s ability to generate enough revenues to provide adequate funds to local governments. The Administrative-Territorial Reform has, however, been postponed, as criteria for consolidation are not yet defined.

After long political hesitation towards the issues of local government, which lasted during the period 2010-2013, in late 2013 the Government approved the Development Program of LSG until 2017. The Program stated the main goal for LSG to be efficient, responsible, and accountable to local communities. According to the Program the goal is to be achieved through the following tasks:

* Increase of responsibility and optimization of LSG,
* Focus LSG operation on priorities of local communities;
* Financial sustainability development, increase of LSG resource base and local economic development and
* Improvement of organizational and legal framework for result-oriented operation of LSG.

At the time of discussion and tendering of the PSI project high hopes were placed on a draft “Law on State and Municipal Services” then in deliberation. The law was expected to provide a solid legal basis for the implementation of the project. However, when the law was adopted in June 2014, it proved to make the task rather more complicated. By early 2015 experts are still trying to fully grasp the consequences of the new law.

All services provided by LSGs to the citizens at the local level can be conditionally divided into four categories:

1. Municipal services (included into register of municipal services);
2. The services of the local self-governments according to the law on LSG;
3. Delegated responsibilities of the state bodies;
4. Mixed issues (where responsibilities of managing bodies are not delineated clearly)

The Law, however, confuses under the notion “service” different concepts, including generally accepted services, functions and authorities. Moreover, following the language of the Law the most critical services for local communities and LSGs, such as provision of drinking water, sewage, garbage collection, etc. are not considered “services” but are called “issues of local significance”. In return, this new Law obliges LSGs to develop lists of local municipal services and define standards for them, which are not necessarily addressing real needs or priorities of local communities and that will thus have little if any impact on important services improvement in municipalities for regular residents, or should be regarded as implicit obligation anyway (for example the “right” of LSGs to ‘provide information on questions by individuals’, or social housing).

“Issues of local significance”, those aspects of municipal work commonly considered important services regarding the livelihood of citizens (water, waste, street lighting, etc.), are not covered by the new Law on State and Municipal Service, but rather by the Law on Local Self-Government, but without further defining the service or service quality. Such vital aspects are only regulated by means of technical regulations (e.g. potable water quality) issued by the relevant ministries. Such rules and regulations, if they exist at all, are often outdated. Often these rules are not respected, and municipalities are entirely responsible for the delivery of these services.



Figure 1: Logic sequence of laws in public service provision (project aspect)

The unresolved issue of delineation of functions and authorities between LSGs and state bodies (various sectors, such as: education, healthcare, youth, social protection, emergency, etc) remains to be a big burden for LSGs and thus prevents local development. The Law on Delegation of State Authorities to LSGs is relatively new and is not being properly implemented yet. Moreover, due to previous and still present practice of line ministries (such as Ministries of Health, Education, and Social Development. Emergency Situations) to impose on LSGs the “assistance” for implementation of almost all sector reforms and program implementation worsens the situation for LSGs and diverts them from priorities of local communities, from accountability to residents. LSGs are overloaded with assignments from ministries, which are under the scrutiny of the State, namely of the Prosecutor’s office and Audit Chamber.

Finally, there is a number of mixed services where responsibility of the State, local governments and the private sector are not delineated. These are, for example veterinary or electricity supply services of the areas where there is no clearly defined “rules of the game”, established by the legislative delineation of LSG responsibilities.

For PSI this means that a clear delineation of the field of work or a clear limitation to a specific type of service according to the law does not make sense. Women and men in rural areas have a great need for basic services, whether they are classified “delegated State services” or “issues of local significance”, and whether there are official standards existing for these services or not. For citizens it makes no difference which level of government is officially responsible to deliver a service. Their main point of interaction with the “State” is always their respective LSG body, and they will hold their local municipality accountable for a service (or the lack of it), irrespective of who is responsible, and who should provide the funds for it. On the one hand this is a challenge for the project, as the current legal and regulatory framework does not provide enough guidance on regulating many issues. On the other hand it can also be seen as an opportunity to maneuver in selection of the services that are based on the needs of the population.

**Impact of fiscal decentralization reforms on the service sector**

The key goal of fiscal decentralization in the Kyrgyz Republic is to create conditions where local self-governance bodies would have high level of independence in managing the financial resources in order to deliver services to the population effectively. Despite of some wavering in fiscal decentralization policy which has been implemented in the Kyrgyz Republic since 2003 up to now, the main principles of the reform have been observed. The municipalities have own income basis, withdrawals from local budgets into the national one are forbidden and current subsidies to “poor” municipalities are distributed according to established mathematic rules. The municipalities are granted a right to independently form and execute the local budget but the problem of not all municipalities exercising this right due to their limited capacities remains. Having noticed this weakness of the LSG bodies the state bodies try to exert external control over the financial flows.

It is necessary to note that in the period since 2011 up to date a new impulse was created in development of local budgets: income base of local budgets had been expanded, additional rights to collect certain types of taxes had been granted and a policy of financing delegated state responsibilities introduced and initiated. The own revenues of local budgets increased from 12.6 billion soms in 2012 up to 15.8 billion soms in 2014.

The results of the reform had reflected significantly on the improvement of services delivery. For example, in pilot municipalities of VAP project the share of expenses for communal service delivery increased from 3% in 2012 up to 12.9% in 2013.

Within the framework of VAP project a lot of initiatives from the municipal level had been taken up at national level, elaborated into regulatory documents and handed back to LSG bodies in form of training and consulting. The PSI project can build on these improved conditions in the budget process to directly influence the definition process and execution of services delivery.

**General financial situation of municipalities**

The sources of local budget income are tax and non-tax revenues and transfers. Tax revenues consist of local taxes (land tax and property tax), state taxes (sales tax, income tax, royalties), as well as taxes on the basis of a 'tax patent' (voluntary and mandatory). The source of non-tax revenues are the fees and charges set forth in the Law "On non-tax payments" (state fee, parking fees, fees for garbage collection), as well as special funds (income derived from the provision of services). Depending on the state of local budgets the local governments receive equalization grants. In addition, if at the national level decision is made to reduce the local budget revenues or increase its spending, the government allocates funds for additional compensation of losses.

Revenues that are collected in the territory of the municipality are not withdrawn and remain in full possession of the LSGs.

The "subsidized" municipalities are in a more difficult position. The equalization grants are calculated in such a way that the growth of the local budget revenues may affect the reduction in volume of an equalization grant, which reduces motivation of those LSGs to increase their revenues.

A significant part of the local budget is earmarked for compulsory payments: wages for municipal employees and budget users, utility costs, food costs for preschools and social welfare. In relation to service provision, the funds available are usually not sufficient. For example, in a "self-sufficient" municipality that does not receive equalization grants, i.e. subsidies; the proportion of funds allocated for services usually does not exceed 20-30%. The situation in the “subsidized" municipalities is even more difficult where as a rule, the share of funds for the provision of services does not exceed 10-15%.

The Programme of development of local self-government for the period 2014-2017 sets the priorities for the budget process at the local level related to revenue increase. The main priorities: increasing the capacity of the local budget revenues by expanding the number of taxes and fees received by the local budget, improve tax collection through the transfer of powers to local government bodies’ tax administration.

The income to the local budget from the provision of services is generated only if these services are provided directly by local government or public institutions, such as fees for issuing certificates, payment of services for pre-school institutions or communal services provided directly by the executive body of the local government. In cases where services are provided by municipal enterprises or businesses, the service fee goes to the budget of the service provider.

Increased income from fees for the provision of services is not a priority for the local budgets in the early stage of the fiscal decentralization. The desire to increase fees for services in the sense to generate additional budget income bears the risk of social conflict. Besides this, the tariff for some services provided at the local level has to be approved at the central government level (e.g. water, electricity). The first step towards the improvement of the service provision should be the willingness of municipalities to increase the quality of services within the cost re-covery schemes.

## Stakeholder Analysis

Development of local government enhances the level of responsibility and accountability of local government to the local community. At the same time the community itself strengthens its involvement in the system of service provision at the local level. Thus the increased demand for services and the desire of the authorities to adequately respond to a request stimulates changes and results planned by the project. Along with that the efficient service policy is in the best interest of all parties: the citizens that would increase the comfort of living, local governments improve their effectiveness while other service providers get a steady income and employment of their staff.

The advancement of the local self-governance reform is in the interest of the Government that needs inputs from the local level in order to elaborate its plans and management systems.

At the same time the restraining factor to change is the insufficient potential of municipalities and service providers to achieve improvement in services and the reservation of the municipal executive bodies towards increased accountability. In this context the potential means: experience, knowledge and skills of local self-governments and service providers, resources, management system, technical infrastructure, etc. PSI activities will be aimed at reducing the impact of constraints and the full disclosure of the motivating factors for achieving the expected changes.

| **Stakeholders** | **Characteristics, Structure, Organization** | | **Involvement/Impact with respect to the LSG** | **Resources (financial, political, knowledge)** | | | **Attitude towards decentralization** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **State Agency on Local Self-Government and Inter-Ethnic Relations (SALSGIR)** | State agency on Local Self-Governance and Interethnic Relations under the Government of Kyrgyz Republic Director | | Determines LSG policy, participates during approval of legal documents, laws | Coordinates donors’ resources, formulates the local government policies, limited influence on capacities of LSGs | | | High interest. Responsible for the implementation of the development program for LSGs |
| **Ministry of Finance** | The state body regulating the state policy on finances, also authorized body for internal audit and state procurement | | Highest body influencing all budgeting issues. Important source of financing. Important target for evidence based advocating on funding of services. | Allocation of financial means to the state bodies; elaborates policies on fiscal decentralization | | | Average interest. On the one hand there is a political will of the country's leadership on financial decentralization however there is reluctance towards providing the local governments with resources |
| **Parliament** | Committee on Human Rights, constitutional legislation and state system; Committee on agrarian, water resources, ecology and regional development; Committee on Transport, Communications, Architecture and Construction | | Most important and chief partner on lobbying the interests of legal documents and laws. Important to facilitate contact with LSGs representatives to initiate legal documents and follow up. | Control / follow up of decisions, orders towards respective state bodies | | | Average interest as the deputies do not have a complete understanding of the development of local self-government. However, there is a separate group of deputies that could assist in the issues of promoting decentralization |
| **Apparatus of the Kyrgyz Government** | The first deputy of the Head of Apparatus. Department of inspection and LSG, head of department. | | Executive state body which determines coordination between LSG bodies. | Participates in approval of legal acts or laws. | | | An average interest because the Government Apparatus does not play a decisive role in advancement of the reforms. Their maximum involvement is in formal control of Government’s decisions’ execution. |
| **Apparatus of the President of Kyrgyz Republic** | Department of the state and territorial management and personnel policy | | Strengthening capacity of local communities and civil society development | Participates in approval of legal acts or laws. | | | Average interest, as the President's Apparatus ceased to play an important political role in the development of decentralization |
| **State Personnel Department** | Training section | Activities are focused on the organization of the learning process of municipal employees | | | Mandate for policy development in the field of training | Average interest. Lack of motivation to strengthen local government. The level of decentralization does not affect the organization of training. | |
| **State Service for Construction** | State Committee for Housing and Communal Services | Defines and implements policies in the management of public utilities (water, sewage, lighting, garbage collection, etc.) | | | Mandate for policy development in public services | Low interest. The quality of services is low as the resources of LSGs are low. Interested in centralization of resources. | |
| **Oblast Administration in Jalalabat and Issyk-Kul** | Authorized representative of government in Jalalabat oblast, and Issyk-Kul oblast | High interest, coordination of work of LSG at the local level | | | Unclear tasks between level, oblast, rayon and Ayil Okmots | Low interest. The governors do not know how to work within the framework of decentralization, but prefer command methods, which contradicts the decentralization efforts. | |
| **Regional administrations Jalal-Abad and Issyk-Kul** | Regional administrations and territorial public authorities | Coordinates and manages service delivery within the framework of delegated state powers | | | Management resources, capabilities, financial and material resources | Average interest. Consider the local government not as an independent system, but as their own lower level of management | |
| **ARIS, head office in Bishkek** | Provide technical and financial support to communities and LSG bodies. Provide investment for rural infrastructure development. Support small enterprises managed by groups | Several projects were implemented through World Bank funds, during the last two years no project with Ayil Okmots – projects on rural investments, LSG capacity development, rural water supply and sanitation etc. | | | World bank grant funding | High interest. The organization’ mission is community development. However, it does not play a political role and has no administrative leverage. Impact on the decentralization reforms are carried out through implementing donors’ projects. | |
| **City hall (8)**  Big cities out of them are Jalal-Abad, Karakol, Tashkumir, Mayluu Suu | Mayor of Jalal-Abad city  Administrative management of the city and representative function | High interest, city hall manages city budget, establishes and settles municipal order, provides suggestions to city council about privatization of municipal property. Contact and exchange with A/O needed. | | | Manages municipal organizations, coordinates territorial divisions of state bodies | Interest is high, since decentralization reforms enhance independence, allows the increase of local budget revenues and independent development. | |
| **Ayil Okmotu**  **(66 in Jalalabat), Issyk-Kul (88)** |  | High interest to cooperate; represents highest executive body in the village suburb. | | | Subordinated to Ayil council, and to respective state bodies based on the delegated powers | High interest in decentralization (increase of local budget revenues, independence) | |
| **LSG Union** | Executive(director), supervisory board (8 members) | Support in strengthening capacities of LSG and improvement of quality of services provided by LSG bodies. Important stakeholder for the function of LSG representation and lobbying. | | | Funding from donors (mostly) and LSGs | Interest is high, as its mission is to promote decentralization reforms. | |
| **Association of LSG villages and settlements** | Public organization uniting all rural LSG bodies | Support in capacity building of LSG and improve of quality of services provided by LSG bodies | | | Funding from the donors and LSG | The organization practically does not function. | |
| **Donors (UNDP, DFID,USAID, WB, GIZ )** | A number of ongoing and in preparation projects | Different level of interventions. Coordination an important aspect. | | | Local and international implementers, international donor funded projects. | Supporting decentralization | |

Table 3: Stakeholder roles and attitudes towards decentralization

## Public Service Provision – Core Challenges

**Defining the different kinds of services provided at local level**

Despite continuing efforts by the Government of Kyrgyzstan to define and regulate the different types of services, the existing normative framework remains complicated, and often contradictory. The division of responsibilities between the central government and municipalities has been a challenge throughout the 20 years of decentralization reform in Kyrgyzstan. The resultant patchwork of non-harmonized legislation, duplicated functions and unfunded mandates is difficult for legal scholars to interpret, much less municipal administrations.

Recent efforts to provide additional clarity into what services local governments are expected to provide and what functions they are expected to fulfill have only added to the confusion. While the Law on Local Self-Government assigns a list of “issues of local significance” that Local Self-Governments (LSG) must address on a mandatory basis, State Agency for Local Self-Government and Interethnic Relations (SALSGIR) proposed and Inter-ministerial Commission adopted a draft Registry for Basic Municipal Services in Oct 2014. This registry includes 12 types of services. However, it is not correlated to the Law on Local Self-Government. The term "municipal services" as defined in the draft has partially included some “issues of local significance”, but not all. Furthermore, the registry includes some items that are not services at all, and some that are already regulated by other legislation (for example, the issue of municipal property). The lack of clarity on what services LSGs are actually responsible for implementing poses a serious challenge both to everyday decision-making around delivering services at local level, as well as to longer term planning of investments and improvements. It also poses a challenge for citizens in knowing what services they can expect and claim from what government. Without clarity on the roles and responsibilities of the different levels of government, accountability – both upwards and downwards – is seriously challenged.

**Defining the cost of services provided at local level and funding them**

The above outlined system of vaguely defined services poses a significant challenge for costing services provided at local level and for the planning and management of local financial resources more generally. Public service standards as presently defined do not contain qualitative and quantitative minimum requirements or technical specifications but rather concentrate on procedures to claim a certain service. Consequently, ministries have no objective foundation to calculate the funding requirements for delegated services, nor can municipalities evaluate the real unit costs for public service provision. Further, in some cases technical specifications are given by other legislation that affects the cost of service delivery but which the municipalities are unable to influence. Significant efforts will be required both to clarify technical standards of service delivery and to establish the basis for calculating the cost of delivering services at local level to this standard (which may be different for different kinds of municipalities, such as rural vs. urban). Such information would be required to “fill in” the models for service delivery. Only on the basis of such information the relationship between the costs of service delivery and the financial capacities of municipalities can be rigorously established. Even for services that are in the exclusive responsibility of municipalities real-cost pricing of services is seldom applied, partly because municipalities lack the capacity to actually determine and establish cost-recovering tariffs, partly because of politically motivated subsidizing of services.

**Legal obligations vs. citizens’ expectations**

Basic services and (largely imposed) delegated State services are mandatory obligations for all municipalities, independent whether they are relevant for them or address specific needs of the population, or whether municipalities can afford to provide them or not. This rather rigid normative framework does not allow for much flexibility, nor does it foresee active citizens’ participation in defining and prioritizing these mandatory services. Municipalities only have some more room to maneuver in regards to additional local services and types of service providers.

**Limited experience in establishing and managing municipal enterprises**

While the law is rather rigid with regards to service definition, municipal service delivery is hampered by a lack of legal clarity. Although municipalities have the formal right to establish municipal enterprises, there are no provisions on their legal status, their management, how they should be financed or set tariffs, and who controls the quality of their work. For a number of reasons municipalities are reluctant to try out innovative approaches to improve municipal service delivery, such as inter-municipal cooperation, public-private partnerships (PPPs), or outsourcing of services to private service providers. Where existing, the municipal enterprises are under immense scrutiny by State supervisory bodies that often borders on active obstructionism. To address these interlinked challenges the Project will need to assist municipalities to better understand (legal) options and opportunities. Technical assistance to set up enterprises, PPPs or inter-municipal cooperation based on national and international best practice, and proactive engagement with other stakeholders to involve them in this process, will be further Project activities to counter these challenges. On the basis of these first experiences, the Project will develop practical models and templates (for example inter-municipal service delivery agreements) that can then be shared on a national scale.

A clear understanding of legal possibilities and opportunities for municipalities will be needed to address the above described challenges, and will also provide the Project with the necessary inputs for evidence-based advocacy on national level to improve the legal and financial framework of intergovernmental relations, decentralization and local governance.

**System of state and local services does not reflect the needs of the disadvantaged**

The deterioration of the social infrastructure (day-care centers, extended day programmes in schools, etc.) and the transformation of rural households into self-sustaining units (growing their own food, making their own clothes, etc.) added to an already significant burden for rural women. Young rural women, who carry most of the domestic burden, yet are mostly disengaged from the decision-making process in their community, are the most vulnerable. They do not have access to economic and informational resources, and are often targeted as victims of domestic violence and abuse. The fact that women are relegated to this role and their low level of participation in local decision-making processes, is responsible for the LSG’s inadequate effort in terms of creating auspicious conditions for human development (education, family, healthcare, culture, youth, leisure,) simply because there aren’t enough women among the leaders of the LSG structures.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2004** | | | | **2011** | | | | **Difference % 2004 - 2011** |
|  | Total no | Women | Men | % women | Total no | Women | Men | % women |
| AO Heads | 482 | 14 | 461 | 2,90 | 459 | 14 | 445 | 3,05 | +0,15 |

***Table 4: Comparative gender analysis of rural municipality leaders****[[10]](#footnote-10)*

The issues of local significance, in addition to the usual water-supply and trash removal problems, include issues of public interest such as collectively organizing public events, traditional ceremonies observed at the time of marriage, birth, funeral and burial, religious festivals and other holidays; recreational and education facilities for citizens with special needs and working on improving living conditions in villages and individual neighborhoods. These services of local significance are particularly relevant in the municipality where ethnic and social composition is very diverse. Both target regions have specific socio-economic features: high number of Uzbek ethnic minority communities, older population, disadvantaged position of women, low life quality, very active CSOs, conflict prone zone, high population density (Jalal-Abad region) and multiethnic Russian/Kyrgyz composition, high dependence on fruit growing and land cultivation, active women and youth organizations (Issyk-Kul). The infrastructural issues often prevail while the aforementioned services are not taken into account, but they are viewed as extremely important for the overall economic, spiritual and cultural development of the community. As a result local development plans do not reflect practical needs of women and socially vulnerable groups appropriately. In particular, women’s need for capacity building and information are given limited priority compared to infrastructures (schools, roads, markets). The exclusion logic continues as women and other disadvantaged groups are less involved in the management of community resources, as a result, in decision-making process on a local level.

During the preparation assessment at municipal level of two regions indicative results were shown from the GSE perspective on problems and needs in services for the disadvantaged groups (women, youth, children, people with disabilities/children with disabilities, elderly citizens, and ethnic minorities):

Jalal-Abad

* Low access to drinking water which is relevant for general population but in most cases this is the main problem for women and children as they are in Kyrgyz tradition responsible for water provisions in families
* Lack of access to kindergartens (heavy workloads – over 40 children in groups)
* Lack of social infrastructure (libraries, recreational places, clubs, sports for youth and children, services in accordance with cultural differences of ethnic minorities)

Issyk-Kul

* Lack of access to drinking water
* Lack of support to people with disabilities and multimember families

**Corruptive practices in the service sector at the local level.**

The unclear rules of governing the service sector leave an open space for corruption. This situation can be observed at various levels.

1. Selection of priorities

Exclusion of citizens from the selection process of priority services contributes to the selection of services that are in the interests of a narrow group of people. Consequently this selection is of corrupt character not only for the provision of a particular service, but also in selecting of the future service provider.

1. Service planning

Opportunity to select service delivery model in favor of a particular service provider creates a corruption risk, which includes certain preferences that could be included in the service planning in respect of a particular supplier.

1. Selection of contractor for service delivery.

One of the most serious corruption practices is within the framework of state procurement when selecting a contractor for delivery of services. This kind of practice happens during preparation of tender documents, technical specifications, as well as the evaluation of bids. PSI project uses experience of VAP project related to activities of public monitoring groups when monitoring of joint action plan performance is monitored with the participation of citizens. At this point public monitoring group is perceived not as a separate institute of control, but as a product of local council initiative, which has the power of law making and control.

1. Payment to contractor for contract execution – the actual non-control of performance

Overestimating the volume of work needed to deliver a certain service opens another door for corruption. In addition, there is a risk of artificially inflating of the cost of services, which will be the basis to increase the contract price and to obtain unjustified profits by contractor.

It is important to note here, that there is no practice of controlling the performance of service provider against the agreed quality. The current practiced modality in which the LSG executive both hires and evaluates the quality of the service provider performance leaves an open space both for underperformance of the contractor and corruptive schemes.

The abovementioned practices reduce trust of the population in local government bodies and affect the efficiency of services.

The Public Prosecutor’s office published[[11]](#footnote-11) the level of corruption within various government institutions.

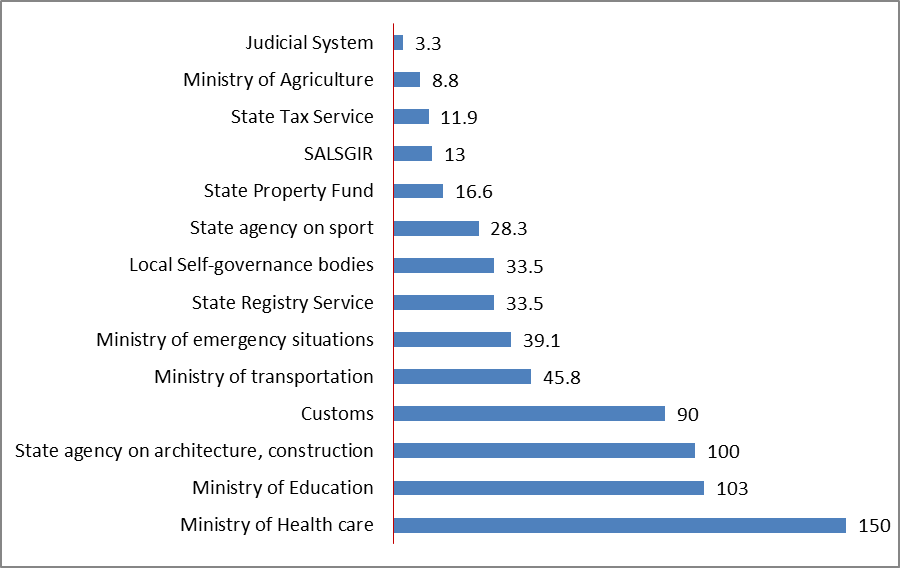


Figure 2 Number of corrupt actions per 100 officials

Experience of VAP and many other governance projects funded by SDC and implemented by HELVETAS show that corruption is best tackled by increasing good governance practices, namely transparency, accountability, and participation (TAP principles). The work on these TAP principles will therefore permeate all PSI activities. To name just some of them - trainings of local councils on the control function, trainings of municipal employees on rules of public procurement, elaborating a customer interaction model, contractual agreements with service provider including provisions of external control and promoting the recommendations by KR Ministry of Finance (on capital investments/infrastructure projects – stimulation grant program).

## Alignment of the Project

**Kyrgyzstan National Development Strategy**

The Kyrgyz national Local Self-Government reform priorities currently focus on the system of public service provision by defining registers and standards for the various levels of public services. The National Sustainable Development strategy for 2013-2017 emphasizes the relationship between regional socio-economic development and the quality of LSGs. It puts forward such LSG priority issues for the coming years as redistribution of roles and responsibilities between the central and municipal levels of government, and improving the delivery of public services by municipalities. Additionally, in 2013 the Law “On state delegated Authorities” was adopted and the draft Law “On State and Municipal Services” was elaborated. These developments clearly show a positive trend, although some uncertainties regarding the overall policy of LSG reform still remain.

**SDC Strategic Framework, Program and Kyrgyzstan Strategies**

The project fits well in the overall SDC’s strategic objective on local administration and decentralization[[12]](#footnote-12), by supporting centralized states in their process of decentralization to local authorities. It supports the establishment of national fiscal equalization systems which inject dynamism into a country’s poorest regions. It favors the creation of autonomous municipalities, with sovereignty over their own budgets, better equipped to provide the services necessary to the members of their communities.

The proposed project is in line with the Swiss Cooperation Strategy Central Asia 2012-2015 which sets “increase of equitable access for citizens to services through transparent and efficient use of public resources” as an overall domain goal. According to the Strategy, Switzerland is committed to contribute to a lasting improvement of the public services delivery through promoting a transparent and efficient use of public resources including all levels of decentralization.

Improvement of service provision in the Kyrgyz Republic has the potential to make local authorities more responsive, more connected to citizens, and to contribute to local conflict prevention, or resolution. Swiss Cooperation in the Kyrgyz Republic has significant experience in the field of public sector reforms, including decentralization. It is engaged to improve transparency and accountability of the public finance management system: nationally through the SECO co-funded Public Finance Management Trust Fund aiming in particular at strengthening the budget process, including inter-governmental fiscal relations; at local level, with the Voice and Accountability Project which aims at empowering citizens to take responsibility for the use of public finances to improve the accountability and effective use of public funds. In 2011 the Swiss Cooperation funded “Voice and Accountability” Project (VAP) was launched. In its first implementation phase (2011-2015) it was operating in the Districts of Issyk-Kul and Jalal-Abad. During the Phase I VAP helped 28 target Municipalities in 2 oblasts to “strengthen the ability of citizens to participate in the budget process at local level” and to increase knowledge and capacity of respective LSGs. The local participatory planning practices developed by the Voice and Accountability Project revealed the need for more targeted efforts with regards to local services which need improvements of a systematic nature. The Public Service Improvement project is a following step to respond to the expectations raised on the demand side through the VAP project and to install mechanisms and practices of effective, efficient and sustainable local service delivery where citizens and municipalities in partnership formulate, implement and monitor services delivered on the local level.

The PSI project will also build on the existing knowledge, expertise, and networks of two other SDC funded projects: i) the Legal Advice for Rural Citizens (LARC) project, which aimed at enabling rural citizens to enforce their legal rights and ii) the Community Action for Health Project, which aims at improving health service delivery in close collaboration with the LSGs via village health committees.

**Sustainable Development Goals**

In parallel with the intensification of efforts to accelerate the achievement of the Millennium Development Goals, strong post-2015 development agenda that will build on the foundations laid by the Millennium Development Goals in order to complete the unfinished work and respond to new challenges is being identified. While it is important to note that the post MDG agenda is still being negotiated the initial set of goals were outlined[[13]](#footnote-13). The PSI Project fits into the proposed focus and a number of proposed Sustainable Development Goals:

*Goal 1* End poverty in all its forms everywhere

* 1.4 by 2030 ensure that all men and women, particularly the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership, and control over land and other forms of property, inheritance, natural resources, appropriate new technology, and financial services including microfinance
* *Goal 16* Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
* 16.6 develop effective, accountable and transparent institutions at all levels
* 16.7 ensure responsive, inclusive, participatory and representative decision-making at all levels

*Goal 17* Multi-stakeholder partnerships

* 17.17 encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships

## Planning Process and Methodology

An in-depth assessment and planning process was conducted during the tender stage (June – July 2014) and the three months design phase (November 2014 – February 2015). During this planning process a mixed approach of quantitative and qualitative methods was applied. This included document reviews, surveys, workshops and focus group discussions, and over one hundred in-depths interviews with relevant project partners and stakeholders. In addition, a number of in-depth studies were commissioned and executed by national and international experts.

Major inputs to the project design included:

* *Technical assessment of municipalities to investigate potential of public service delivery improvement at local level*: An assessment of 10 sample municipalities in Issyk-Kul and Jalal-Abad regions was conducted to: a) analyze the current situation in the provision of services at local government level; b) assess the capacities of local authorities and service providers in regards to effective service delivery, with a special emphasis on service delivery to vulnerable groups (low income families, women, families in difficult circumstances etc.), assess the degree of participation of citizens and service users in the definition and supervision of service delivery policies and policies on gender and social equality.
* *Institutional and organizational assessment of the State Agency for Local Self-Governance (SALSGIR) and the Union of Local Self-*Governments: The in-depth analysis of the two organizations by the expert from the international expert pool provided different options and scenarios on entry points how to best engage with these two institutions on national level.
* *Workshop to define synergies with Swiss-funded projects and other relevant projects*: A consultative workshop with representatives of Swiss-funded projects and the project implementation partners produced a list of recommendations for synergies, build-on and interlink with various projects relevant to PSI.
* *Workshop on government policy in provision of public services:* A consultative seminar with representatives of SALSGIR, independent experts, PSI team, Union of LSGs and representatives of municipalities and district authorities assessed the current status of development and implementation of service registers and standards
* *Validation workshop on the project intervention approach and strategy with relevant stakeholders*
* *Workshop with stakeholders on the current status of service registers and standards:* with the participation of LSG Union, SALSGIR, independent experts and LSGs thecurrent situation was analyzed and possible ways forward formulated - the current policy in the field of services optimization indicates poor awareness of not only citizens, but also those players who are involved into the service provision process;different understanding and interpretation of terminology for the word “service” is related not only to the participants, but also to various organizations funded by donors; some participants (local self-governments and experts) demonstrated weak involvement, awareness and common understanding of the process; draft standards of the services from basic registry requires further discussion with the specific experts whose mandate is to provide such recommendations; It is necessary to take action aimed at an inventory of municipal services in all local self-government bodies in order to form an additional register of services; It is necessary to conduct a series of field workshops for LSGs on standardization of services and the development of administrative regulations of services and to elaborate training manuals in a simple language for practical use;
* *Elaboration of the grant mechanism framework*: as one of the cornerstones of the project special emphasis was given to defining and elaborating the grant strategy. With support from the project backstopping team a grant mechanism was defined that includes general principles, selection criteria and procedures, implementation and monitoring structures. PSI studied best practices of block grant and performance-based grant mechanisms from other SDC funded projects ranging from Bangladesh (Sharique) to the Balkans (Kosovo – DEMOS, Albania – dldp) to devise a grant mechanism that provides enough flexibility and a competitive element, yet is adapted to the capacity level of Kyrgyz LSG.
* *Concept of selection criteria for municipalities* made through integrating donor’s guidelines and results of analysis of current situation in system provision and capacities of local authorities and service providers. In addition, PSI has carefully studies selection processes of other SDC funded governance projects, mainly in Kosovo (DEMOS, LOGOS), and in Albania (dlgn) in view of making best use of clustering principles (geographical and thematic clustering)
* *Recommendations for Gender and Social Inclusion mainstreaming* related to project document elaboration and implementation approach in terms of selection of municipalities, participatory definition and monitoring of services, grant access, training programs, awareness raising and monitoring and evaluation. International best practices on gender and social equity and HELVETAS’ own guidelines for designing and applying effective GSE policies in project have been taken into consideration.
* *Conflict-sensitive project management*: PSI will base its work on the recently developed and published HELVETAS manual and field guide “Three steps for working in fragile and conflict-affected situations (WFCS)”, and will have all project staff to take the online course that was developed with funds from SDC.
* *M&E strategy recommendations* and existing examples of M&E strategies such as from SDC-funded Sharique project (Bangladesh) were used to define adequate project indicators and the multi-level monitoring system.

**PSI preparatory technical assessment[[14]](#footnote-14) carried out at the field/municipality level**

Legal framework and findings

Specific laws and regulations regulate services delivery at the local level in the Kyrgyz Republic. There are criteria for inclusion certain services into a particular group. The following services are provided to the citizens:

* Municipal services from the basic register of municipal services approved by the KR Government (12 types of services);
* Services from additional register approved by the local Kenesh and delivered by LSG bodies depending on particular needs of the municipality;
* Services within the framework of resolving 23 issues of local significance defined by the Law On Local Self-Government;
* Some types of services from unified register of the state services, which currently lists about 400 types of services.

Local governments have a direct obligation to perform the services specified in the first 3 groups, as well as part of the public services that are delegated to them.

The variety of types of services, their dispersion in different regulations, some incorrect wording cause difficulties for the local self-governments to classify them and make a decision to deliver them accordingly. In particular, there are serious concerns that local authorities will have difficulties to form an additional list of services on the basis of vague criteria for the definition of “municipal services”. The implementation of legislation provision by the local government bodies on the formation of the local registry of services requires a serious expert input into the training program and further consultation.

The assessment demonstrates that the priority services at the local level are the services delivered within the framework of resolving of issues of local significance.

*Experience of providing these and other services proved that LSG bodies face the following management and governance issues*:

* Difficulties to select priorities in conditions of limited resources
* Lack of skills to calculate required resources for services (financial, labor)
* Lack of methodology and experience of applying efficient and sustainable service delivery methods
* A significant part of the services delivered by LSG are related to execution of delegated state powers. As a rule, state authorities do not provide the necessary funding. This affects the delivery quality of those services. In addition, these services are of great importance for the population, such as veterinary services, services to allocate state land for use, issuing social benefits, etc.

**Quote from the field**: We have a village health committee, which together with the private veterinarian works to prevent cattle epidemics infections. They travel and check cattle to the extent possible, and they send back the reports. The employees of the local self-government are involved in this work too.

* LSG bodies have major difficulties in formulating and implementing services. Existing models of services delivery do not have full legal support and practical experience. Various issues and concerns were expressed regarding organization of municipal enterprise activities, outsourcing, forming tariffs policy, selection of diligent contractor etc.

**Quote from the field:** Currently we do not have municipal enterprises. The option of organizing one is there, but we have no specialists who are able to set the tariffs and sort out the competency of an enterprise. There is another unresolved issue: who should organize such an enterprise - local Kenesh or Aiyl Okmotu? The law does not provide specific instructions.

* Incorrect decisions made by LSG bodies on the services increase the risk of sanctions by inspection bodies. This practice further hinders any initiative of heads of local self-government.

**Quote from the field:** For the past 23 years of Kyrgyzstan independence there has been only one support project implemented in our municipality – a construction of the paramedic/obstetric center. Now we suffer from numerous controls of this construction project by different construction inspection bodies. This creates no incentive and willingness to work on investments.

* The population has serious requests towards the local government bodies in responding to their needs for services. However, there is practically no feedback from the citizens on the quality of delivered services. At the same time, local governments see their main problem to be the non-fulfillment of the obligations on the part of the citizens and low collection of tariffs from the population. The creation of comfortable living conditions should be mutual obligations of both citizens and the authorities.
* One of the most significant problems for LSG is the low capacity of municipal employees. More than 70% of the financial workers, 60% of social workers and more than 50% of other specialists in the interviewed LSGs have not been included into advanced training programs. The updated state system of advanced training for municipal employees adopted by the KR Government in 2013 is only at the initial stage of its implementation.

Recommendation

Based on the described concrete problems of LSG the project has designed its objectives and adjusted its strategic approach and intervention packages to address as many of them as possible.

**Preparatory assessment of the main stakeholders at the national level[[15]](#footnote-15)**

The Project has in its design phase carried out institutional and organizational assessments of the Kyrgyz State Agency for Local Self-Government and Interethnic Relations and of the Kyrgyz Union of LSGs.

The **State Agency for Local Self-Government and Interethnic Relations** was (re)established in May 2013. It is the third state body in the history of Kyrgyzstan, after independence, responsible for local government issues. The main goal of the Agency is to create conditions for sustainable development of the local self-government for economic growth and wellbeing of the citizens and strengthening the multi-ethnic consent.

The main findings and problems identified through the assessment:

* Legal mandate – main entity responsible for implementation Program and the Action Plan for Local Government Development 2013 – 2017, approved with the Government Resolution from Dec 18, 2013. However, as not being at the ministerial level and thus not always participating in decision making processes and meetings Agency’s opinion is often not reflected in the Government’s decisions.
* Very confusing organizational structure (2 directorates, 6 departments and one sector), without clear chain of command for most of the organizational units. It is noteworthy that the regional representatives are in the structure under different departments/managers. There are 17 positions in the regions (2 in each oblast plus 3 in Osh) but some are vacant. This is probably due to a very high turnover which is similar to the situation at the head office level as well. The organization is currently undergoing a restructuring and is open to donor support in this regard. However a possible restructuring planning has to be done in close consultation and approval of the Agency.
* Operational procedures – unclear.
* Staff capacities – very low staff capacity was identified in the area of legal, analytical, communication and advocacy and lobbying skills.

Conclusions and recommendations:

The needed interventions to address the identified issues of SALSGIR are at three levels: institutional strengthening, staff capacity building, expert support and on-job training for implementation of Agency tasks most relevant to the focus on the service provision. Due to its implementation approach (focus on LSGs and local level) and available resource the PSI will intervene mainly with the staff capacity building and on-job training and support for the Agency’s functions in relation to provision of services on the local level and improvement of the framework at the national level.

The **Union of LSGs** purpose as formulated in the organizational Charter is to assist the development of local self-government, represent and protect the interests of local governments at central and local level, and assist the development of the members of the Union as effective and viable territorial structures. The role of the Union and its legitimate right to represent LSGs is determined by the Law on Local Self-Government in Kyrgyz Republic (article 9, p. 2). Currently it unites 31 cities and 453 rural municipalities.

The main findings and problems identified through the assessment:

* Unsuited composition of the Board – seven regional representatives of local councils, mayors of Bishkek and Osh and two members who are in a conflict of interest situation (Executive Director of the Union and the Secretary General of the SALSGIR). Another downside of the Board structure is the fact that the Board consists of Council Chairs (legislative body), while the Mayors are the ones implementing the LSG legislation and running the everyday functioning, therefore in a better position to provide feedback for existing problems and ideas for solutions
* Based on the Charter and the Strategy it is expected that the representation function of the organization would be the leading one, but according to the Executive Director and de facto, their efforts are concentrated on provision of information and consultation services (mainly legal), provision of capacity development and training, and international exchange.
* Weak and understaffed executive office – no legal, analytical, advocacy capacities
* Not functional regional branches
* No membership paid by LSGs, funding from the projects/donors

Conclusions and recommendations:

Focus on establishing and strengthening regional platforms for horizontal learning mechanisms in the two project target regions and gradually influencing the Union’s organizational practices, the capacities of the Executive Office and the motivation of the Board members. The Union of LSGs should gradually provide additional consultative training and information services to all members of the Union. The main interventions to be: strengthening the interaction between the LSGs in the two target regions in the area of service delivery, identification of communication tools to bring the lessons learnt and best practices (horizontal learning) at national level, involvement of the Executive Office and the Board to influence the dialog with Central government in the area of municipal service provision.

# Objectives of the Project

Overall Objective of the Project

The expected impact (overall goal) of PSI is to contribute to better public services at local level for the population of Kyrgyzstan. At the end of the project, coverage of public services will have improved, so that more citizens have access to services. Simultaneously, the quality of services will improve to better respond to citizen’s priorities and needs. PSI has two quantifiable indicators to measure this change and impact: citizen’s satisfaction rate with public services on local level, and increased coverage of public service delivery at local level.

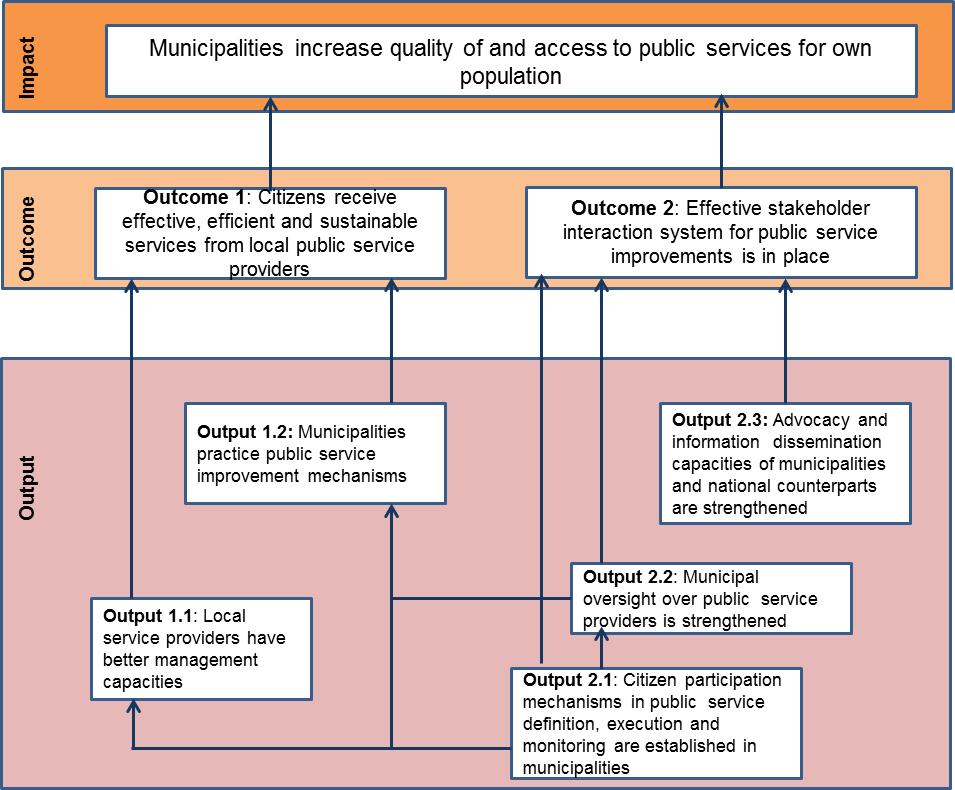
The logic of the project intervention is that both quality and quantity of public services increases, *if* municipalities and service providers improve their governance and management capacities in public service delivery, and *if* governance mechanisms are improved and strengthened, especially oversight mechanisms on local level.

Based on this intervention logic, PSI will focus its work on achieving the following two outcomes:

**Outcome 1**: Citizens receive efficient and sustainable public services from local service providers, and

**Outcome 2**: Effective stakeholder interaction system for public service improvements is in place

The project follows a result chain logic where sets of interventions lead to outputs, and where these outputs lead to outcomes that will contribute to the overall programme objective. This result chain logic is summarized in the logical framework as presented in Annex I. Below is a visualization of this logic of interventions.



***Figure 3: Result chain and project objectives***

## Project Outcomes

The expected concrete service improvements of PSI at the end of the project phase are clustered into two outcomes targeting a) management capacities of LSGs to improve service and b) governance practices and systems both at local and national levels.

The first outcome concentrates on tangible public service improvements for citizens. Public service providers, both public and private, will be supported to deliver more efficient and sustainable public services. This will be achieved by working on management and delivery capacities of public service providers so that they can deliver better quality services in a more efficient, effective and sustainable manner. Simultaneously the project will work with municipalities to practice mechanisms of planning and executing a concrete service. This will be done through creating and implementing *Service Improvement Action Plans* (SIAPs), to create the local capacities to better plan for sustainable service provision that responds to citizens’ demands, and to apply and implement adequate service delivery models. Main instruments to achieve this outcome will be technical assistance and a two-tier grant scheme that includes a competitive element to incentivize the provision of effective, efficient and sustainable public services.

PSI will verify if tangible improvements in service delivery were realized by measuring quantitative improvement of service delivery and increase of citizen’s satisfaction (gender disaggregated) with service quality delivery. Additionally, in order to gauge management improvements of service providers PSI will measure how cost-covering such providers operate.

It is expected that at the end of Phase I in two target oblasts, up to 60 municipalities will gain knowledge and management skills to deliver efficient sustainable public services to its population at local level. The project will use as a tool Services Improvement Action Plan (SIAP), which will be developed by all target municipalities based on priority problem raised by citizens.

Outcome 2 of the project works on improving governance structures on local level by strengthening various interaction systems. Existing horizontal and vertical governance structures are often weak or not applied. PSI will therefore work on different levels to strengthen such structures, most importantly oversight mechanisms. Firstly, citizen participation along the whole service delivery improvement cycle will be strengthened by introducing new or expanding existing participation models for service definition, execution, and service quality monitoring. Secondly, municipal oversight over public service providers will be strengthened by assisting the respective authority to fulfill their mandate in service quality control. Thirdly, interaction systems between local and national levels will be strengthened by improving the two-way information flow and by building the necessary capacities for advocacy and learning. Outcome 2 will be delivered mostly through technical assistance.

The extent to which this outcome will be achieved will be measured with the number of municipalities that have institutionalized both citizens’ participation mechanisms and monitoring systems of service providers. In addition, improvements of the interaction between local and national level authorities will be gauged by surveying the satisfaction levels of municipalities with their given national counterparts, SALSGIR and the Union of LSG.

By the end of the first phase, the public services improvement mechanism will function through horizontal and vertical stakeholders’ interaction, where citizens will play key role to demand quality and access to services.

The project emphasis clearly lies on achieving visible and tangible improvements of the living conditions for citizens in the project area. This will be mostly achieved by activities under outcome 1 (service improvements), whereas achievements under outcome 2 can be considered improvements of the necessary underlying framework conditions. Consequently, for PSI there exists a clear hierarchy of outcomes where most efforts, time and ultimately also budget of the project goes into achieving outcome 1. However, PSI regards tangible public service improvement only as a means to trigger more comprehensive systemic change at local level. Improvements of public services are therefore underpinned and closely linked to improved and strengthened governance principles. For this PSI will produce a series of interlinked outputs and delivery activities that strengthen all aspects of governance while working towards the achievement of the project outcomes.

## Outputs

Improving public services at local level and thus the living condition for the population of Kyrgyzstan remains the ultimate goal of the project; PSI also aims at improving good governance principles at local level. For this reason PSI has defined its outputs to each address different governance issues while contributing to the achievement of the project objectives. Based on the SDC definition of five governance principles, PSI outputs can be attributed to certain governance principles as illustrated in the following table:

|  |  |  |
| --- | --- | --- |
| **Governance Principle** | **Directly addressed by output** | **Strengthened by output** |
| Transparency | 2.2 | 1.1, 1.2 |
| Accountability | 1.1, 2.2 | 1.2 |
| Participation | 2.1 | 1.1, 1.2 |
| Social inclusion | 1.2 | 1.2 |
| Efficiency (and effectiveness) | 1.1, 1.2, 2.3 |  |

***Table 5: Governance principles addressed by PSI***

Outcome 1 – more effective, efficient, and sustainable public services for citizens – is to be achieved by producing two interlinked outputs:

* Output 1.1: Local services providers have better management capacities, and
* Output 1.2: Municipalities have Service Improvement Action Plans (SIAPs) developed and implemented

For **output 1.1** the project will work directly with the respective providers of local services, i.e. with municipalities and private providers, and assist them in improving their management skills to deliver better services. The clear aim of this output is to prove within the project period that with better management skills service providers can both improve the quality and the quantity in service delivery while keeping the costs for these services under control. For this PSI will measure quantitative improvements in service provider’s ability to budget for services and to recover costs through fees, as well as qualitative aspects through the introduction of KPIs.

**Output 1.2** – practicing public service improvement mechanisms – is the most ambitious output of the project, as it is closely linked to and partially dependent on the progress of all other outputs. Service improvement action plans are the key tool for transforming the citizen needs, legislative norms and service standards into practical solutions: they allow the project to introduce or strengthen good governance principles on local level while providing municipalities and ultimately also the citizens in the project area with tangible results in the form of improved services. For this reason the chosen two-tier grant system is closely linked to the elaboration of such plans and their implementation. At the end of this project phase PSI will have assisted allmunicipalities in developing at least one SIAP for a key local service. As a side-result of this process the municipalities will also have updated, amended, or newly created registers and standards that constitute the necessary legal basis for local service delivery. Through a competitive selection process those municipalities with the best SIAPs will receive further grants and technical assistance to also implement their SIAPs. PSI will provide grants to 60% of all project municipalities.

The current capacity of LSG bodies does not fully allow creating a good quality SIAP. A need to analyze current situation requires certain knowledge and skills, for example application of the cause and effect method, calculation of the cost-effectiveness of the method used. Inadequate or insufficient problem analysis leads to incorrect setting of tasks that need to be addressed within the framework of SIAP. It is necessary to analyze the various service delivery models to opt for the best solution of the problem with minimum resource costs.

Service improvement plans’ development will require involvement of all stakeholders, who will be united into working groups on their preparation, such as local community representatives, future service recipients, representatives of LSG bodies, representatives of service providers supported by external experts. Wide participation of all parties will improve the justifiability and efficiency of the service improvement plans.

In order to develop a service improvement plan the Project will propose methodological steps that will consistently go through all the stages of preparation of the document. In addition to training, the Project will provide expertise and advisory support to municipalities to develop SIAP.

The process of using a SIAP is further described under Approaches.

For outcome 2 – improved governance oversight mechanisms through better interaction systems on all levels – PSI will work on three levels simultaneously to create the following outputs:

* Output 2.1: Citizen participation mechanism in public service definition, execution, and monitoring are established in municipalities
* Output 2.2: Municipal oversight over public service providers is strengthened
* Output 2.3: Advocacy and information dissemination capacities of municipalities and national counterparts are strengthened

Under **output 2.1** the project will assist municipalities to strengthen existing citizens’ participation models that have successfully been introduced and tested by the VAP project in certain pilot municipalities and apply them along the full service improvement cycle. Municipalities are encouraged to involve more strongly their citizens in the definition of public services (level and quality) by creating joint service planning groups. Citizens further have a say in the tariff setting for key public services. Finally, request and complaint mechanisms will be introduced in all municipalities that allow citizens to participate in the quality control of service (and service providers), but that also hold municipalities more accountable to respond to these demands. At the end of this project phase all municipalities will have installed recommendation boxes where citizens can comment and suggest improvements (based on a score card system).

PSI regards civic participation in local policy making as a fundamental building block to strengthen good governance principles in Kyrgyzstan. Accordingly, the project will insist on installing meaningful participation mechanisms in all project municipalities and aims thus at 100% achievement rates for indicators in this output.

For **output 2.2** to strengthen municipal oversight over public service providers, the project will introduce mechanisms that strengthen both accountability and transparency mechanism in service supervision. Concretely PSI will work with municipalities to introduce public service agreements with local service providers that have a clear monitoring system integrated and that provide municipalities with an instrument to steer and control service provider. This will be coupled to the goal to introduce KPIs for service providers (output 1.1). In addition, better oversight mechanisms will be introduced for local councils to check on local administrations, so that service improvements requests by the council (ideally on recommendations from the population, see output 2.1) must be taken up and responded by service providers. Bulletin boards in municipalities will be used to make such recommendations and follow-up actions public.

Last but not least, **Output 2.3** – strengthened advocacy and dissemination capacities of municipalities and national counterparts – aims at improving the framework conditions in which municipalities operate. At present, collaboration between officially independent local governments (hence their title: local *self-*governments) and national level authorities is not always without friction. PSI therefore works to improve this situation. Concretely the project will work in this phase to open up communication channels, so that concerns and requests of municipalities can be heard at national level. This necessitates that at national level municipalities have legitimate and capable counterparts that can take up these concerns, refer them to the relevant stakeholders (e.g. ministries), and feedback relevant knowledge and information to municipalities. For this reason PSI will work on national level with a number of key partners, such as SALSGIR, the Union of LSG, and the State Personnel Service of the Kyrgyz Republic. PSI will measure the progress under this output by counting how many requests from municipalities are taken up by SALSGIR and the Union of LSG and how many proposals are referred to the relevant national authorities, but also by measuring how many regional learning events and trainings are provided by these national partners to municipalities.

Activities

The outputs for outcome 1 and 2 are delivered by providing technical assistance to local level stakeholders and at national level. For output 1.2 (development and implementation of SIAPs) the project will also implement a grant scheme.

**Technical assistance**

PSI provides pre-defined technical assistance (TA) for each area it works in. Pre-defined means that PSI, based on experience or good practices generated from other municipalities, takes the lead in determining the design of an intervention. Pre-defined TA can come in two forms: TA that all municipalities can and will receive, and TA that is provided to project municipalities who show an expressed interest in receiving such services. A third form of TA is tailor-made and for stakeholders at national level and more advanced municipalities that show own initiative to address issues at hand, but still need a certain amount of external expertise to solve them. The following paragraphs provide an impression of the foreseen TA activities.

Activities that contribute to achieving **output 1.1** – better management capacities of public service providers – will include to a large extent capacity building in financial management and fee collection. Technical assistance will be provided to service providers to move from activity driven operations to result-based planning and management. This includes as a first step TA in defining KPIs for management and service quality, as well as trainings on budget planning, on adapting fee structures where necessary, and in fee collection. They will be trained on existing legal models of service provision and innovative technologies that could be used within them (awareness raising and possible introduction of PPPs, inter-municipal cooperation etc.). Further TA will be provided to municipalities in adapting the necessary local acts, to create or amend their local registers and standards to create the necessary legal basis for public services, contracts and municipal orders to allow for efficient service provision and tariff setting, but also in awareness raising to better inform the population about the necessity of tariffs and fees for public services.

Technical assistance under **output 1.2** – the creation and implementation of SIAPs – will be centered on helping municipalities managing the grants they receive to create and implement SIAPs. As mentioned above, the grant scheme is designed as a tool to trigger systemic change in municipal governance and uses the improvement of public service provision as a means to achieve this. Consequently, PSI will *not* provide specific expert assistance on technical public service issues (such as engineering etc.). Rather, it assists municipalities to use the grants to hire such expertise locally if needed.

PSI will provide TA to municipalities along the full cycle of service improvement planning and implementation. Many activities that directly influence the development and implementation of SIAPs are closely linked to improving interaction systems among the various stakeholders on local level, covered by outputs under outcome 2, and include, among others, activities like validation of citizens’ priorities, creation of joint planning groups, and introduction of sound oversight and monitoring systems. More technical TA for the elaboration of SIAPs include trainings on the elaboration of suitable service delivery models. An important element of TA to municipalities will further evolve around compliance of rules and regulations regarding financial management of grant funds, contracting of external experts, and public tender processes, in order to increase and engrain transparent and accountable practices in municipal affairs. The contractors’ performance will be controlled against the set standards through registers and further elaborated in contractual arrangements where different independent and external/expert steps of performance control will be introduced. When financing infrastructure projects the recommendations of the KR Ministry of Finance will apply for technical execution of projects for capital expenditures. Taken measures will minimize the risks of corruption during the period of the project as well as in local government bodies in general.

PSI also envisions to organize a study tour for members of municipalities to another SDC-funded governance and service improvement project in the Balkans (e.g. dldp in Albania), to study good practices in local government management and service delivery, including functional distribution and delineation of roles and responsibilities, financing of service delivery, engaging with the public in local decision-making, and different service delivery models.

Although **output 2.1** – better citizen involvement in all matters related to local service provision – concentrates on improving citizens’ participation, PSI mainly works with and through municipalities and service providers to achieve this output. Accordingly, technical assistance here is mainly geared towards (private and public) service providers, municipal executives, and councils to better involve citizens in their respective decision-making processes. Activities under this output strongly build on tried-and-tested approaches and tools introduced by VAP, such as the establishment of joint planning and joint M&E groups for the definition and monitoring of local services. Other activities include the validation of existing municipal public service development plans to make sure they really reflect citizens demands and needs, trainings for LSGs on municipal mechanisms of citizens request/complaints registration (score cards, complaint box, info boards) and trainings to LSGs to raise their awareness on citizens’ rights and responsibilities (with a special emphasis on rights of disadvantaged and marginalized groups, pro-poor policies and conflict prevention). In addition, PSI will assist service providers in conducting public hearings on tariffs and facilitate such events.

Under **output 2.2** – better municipal oversight over public service providers – PSI will focus on working with municipal councils and executives. Activities comprise capacity building and legal advice to these institutions on division of powers, a better delineation of roles and responsibilities (especially with regards to oversight functions), and the development of adequate models of cooperation (checks and balances) between the local councils and executions that are in line with the newly adopted legislation. The project will also provide them trainings and on-site assistance on how to execute their oversight functions (control visits etc.) and on follow-up mechanisms. PSI will further work with municipalities to develop adequate monitoring systems for and provide (legal) advice on how to create and implement public service agreements that integrate such M&E systems.

For **output 2.3** – strengthening interaction mechanisms between municipal and national level –PSI will work with on local and national level. The project will provide TA to municipalities to better represent their ideas on national level. On the one hand this will be done by capacity building of their rights and obligations vis-à-vis the national government. On the other hand PSI will strengthen their advocacy and lobbying capacities by encouraging them to form regional interest groups, and facilitate their interaction with national authorities. On national level PSI will mainly work with and through SALSGIR, the Union of LSGs, and the State Personnel Service. Activities concentrate on strengthening the capacities of these institutions to perform their respective mandates in assisting municipalities on service provision, on how to address and redirect local issues to the relevant national authorities, and on how to channel relevant information back to LSGs. Encouraging knowledge sharing and facilitating training events at regional level will be another important set of activities to reach this output.

**Grant scheme**

In addition to technical assistance PSI will use a grant scheme to reinforce governance principles and to trigger systemic change at local level. PSI will use a *two-tier grant mechanism* with variable amounts but fixed ceilings. In addition, the grant scheme includes a competitive element to incentivize the application of good governance principles and the use of cost-effective, innovative and sustainable solutions for service provision.

Grants for municipalities are limited to Service Improvement Action Plans (SIAPs). Thanks to these grants all municipalities in the project area will at the end of this project phase have at least one fully elaborated SIAP. Those municipalities that created the most promising SIAPs will receive a second, bigger grant amount to implement their SIAPs.

While municipalities will use the grants to develop and implement service improvement plans, the focus of PSI is on using these grants to strengthen governance principles in municipalities and on triggering systemic change in municipalities. Project activities as described above for output 1.2 are all geared towards this end. PSI will not provide expert assistance to municipalities that is directly related to the respective service improvements. LSGs are expected to use grant money or own funds to finance such specific inputs.

The mechanism of the two-tier grant system is described in more details in the following chapter.

Description of Beneficiaries

The Project will only indirectly work with the primary beneficiaries (the right holders) of the project: the residents – women, men, and children – of targeted municipalities and those municipalities that may replicate the service management experience generated through the project.

However, through project interventions of providing the needed support to municipalities the citizens will enjoy direct benefits of improvements in public service delivery mechanisms: precise list of services and their standards, establishment and delivery of new services, transparent information on service costs, clear grievance mechanism with follow up mechanisms etc.

This impact at the population level will be particularly notable in improvement of the municipal communal services – such as water and waste management, garbage disposal and street lightning. As per Table 1 the estimated number of the primary beneficiaries in the geographic area of the project intervention is close to 700’000, or half of the population of the two project regions[[16]](#footnote-16).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Size of territory (sq. km)** | **No. of rural municipalities** | **No. Towns** | **Population** |
| Jalal-Abad | 33.7 | 68 | 8 | 1,100,000 |
| Issyk-Kul | 43.1 | 61 | 3 | 460,000 |
| Estimate per target number of municipalities (60) | | | | **668,571** |

Table 6: Population estimates in the geographic area of the project

Other beneficiaries of project’s intervention at the municipal level are councils and executives of municipalities, organized civil society (CSOs and community based organizations), non-governmental agencies, service providers to municipalities (such as LARC), as well as public and private providers of services at local level. They will benefit from the Project through enhanced capacities and opportunities to operate within the fabric of local self-government, and ultimately in an economically and politically more stable and conductive economic environment.

At the regional and national level the beneficiaries who will also act as partners of the project will be the State Agency for Local Self-Government, Union of the Local Governments, State Personnel Service.

Levels of Intervention

PSI will work mostly on two levels, locally (micro) and nationally (macro). The clear focus of PSI is micro level: most of the project interventions will happen at local level, where the project works with and through local authorities to improve policies and institutional capacities of local authorities and service providers. For output 2.3, PSI will also work on macro level, to strengthen national framework conditions and decision-making processes that support the work of LSGs.

Although PSI will not directly work with meso-level institutions, it aims at outreach on this level as well. The selection process for project municipalities aims at creating clusters of municipalities to favor inter-municipal collaboration and spill-over effects. PSI further strengthens the creation of regional interest groups of LSGs, and will facilitate regional knowledge sharing and training events.

# Implementation Strategy

Project Area

The project in its Phase I will be implemented in two out of seven regions (oblasts) of Kyrgyzstan: Issyk-Kul and Jalal-Abad. The target of 60 municipalities is to be covered by the first phase of PSI project (2015-2019) where the initial distribution is 30 (out of 66) in Jalal-Abad and 30 (out of 88) in Issyk-Kul will be further distributed in accordance with the proportional number of municipalities, ratio of urban and rural municipalities, and population in the respective regions.



Figure 4: Project Intervention Regions

These are the regions where SDC has already invested in LSG development through its VAP Project. These regions are already fertile ground by having a) mechanisms of citizen engagement for influencing local decision-making, planning and budgeting widely used and b) the process of active community involvement in the dialogue with LSGs results in generating demand for better services, and certain expectations of service provision are already being formed. Within the PSI project these demands will be institutionalized as the rights of citizens to obtain affordable and good quality services, along with the mechanisms for holding municipalities accountable for service provision. The project implementation in these two regions will allow successful consolidation and the achievement of more sustainable results, thus increasing the effectiveness of SDC investments.

Another argument in favor of selecting Issyk-Kul and Jalal-Abad regions is that each region differs in type and conditions for service provision – geographical, economic, density of villages and population, availability of social service infrastructure and public institutions, migration trends, etc.

Jalal-Abad region is an agricultural region with the largest proportion of villages and residents per municipality (more than 15 thousand people and 6 villages per municipality). The region has 7 municipalities that are constituted of more than 10 villages. It is a multi-ethnic region and is most susceptible to conflicts over resources and inter-ethnic tensions. This is one of the regions with the highest number of public institutions (an institution is available within 1.1 sq. km). The region experiences rather low internal migration (7%), but high inter-regional migration within the country (56%).

Issyk-Kul region is a mining and touristic region. This is one of the areas with the lowest population density in the country, with the least number of public institutions (an institution is available within 4.3 sq. km) and, thus, with the highest proportion of population and territory per institution. The region faces low internal migration (7.2%) and the lowest level of inter-regional migration (20%). The Development Fund of Issyk-Kul Region has been established by the country's largest gold-mining company "Kumtor". The availability of this Fund has provided municipalities an attractive perspective and offers room for co-financing municipal projects aimed at improved living conditions.

The project planned target of 60 municipalities – close to 50% of all municipalities in the two target regions – will ensure an outreach to a large number of citizens already in the first project phase. This will also provide enough diversity of municipalities to represent different realities in the country, have a representative sample of problems in public service delivery and provide space for innovation. These criteria, combined with expected general profile of municipalities (with a population of at least 6000 citizens in Issyk-Kul and not more than 10’000 in Jalal-Abad), and a mix of rural and moderately advanced urban LSGs, but also their budget status (security index over 0.8[[17]](#footnote-17)), will make sure that already in the first project phase PSI will be able to reach enough municipalities and beneficiaries to create a critical mass for the introduction of systemic changes in local governance and service delivery improvements.

The project will apply the selection criteria suggested by SDC and elaborated in the planning phase to identify pilot municipalities and the level of support they can request from the project. The selection criteria applied during the design phase include: demonstrated willingness and (financial) performance of municipalities, their size, remoteness from urban centers, availability of basic public services and social service infrastructure, number and density of villages, but also the percentage of socially disadvantaged people living in the municipality. The smallest and financially least performing municipalities will be excluded, as recommended by SDC, although all former VAP municipalities will be included.

The project will try to identify and select municipalities that represent the diversity of the political, economic, social and geographical realities in the two regions. However, in order to enable innovation and rapid application of models for effective service delivery, the Project suggests clustering pilot municipalities into “pilot districts”. This will foster and facilitate inter-municipal knowledge exchange, allow introducing innovative delivery models like inter-municipal enterprises, and facilitate the creation of regional municipal associations.

The concept on methodology for selection of partner municipalities and the timeline of their involvement with the project are further elaborated in Annex V. The selection methodology will be finalized and validated as a first step in the project implementation.

Selection process of municipalities

This section explains the process to select project partner municipalities for PSI phase I, based on the assumption that up to 60 municipalities will receive support for the elaboration of SIAPs and out of them 36 in further project implementation the technical assistance and service improvement grant provision.

1. *Selection of municipalities:*

PSI will follow a clearly defined and transparent selection process to work with municipalities in Issyk-Kul and Jalal-Abad. PSI will work with a total of 60 municipalities, 30 in Issyk-Kul and 30 in Jalal-Abad Regions. All selected 60 municipalities will be supported for the elaboration of service improvement plans. Grants for the implementation of the service improvement plan will be provided to 36 municipalities (see below).

**Step 1: PSI Information and Orientation Event[[18]](#footnote-18):** Pre-selection of eligible municipalities who will also participate at the orientation event will be based on criteria:

1. Size of the population (per official statistics)
2. Budget status (per official statistics)
3. VAP pilot municipality

PSI expects to have around 90 – 120 eligible municipalities to participate to the orientation events in the two oblasts. Municipalities will be clustered for this event.

**Step 2: Selection of municipalities:** The objective of this step is to select the 60 municipalities which will participate in the phase I of PSI. The eligible and municipalities which have participated to the orientation events will be invited to apply. An application format will be developed by PSI and sent to the municipalities. The selection will be done on clearly defined criteria and with a scoring system, among them:

* VAP pilot municipality
* Existing development document based on citizens priorities
* Existence of citizen participation mechanisms
* Adapted citizens charter (extra points)
* Number of existing services of local significance
* Budget available for services
* Readiness to work with PSI (integration of monitoring system)
* Number and density of villages in municipality,
* Percentage of socially disadvantaged people living in municipality
* Written endorsement by local Kenesh and Ayil Okmotu to work with PSI (resolutions)
* Distance from nearest city.

Dependent on the scoring of municipalities, different TA packages will be provided. The project implementation initiates with the *14 pilot municipalities* in Year 1. In order to maximally accelerate the project’s outset they will be selected out of 26 VAP municipalities, seven in each oblast, and supported in the elaboration process of SIAPs from the project start. The rationale and sequencing of this phased approach is provided below (see Chapter 3.6).

Methodology and approaches

**Selection of services**

Improvement of public services at local level is a key element of PSI. However, PSI does not pre-define which individual services municipalities want to improve. For PSI the main entry point for engagement with municipalities are priority demands for services formulated by citizens, rather than a defined public service.

Starting point for PSI work will therefore be existing municipal development plans, concepts, strategies, joint action plans or similar existing documents that outline demands from citizens. As a first step PSI will validate the prioritized services within these plans by facilitation of joint meetings with citizens and local municipalities, to make sure they really represent citizens’ priorities. As a result municipalities will have identified so-called key priority services on which they will receive further support by PSI to elaborate service improvement plans.

PSI regard such a citizen’s centered approach as fundamental to gain the trust of the population to participate actively in efforts to improve public services (and eventually pay for these services a more adequate fee). It also increases the legitimacy of municipalities, as they can prove that they base their actions on citizen’s demands rather than on other, non-transparent reasons (or on externally induced priorities). In addition, it allows PSI to build on the work of VAP where such citizen’s priorities have already been determined.

Citizen priorities may vary considerably between municipalities, given the diverse socio-economic, cultural, and geographic diversity of the project area. Nonetheless, preliminary assessments during the inception phase, and experiences collected through the VAP project indicate that citizen priorities are clustered around a few select public services:

* Road improvements
* Waste management
* Water supply
* Kindergarten improvements (services and facilities)

It should, however, be noted that these indicative key priority services may only reflect such services that citizens actually are aware of being in the competence of municipalities. The validation process mentioned above will therefore also be used to raise awareness and inform both LSG and citizens about the possible range of services.

Based on the rank of priorities in all VAP Phase I municipalities (according to JAPs and citizens voting) the expected services to be selected for the 14 pilot municipalities are: preschool education/daycare (8), potable water (7), road maintenance (6) and sanitation hygienic services (5).

For municipalities where no priority development plans exist or where it is not evident that citizens have been involved in their development, PSI will assist municipalities to apply the VAP-tested methodology to create joint priority plans and/or validate existing plans with citizens.

**Service Improvement Action Plans (SIAPs)**

The selected tool for the PSI work with municipalities, and basis for the proposed grant scheme, is the creation and implementation of Service Improvement Action Plans (SIAP).

Its chief characteristics are that it is practical, low-cost, and can be implemented by operational staff directly, giving them full control over the process. The structure encourages a local government to focus on key issues. Selecting indicators further helps focus on what needs to be done and how it will affect the outcome. Measuring progress motivates the working group, and through them, in turn, motivates other relevant staff to get on board. Having different stakeholders agree to seek specific outcomes brings many resources to the table. SIAP is successfully implemented in a number of developing countries[[19]](#footnote-19): Afghanistan, Albania, Georgia, Honduras, Kosovo, Kyrgyzstan, Pakistan, Rwanda, Russian Federation, Tajikistan and Turkmenistan. SIAPs consist of a structured approach for municipalities to improve existing or develop new public services. Key element of this approach is that it combines both citizens and local administration into the full process of service improvement. Through joint planning groups, women and men are involved in the decision-making process, while municipalities are encouraged to work more inclusive and transparent.

The project will use a model of service improvement plan developed and piloted in the World Bank/USAID Local Government Initiative II project for cities in Kyrgyzstan, but simplify and adapt it for the use in rural municipalities. A similar model was used in 30 rural municipalities under the EU/UNDP “Operationalization of good governance for Social Justice in Kyrgyzstan.” (DPI was one of the projects’ local implementers.)

The PSI project also learned from the experiences of this tool used in Eastern Europe (Kosovo[[20]](#footnote-20) and Albania) where the positive outcomes were noted through: demonstrated commitment of municipal leadership to improve service delivery in a consistent and sustainable way; shown measurable results of municipal efforts; improved resource allocation decisions; increased citizens’ trust in government and their involvement in service monitoring; increased accountability and involvement of all interested Stakeholders; Increased citizens’ trust in government and their involvement in service monitoring; increased accountability and involvement of all interested stakeholders

Joint Action Plan is a plan of joint activities of LSG and the community in the form of initiative groups developed in the VAP project municipalities. JAP has the character of an operational document, allowing focusing on solving urgent priority problems although it does include all the priority issues not just the urgent ones. The community selects which of the problems is to be solved, what measures should be taken to address it, and together with the body of local self-government acts. JAP does not divide the issues between services or functions. It may include a variety of issues that are important and relevant to the community. In the JAP there could be identified 10 or even 50 priority issues. JAP can be approved by the councils or the executive - no clear requirements (emphasizing again operational, working nature of the document).

A SIAP is a plan to improve one particular service and has the character of a technical document, based on a thorough assessment and action planning activities. A SIAP can elaborate a priority issue from the JAP which is essentially a service. It must include a technical assessment, management assessment, financial assessment and, accordingly all necessary measures. It contains a clear timetable for action with competences and responsibility, including monitoring and controlling plan. It should be adopted and approved by all stakeholders. Further, it is elaborated by the executive bodies of local self-government and endorsed by the council. It is a mandatory element of the municipal executive body report. Within the project framework the PSI takes from a JAP a priority problem (see Figure 5), analyzes the tasks formulated in it and translates it into SIAP which is a detailed plan of resolving the priority task while observing normative legislation, effectiveness, sustainability and quality. The circumstances of Kyrgyzstan LSGs are such that providing a detailed step-by-step methodology is very important. In the non-VAP municipalities a revalidation of the prioritized needs through existing development documents will be facilitated prior to SIAP elaboration.

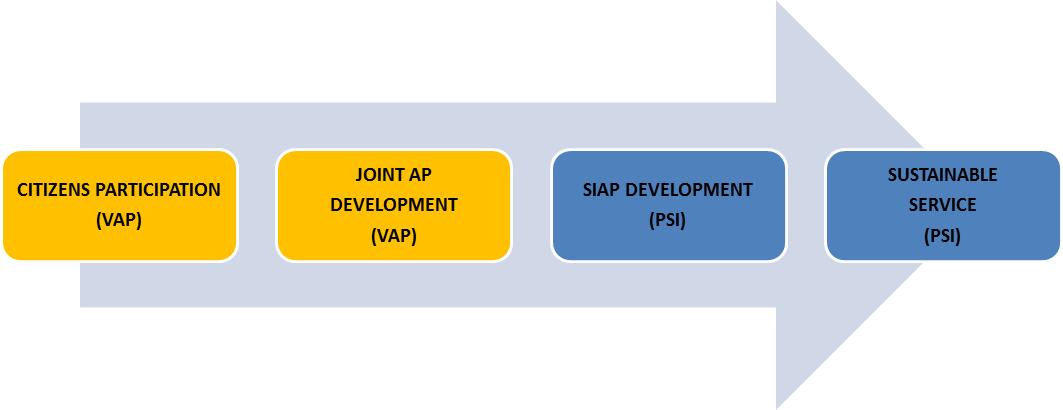


Figure 5 VAP Joint Action Plan as basis for PSI SIAP

The cycle of a SIAP preparation includes the following stages: (1) description of current problem situation and reasons causing it, (2) identification of objectives to be achieved when delivering the services, (3) identifying methods to achieve the objectives, (4) evaluation of resources required to deliver services, (5) forming the system of service delivery monitoring and evaluation of its quality.

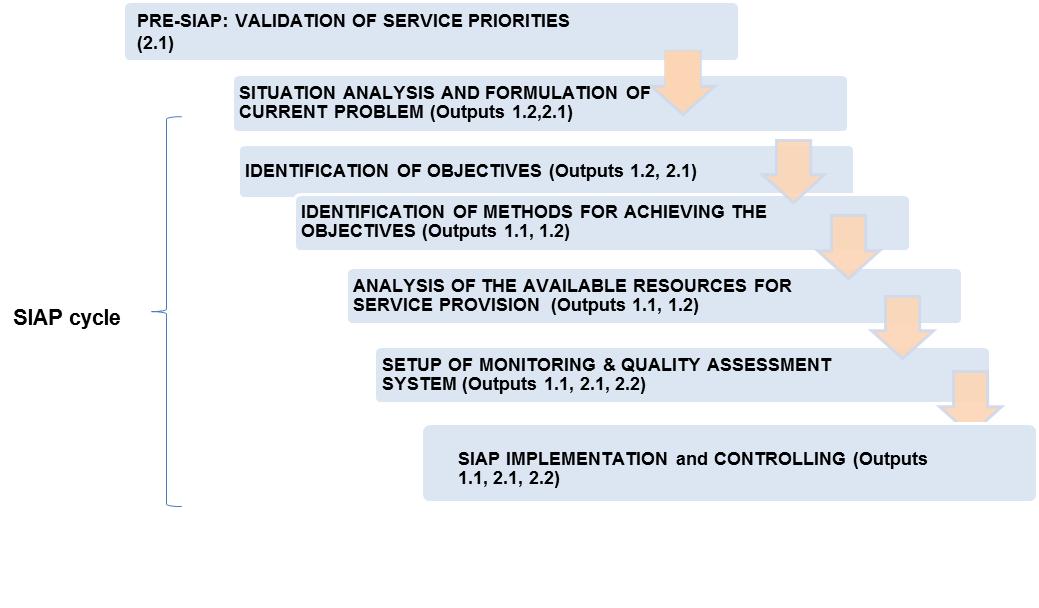


Figure 6 SIAP cycle

The current capacity of LSG bodies does not fully allow creating good quality SIAPs. A need to analyze current situation requires certain knowledge and skills, for example application of the cause and effect method, calculation of the cost-effectiveness of the method used. Inadequate or insufficient problem analysis leads to incorrect setting of tasks that need to be addressed within the framework of SIAP. It is necessary to analyze the various service delivery models to opt for the best solution of the problem with minimum resource costs.

SIAP development will require involvement of all stakeholders, who will be united into working groups on SIAP preparation, such as local community representatives, future service recipients, representatives of LSG bodies, representatives of service providers supported by external experts. Wide participation of all parties will improve the legitimacy and efficiency of SIAP.

The development of a SIAP may take from 1 up to 4 months, depending on the complexity and the current situation of a particular service. In order to develop a SIAP the project will propose methodological tools that will consistently go through all the stages of preparation of the document. In addition to training, the Project will provide expertise and advisory support to municipalities to develop their SIAPs, while simultaneously proposing and introducing systemic changes in how municipalities operate. The project will pay special attention to the adoption capacity of municipalities to implement governance principles in their way to work, but will also make sure that municipalities strictly adhere to all rules and regulations.

In municipalities where PSI supports the implementation of SIAPs the project expects a significant improvement of the mentioned types of selected key public services, such as improved road networks, increased coverage of drinking water supply, or better waste management systems. In order to keep a citizen-centered view the project will monitor improvements in this output through citizens’ satisfaction and perception of the service quality.

The grant system favors the development of innovative service delivery solutions such as inter-municipal collaboration models or public private partnerships. To understand whether PSI has a significant impact on the development of such models the project has introduced an indicator to measure how many new inter-municipal delivery models are established in the project municipalities.

**Two-tier grant scheme**

PSI will introduce a two-tier grant mechanism with variable amounts but fixed ceilings. The use of a grant scheme in PSI serves the following purposes:

* It provides strong incentives for local governments to improve in key performance areas (services) and adhere to national standards (such as procurement rules)
* It incentivizes LSGs to move away from “business as usual” and search for better, innovative, more sustainable and more efficient solutions in public service provision (conditionality to move to second tier grant)
* It improves management and organizational learning of LSG, as they will be continuously assisted and monitored in using the grant funds
* It improves accountability (upward, downward and horizontal), transparent working practices, strengthens collaboration between citizens and local authorities, and incentivizes pro-poor and gender-sensitive policies at local level
* It provides PSI a strong steering and monitoring tool of LSG performance and compliance with basic governance principles.

The two tiers of the grant mechanism can be described as follows:

Grants for Technical Support (GTS) as first tier are small grants for SIAP development. All PSI project municipalities receive technical support as well as a small grant of up to 2’800 CHF to develop at least one SIAP. This grant money is intended to pay for technical expertise related to the specific service that cannot be covered through technical assistance by PSI. As an example: if a municipality wants to develop a SIAP for drinking water improvement it may need the expertise by a water engineer or geologist to develop the SIAP. Such an expert would be financed through the grant amount.

Although modest in size, GTS have a number of immediate and direct benefits. GTS are variable (up to CHF 2’800), so municipalities need to elaborate result-based budgets to access the grant. They further need to have a proper finance management in place to justify expenses. Both budget and expenses will be made public for maximum transparency and accountability. The small GTS are a means to incentivize municipalities to follow good governance principles, while providing them with a tangible result: a fully developed SIAP. Even those municipalities that do not receive second tier grants to implement their SIAPS still have a step-by-step plan on how to improve and maintain a service with which they can fundraise or apply to other available sources (regional development funds, Ministry of Finance stimulation grants etc.) Furthermore, they will benefit from the improved interaction system, advocating initiatives on the national level on behalf of all LSGs and through improved system of national training program for municipal employees. Regardless of their not following the full grant cycle they will be included in all information dissemination, regional events and best practice sharing.

Through PSI the municipality will receive TA to strictly adhere to good governance principles and existing laws (e.g. when hiring the expert, follow procurement rules and assume responsibility as contracting authority). It also serves PSI as indicator to evaluate the capacities of municipalities to properly manage funds, avoid and curb potential corrupt practices, and to measure their readiness for the second tier grant.

Grants for Service Improvement (GSI) are the second tier grants intended to be used to implement the SIAPs. All municipalities who have developed SIAPs (not only limited to those developed with support of the GTS) may compete for GSI. Such 2nd tier grants will not be provided to all partner municipalities but awarded by competition against clearly defined selection criteria by a selection panel (spelled out in the grant strategy document).

The maximum grant amount per municipality is 40’000 CHF, with an own contribution of LSG of at least 10% of the grant amount. However, municipalities can also compete for a grant with a SIAP that requires less than the maximum amount, or compete with two SIAPs for up to the maximum amount. Should single SIAPs require higher amounts than 40’000 CHF the municipality needs to cover these additional costs. In any case municipalities must cover at least 10% of the costs through their own funds (a higher own contribution gives higher marks in the selection process). Finally, municipalities can also compete with a joint SIAP based on inter-municipal agreement and receive higher amount per that plan. (e.g. 2 municipalities develop a joint SIAP on waste collection service and can receive the support of maximum 80’000 CHF).

Contrary to assumptions in the tender document that some municipalities will be able to implement their SIAPs through own funds without further assistance from PSI, field research has shown that there are almost no such financially viable rural municipalities in the two target regions. PSI therefore decided to provide to up to 60% of project LSGs with second tier grants for SIAP implementation (equaling up to 36 LSGs or almost 40% of all municipalities in the two project regions). With this decision PSI tries to strike a balance between dividing the available grant amount to as many municipalities and nevertheless still provide big enough amounts to municipalities to be able to address priority issues that require substantial investments. To make sure that the available grant amount is sufficient for 36 LSGs will limit the amount per municipality to 40’000 CHF.

**Example of a cluster**

Construction of waste depot for one municipality is a very costly exercise but given that a depot can accept waste from several municipalities the efficiency of its use increases. Within the framework of inter-municipal cooperation the municipalities jointly formulate and share responsibilities including the funding through a common SIAP.

Since municipalities will be grouped in “district clusters” peer-to-peer exchange will first and foremost take place locally among municipalities that share similar concerns. Trainings, coaching and technical assistance will be provided through the peer/expert groups at regional level. Such groups are also a starting point to establish the basis of trust necessary for implementing collaborative approaches such as inter-municipal cooperation.

PSI foresees that competition for these grants will be rather fierce. The competitive element, however, will have a number of beneficial effects, as it forces municipalities to develop cost-effective, sustainable, reliable and accessible service plans to the maximum extent possible. It further encourages inter-municipal cooperation which allows asking for higher amounts. Finally, municipalities that are not awarded a second grant still receive technical assistance and training in service planning and have a ready product to compete with for other donors and state funds.

**Clustering**

The idea of clustering is two-fold: geographically and thematically. Through the selection process municipalities will be clustered geographically as much as possible. This will allow to foster and facilitate as much as possible inter-communal knowledge exchanges, joint trainings and learning, but also the creation of inter-municipal working and planning groups, and joint service delivery models (see box). Geographical clustering of municipalities will also allow PSI to deliver pre-defined TA more easily and efficiently to a larger number of beneficiaries.

Thematic clustering refers to TA PSI will provide to municipalities. In the initial phase PSI expects that most of the project interventions such as trainings and capacity building will fall into the category of pre-defined TA interventions designed for all project municipalities. Such intervention packages will mostly revolve around strengthening basic managerial capacities of municipalities and service providers, and around delineating roles and responsibilities while introducing good governance principles. As mentioned above, PSI also expects that the number and diversity of key priority services selected by citizens and municipalities will be rather limited. This will allow PSI to foster inter-communal collaboration and information sharing to address common issues, and facilitate the design of intervention packages that serve a larger number of municipalities.

**Mechanisms of citizens’ involvement**

Although PSI will not directly work with citizens but mostly with municipalities and local service providers, it will ensure that these partners will introduce or strengthen existing participative mechanisms, many of which have already been introduced and successfully tested by VAP. It will further work on enshrining such participative elements into (local) legislation and regulations and assist the relevant national counterparts (SALSGIR and the Union of LSGs) to promote participative models for local decision-making.

Participative mechanisms that PSI will promote, among others, are:

* Creation of joint planning groups for the elaboration of SIAPs, based on the model introduced by VAP
* Active participation of citizens through the joint planning groups on definition of service level and service quality, and public hearings to receive citizens’ feedbacks on such important issues
* Public hearings on tariff policies of service providers
* Public audits on grant scheme expenditures for SIAP implementation to strengthen LSGs’ accountability towards citizens for the performance of these investments
* Joint monitoring groups, based on VAP models, consisting of service users and members of the local council
* Installation of recommendation/complaint boxes and bulletin boards for publication of official responses on follow-ups.

**Governance assessment**

In the first months of the project, PSI will conduct a baseline assessment in project municipalities that will serve multiple purposes:

* It will assess governance and management capacities of municipalities and thus serve as starting point for PSI to develop the necessary intervention packages
* It will serve to validate key priorities of citizens in target municipalities, necessary for municipalities to start service improvement planning, and
* It will provide the necessary baseline data for a comprehensive project monitoring and evaluation system.

For this exercise PSI will adapt successfully tested governance (self-) assessment tools used in other SDC-funded projects like Sharique and Demo.

Transversal themes

**Gender Equity and Social Inclusion**

The organizational stance of both HELVETAS and DPI in support of gender equity and social inclusion is based on the recognition that women and men, including members of disadvantaged groups, have equal rights, and must have equitable access to opportunities in realizing their potential as human beings.

Given this and in line with SDC’s strategies, the PSI project attaches very high priority to mainstreaming gender equality and social inclusion into its intervention strategies. The project will build on and use proven good practices and capitalized experiences from previously implemented projects and conducted studies.

The project will use HELVETAS Kyrgyzstan’s specific criteria to define the social status of “disadvantaged”, bearing in mind that poverty is not only a matter of lack of economic assets but entails other aspects. These criteria are: being a woman; under 25 years old; living in a remote area (40km from a rayon center); living in an area prone to natural or human disaster (that is, conflict affected areas); and having many dependents. Generally, if three of these criteria apply to a single individual, than she or he is considered disadvantaged. In addition, it will also use DPI’s new municipal Index of Social Justice, which measures access to services for vulnerable groups, including women and youth.

In order to ensure the mainstreaming of gender and social inclusion the Project undertakes the following concrete steps:

1. Integrating social inclusion throughout project/programme interventions: “mainstreaming” social inclusion in all the different project interventions making it part of the “regular business” of the project: through coaching municipalities on different models of inclusive policies and practices; including it as an element of municipality selection process; grant awarding process and monitoring process
2. The PSI tool on improving the system of service provision at the local level is a Service Improvement Action Plans (SIAP). These plans will be also the core of the Grant Scheme of two proposed levels: on-budget project grants and on-budget service improvement grants. A participatory process with the local population is a mandatory step in identifying and prioritizing a selected municipal service for the grant application. The specific steps and approaches to ensure gender and social inclusion components will be applied on all stages: proposal, elaboration of service provision, implementation monitoring and service quality monitoring
3. All interventions are accompanied by a capacity-building element: for example, the definition of a local development planning methodology accompanied by capacity building for local government staff and civil society in carrying out the planning in a socially inclusive way
4. The result chain based M&E system will include on each level of the result chain specific indicators that are disaggregated between women, men, and disadvantaged groups, and will thus offer a mechanism to measure achievements in relation to gender and social inclusion. The chosen M&E approach will allow the Project to measure the effectiveness of gender and pro-poor mainstreaming though its interventions and to adapt strategies, if necessary and allow drawing learning end lessons
5. Mainstreaming issues of social inclusion, in particular gender equity, internally within the project implementation unit and in the selection of partners
6. Practicing outreach and communication through the staff that speak local languages and are conversant with local culture. Effectiveness of intercultural and gender mixed project team is particularly important.

**Conflict Sensitive Management Approach**

Sensitive situations do not require entirely different development and humanitarian programs and projects but they require a different approach, which recognizes political and security challenges as well as – if necessary - the specific characteristics of fragility and conflict. When insecurity prevails, the political, social, economic and cultural environment is unstable and prone to unexpected changes, harmful cleavages in society put social cohesion at risk. Project interventions need to be aware of the specific features of insecurity and fragility in order to avoid that they feed into existing tensions.

To avoid damaging and unplanned consequences AND to foster existing positive and constructive potentials, the project will pay special attention to the following issues:

* Invisible tensions must be assessed and monitored
* Positive capacities despite conflict and tensions need to be analyzed
* The complex and volatile socio-political systems needs to be understood
* Political and security challenges need to be recognized

Improved and more equitably delivered services at local level have the potential to mitigate existing grievances. Real or perceived grievances stemming from marginalization, insecurity, competition over and unequal distribution of resources, rural-urban inequalities and other socio-economic dissatisfactions are main factors for potential frictions – frictions that can easily erupt into violence. At the same time it is recognized that horizontal inequality and marginalization between different identity groups (e.g. social, political, ethnical, religious, clan-based) is one the main factors contributing to fragility and violent conflict.

Both Consortium partners have extensive experience in conflict-sensitive project management and implementation of projects that aim at transforming conflicts and peace building within and among communities. In addition, all HELVETAS staff members in Kyrgyzstan have been trained in the HELVETAS 3-Steps Approach for Working in Fragile and Conflict-Affected Situations. Such experiences and approaches will be used in PSI Project.

The 3-Steps approach indicates to staff and partners at which points they have to take action in order to avoid negative consequences and foster a positive impact on the context. Additionally, the approach reinforces a common understanding among stakeholders on how the organisation handles its activities in a fragile situation. Tensions in the context of a programme/project have an impact on the levels of trust and confidence between the local population, authorities and decision-making institutions. This affects development projects and their impact in various ways, e.g. the working atmosphere, communication, relations with partners and stakeholders.

PSI staff members will be further trained on conflict sensitive project management by means of the recently finished SDC-funded online course. If deemed necessary the project will further organize an expert training for the staff and other partners. When applied properly the 3-Steps approach fosters, trust building between all involved parties. A constructive working relationship based on a shared and discussed understanding of the context furthermore sets the basis for shared values and goals and fosters sustainability.

**Good Governance**

Good governance is understood as a transversal topic within PSI and relates both to the internal functioning of the Project, its expectations of partners (at various levels) and the changes we wish to contribute to. This multilevel approach is described in Table 3 below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A multi-scalar approach to govern­ance as a transversal theme** | | **Scale** | | |
| ***Internal PSI governance*** | ***Governance at local level*** *(in particular citizen-LSG relations)* | ***Governance at national level*** *(in particular central government-LSG relations)* |
| **Governance Principles[[21]](#footnote-21)** | **Accountability**  Refers to the control of power and the obliga­tion of power holders to explain their decisions | Clear agreements outlining roles, re­sponsibilities and mutual expectations between and among project imple­menting partners (including the Con­sortium) form the basis for accounta­bility measures in the form of annual internal and planned external reviews | The Project proposes to build tested accountability tools (such as public audits) into the grant scheme to strengthen LSGs’ accountability to citi­zens for the performance of these in­vestments. | With its emphasis on testing the op­tion of delegating state services by contract (output 1.2), the Project aims to strengthen the accountability rela­tions between the central government and LSGs |
| **Transparency**  Access to information about decisions, includ­ing rationale, criteria, and process | Both decision-making processes and decisions themselves will be transpar­ently shared among the implementing partners according to an information management system | The project will ensure that all stake­holders have access to information concerning Project-related decisions and decision-making process. A com­munication strategy will ensure effec­tive public outreach (articles, radio/ television reports, posters, billboards) | Through the work it proposes on cal­culating the cost of providing particular services at local level to a specific level of quality, the Project expects to intro­duce a greater level of transparency (and information itself) on the financial basis of public service delivery |
| **Non-discrimination**  Equal treatment of all people and social groups | The project takes a position of non-discrimination and actively promotes women staff and staff from disadvan­taged communities where possible. | Ensuring equitable access to services provided at local level by analyzing all aspects of public service delivery. The project will further integrate gender and social in­clusion criteria into the intervention se­lection criteria in grants allocation | By focusing on rural LSGs, the Project aims to strengthen their (thus far ra­ther marginalized) voice in national decision-making and relatively less access to funding opportunities |
| **Participation**  Those affected by deci­sions have access to decision-making spaces and voice therein to ex­press their opinions | The project will actively engage with relevant stakeholders and will encour­age a participatory internal govern­ance | As outlined, the Project intends to build upon and amplify the experi­ences gained through the VAP project in encouraging greater “demand” and “supply” of participation | By opening spaces for dialogue between LSGs and the centr. gov­ernment, and by sharing docu­mented experiences, the PSI aims to add to a more participatory decision making on service improve­ment strategy |
| **Efficiency (and effectiveness)**  Resources are used in an optimal way to reach objectives. | The project will establish a rigorous monitoring system to compare inputs and outputs/outcomes. Specific indi­cators will be designed together with the key stakeholders to ensure their relevance | The particular indicators identified (see the box at left) will be integrated into the evaluation of each of the grant fund projects | SDC projects in the Western Balkans have tested methods for conducting cost benefit analyses of interventions, such as grant fund projects. Methods have also been developed for analyz­ing how to optimize the delivery of specific services. PSI plans to learn from these experiences and identify how they can be replicated |

Table 7: Governance as transversal theme

Evidence shows that introducing these good governance principles into projects serve as a strong deterrent against corruption. The implementation of good governance principles as outlined in the above table will therefore help the Project to prevent corruption in all project interventions, most notably in the grant mechanism. Promoting these good governance principles will also help to anchor them firmly in applied procedures and processes, and to advocate for their inclusion into the normative legal framework where suitable.

Collaborations and synergies with other governance projects

PSI will support the population of Kyrgyzstan to have an improved quality of and access to public services. With this aim the project links with a number of ongoing Swiss funded as well with a number of recently implemented and new/forthcoming complementary projects by other donors in the country. In addition, it will foster the collaboration and knowledge exchange with other SDC-funded governance projects in the region and beyond.

* SDC funded Voice and Accountability Project
* SECO and EBRD funded projects of urban water supply systems’ modernization
* (Bishkek, Kant, Tokmok, Karakol, Cholpon-Ata, Balykchy, Naryn, Jalal-Abad and Osh)
* EU/UNDP “Promotion of Good Governance to Achieve Social Justice” (2011-2014)
* UNDP “Mechanisms of Capacity Building” (2010-2014)
* AKF “Mountainous Regions Development”
* USAID/EWI “Joint Governance” (2013-2018)
* USAID “CAMI - Capacity and Municipal Governance Initiative in Kyrgyz Republic” (2015-2019)
* HELVETAS own funded “SEP” in Osh and Jalalabad regions– Good governance of irrigation water project (2014-2017)

Voice and Accountability Project –

The Public Service Improvement project not only collaborates and synergizes with the Voice and Accountability (VAP) project, but actively builds on the results (see Figure 6) and takes over the issues of further LSG’s capacity building, institutional strengthening and decentralization (in terms of service provision) that are outside the objective and mandate of VAP. PSI will in its first phase of four years work in the same two regions of Kyrgyzstan where VAP operated and will seek to include all former VAP municipalities into the selected project partner municipalities. In these municipalities PSI will directly build on the results and experiences of VAP – taking over the prioritized services from Joint Action Plans and utilizing the established mechanisms of citizens participation and monitoring of the LSGs performance (Public Monitoring Model), further build on investments made in municipalities through the VAP grant program which are relevant to service provision and use the practical experiences and human resources acquired through VAP implementation such as municipal procurement.

Figure 7 VAP-PSI Complementarity examples

In municipalities that were not covered by VAP in the first phase the PSI will introduce and promote VAP models of citizens participation and monitoring of LSGs performance, as well as promote VAP outputs in terms of framework regulations at the local and national level.

The two projects will coordinate their activities and efforts both at local and national levels through bimonthly coordination meetings, exchange of information regarding monthly plans of both projects, participating in each other’s relevant national and local events, including of PSI news to “Municipality” magazine and participating in Steering committee’s meetings of both projects.

SECO Osh/Jalal-Abad Water Project

The planned SECO water project (in cooperation with ERBD) in Jalal-Abad currently conducts the feasibility study. There are several planned outputs of the SECO project where a close cooperation with PSI could positively influence the results of both projects: developed standard contracts between local self-government and municipal enterprise; organization of forum in Jalal-Abad region to discuss current problems in local communities; established work with water users committees in Jalal-Abad which include representatives of LSG, local community and water supply system.

Other projects in Kyrgyzstan were mutual synergies and complementarities should be considered relate mostly to UNDP’s “Good Governance for Social Justice” (Service delivery centers, community based multi-media centers) and “Mechanism for Capacity Building” (e-government, legislation development on municipal and state services); and AKF’s “Mountainous Regions Development” (national resources management, health, education and local self- government).

The details of the planned synergies and complementarities with other projects in the field are described in the Annex III.

Additionally, PSI has already established links to some SDC-funded, HELVETAS-implemented project in other countries, with the aim to share knowledge and information and to profit to the maximum extent possible from good practices established in these projects. PSI can especially profit from the following projects:

* dldp project in Albania, especially on existing manuals and models for cost of service calculation, public finance management, delineation of roles and responsibilities, service improvements and development of standards
* DEMOS project in Kosovo, on performance-based grant systems, capacity and organization building of service providers and municipalities, and service delivery models in specific sectors
* Sharique project in Bangladesh, mainly on participatory decision-making processes and priority setting
* GESTOR in Bolivia, especially on setting up and operationalizing inter-communal cooperation models.

PSI further foresees to organize a study tour for members of LSGs, possibly to Albania, to study in another transition country the good practices on local governance and public service delivery. Last but not least, PSI will actively engage in DLGN, the SDC-driven Decentralisation and Local Governance Network, and is, for example, very interested in drawing lessons for the project from the currently ongoing DLGN learning project on “Engaging with ‘thus far less targeted’ actors in local democracy”.

## Phasing and long-term vision

PSI applies a **cascade approach** in implementing the current project phase. On the one hand, it phases its work with municipalities, and on the other hand it provides different levels of technical assistance to municipalities that best correspond to their needs and absorption capacity. In conjunction this will guarantee that PSI can achieve maximum impact with available resources, while providing municipalities the best possible support.

During the 1st year, it will be introduced in 14 ex-VAP municipalities of Issyk-Kul and Jalalabad oblasts, and will be expended, based on pre-defined criteria to 46 new municipalities in second year. A total of 60 municipalities will thus be targeted by the project, while the best practices will be shared with the other 94 non-target LGs to spill-over the public services improvement mechanisms through study tours.

Based on the selection process for municipalities PSI will start its work in a limited number of pilot municipalities. Due to the capacity gained through VAP project all the application from former VAP municipalities will have a more advanced starting point to follow the PSI program compared to non-VAP municipalities. They have established and functioning mechanisms of citizens participation in priority definition and monitoring of LSGs’ performance, while the LSGs increased knowledge of legal framework, local budget resources, and inter-governmental finances. In addition to this, the VAP municipalities benefited from the grant program which in many cases was used for capital investments related to public services (procurement of machinery for waste transport, road maintenance etc.) Taking this into consideration and the necessity to have the quickest possible project start the PSI will select the 14 VAP municipalities, seven in each oblast, that have the highest score from the selection process and support them in the elaboration of SIAPs. The reason for starting the implementation with an initial smaller lot of municipalities is the time needed to develop various tools and prepare training modules which will be used for all the municipalities. However, the number of fourteen is still high enough to allow for development of joint SIAPs, address a variety of services (e.g. waste collection and street lighting) both within and between the regions. The relatively low number of municipalities during the first project year allows PSI to develop and adjust support packages and to make first experiences with municipal collaboration.

Out of these 14 pilot municipalities with prepared SIAPs a selection committee will select those 9 municipalities with the best SIAPs (60% of the pilot municipalities, with a ratio of 4 to 5 for the two project regions). Selection criteria include, among others:

* Activity of citizens in identifying and prioritizing services
* Inclusive participation in the working group SIAP (vulnerable groups - poor, disabled, mothers with many children)
* Completeness of information in the application
* Level of financial contribution of the municipality
* Expected number of primary beneficiaries
* Impact on vulnerable groups
* Sustainability of service (economic, financial sustainability)
* Innovative methods in service provision proposed
* Full and sustainable M&E system
* Feasibility and justification of the proposed budget
* Possibility of establishing cluster and inter municipal cooperation
* Sustainability strategy of service
* Number of disadvantaged persons reached with service improvement.

The project implementation for the 9 selected municipalities will take place over a period of two year, project years 2016 and 2017.

The preselected, remaining 46 municipalities will be supported for the elaboration of SIAPs (GTS) during the PSI project year 2016. Out of these 46 municipalities, 60% (or 27) will receive grants for project implementation (GSI). The project implementation period will be two years, 2017 and 2018. In order to make sure that all the grants cycle are fully implemented (they will not run at the same pace in every municipality but are estimated at up to two years of duration in total) during the Phase I the project will have to phase-in all the remaining of 46 municipalities already by the end of Year 1 for the initial set of activities and service improvement planning. The most intensive period of the implementation will be the year 2016 when the targeted project activities will be implemented in 9 municipalities of the first lot and 46 municipalities of the second lot. However, the standard TA packages and local expertise for the second lot will already have been developed. Also, more time is envisaged for the service plan development for the group of 46 municipalities compared to the first lot.

The SIAP implementation phasing can be visualized as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2015** (8 months) | **2016** | **2017** | **2018** | **2019** (4 months) |
| SIAP elab. (GTS): 14 LSG | SIAP implementation (GSI): 9 LSG | |  |  |
|  | SIAP elab. (GTS): 46 LSG | SIAP implementation (GSI): 27 LSG | |  |

Figure 8: Planning and implementation cycles in phase 1

PSI will further deploy different levels of technical assistance (TA):

1. Pre-defined TA designed by PSI and delivered to all municipalities.
2. Pre-defined TA designed and delivered by PSI on demand.
3. Tailor-made TA for municipalities (and national stakeholders).

All municipalities will receive during the project phase a number of technical assistance packages that PSI has defined and designed based on its experience and on good practices generated by municipalities or from other projects (such as VAP or others). Such type of TA is designed to make sure that at the end of the project phase basic governance principles and service improvements are properly anchored within project municipalities (for example training on result-based planning, economic effectiveness for service provider, and M&E systems for SIAP)

On-demand pre-defined TA are project interventions designed for and delivered to those LSG that show the necessary initiative and demand further-reaching assistance beyond the “standard package” (such as costs calculation for service clustered municipalities, billing system software application). The main characteristic of this type of assistance is that municipalities need to actively *demand* it. This type of intervention allows PSI to cater to those municipalities that show a special interest in progressing, and that have the necessary absorption capacity to really profit from further assistance. In addition, most of the TA activities for those top 60% of municipalities that receive SIAP implementation grants will fall into this category.

The third level of technical assistance is tailor-made TA to address very specific issues at hand. PSI expects such type of intervention mostly for its work with national counterparts. On local level such tailor-made assistance will be limited to rare cases. Specific technical needs of LSG regarding the definition or implementation of services should in most cases be addressed by the municipalities themselves and costs covered through municipal budgets (or through PSI grants).

The following graph gives an overview of the estimated outreach to municipalities per TA type.

Figure 9: Outreach to municipalities by type of technical assistance

This phasing and leveling of project interventions allow PSI to induce already in the first project phase of four years systemic change and sustainable results on local level. Main goal of this phase is to demonstrate sustainable, effective, efficient, accountable and responsive management solutions in targeted municipalities that address real needs and demands of citizens, assist in delineating roles and responsibilities of the various stakeholders involved in public service delivery on local level, and to strengthen meaningful citizen’ involvement mechanisms in service delivery planning and monitoring. The project aims at creating certain sets of model procedures and solutions for further dissemination and scaling up in Phase II. In addition, municipalities will be empowered to better interact with their national counterparts and to make their concerns heard at this level. The relevant national actors, in turn, will be strengthened to gradually take up their assigned roles and responsibilities to facilitate and improve the work of LSG.

PSI expects that already during the first phase of the project a certain spill-over effect will happen to municipalities that do not partake in the project, especially with regards to taking over model registers and service agreements developed SIAP elaborations.

The designed intervention during the first phase of four years aims at completing the implementation cycle and elaborating ready products, processes and policies which contribute to the overall sustainability of project’s results. In particular:

* Through expert support to improve the normative framework by including the developed trainings, standards and instruments ( Local legal acts amended with procedures of establishing services –foreseeable mechanisms of establishing new services in the future; Local registries of services and relevant standards – basis for adding and improving services; National program of trainings for municipal servants – trainings on service provision integrated)
* Created potential of citizens and authorities to formulate and implement service policy
* Created potential of service providers to sustainably deliver services
* Established dialogue and cooperation between municipalities and the Union of LSGs on vertical and horizontal exchange on service improvement
* Increased knowledge of SALSGIR and Union staff on service provision
* Established sustainable practice of training of LSGs by the government agencies on service provision and annual evaluation of trainings’ impact

The groundwork laid during the first project phase will allow to quickly expand the operations in a follow-up phase.

Main thrust of PSI phase II will be to replicate and scale up tested models and solutions from phase I in further provinces to tangibly improve public services for a significant portion of the population of the Kyrgyz Republic. The project will replicate the training modules, tested and proved service delivery methods, models of municipal cooperation and mechanisms of citizens’ involvement in new provinces. In accordance with external and mid-term reviews of both VAP (in the second phase implemented in Naryn, Osh and Chui provinces) and PSI it will be decided which oblasts and municipalities/districts to target in the Phase II. By this stage good governance practices on local level should be firmly anchored with project municipalities and the critical mass be achieved for municipalities to influence for themselves the national policy framework through evidence-based advocacy. National institutions like SALSGIR and the Union of LSG should by this stage be capacitated and self-sufficient enough to gradually take over responsibilities for project-initiated interventions, while project assistance to these institutions gradually diminishes. The Phase I municipalities will continue to benefit from information dissemination, will be involved in the regional and national dialogue and peer-to-peer exchange events.

Phase III (phasing out) will be used to consolidate the Project experiences, firmly anchor achievements in the national normative framework, and secure sustainability of its outcomes.

# Organization, Management and Administration

## Project Management

**Implementing Agency**

The project is implemented by a Consortium of two organizations:

* HELVETAS Swiss Intercooperation
* Development Policy Institute, Kyrgyzstan

HELVETAS and DPI have entered into a consortium agreement to jointly implement the Project. HELVETAS will act as lead agency on behalf of the consortium and as such represents the consortium vis-à-vis SDC. It is responsible for all contractual matters.

The parties are committed to the highest standard of quality in Project design and implementation, in order to achieve large-scale and sustainable impact.

The two organizations will implement the Project through one Project Implementation Unit; thus both organizations have a shared responsibility for all outcomes. However, each organization will contribute with its specific competences. During implementation, tasks will be shared based on the general principle that whatever can be managed locally is under the responsibility of DPI. The aim of the partnership is to make full use of and to further strengthen the expertise of DPI in order to anchor the know-how in the long term with a local institution in Kyrgyzstan. For Phase I the competences and the specific roles of the partners are distributed as followed:

HELVETAS:

* Overall project steering; equality insurance, donor communication
* Lead in conceptualization of the project and related tools and mechanisms (e.g. grant scheme)
* Maintaining the cooperation relationship between the national stakeholders and the project
* Ensure qualified inputs from the international experts
* Knowledge transfer at global and regional level.

DPI:

* Implementation of outcome 1 and 2 at the local level in partnership with municipalities and implementing partners
* Ensuring qualified inputs from national experts locally and nationally; both through long-term staff (PIU) and short-term expertise
* Ensure coordination and maximum synergies with the Voice and Accountability Project.

## Organizational structure and steering mechanism

The project is managed by the Project Implementation Unit operating out of three separate offices. The project structure is consisted of one regional project structure in each of the two targeted provinces and a coordination office in Bishkek. Regional project structures will be established in Karakol (a new office) and in Jalal-Abad city (co-located with HELVETAS field office). The regional offices are supported by the coordination/expert team in Bishkek. The coordination team will be co-located with the HELVETAS Program Office.



Figure 10: Project set up and Reporting Lines

The **Steering Committee** is the highest body of the project. The Committee meets at least once a year and the project submits annual project progress reports and annual implementation plans for approval. The Committee shall provide strategic orientation, assure alignment of the project to the State’s priorities and contribute to coordination with other stakeholders. Extraordinary meetings of the Committee can be convened upon necessity.

Project Steering Committee is composed by the representatives of:

* SDC Kyrgyzstan
* State Agency for Local Self-Government and Inter-ethnic Relations
* Union of Local Self-Governments
* Unit on LSG of Prime Minister office
* HELVETAS Swiss Intercooperation Kyrgyzstan
* Development Policy Institute
* Additional, non-voting participants can be invited as per need. The Project Manager acts as the Secretary of the Steering Committee.

The composition of the committee ensures that stakeholders from all levels (local, regional national) are represented in the steering board. Figure 9 illustrates that PSI project takes over a temporary support and catalyst function to initiate improved action, inter-action and coordination of all stakeholders. Through project facilitation, the local expert pool, the LARC network and service providers will provide direct support to the municipalities and to actors at regional and national level and stimulate better service delivery of municipalities.

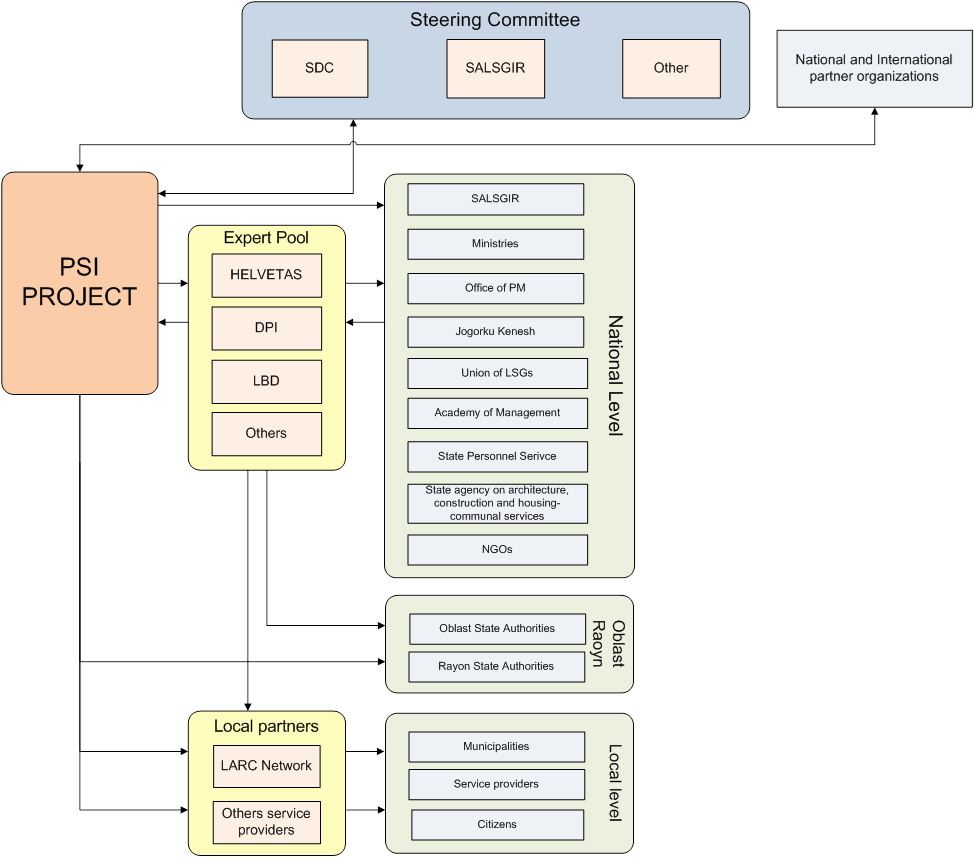


Figure 11 Organizational set-up chart

## Roles, tasks and responsibilities (project team)

The Project Implementation Unit (PIU) will be at the core of the project implementation as a separate unit under the overall coordination and management of the Consortium. The PIU is entrusted with the overall management, quality assurance, evidence based research and advocacy, strategic steering and coordination of all project activities. It will be staffed with highly experienced and qualified staff members. A clear and transparent division of roles and responsibilities within the PIU will allow for greatest efficiency and ease of collaboration with SDC.

Besides the overall implementation responsibility, analytical support, quality assurance, human and financial management, the PIU will itself provide thematic support to national and local partners for the advancement of both Project outcomes, and interact directly with partners at national and local level, thereby bridging operational experience with policy dialogue and evidence-based advocacy.

The Project Implementation Unit is composed of:

* National Project Manager, 100%
* International Technical Advisor, 60%
* National Manager Component 1&2, 100%
* Regional Coordinator Issyk-Kul, 100%
* Regional Coordinator, Jalal-Abad, 100%
* Grants Officer/M&E, 100%

The ToRs outlining the tasks and responsibilities of the PIU staff members are provided in the Annex IV.

## Administration

**Accounting, Audit & Internal Control System (ICS):** At Programme Office (PO) level, HELVETAS maintains two accounting systems in Kyrgyzstan: one that follows local law and regulations (1C, using accrual system), and one that allows a detailed follow-up of expenditures for each cost centre (Banana, using cash system). On a quarterly basis the expenditures are consolidated into accounts maintained at Head Office.

The PIU will tender contracts for service provision in line with HELVETAS KG internal procurement guidelines, with renewable performance-based contracts clearly spelling out deliverables (and related indicators) and including overheads.

The PO mandates a local fiduciary to carry out an annual audit of the Project at country level. This mandate is given in accordance with *SDC’s “minimum requirements for local audit contracts”*.

In line with Swiss legislation, HELVETAS Swiss Intercooperation operates an Internal Control System (ICS) in order to regularly check financial management and accounting processes and procedures, minimising the threat of errors and fraud.

All Project partners receiving grants from HELVETAS prepare half-yearly financial reports and pass an annual audit to confirm their financial statements and bookkeeping procedures.

# Resources

## Human Resources

The **Project Implementation Unit** described in the Chapter 5.2 will further work with and through a pool of external experts, public and private organizations, and local service providers to deliver clearly defined intervention packages.

The **Expert Pool** is a separate resource for specific skills and thematic know-how in the fields of service legislation, public finance management, fiscal decentralization, municipal development, service delivery models, grant management, advocacy and outreach, local revenue generation, inter municipal cooperation, municipal association, participatory monitoring, local budgeting and service delivery legislation.

The Expert Pool is composed of National and International Experts. National experts are mainly recruited from within DPI and LBD Consulting and will thus help to guarantee the closest possible integration of activities with the VAP project and the field implementation through LARC. International experts are mostly drawn from the large pool of HELVETAS’ Advisory Services and HELVETAS-implemented local governance projects with a similar scope like PSI to foster the international knowledge exchange and synergy generation. They will provide backstopping, regular advising and when deemed necessary deliver a specific know-how in the country. The in-country missions will always have a component of increasing the capacity of local specialist from the respective field in order to further disseminate the knowledge and practices. A gradual decrease of the international experts’ support is foreseen over time.

Thanks to a strategic implementation partnership with **LBD Consulting[[22]](#footnote-22)** and the **LARC[[23]](#footnote-23)** Partnership Network, the Project will be able to assure coverage and close hands-on support to pilot municipalities and feed bottom-up knowledge into work on national level.

Local LARC partner organizations will provide support to LSGs trough consultations on development of municipal legal acts (local registers, improvement of community charters, legal specifics of additional registers of services, legal support to SIAP formation – establishing of municipal enterprises), conducting capacity building for LSGs ( trainings on roles and competencies under the legislations, trainings on tariff policy regulations). On the national level LBD/LARC experts will provide the support to LSG union and SALSGIR in improving their legal capacities on service provision. The final definition of LBD and LARC involvement will depend on the pre-defined and on-demand TA packages for municipalities. Local LARC staff will be where necessary additionally trained on specific topics of service provision and will be able to provide support to the municipalities beyond the project duration.

It is foreseen that in order to organize and monitor the activities in a large number of municipalities a number of community part-time facilitators will be engaged. This will depend on the final geographical distribution of the selected municipalities in two regions, availability of LARC partners and the distance from the project regional offices.

Where necessary, the Project will tender out intervention packages and select service providers based on their proposals. They will be trained initially by the project staff or experts and later backstopped and supervised by the regional officers.

## Infrastructure and Equipment

The PIU coordination unit and Regional Office of Jalal-Abad will be co-located with the existing HELVETAS offices (Bishkek and Jalal-Abad). These offices have the necessary infrastructure for secure and adequate operating activities while the necessary equipment will be purchased (some furniture elements and IT equipment). The regional office in Karakol will be rented as a PSI Project office and necessary equipment purchased and infrastructure arranged. The PIU will use the outsourced transportation as per needs and the work plan.

## Budget

The project will be funded by Swiss Development Cooperation. The budget break-down per year and project outcome can be found in Annex II in a standard SDC budget template.

# Risk Analysis

During the implementation a number of risks are expected and they mostly relate to the fact that the Kyrgyz LSG reform is still in a very initial phase and not all spheres of the service provision are balanced within the planned Kyrgyzstan National development strategy 2013-2017 and Program of LSG development 2014-2018. This imbalance can lead to various emerging risks. In addition to this the country faces a period of forecasted economic and geopolitical instability with the economic slow-down in Russia (affecting the migration dynamics and local currency stability) and country’s imminent joining the Eurasian Economic Union. The Project will maximize its efforts to mitigate and manage such expected risks.

Against this background the Project considers in its first phase the risks described in the Table 7 and further grouped into implementation, sector, political and socio economic categories. The most significant risks are in the sector category – however these are mostly the risks and problems that project will directly tackle by a specific approach (e.g. type of services to be worked on) or by use of specific tools and methodologies (e.g. expert support and capacity building of LSG Union).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Risk Identified** | **Probability** | **Impact** | **Threat[[24]](#footnote-24)** | **Risk management and mitigation measures** |
| **Implement** | * Insufficient coordination with other Projects / donors, contradicting approaches | Low | Low | Low | * Organize / attend coordination meetings of development partners * Actively discuss and share Project plans and results |
| **Implementation** | * Current level of citizens’ participation in decision-making process is insufficient to include citizens into procedures of services improvement (exception is the municipalities where VAP worked)/impedes inclusiveness and quality of SIAP elaboration and M&E over the process | Moderate | Medium | Medium | * At the stage of selecting pilot municipalities the key criteria is social mobilization experience and availability of development programs elaborated with participation of population including the disadvantaged groups |
| **Implementation** | * Risks of corruption when disbursing the funds from the grant program/services not formulated in accordance with SIAP; disappointment and conflict in local community | Low | Medium | Low | * PSI requirement to comply with the state procurement procedures, requirements about tender commission composition including representatives of the community, ensuring high level of transparency and accountability as precondition of the grant program; monitoring of project activities and grant implementation monitoring procedures established |
| **Political** | * Political instability / weak performance of state / increasing fragility at Central Asian and national level / political interference in Project activities | Moderate | High | High | * Contribute to adherence to good Gov. principles (transparency, accountability, participation) * Maintain impartiality and political neutrality, be sensitive in behavior related to political parties and stakeholders * Conflict-sensitive project management and communication |
| **Political** | * Lack of political will to further clarify LSG system | Moderate | Medium | Medium | * Support to advocacy efforts of SALSGIR and LSG Union * Information sharing and coordination with partner organizations and donors |
| **Political** | * Security deterioration due to increased migration, return of migrants, radicalization on the ground causing new unrests in the region | Moderate | Medium | Medium | * Conflict-sensitive project management and communication * Strengthen non-violent conflict resolution capacities of local actors, prepare security measures and contingency planning |
| **Political/**  **Implementation** | * Change of administrative and territorial boarders of districts and municipalities influences governance structure both in state and LSG bodies/delays in SIAP implementation because of unclear successor of responsibilities; change in local priorities | Low | High | Medium | * The Project will react flexibly and operatively to the changes in governance systems. |
| **Sector** | Current regulatory framework in service provision sector insufficient to build capacity of LSG and service providers/difficulty in formulating and implementing SIAP | Moderate | Medium | Medium | * First stage of the Phase I covers 14 municipalities out of 60, where problems will be studied and resolution initiated through working at the national level; the efforts continue during the 2nd stage of the 1st Phase. |
| **Sector** | * LSG Unions’ recommendations don’t meet the formal requirements; Government rejects submissions non-compliant to its procedures of document processing | High | Medium | High | * PSI provides expertise to process requests and builds capacity of employees of LSG Union (training and experience exchange) |
| **Sector** | * A list of state and municipal services defined by the law does not include most priority services needed for citizens/services with highest requests for not addressed; failed expectations of citizens including from PSI | High | Medium | High | * PSI will deal not only with services defined in the state law on registers and with services delegated through sectorial laws but also with services and obligations prescribed by the Law on LSG (issues of local significance) * Conflict-sensitive project management and communication |
| **Sector** | * Lack of adequate response of LSGs to citizens’ demand leads to discontent of population and creates opportunity for some political actors to accuse decentralization processes of failure to influence on improvement of citizens’ living standards/slow- down of democratic transformation | Moderate | Low | Low | * PSI will work at the local and national levels in parallel, having ensured linkages with the central state bodies via SALSGIR and LSG Union. Dialogue will be open and issues will be raised in justified way; objectives will be defined jointly in order to resolve the problems. |
| **Sector** | * Municipalities paying only lip service to citizens overview role and not really applying the relevant mechanisms | Low | Medium | Low | * The Project will include the element of active citizens monitoring mechanism in each step of service plan implementation as well as enshrining them in the normative municipal acts |
| **Sector** | * Limits (or no clear rules) in legal framework to introduce innovative solutions for service delivery, combined with obstructions from government agencies to sanction such solutions, could discourage municipalities to introduce innovative models | High | Medium | High | * PSI will work at the local and national levels in parallel, having ensured linkages with the central state bodies via SALSGIR and LSG Union; a coordination between different sector of KR government and evidence and information sharing will be promoted |
| **Sector / Conflict** | * Local executives may oppose stronger supervisory role of local councils; local councils may oppose stronger engagement of citizens in their supervisory role * Elite capturing participatory process | Moderate | Medium | Medium | * Selection criteria of municipalities include commitment of municipalities to reform * Organizing orientation seminars and meetings at the beginning of project implementations * Organizing information meetings; maintaining high level of transparency in planning and implementing activities with active involvement of all stakeholders at local level |
| **Sector/Conflict** | Due to the overall problems with state budget, additional transfers to finance delegated state responsibilities would not be provided or would be provided in limited volume/municipalities cannot deliver services with the framework of delegated responsibilities at appropriate level of quality and standards | High | Medium | High | * PSI together with VAP will continue efforts to develop mechanism to finance services under delegated state responsibilities; at the same time grant funds will stimulate additional transfer when developing SIAP and by doing so the efficiency of additional funding of these services through the national budget will be demonstrated. |
| **Socio-Economic** | * Priorities of municipalities do not consider interests of disadvantaged groups, minorities and gender issues /services provided to some groups exclusively; principles of fairness and equity breached; risk of conflict | Low | Low | Low | * Additional focus groups of disadvantaged groups considered, who will conduct additional discussion of the priorities and will define additional services. |
| **Sustainab.** | * Interests of outsourced provider for profit higher than obligations to deliver services/service cost does not meet expected quality | Moderate | Medium | Medium | * PSI provides assistance to LSGs on models of contracts for outsourcing with clear duties of the parties |
| **Sustainability** | * Municipalities do not adopt and apply the norms in service provision | Low | High | Medium | * PSI assists (through efforts on national level) in creating the regulation and framework through the government mechanism (the Laws in general when there are not implemented for lack of communication and lack of bottom-up requests; PSI will work on both fields) |
| **Sustainability** | * Installed services and their quality cannot be sustainable if the service providers operate in an unsustainable manner | Low | High | Medium | * Service providers will be trained to calculate and maintain their economic effectiveness |

Table 8: Risk matrix

# Monitoring & Evaluation, Knowledge Management and Learning

## Monitoring and Evaluation

The purpose of the PSI project monitoring and evaluation system is to provide project management and decision makers with reliable and justified information to be used for qualitative and efficient project/program management; and to ensure high level of accountability, analysis and compliance with the objectives of the project.

The **objectives** of the M&E system are to (a) obtain baseline and regular implementation data along the defined objectives in order to ensure implementation according to the project logical framework; (b) provide information, results and analysis (lessons learn, problem identification) to management, steering board and stakeholders; (c) to monitor the degree of achievement of goals, objectives and results; and (d) to support SALSGIR and LSG Union with evidence-based data for further development of the service provision policy.

At **community level** the M&E system provides opportunities for participatory monitoring and evaluation and ensures regular interaction with and among stakeholders, especially with LSG and local communities (beneficiaries). Furthermore, it allows project beneficiaries to gain and share knowledge (experiences. lessons learnt) which leads to increased efficiency and effectiveness. Finally, the M&E system is also a mechanism to ensure accountability at municipal level (to the community), and at project level (to donors, public authorities)

The basis for the M&E system is the **logical framework**. It contains a set of key indicators which cover all levels (activities, outputs, outcomes, impact). Indicators have been selected according SMART criteria: specific, measurable, achievable, relevant and time-bound

When developing the M&E strategy the indicators will be scrutinized against these criteria and additional indicators will be added if necessary.

A **monitoring plan** will be the core element of the M&E strategy: Once indicators have been finalized a monitoring plan/framework will be established. The monitoring plan is essentially a table that builds upon the log-frame. It provides detailed key M&E requirements for each indicator and assumption. The monitoring plan will provide instruction about the frequency, methodology, time frame for collecting the data and also give the guideline about who will be responsible for collection information about that specific indicator. The monitoring plan matrix consists of 6 elements at the top of the matrix and in the row it has project goal, outcome, and output as defined in the log-frame. The concept of a log-frame monitoring plan is shown in Table 10 below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Level | **Indicator** | **Frequency (when to know)** | **How** | **Who** | **Means of verification** | **Comments/ remarks** |
| Goal | Several indicators for each impact, outcome and outcome (with targets and baseline) | When is the perfect time to have the information | Guides how the data will be collected (steps) | Who is responsible for collecting the information | How the information will be verified | Special comments or remarks |
| Outcome |
| Output |

Table 9 Concept of log-frame monitoring

The PSI M&E system consists of several **monitoring steps which will be applied along the project management cycle**. It includes the following elements:

A **baseline study** will be elaborated during the 3 first months of the project life and the report produced not later than 5 months upon the initiation of the project (end of Sep 2015). The survey will be based on PSI log frame indicators, which will be grouped by source of information to facilitate data collection. If need arises, additional indicators can be added to the baseline before data collection. Data collection will be organised by the PIU, collection done by partners and consultants. The baseline serves as basis for data comparison for the annual monitoring exercise, evaluations, impact assessments, etc.

**Partner’s reports**, will be send half yearly and yearly to PSI PIU, for approval and analysis (15 days after reporting period)

**Half yearly / yearly reports** will be consolidated by the PIU and send to SDC (2 months after reporting period)

**Stake holder assessment** - a high number of stakeholders are involved in PSI project implementation. A stakeholder assessment will be carried out annually.

**Informal monitoring** is a fast and easy way to keep track of programme activities and learn about participant and stakeholder concerns. Informal monitoring includes self-reflection, peer-learning, of project staff and stakeholders. It also includes observations (transect walks) and informal talks with stakeholders and beneficiaries.

**Joint monitoring** with local authorities: In addition to the informal monitoring, there will be periodic joint monitoring with local authorities regarding possible conflict-sensitive issues, such as local conflicts over resources, or manipulation through political parties, conflicts of interest, etc.

**Mid-term review:** The Project will have an internal strategic mid-term review in the first semester of 2017 to analyse and adapt programme strategy.

**End of phase evaluation** will critically analyse the initial actions and results of the interventions, as well as assess the financial management and quality of implementation. The evaluation will examine whether and how well the original intentions have been carried out, and check whether de facto changes have been made to the initial objectives. The outcome of the end of phase evaluation will be to indicate any adjustments to the Project and serve as input to the planning of PSI phase II.

**Management Information System:** IT systems will be used for processing, storing and analysing of project related key information.

## Communication, Knowledge Management and Learning

During the first three months of the project life of PSI phase I, together with a project action plan a communication plan with the following objectives will be elaborated:

* Strategically raise awareness of the Programme among immediate stakeholders and broader audiences;
* Create understanding of the Programme’s objectives and approaches;
* Generate and share information on the Programme with regard to beneficiaries selection, activities, etc.;
* Generate and disseminate key messages about Programme activities and areas with overarching messages contributing to empowerment, systemic and social change;
* Create interaction mechanisms for feedback and inclusion of stakeholders in order to build ownership of the local actors – particularly municipalities;
* Create systems for communication responses to potential crises and opportunities; and
* Create mechanisms for information exchange and knowledge sharing between programme stakeholders:

|  |  |  |
| --- | --- | --- |
| **Types** | **Indicators** | **Outputs** |
| National network of knowledge and experience sharing amongst municipal employees - WB project. PSI project is active member of this network[[25]](#footnote-25) | Number of developed and introduced practices of PSI project via this network | Documented practices of the network |
| Inter-municipal collaboration at the regional and local level | Number of municipalities shared experience with other LSG | Minutes, lists, framework agreements, topics, programs |
| Horizontal learning and national policy dialogue | Number of events where PSI supported a platform for knowledge sharing and dialogue in order to improve communication between the local and central government | Programs, lists, resolutions, protocol of intent |
| Magazine Municipality | Number of published materials in the magazine as a result of knowledge sharing | Articles |
| Knowledge sharing mechanisms of HELVETAS KG and HELVETAS international | Number of analysis, information and published on Pamoja, and shared among HSI international program; exchange meetings among KR Projects | Meeting minutes, published articles and report summaries, inputs to KR projects planning |
| Intensive exchange on regional level with similar SDC initiatives in Eastern Europe | Number of tools, assessments, exchange trips, expert support | Protocols, program inputs, reports |

# Annexes

Annex I Project Logical Framework

Annex II Project Budget

Annex III Synergies with SDC and other partner projects

Annex IV PIU and experts Terms of References

Annex V Concept on selection procedure for PSI Partner Municipalities

Annex VI Concept of PSI Grant Program Strategy

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2. International Monetary Fund, retrieved on Jan 05, 2015 <http://www.imf.org/external/pubs/ft/wp/20> [↑](#footnote-ref-2)
3. Data obtained from American University of Central Asia, last consulted on January 15th, 2015, at the site <http://auca.kg/en/migration_and_social_protection> [↑](#footnote-ref-3)
4. Anara Alymkulova, Report: Mainstreaming Gender Equality and Social Inclusion, 2015 [↑](#footnote-ref-4)
5. Poverty rate in Kyrgyzstan retrieved from <http://stat.kg/images/stories/docs/tematika/living/2014/%202013%20.pdf> [↑](#footnote-ref-5)
6. See *The Economist*, print edition of 17 January 2015, retrievable on: http://www.economist.com/news/asia/21639564-rouble-plunges-central-asia-feels-pain-contagion [↑](#footnote-ref-6)
7. Poverty Reduction Strategy Paper, IMF Country Report #14/247, retrievable on: <http://planipolis.iiep.unesco.org/upload/Kyrgyzstan/Kyrgyzstan_PRSP_2014.pdf> [↑](#footnote-ref-7)
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14. Research held as a part of design stage of PSI by Design Team and LBD Consulting and LARC network. [↑](#footnote-ref-14)
15. Assessment Report of SALSGIR and Union of LSGs, G. Kapitanova/A. Mambetova, Dec 2014 [↑](#footnote-ref-15)
16. Estimate calculated based on the statistics from KR Ministry of Finance, 140 municipalities in two regions per basic selection criteria and ratio of 30 municipalities per one region set by the Donor [↑](#footnote-ref-16)
17. The index value of budget security is the volume of revenues of local budget in the territory of municipality per one inhabitant. The formula established by the KG Ministry of Financet: IBS = BSi / BSav where IBS is index of budgetary security, BSi is the value of budget revenues per 1 inhabitant and I - of the rural municipality, BSav is the ratio of all budget revenues of local rural municipalities against the number of inhabitants of all rural municipalities. [↑](#footnote-ref-17)
18. Orientation seminar and direct invitation as opposed to a public call to all municipalities of IK and JA to run for the status of a project partner municipality avoids the frustration of those municipalities and their citizens that in principle cannot be selected (according to SDC basic criteria) [↑](#footnote-ref-18)
19. Retrieved from <http://www.worldbank.org/content/dam/Worldbank/document/Poverty%20documents/Nuts-Bolts-29-SIAP-final.pdf> [↑](#footnote-ref-19)
20. <http://www.demi-ks.org/repository/docs/SIAP-The-Service-Improvement-Action-Plan.pdf>. The former ‘demi’ CoP was involved in PSI design as an external consultant [↑](#footnote-ref-20)
21. SDC, 2007. Governance as a Transversal Theme [↑](#footnote-ref-21)
22. LBD Consulting and 15 regional LARC organizations have created a network of LARC partner organizations to jointly contribute to the development of the local legal services market and achieve sustainability through implementation of major legal and social projects in Kyrgyzstan. Within the LARC network, LBD Consulting acts as the executive agency (project management, coordination, reporting, logistics and fundraising). [↑](#footnote-ref-22)
23. Originally established as a network within Legal Assistance to Rural Communities project funded by SDC [↑](#footnote-ref-23)
24. Threat = Probability (Low, Moderate, High) x Impact (Low, Medium, High) [↑](#footnote-ref-24)
25. The network operates on the principle of "peer-to-peer" and through the exchange of experience, which has proven to be more effective in the exchange of specific obtained knowledge; documented good practices or models and tools developed by PSI through this network [↑](#footnote-ref-25)