

*The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:*

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: YES
3. “No with reservations” represented here as: NO
4. “No without reservations” represented here as: **NO!**

*Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.*

The government of the Kyrgyz Republic initiated in December 2003 the establishment of a harmonisation steering committee and a working group comprising government and donor representatives. The group has developed a draft harmonisation and alignment programme with an action plan. Clear government ownership of the co-ordination process is obscured, however, by the lack of a clear distinction between the roles of the Ministry of Finance, the Presidential Administration and the Prime Minister’s Office. The donor community feels that there is a need for greater leadership on the part of the government to formulate a national aid co-ordination policy. The government’s national poverty-reduction strategy (NPRS) lacks breadth and is not very well prioritised or costed, making it difficult for donors to use it as a basis for planning their development assistance. Support is being provided to institutionalise the NPRS into national processes, including aligning it to the budget and developing the necessary statistical base to monitor its implementation. However, support would be more effective with a clearer articulation of government needs. The government has initiated actions in order to improve public resource management and create conditions facilitating better harmonisation and alignment of donor policies and procedures in areas such as procurement, audit and financial reporting. Future work in this field is likely to include a common assessment of financial management capacity, the use of common donor monitoring and reporting requirements, and common terms of reference and acceptability criteria for auditors.

## OWNERSHIP

### A CLEAR AGENDA ON HARMONISATION

The joint government-donor working group, established in 2003, has developed a draft country harmonisation and alignment programme with an action plan. A set of draft harmonised procurement and financial management documents has also been developed in line with Kyrgyz legislation. The government’s harmonisation agenda largely consists of harmonising and aligning donors’ sectoral policies in areas such as procurement, financial reporting and audit. The current proposed programme and action plan relate largely to multilateral donors, with limited bilateral involvement; however, several bilateral donors are involved in developing the plan further. The government notes that bilateral donors’ commitment to government leadership of the harmonisation agenda is less active than expected. In general, donors support the government’s agenda (see Figure 7.1 – Indicator 1).

### FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

A formal process for overall aid co-ordination and policy dialogue has been established by both government and the donor community. The government manages aid co-ordination through the Comprehensive Development Framework / National Poverty-Reduction Strategy (CDF/NPRS) secretariat, the Public Investment Programme Department of the Ministry of Finance and the harmonisation steering committee/working group (see Table 7.1 – Indicator 2). Donors have set up a donor co-ordination council, as well as a number of *ad hoc* or more formalised sectoral co-ordination mechanisms.

Policy dialogue is reported to be well advanced, with reasonably good co-ordination in place at the sectoral and project levels, but with much still to be done on a procedural level.

Strong government ownership of the co-ordination process is, however, complicated by the lack of a clear distinction between the roles of the Ministry of Finance, the Presidential Administration and the Prime Minister's Office. The government view is that donors' procedures generally support its efforts, although some of these are inflexible, bureaucratic and do not correspond with government internal procedures.

### CAPACITY DEVELOPMENT

Donors and the government agree that weaknesses exist in the government's financial management and procurement capacity, and in budget planning and execution. Table 7.2 suggests however that these weaknesses are currently being addressed and that the level of support being provided for capacity building is considered broadly appropriate (see Table 7.2 – Indicator 3).

Three institutions within government claim to be leading aid co-ordination on the national level, each one recognising that the capacity of their institutions requires strengthening. However, the internal co-ordination among these institutions is limited and there is no common view on overall aid co-ordination policy. This fosters some confusion within the donor community. In order to strengthen the government's capacity for coordination, a number of donors are providing technical assistance for capacity building in aid co-ordination. The donor community feels that there is scope for greater leadership on the part of the government.

FIGURE 7.1 INDICATOR 1

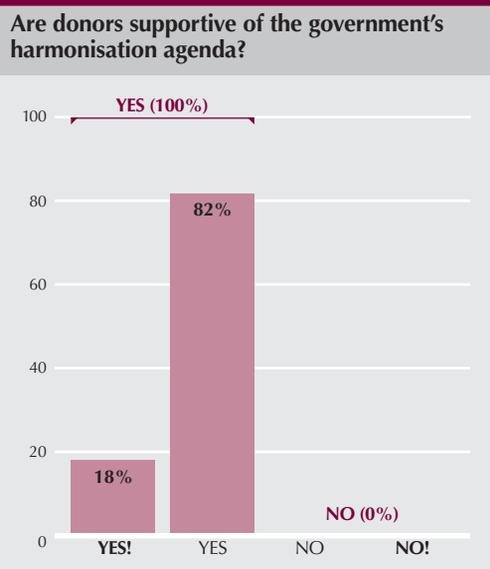


TABLE 7.1 INDICATOR 2

Is government co-ordinating aid?	
Is there a formalised process for dialogue?	YES
Is government proactive?	YES
Is government in the driving seat?	YES
Do donors' rules support harmonisation?	YES
<b>82%</b>	
<b>% of donors who take part in co-ordination</b>	

## ALIGNMENT

### RELIANCE ON PARTNERS' NATIONAL DEVELOPMENT STRATEGIES

The government NPRS was presented in late 2002. It lacks breadth and is not very well prioritised or costed. Several donors comment that they use the NPRS to guide their programme designs to the extent possible, given its limitations (see Figure 7.2 – Indicator 4). Support is also being provided to integrate the NPRS into national processes.

Donors noted that no solid, broad-based, annual progress review (APR) process exists in the Kyrgyz Republic. The existing APR is not linked to the monitoring/evaluation functions being developed in relation to the national budget. One donor indicates that it is supporting data collection for the APR, but not using it to influence resource-allocation decisions. Another donor points out that, given its commitments are multi-annual, it is not practical to expect the APR to immediately influence the allocation of resources within its programmes.

The Medium Term Budgeting Framework (MTBF) links NPRS goals with budgetary goals. Beginning in 2004, the government included donors in its annual budget consultative process with some of the line ministries (agriculture and water resources, education, health, and social protection). In the medium term, it is hoped that this will improve the harmonisation process, through the optimisation of the project implementation / disbursement cycle with the budget cycle. Finally, it was noted that donor programming cycles are not always consistent with the Kyrgyz NPRS, MTBF, and annual budget. The government gives the example of the three-year country assistance strategies of multilateral donors being better than the programming cycle of the bilateral donors in terms of aid predictability. It adds that it “tries to adjust to the donors programme cycles and mission schedules due to the fact that the country highly depends on external financing”.

Capacity development		
<b>► Have weaknesses been identified?</b>		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES	
<b>► Are weaknesses being addressed?</b>		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES	
<b>► Is the level of support appropriate?</b>		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES	

TABLE 7.2  
INDICATOR 3

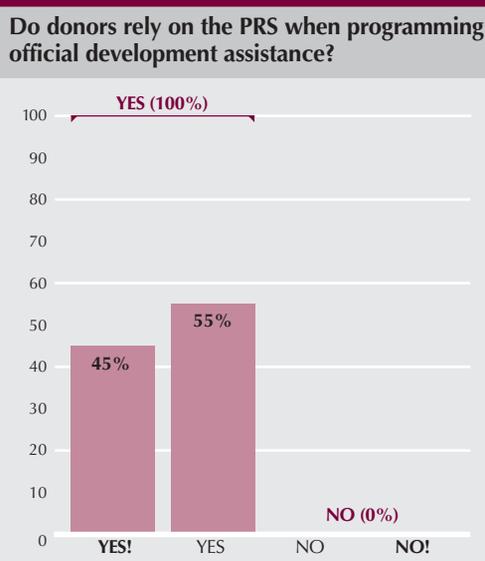


FIGURE 7.2  
INDICATOR 4

## BUDGET SUPPORT

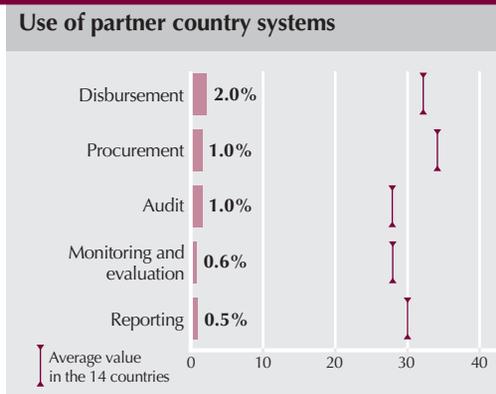
Several donors are providing some kind of budget support (Table 7.3 – Indicator 5):

- The European Commission is financing an annual food security programme focussing on agriculture, food security monitoring and public expenditure management.
- The World Bank provides budget support through a number of adjustment credits.
- Switzerland is co-financing the current World Bank Consolidated Structural Credit (CSAC) programme, and is planning a multi-annual bilateral programme to support lower administrative units.

**TABLE 7.3**  
**INDICATOR 5**

Is budget support predictable and aligned?				
Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	ADB World Bank	Switzerland	European Commission United Nations	
▶ timely commitments?	Switzerland European Commission World Bank	ADB	United Nations	
▶ timely disbursements?		ADB Switzerland European Commission World Bank	United Nations	

**FIGURE 7.3**  
**INDICATOR 6**



- UNICEF provides some support in line with agreed government priorities.
- The Asian Development Bank (ADB) provides budget support for a corporate governance and enterprise reform programme, following discussions with the International Monetary Fund (IMF) to ensure that releases are in line with its macroeconomic stabilisation programme.

In 2003, the ADB and World Bank withheld disbursements because of the government’s failure to satisfy loan agreement conditions. World Bank disbursements to support the energy sector and good governance may take place in 2004 instead, depending on the progress made by the government in agreed policy areas.

### PROJECT SUPPORT

Kyrgyz government systems were used less by donor projects than in all other countries surveyed (see Figure 7.3 – Indicator 6).

The extent to which donors’ projects currently use government systems is negligible. A number of initiatives are underway to improve reliance on national institutions:

- The new Kyrgyz procurement documents are based on World Bank procurement guidelines and, when they come into force, donors’ projects use of government systems for procurement is likely to increase.
- The UK Department for International Development (DFID) is currently providing technical assistance to develop government systems for monitoring and evaluation. It is also providing technical assistance to develop its capacity to meet international accounting standards.
- Germany conducts the monitoring of project activities jointly with project managers and the Kyrgyz project partners.

Alignment with sector programmes						TABLE 7.4 INDICATOR 8
	Health	Education	Water	Transport	Agriculture	
<b>► Are sector systems in place?</b>						
Is government leading in the sector?	YES	YES	YES	YES	YES	
Does a clear sector policy exist?	<b>YES!</b>	NO	<b>NO!</b>	<b>NO!</b>	NO	
Is a sector medium-term expenditure framework (MTEF) in place?	YES	YES	NO	NO	YES	
Is there sector co-ordination?	<b>NO!</b>	NO	<b>NO!</b>	<b>NO!</b>	<b>NO!</b>	
Is a sector monitoring system in place?	<b>YES!</b>	NO	<b>NO!</b>	<b>NO!</b>	<b>NO!</b>	
Are systems being harmonised?	YES	NO	<b>NO!</b>	<b>NO!</b>	<b>NO!</b>	
<b>► Are donors supporting the sector systems?</b>						
Are the systems aligned with government policies?	<b>YES!</b>	YES	NO	NO	YES	
Are funds integrated into the MTEF?	NO	NO	NO	NO	NO	
Are donors using the government monitoring system?	NO	NO	NO	NO	NO	

## SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 7.4).

### Health sector

The health sector policy is described in the NPRS and includes a national health reform programme. The World Bank notes that:

An excellent donor co-ordination process was established in the sector. But recently due to the changes in the Ministry of Health leadership, the government is failing to fulfil its leadership role in donor co-ordination.

The government has established a system of monitoring performance against NPRS goals in the health sector and several donors comment that they expect to rely on it increasingly as it develops.

### Education sector

While the NPRS establishes overall education sector goals, there is no clear sector policy and strategy to realise them. The government has agreed with key donors working in the sector (the United States, ADB, and UNICEF) that donors will assist the government in developing the joint education strategy. A donor co-ordination process has been formalised through

the International Education Advisory Council. The Ministry of Education's capacity in co-ordinating donor activities is still weak, which explains why the process is donor-led.

### Water sector

The government is currently finalising the development of a water sector policy framework with donor assistance and has initiated discussions with key donors to develop sub-sectoral development strategies. The ADB and World Bank support similar projects for rural water supply and sanitation, and the same project director manages both. The first energy sector donor meeting was organised by the United States and held in June 2004.

### Transport sector

In 1998, the government developed a road network maintenance strategy with Turkish assistance. The strategy is currently being revised, with World Bank assistance. Only a few donors are active in the sector and so co-ordination tends to take place on a bilateral basis.

### Rural development

The NPRS establishes mid-term objectives for rural development. Based on these, a number of sub-sectoral policies and strategies have been developed (e.g. a land reform policy, agricultural policy concept, community-based development policy concept). The World Bank is encouraging further discussion of these documents involving all interested stakeholders – the private sector, government and donors. The ADB is planning to form a donor working group to co-ordinate donors’ activities in the sector.

### Other sectors

Donors support several other sectors, including good governance, private sector development, legal reform, trade facilitation, customs reform, and banking reform.

## HARMONISATION

According to the new donor harmonisation Web site in the Kyrgyz Republic ([www.donors.kg](http://www.donors.kg)):

In the Kyrgyz Republic, the harmonisation programme is at an early stage. Following the Rome meeting, the government passed a harmonisation resolution in March 2003 and appointed the Ministry of Finance as the executing agency for the harmonisation programme.

The harmonisation programme in the Kyrgyz Republic is based on a joint ADB–World Bank portfolio assessment.

Development partners are exploring the applicability of the Vietnam harmonisation model. More specifically, the programme is likely to focus around four elements: procurement, financial management and accountability, social and environmental safeguards, and non-financial monitoring and reporting.

If the Vietnam model approach to harmonisation is adopted, it will need to take into account the context, capacity, relationships and personalities, not just of the donors but also of the government; these will affect not only the identification of issues, but the most appropriate approaches to be adopted. Local systems and capacity will need to be strengthened, and performance indicators in areas where harmonisation is a priority will need to be identified and agreed. The Kyrgyz harmonisation Web site suggests that: “The future focus of harmonisation work is likely to be in the area of evaluation and monitoring systems, emphasised by the government.”

The Kyrgyz harmonisation Web site will be a useful tool for sharing information, but this should not detract from the need for better communication and co-ordination at an operational level, and care must be taken that it does not undermine government ownership of the harmonisation process. The roles of the various parties will need to be discussed so that effective leadership and ownership can be encouraged.

TABLE 7.5  
INDICATOR 7

Are donors streamlining conditionality?		
Direct budget support		NO!
Health sector		NO!
Education sector		NO!
Water sector		NO!
Transport/road sector		NO!
Rural development agriculture		NO!

### STREAMLINING CONDITIONALITY

There are no examples currently reported of streamlining of conditions in the Kyrgyz Republic (see Table 7.5 – Indicator 7).

TABLE 7.6  
INDICATOR 9

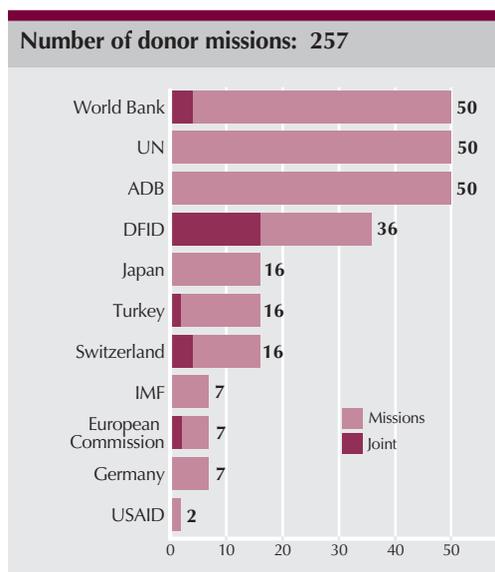
Who is delegating co-operation?			
YES!	YES	NO	NO!
Japan ADB European Commission United Nations World Bank	Germany	United States	Japan Switzerland Turkey

### DELEGATED CO-OPERATION

Indicator 9 shows that 50% of donors in the Kyrgyz Republic claim to be party to an agreement to perform tasks on behalf of other donors (see Table 7.6).

### DONOR FIELD MISSIONS

Approximately 260 missions took place in 2003 (see Figure 7.4 – Indicator 10). Four organisations (World Bank, United Nations, ADB and DFID) accounted for around 70% of the total number of missions. Approximately 10% of all missions were undertaken jointly between donors.



**FIGURE 7.4  
INDICATOR 10**

### STREAMLINING DIAGNOSTIC REVIEWS

Seven diagnostic reviews were undertaken between 2001 and 2003. Of these, only the DSAA involved a joint donor team (see Table 7.7 – Indicator 11).

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	NO
PER	NO
CPAR	NO
IMF ROSC	NO
World Bank Poverty Assessment	NO
World Bank Trade and Growth Review	NO
ADB DSAA	YES

**TABLE 7.7  
INDICATOR 11**

### DISCLOSING INFORMATION

Indicator 12a (table not presented) measures the extent to which donors provide multi-annual indications of aid flows. The survey shows that 36% of donors claim to notify the government on indicative disbursements they plan to release over at least a three-year period. A further 45% of donors qualified their responses. For example, the United Kingdom only provides technical assistance, which is not currently recorded in the government budget, though it makes commitments three years in advance; Germany notifies the government of programme details two years in advance; and European Commission programme documents are presented one to two years prior to implementation.

Indicator 12b (table not presented) measures the extent to which donors notify the government about actual disbursements. The survey shows that 36% of donors claim to provide comprehensive and regular information about in-country disbursements.

YES!	YES	NO	NO!
ADB	DFID	Switzerland	Turkey
World Bank	European Commission		
	Germany		
	IMF		
	Japan		
	United Nations		
	USAID		

**TABLE 7.8  
INDICATOR 13**

Only 18% of donors regularly shared information on their country analytic work using the Internet (see Table 7.8 – Indicator 13). A donor co-ordination Web site, *www.donors.kg*, has recently been launched and it is expected that this will provide a forum for the future sharing of country-specific analytical work.

## ACRONYMS

ADB	Asian Development Bank
ADB DSAA	Asian Development Bank's Diagnostic Study of Accounting and Auditing
APR	Annual progress review
CFAA	Country financial accountability assessment
CPAR	Country procurement assessment report
DFID	Department for International Development (United Kingdom)
IMF	International Monetary Fund
IMF ROSC	International Monetary Fund's Report on the Observance of Standards and Codes
MTBF	Medium-term budgeting framework
MTEF	Medium-term expenditure framework
NPRS	National poverty reduction strategy
PER	Public expenditure review
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development