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Swiss Agency for Development
and Cooperation SDC

PUBLIC SERVICE IMPROVEMENT IN KYRGYZSTAN

Project Document, Phase II, 2019 – 2023



Bishkek, February 2019

Final revision Jan, 2020



HELVETAS
Swiss Intercooperation

KYRGYZSTAN



ӨНУКТУРУУ САЯСАТ ИНСТИТУТУ
ИНСТИТУТ ПОЛИТИКИ РАЗВИТИЯ
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List of Abbreviations

A/O	Ayil Ökmotu (rural municipality government)
AA	Ayil Aymak (rural municipality)
CAMI	Community and Municipal Governance Initiative
CBO	Community Based Organization
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DPI	Development Policy Institute
FSU	Former Soviet Union
GSE	Gender and Social Equity
GOSSTROY	KR State Agency for Architecture, Construction and Communal Housing
GSI	Grant for Service Improvement
GTS	Grant for Technical Support
HSI	HELVETAS Swiss Intercooperation
IMC	Inter-municipal Cooperation
JAP	Joint Action Plan
KR	Kyrgyz Republic
LGBTI	Lesbian, Gay, Bisexual, Transgender, and Intersex
LSG	Local Self-Government
PIU	Project Implementation Unit
PO	Program Office
PPP	Public Private Partnership
PSI	Public Service Improvement
PWD	Persons with Disabilities
SALSGIR	State Agency for Local Self-Governance and Inter-Ethnic Relations
SDC	Swiss Agency for Development and Cooperation
SIAP	Service Improvement Action Plan
SPS	State Personnel Service
ToR	Terms of Reference
USAID	United States Agency for International Development
VAP	Voice and Accountability Project

Synopsis

Name of project	Public Service Improvement (PSI), Phase II		
Project no	7F-06409.02.		
Country and project area	Kyrgyzstan nationwide, with emphasis on Issyk-Kul and Jalal-Abad Oblast		
Start date	01 May 2019	End date	30 April 2023
Number of phases	Phase I (2015-2019), Phase II (2019-2023), Phase III (2023-2025)		
Short description	<p>The Public Service Improvement Project (PSI project) is a Swiss government funded project directly covering two regions of Kyrgyzstan – Issyk Kul and Jalal Abad. The project will help to improve life conditions in rural areas through better access and increased quality of services. Through its interventions on improvement of the national system of service provision and by supporting national learning and replication mechanisms the project aims to indirectly and positively impact the conditions in rural areas countrywide. The PSI project is implemented by a consortium of organizations composed of HELVETAS Swiss Intercooperation (HELVETAS) and the Development Policy Institute (DPI). The time perspective of the entire PSI Project is 10 years and its second phase of 4 years starts in May 2019.</p>		
Development goal	People in rural Kyrgyzstan enjoy better living conditions thanks to improved public services		
Outcomes	<ol style="list-style-type: none"> 1. Rural municipalities provide local public services in an effective and efficient manner 2. The various system actors create enabling conditions – technical, legal and financial – fostering socially inclusive and gender responsive local public service provision 		
Outputs	<ol style="list-style-type: none"> 1.1 Men, women, public interest groups and LSGs participate and understand their role in sustainable service management at the local level 1.2 Innovative approaches for effective service provision are introduced and applied 2.1 National and regional policy framework for local services is improved 2.2 National mechanisms for knowledge dissemination and learning are in place and provide guidance to municipalities 		
Leading Agency	HELVETAS Swiss Intercooperation		
Consortium partner	Development Policy Institute, Kyrgyzstan		
Resources (phase - budget)	4'000'000 CHF		

Executive Summary

The Public Service Improvement (PSI) project is a ten year, approximately 10 MM 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 for Central Asia 2017-2021 is “peace and social cohesion as well as responsive and inclusive institutions and sustainable development improve the population’s well-being”. In its Governance, Institutions and Decentralization Domain for Kyrgyzstan the goal is set as – *Public institutions deliver efficient and effective services in an inclusive way and are accountable to citizens. Civil society participates in decision making processes.* The PSI project with its own objective for *people in rural Kyrgyzstan to enjoy better living conditions thanks to improved public services* is contributing to these SDC goals.

The main goal of PSI phase I (2015 – 2019) was 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. During the first phase the project has developed and positively tested a unique methodology that helps local self-governments (LSGs) to better plan, manage, and provide services based on the priority needs of the local population. The main thrust of PSI phase II will therefore be to deepen, replicate and scale up tested models and solutions from phase I to tangibly improve public services by establishing replication models and supporting national mechanisms for their dissemination and scaling up the approach countrywide.

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

Outcome 1: Rural municipalities provide local public services in an effective and efficient manner

Outcome 2: The various system actors create enabling conditions – technical, legal and financial – fostering socially inclusive and gender responsive local public service provision

During the phase II implementation (May 2019 – Apr 2023) the project strategy towards achieving the set results is grouped into two main interventions: a) focus on creating models and supporting tangible service improvements through inter-municipal cooperation (IMC) and active and meaningful participation of citizens in development of local service policies and practices that are gender sensitive and socially inclusive; b) supporting and utilizing national mechanism for dissemination and capitalization of the knowledge and best practices on effective local service provision.

The chosen implementation approaches and methodologies are:

- Systemic capacity development; developing capacities that can change the system and behavior/skills of system actors through blended learning approaches
- Strengthening of and working through the national learning and replication mechanisms
- Application of inclusive approaches and tools; for women and socially excluded groups¹ - for PSI II this means that enhanced socially inclusive and gender responsive service provision will only become a reality if the project systematically introduces, applies and monitors the impacts of approaches and tools

¹ Socially excluded groups are defined by the project as follows: people with special needs; people living below the national poverty threshold; ethnic minorities; women, especially single mothers with many children; and youth, especially young women

- Innovation and risk taking - new approaches, learnings and good practices will be introduced, specifically related to gender & social inclusion and knowledge management.
- Multilevel engagement and connectivity - a separate “national” outcome which aims to improve the enabling environment for service provision by strengthening the national policy framework for local services through more effective capitalization and dissemination of knowledge and evidence from LSG level interventions
- Sustainability & scalability – working on and through effective mechanisms for scalability and connectivity between local and national level that can positively impact on policy and decision making

As in the phase I, the project will continue with its targeted interventions in two regions of Jalal Abad and Issyk Kul. PSI II will target a total of up to 35 municipalities which will receive the necessary technical assistance and financial support in order to build their capacities to elaborate and implement solid and feasible service improvement action plans based on the citizens’ demands and priority.

The project will focus in the two regions on developing and testing models of public service provision through inter-municipal cooperation (water, roads maintenance, transport and waste management), enhance the engagement of private sector in service provision and deepen the engagement of women and other socially excluded individuals and groups. It will assess together with stakeholders the feasibility of regional planning and service provision and build the capacities of the national partners in dissemination and replication of project tested models in non-project municipalities.

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.

1. Context

1.1. Country Profile

Political outlook

After the presidential elections held on 15 October 2017 peaceful transfer of power was made to the newly elected president.

In December 2016 elections were conducted for 237 rural and 15 urban local councils of Kyrgyzstan. In May 2017 additional local elections were held to form 41 city and village councils across the country. Of these, 20 were “early” elections scheduled due to the failure of recently elected councils to select a local executive (mayor) or council chairperson. The cause for repeated elections were too thin majority coalitions, or barely over 50 percent, which allowed minority factions to block the work of the councils simply by not showing up. Some key decisions, such as electing the council chair or the mayor, require the presence of two thirds of council members, so minority factions were often easily able to block voting by skipping meetings. Some civic activists argued that such situations often arise when the “party of power,” the president’s SDPK, pushes too hard with unpopular decisions, driving the opposition factions to resist through sabotaging the work of the council. Next local elections are scheduled for 2020.

In 2018 President Jeenbekov declared 2018 as the **Year of Regional Development** by signing a Decree "On the Announcement of 2018 the Year of Regional Development", on Jan. 9, 2018 with a particular attention of this Decree on creation of new jobs in the regions to decrease the internal and external migration. According to the Decree, efforts have to be directed towards development of road and transport infrastructure, supporting the export potential of the regions, creating conditions for supporting small and medium-sized enterprises and attracting investments directed for economic development of the regions. A working group for regional development was created under the Presidential Administration with a task to improve both Laws on Local State administrations (rayon level) as well as on Local self-government. Later in the year the President stated that the process of regional development will not be limited to 2018. 2019 was also announced by the President as the year of regional development and digitalization. The regional development of Kyrgyzstan will remain a priority for the following five years enabling regions to receive the necessary opportunities and resources to implement their own development programs. The President noted that the priority in regional policy is the improvement of the infrastructure of residential areas.

The **Program of Digitalization** of infrastructure connecting the regions was announced. The Mortgage Lending Program will be expanded, focused on improving the living conditions of the population in the regions. The President emphasized the implementation of the Taza Suu project among the important tasks. In the next five years, the task is to ensure access to clean drinking water in all populated areas. One of the most important tasks is the construction and restoration of the water supply and sewerage system in 653 villages, including the construction and restoration of the water supply and sewerage system in 26 regional centres and 22 cities.

The construction of irrigation networks and other projects at the national level are also classified as strategically important. To create new jobs in rural areas, the State Program for the Development of Irrigation will be implemented, under which it is planned to additionally arrange more than 27 thousand hectares of new irrigated land.

Digital technologies, telemedicine and online counselling will be introduced. 189 public services are planned to transition to digital format through Tunduk electronic system. Citizens will not have to knock on the various doors of government agencies for one or another certificate. This applies to all spheres of life, including obtaining good conduct certificates, retirement, allowances, obtaining identification documents, driver's license, administrative acts, registration of vehicles. For the development of regions, it is necessary to revise the system of territorial governance, taking into account objective socio-economic processes. To develop an optimal solution to this issue, an instruction was given to develop a roadmap for reforms. A working group on implementation of the Presidential Decree on the Announcement of 2019 the Year of Regional Development and Digitalization of the country consisting of representatives of all interested parties was established.

Economy

Since the turn of the century, the main drivers of economic growth have been gold extraction on the one hand, and worker remittance - fuelled consumption on the other. This growth model has enabled the economy to grow at an average rate of 4.5 percent over the 2000-2016 period. GDP in Kyrgyzstan averaged 3.59 USD Billion from 1990 until 2017, reaching an all-time high of 7.56 USD Billion in 2017. Inflation rate in 2017 – 3.8%, GDP growth rate – 3.5%, Unemployment rate – 7.4%, After a strong growth in 2017 (4.6 percent), the economy of Kyrgyzstan slowed down in 2018 to 1.2 percent, as gold production at Kumtor² declined. On the revenue side, tax reforms have yielded substantial gains in revenue. One of the highest ratios among developing countries and high even by FSU standards collection, but given the limited reach of tax authorities

² Trading Economics, available at <https://tradingeconomics.com/kyrgyzstan/gdp>

informality is persistent and widespread so that the burden of taxation rests disproportionately on a small number of formal firms. This, in turn, incentivizes informality³.

According to the President's office of the KR ⁴, a lot has been done in 2018, which was the year of regional development. One of the introduced changes was the decision on phased transfer of income tax to the local budget. Thus, after revisiting the income tax redistribution coefficient from 50/50 to 70/30, local budgets will receive an additional 2.1 billion soms in 2019 only. Additional 2 billion soms will be allocated for supporting industrial enterprises in the regions. In 2018, the government also decided to allocate 50 million soms from state budget to the local government for development of general plans; agreement with donors and financial institutions on raising the financing of regional development projects was reached; Russian-Kyrgyz Development Fund issued loans for 200 million KGS; 656 guarantees totalling 755 million KGS were issued; 4 new phytosanitary laboratories were built and 18 veterinary laboratories underwent repair and rehabilitation.

Corruption

The latest edition of Transparency International's Corruption Perceptions Index (2018) placed Kyrgyzstan 132 out of 180 countries surveyed. Kyrgyzstan's score has improved by only one point since 2015, leaving it now slightly worse than Kazakhstan and a bit better than Russia. According to the 2016 Global Corruption Barometer, Kyrgyzstan had high rates of households facing bribery in order to access public services (38 percent, second highest in Central Asia after Tajikistan with 50 percent) and even higher road police corruption, with 48 percent of respondents who encountered road police in the last 12 months reporting to have paid bribes (again, second in the region to Tajikistan with 64 percent). Kyrgyzstan has long been one of the most highly corrupt countries in the world. Every new president or government highlights corruption as a major problem to be addressed. However, despite political rhetoric, many observers note that fighting corruption remains limited to the selective punishment of politically disloyal figures. Several high-profile criminal cases were launched in 2017, with defendants charged using the previously rarely used Article 303 ("Corruption") of the Criminal Code. However, these were widely seen as politically motivated moves, demonstrative of the selective nature of fighting corruption in Kyrgyzstan. Thus, all the convictions of the top leadership of the Ata Meken opposition party (Omurbek Tekebayev, Aida Salyanova, Almambet Shykmamatov) were for charges of corruption committed in 2010 or 2011. These cases were widely described as hastily arranged and politically motivated persecution of outspoken critics of the president⁵.

Poverty and social & gender inequality

The Kyrgyz Republic experienced a rapid reduction in poverty prior to 2010, but progress has been uneven since then and social vulnerability remains high. Poverty fell from 52 percent of the population in 2005 to 21 percent in 2009, more than halving because of rapid declines in both urban and rural areas. However, poverty reduction stalled thereafter. Between 2010 and 2016, the poverty headcount rose to 23 percent. For most Kyrgyz households, the exit from poverty has not been synonymous with true prosperity. Most of the population is clustered around the poverty line. In that sense, the flipside of the country's very modest inequality is widespread vulnerability. Despite recent improvements, poverty remains far more prevalent in rural areas compared with cities and towns, suggesting that efforts to promote shared prosperity will need to continue to focus on creating income generation opportunities for rural dwellers. Moreover, the high prevalence of transient poverty alongside chronic poverty implies significant exposure to shocks. For its part, stalled upward economic mobility points to limited capacity of households to expand their income earning potential beyond what is required to meet basic needs.

³ World Bank Group Country Partnership Framework for the Kyrgyz Republic 2019-2022

⁴ <http://kabar.kg/news/zheenbekov-ob-iaivil-2018-i-godom-razvitiia-regionov/>
<http://kabar.kg/news/zheenbekov-ob-iaivil-2019-god-godom-razvitiia-regionov-i-tcifrovizatsii-strany/>
<http://respub.kg/2019/01/09/sooronbaj-zheenbekov-prioritet-na-2019-god-razvitie-sela/>

⁵ Freedom House, Nations in Transit, 2018

With respect to gender inequality indicators, the Kyrgyz Republic fares better than most of its comparators in the region (Tajikistan, Kazakhstan, Uzbekistan) and globally (Africa and Latin America)⁶, but challenges remain in some areas. Scores on international gender indices are high for education but low for economic and political empowerment. While more women than men attend secondary professional vocational schools and universities, there is a gender divide in terms of specializations at the tertiary level, which is later reflected in the labour market. Women are less likely to be employed and, when employed, they earn on average 30 percent less than men. Further, while male out-migration to Russia for work has weakened some of the traditions that had suppressed women's economic and civic roles (thus creating greater space for women to engage in paid work), further actions are needed to enhance women's participation in civic and political activity.

The **Development Program of the Kyrgyz Republic** for the period 2018-2022 gives impetus to ensuring the full participation of women and girls and the empowerment of women and girls. More specifically, the expected results are to: ensure gender parity in decision-making; to reduce the prerequisites for gender discrimination and to expand opportunities in all areas of human development; and efforts will be made to measurably improve the situation of equality in all dimensions of the human development including equal rights to work, equal access to social and economic benefits, public infrastructure and the security and justice infrastructure

Other social cleavages also persist: for example, the urban/rural divide and continuing regional disparities – e.g., between the richer north (that looks outward towards China, Kazakhstan, and Russia) and the south, which is a part of the Ferghana Valley spread across eastern Uzbekistan, southern Kyrgyzstan and northern Tajikistan. These divisions are exacerbated by other sub-national risks such as urban overpopulation, youth unemployment and marginalization, along with the growing spectre of religious radicalization. Long - term stability and growth will depend upon meaningful inter-ethnic reconciliations and policies to accelerate inclusion, especially through stimulating growth, faster job creation and significant improvements in public service delivery. Fair and equal access to public services is an important element of bridging the inter-ethnic divide. In various researches run in the recent years the respondents from ethnic minority groups expressed a great deal of scepticism when it comes to fairness and access to important services such as social welfare, justice, health and education⁷. The researches show that they are also more adversely affected by corruption.⁸ In view of these pressures, the Government is placing priority on **regional/territorial development** - a key focus of its medium-term development program—as well as improved governance.

Civic space

Although civil society has grown in recent years and is diverse and vibrant, the sector's public image has recently been damaged because of the efforts of Russian influenced media who try to discredit NGOs. Civil society is quite active in most parts of the country but more heavily constrained in Osh and Jalalabad. Although most civil society organizations can operate without interference, human rights defenders promoting the rights of LGBTI people or ethnic minorities face particularly serious threats. Attempts to introduce a foreign agent's law in Kyrgyzstan have recently failed. Protest rights are legally protected, but authorities sometimes break up peaceful protests as do violent nationalist groups, which also target LGBTI activists. Although the media is

⁶ UN ESCA: Inequality in the era of 2030 Agenda for Sustainable Development: https://www.unescap.org/sites/default/files/Inequality%20in%20the%20era%20of%20the%202030%20Agenda%20for%20Sustainable%20Development%20North%20and%20Central%20Asia_print_1.pdf

⁷ UNDP, Access to Justice by Vulnerable Groups in Kyrgyzstan: http://www.kg.undp.org/content/kyrgyzstan/en/home/library/democratic_governance/access-to-justice-for-vulnerable-groups-in-the-kyrgyz-republic.html

⁸ World Bank, Impact of Corruption in Kyrgyz Republic: <http://documents.worldbank.org/curated/en/846411476572605922/pdf/109235-WP-P160444-PUBLIC-KYR-Poverty-and-Corruption.pdf>

relatively vibrant, journalists and human rights defenders are sometimes arrested, prosecuted and imprisoned for speaking out or exposing human rights abuses.

1.2. Local Self-Governance in the Kyrgyz Republic

According to the Worldwide Governance Indicators (WGI) published by the World Bank⁹, the Kyrgyz Republic has deteriorated over the past 10 years in fields such as control of corruption, rule of law and political stability. Importantly though, the voice of citizens and accountability of local government institutions has improved. The Constitution of Kyrgyzstan provides for decentralization through the recognition of LSGs while confirming the right of citizens to participate in planning and budgetary process. Local self-governance in the Kyrgyz Republic is the primary level of the public administration system. According to the current Constitution, LSGs aim to guarantee the right and capability of local communities to address the local issues. 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 been put on the agenda. However, the criteria for consolidation are not yet defined. At the end of 2018, the reform roadmap was elaborated by the appointed Working Group, which states that a large amount of research will be required at the first stage in order to develop a new model of administrative-territorial structure and regional management.

In 2018 the Government approved the **Program of development of local self-government of the Kyrgyz Republic for 2018-2023**. The program was developed to further implement reforms in the local government system aimed at improving the quality of life of citizens. It aspires to enhance the role of local governments, local communities and citizens. The program builds on its predecessor which until 2017 focused on: Increasing the responsibility and optimization of LSG; focusing LSG operations on priorities of local communities; increasing LSG resource base and fostering local economic and financial development and sustainability; and improving the organizational and legal framework for a result-oriented operation of LSG. Furthermore, the Kyrgyz National Strategy for Sustainable Development – 2040 pledges that the government will keep its focus on public service provision by continuing to improve the effectiveness of public administration, the qualifications of state and municipal employees, preventing corruption offenses in the public service system, enhancing its authority and prestige.

A new **Budget Code of the Kyrgyz Republic** has come into force as of January 1, 2017. The Budget Code aims to optimize the budget process and has been prepared in a move to revise and consolidate regulations into one package and to adopt one legislative act, which

Major KR Legislation in the area of LSG/service provision at the local level	
Constitution	June 27, 2010
Budget Code	May 16, 2016
Housing Code	July 9, 2013
Land Code	June 2, 1999
Civil Code	May 8, 1996
Water Code	January 12, 2005
Law on Local Self Government	July 15, 2011
Law on the order of delegation of certain state powers to LSG bodies	July 9, 2013
Law on State and Municipal services	July 17, 2014
Law on municipal property	March 15, 2002
Law on Drinking Water	March 25, 1999
Law on production and consumption waste	November 13, 2001
Law on State procurement	April 3, 2015
Law on Electronic administration	July 19, 2017

⁹http://info.worldbank.org/governance/wgi/sc_chart.asp#
<http://info.worldbank.org/governance/wgi/index.aspx#reports>

will serve as the basis for the budget legislation of the country. The Budget Code defines principles of regulation of relations in public finance management in the process of formation, consideration, approval, revision and implementation of central and local budgets. The ongoing **Public Finance Management (PFM) reform** process is quite ambitious and covers a wide range of measures aimed at: strengthening financial management and transparency; improving public debt management; revenue administration; intergovernmental relations and -transfers; public procurement procedures and investments; accounting and auditing. The reform agenda is strongly supported by the international donor community¹⁰ through the Multi-Donor Trust Fund managed by the World Bank. Civil society organizations, incl. DPI and HELVETAS Kyrgyzstan successfully advocated for the inclusion of “public budget hearings” as a way of strengthening transparency, accountability and participation on local budgeting processes.

The “Law on State and Municipal Services” was adopted in 2014. The law was expected to provide a solid legal basis for the implementation of the project. However, LSG experts, civil service and politically elected representatives are still struggling with the lack of clarity. The Law 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 “local issues”.

The Law on Delegation of State Authorities to LSGs is also fairly new. 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 (delegated) from the ministries such as collecting regular statistics, collecting data for social welfare, military drafting information, education and healthcare infrastructure funding and maintenance, allocation of agricultural land, veterinary and sanitary prophylactic activities, custom clearance and insurance fees collection etc. 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.

The key goal of fiscal decentralization in the Kyrgyz Republic is to create conditions where local self-governance bodies will have high level of independence in managing their financial resources in order to effectively deliver public services. In the period since 2011 the income base of local budgets has continuously been expanded. 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 which was still not given to all municipalities or only partially. 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.

KR Local Self Governments - Political Economic Analysis

¹⁰ Government of Switzerland and the European Union

Local Economic Development.

LSGs' functions with respect to local economic development are not clearly defined. LSGs do not have a clear understanding of their responsibilities under local economic development (LED). Many heads of LSGs are not proficient in modern tools of local economic development and have limited capacities. Due to this, they do not have a thorough understanding of LED – they see it only as the creation of jobs in municipality-owned enterprises. That said, the State is progressively putting stronger pressure on LSGs, forcing them to create jobs in their municipalities. Very few LSGs use tools such as marketing of territory, development of business-infrastructure, public-private partnerships, etc. Forward-thinking heads of LSGs realize the importance of close relations with local businesses, but Aiyl Okmotu do not have the resources or consulting capacities to help entrepreneurs to develop their businesses. Aiyl Okmotu cannot establish connections with local small- and medium-sized businesses to improve the business environment – LSGs simply do not know what exactly they need to do to create such connections. Meanwhile, LSGs have demonstrated interest and realize the importance of playing a more active role in promoting LED.

Stakeholders' interaction dynamics. The State makes various efforts to create a favorable business environment. Despite these efforts, the situation regarding development of businesses at the regional level leaves many shortcomings, and very few municipalities use modern methods of cooperation with businesses.

LSGs have not made any serious efforts to establish sustainable links with small businesses ever since such businesses first appeared at the local level. There have been some sporadic attempts made to develop connections with mining companies, but such efforts have primarily sought to obtain additional revenue for local budgets.

Regional development funds, formed with transfers from mining companies, never became a tool to facilitate economic development. There are no public-private partnerships at the municipality level. In pursuance of the Concept of Regional Policy of the KR, and under the scope of the Year of Regional development, the State is currently working to improve the business environment in the regions. But its policy focuses on cities – the so-called Growth Points – leaving rural municipalities ignored.

The State does not provide LSGs with guidance about their responsibilities in terms of the promotion of LED, does not offer trainings about relevant tools, and does not capture and disseminate best practices.

Meanwhile, there has been a positive development – the State has established the Coordination Board for Public-Private Partnership. The Board seeks to promote PPP at the local level (for implementation of small-scale and inexpensive projects), as well as to amend the law on PPP, so as to simplify PPP implementation procedures. The Board and its recent activities indicate that the State seriously intends to establish PPP at the local level and to train LSGs on how to use LED tools as soon as possible.

Provision of Services.

In general, the perception of issues with services at the national level and at the local level coincide. In both cases, the institutional problem is determined as the key problem - there is not enough authority, human and financial potential for the quality organization of service provision in the LSG bodies.

There are problems identified at the local level that are “not heard” at the national level. For example: the reluctance of local government bodies to finance the maintenance of schools; lack of municipal land for the expansion of human settlements and infrastructure development; the inability of the authorities to manage the disposal of solid waste.

This last mentioned problem is becoming more urgent with each day. The majority of municipalities are not able to manage landfills, as a modern landfill needs sizable resources, so the use of illegal landfills is becoming more common. This leads into a disorderly littering of large areas and moving from the category of local issue to national environmental hazard.

At the same time, there are problems that are finally being acknowledged at the national level, for example: the shortcomings in defining the concept of “municipal service”, the insufficient differentiation in the legislation of services by categories: state, municipal and delegated; legal aspects of the provision of electronic services etc. At the national level, a great importance is given to the issue of the delimitation of municipal and communal services created by law. In relation to municipal services, LSG bodies do not express particular concern as the current composition of the basic registry mainly includes administrative bureaucratic functions, which the LSG bodies manage relatively successfully.

Inability of LSGs to manage disposal of solid domestic waste

Stakeholders and their motivations. Shortage of landfills for solid domestic waste is a common problem for many LSGs. The core of the issue, however, can be associated with the following wide range of aspects: some landfills are illegally located on pastures; in some villages landfills occupy old cemeteries, which outrages many villagers; the procedure for opening new landfills is too complicated and expensive; municipalities lack available land for the establishment of new landfills; and legislation prohibits the transformation of the legal status of agricultural land for the establishment of new landfills.

The Aiyl Okmotu are responsible for the entire service – collection, removal and disposal of solid domestic waste. Accordingly, they are interested in addressing the shortage of landfills more than any other stakeholder.

Pasture Committees are interested in preserving grazing land and take a stand against the establishment of landfills on agricultural land. Ecologists have also raised objections about the expansion of landfills, advocating for the protection of the environment.

Landfills are deemed to be a matter of local significance, falling under the competence of LSGs. In this regard, higher-level governments – including the national government and its local offices – do not feel responsible for addressing the issue.

Another stakeholder that plays a special role in this process is the State Inspectorate for Ecological and Technical Safety (SIETS). This organization detects and documents violations, and imposes fines if it discovers that LSGs maintain illegal landfills.

Local community members have different attitudes to this problem. Some villagers realize that waste has to be piled somewhere, so they support the establishment of new landfills and are ready to pursue separate collection of waste. Many villagers, who use pastures, are concerned about the expansion of landfills at the expense of grazing land. There are also those members of local communities who do not want to pay the fees associated with maintenance of landfills.

Interaction with citizens: Inadequate communications between governments and local communities

The establishment of communications between governments and communities has not been an easy process in Kyrgyzstan. To create a workable communications mechanism, the country has had to introduce amendments and additions to its legislation. For example, LSGs are legally obliged to respond to written applications from citizens within 14 days, but in reality very few members of rural communities have the necessary capacity to prepare and submit written applications to their Aiyl Okmotu. Most citizens make oral requests, and because such requests cannot be properly registered and tracked, in many cases the staff of Aiyl Okmotu forget about them. This is also the case for oral requests made to members of the local councils.

LSGs lack skills that are necessary to keep citizens aware about the LSGs' work. They do not engage citizens in the decision-making process but realize that such engagement is important and that they need support in this regard.

LSGs engage citizens in addressing issues of local significance primarily through *ashar* (a form of community work where citizens donate time and financial resources to address the problems of their villages). However, this mechanism does not have an institutional framework, and it is not sustainable. Moreover, it is unfair, as it puts an additional non-tax burden on citizens.

Many heads of LSGs realize the importance of establishing close relations with the community members. Their efforts are supported by various donor-funded projects that bring to municipalities different mechanisms of communications with communities. However, the quality of information is still a challenge. Rural governments cannot afford qualified specialists who could improve the

quality of informational materials. In order to address the problem, donor-funded projects offer standardized forms of delivering information (for example, Citizen Budget, which is a graphic representation of the local budget that is easy to comprehend). Modern technologies also offer good feedback capabilities.

1.3. External Recommendations and lessons learned from PSI Phase I

In phase I the PSI worked in total with 30 municipalities that developed 38 Service improvement action plans which were supported through the grant program. They covered variety of local services such as access to drinking water (9); pre-school and school education (11); culture, sport and recreation activities (9); public area maintenance and solid waste removal (8); health care (1). As a result, more than 150 000 people directly benefited from the improved services.

As systemic improvements - 30 municipalities adopted local policies on the provision of services including local registries of municipal services developed and adopted, and institutionalized local joint monitoring and evaluation groups. 18 providers of paid services (water, garbage) are cost-effective and have a result-oriented budget. Various break-even schemes for organizing and providing services have been tested. SIAP methodological guide with three practical examples and guidelines for organization of local services – three models (water, waste management and municipal order) has been developed.

In 2018 an external evaluation report of PSI and VAP was produced at the request of the Swiss Agency for Development and Cooperation (see Annex V). It was prepared independently by Nordic Consulting Group. The evaluation was preceded by an internal project review carried out by HELVETAS in 2017. Based on the review and evaluation recommendations and lessons learned by the PIU, PSI II will deepen its interventions and/or develop new approaches related to the following topics

- Fostering cross regional peer-learning to complement existing training packages with blended capacity development;
- Amend the training package for State Personnel Service with training curriculums on (a) Inter-municipal collaboration and (b) private business sector involvement in municipal service delivery;
- Promote private business sector and Public Private Partnerships as new modalities for provision of public services;
- Support the establishment of inter-municipal collaboration as a means to more effective, efficient, accessible and affordable public service provision;
- Enhancing the capitalization of new knowledge, good practices and collaboration models which can be used to replicate and scale up PSI as well as providing a sound evidence base that can inform national level policy dialogue. PSI will in particular document lessons learned on inter-municipal cooperation with the aim of developing a national guideline for LSGs;
- Support a sustainable national replication mechanism (engaging SALSGIR and LSGU) as a mean to foster scaling up and a wider replication of project's methodologies
- Further mainstream Gender and Social Equity in project interventions.

1.4. Alignment of the Project

The second phase of the Public Service Improvement Project will continue to be aligned to the below listed strategies and development frameworks:

Kyrgyzstan National Development Strategy

Currently there are several programs on national level such as National Development Strategy 2018-2040 that was adopted by Presidential Decree in November 2018 and Governmental Program «Unity, Trust, Creation» that was adopted by the Parliament Resolution in April 2018. The 2018-2040 strategy places the development of civil society at the core of developing the capability of local governments to efficiently deliver services to their population. “Within the framework of ensuring efficiency of government system at the local level further decentralization of state power with an adequate mechanism for financing local governments is required.” A strengthened government system is needed at the local level in terms of organizing a sustainable system of service provision, budget formation and execution, and resource management.

It is also necessary to increase the responsibility and discipline of local governments in implementation of tasks set by the population and performing their functional duties.

The first task in this direction is to form a responsible local community, where each member is consciously and skillfully able to participate in the development of the territory, form efficient local governments and control them.

The overall goal of the Development Program «Unity, Trust, Creation» is a measurable improvement in the quality of life for all Kyrgyz people that includes improving the life of the villagers and reducing the existing development gap between the urban and rural areas. In order to achieve that goal the partnership among the government, business and civil society needs to be ensured. The program aims at increasing the quality of life of residents of the regions that will correspond to their requests, to the requirements of service standards and will not depend on the geographical location, climatic conditions and remoteness from the center of the country. Residents of the regions will receive high quality, affordable services in the place of residence.

The PSI project directly contributes to reducing the existing development gap between the rural and urban areas by putting the rural citizens and their needs in the center of the intervention. Through its specific methodology and by capacitating national partners the project promotes and advocates service provision models that are sustainable, affordable and tailor-made in accordance to specific geographic, demographic, financial and other features of each rural municipality.

The government will pursue a policy in the field of drinking water supply and sanitation in accordance with the *Strategy for the Development of Drinking Water Supply and Sanitation Systems of Settlements of the Kyrgyz Republic* until 2026. In terms of reaching the goal of round-the-clock provision of clean water to 80% of the population, focus is given on the construction and expansion of drinking water supply and sanitation systems under the Ala Too-Bulagy Program. The municipal enterprises for servicing drinking water supply and sanitation systems in rural areas will be established. Also, work will be completed to improve the regulatory framework and tariff policy in this area. During the phase I the project has developed a model and respective guidelines for organizing drinking water provision in rural municipalities, including methodology for tariff calculation. This knowledge will be scaled up and disseminated to all municipalities using national learning and capacity building mechanisms.




After two years of gap between the previous Programs, the **Program of development of local self-government of the Kyrgyz Republic for 2018-2023** was finally adopted in October 2018. It consists of three main tasks: 1) Increasing the participation of local community members in identifying local issues; 2) Strengthening of well-being, stability and authority of LSG bodies; 3) Mobilization of resources for local self-governance development. The project actively contributes to all three goals through its rights-based intervention approach.

SDC Swiss Cooperation Strategy for Central Asia 2017-2021

The PSI II project firmly contributes to Goal 5.3 of the Swiss Cooperation Strategy which states: *“Public institutions deliver efficient and effective services in an inclusive way and are accountable to citizens. Civil society participates in decision-making processes”*. The goal focuses on strengthening democratic processes and institutions and improving the quality of selected public services. More specifically, the governance programme of SDC pursues the promotion of initiatives securing spaces for inclusive public participation in reform and decision-making processes. This includes supporting institutions to become accountable, efficient and effective in basic service delivery, particularly towards the most vulnerable, including women, by promoting inclusion and reduce social and political marginalisation. Those services must also consider the specific needs and constraints of women. At the same time, SDC supports citizens and civil society to actively engage in political and administrative processes. Promoting democratic and inclusive governance and respect for human rights. The Swiss cooperation aims to strengthen cooperation between governments, citizens and civil society in order to enable the latter to influence policymaking and monitor effectively local and national public institutions. Consequently, the Swiss Cooperation supports projects that will facilitate increased citizen participation in decision-making processes at the local and national levels, improved transparency and accountability of public institutions towards citizens at all levels, and improved service management by governments that responds to the demands of citizens.

Sustainable Development Goals

PSI II predominantly contributes to the following Sustainable Development Goals:

SDG Goal	Description	Specific Target(s)
	End poverty in all its forms everywhere	1.4 By 2030, ensure that all men and women, in particular 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
	Achieve gender equality and empower all women and girls	5.4 Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.5 Substantially reduce corruption and bribery in all their forms 16.6 Develop effective, accountable and transparent institutions at all levels 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels

1.5. Planning Process and Methodology

The design of the second phase of PSI took place from November to December 2018 through a consultative process. The HELVETAS Head of Governance & Peace facilitated an internal design workshop for the Consortium Partners (Helvetas KG and DPI) where the Theory of Change and Results Framework was agreed upon based on lessons learned and evaluation recommendations from phase 1. A two-day external workshop ensued where multiple stakeholders and partners validated the results framework. The external workshop also generated an updated context analysis as well as identifying which methodologies, tools and interventions should be at the centre of phase II. The described planning process took point of departure in the in-depth assessment and planning process that was conducted during the tender stage and the three months design phase that preceded the commencement of the first phase of the PSI project. The list of stakeholders and partners taking part in the planning sessions for the PSI II is provided in Annex VI.

2. Objectives

2.1. Theory of Change

The Theory of Change for PSI II is anchored in systemic thinking. This entails that existing systems for public service provision are analyzed and improved by finding new systemic and sustainable solutions and models that will prompt transformational change for beneficiaries, primary stakeholders and system actors (RE: section 2.5.):

Systemic capacity development; developing capacities that can change the system and behavior/skills of system actors through blended learning approaches. For PSI this means that cohesive capacity development systems and processes will be strengthened to ensure that demand based technical assistance, training interventions and peer learning mechanisms positively impact behaviors, attitudes and skills of system actors, e.g. LSG civil servants and politically elected leaders, which in turn leads to improvements in the service provision system. It will be particularly important to ensure that effective systems for knowledge and skills transfer are set up and supported as a means to address the challenge of LSG turnovers. The project will build on the VAP I and VAP II investments in knowledge and skills transfer. DPI will in addition provide the backstopping on capacity building of national learning mechanisms (especially through coordination of the National Platform DPI-SALSGIR-LSGU and conceptualizing the e-learning portal for the LSGs).

Application of inclusive approaches and tools; *for women, youth and socially excluded groups.* For PSI II this means that enhanced socially inclusive and gender responsive service provision will only become a reality if the project systematically introduces, applies and monitors the impacts of approaches and tools that strengthen women and socially marginalized groups' voice, empowerment and meaningful participation in decision making

Innovation and risk taking; *finding solutions for tomorrow's problems rather than creating problems through yesterday's solutions.* For PSI II this means that new approaches, learnings and good practices will be introduced, specifically related to gender & social inclusion and knowledge management. The backstopping support from HELVETAS' Head Office, National Knowledge and Dissemination Coordinator and GSE & Knowledge Officer will boost this systemic principle.

Multilevel engagement and connectivity; *realizing that systems are complex with inherent connectivity and multiple layers.* In order to strengthen this systemic principle, PSI II will have a

separate “national” outcome which aims to improve the enabling environment for service provision by strengthening the national policy framework for local services through more effective capitalization and dissemination of knowledge and evidence from LSG level interventions. The project will capitalize on rich experience and engagement of the DPI that will provide the support for building effective strategies towards national policy makers. This relates to another systemic principle of

Sustainability & scalability; *ensuring that small, yet focused, systemic interventions can be scaled up.* In other words, the systemic impact and long-term sustainability of PSI II interventions depends on effective mechanisms for scalability and connectivity between local and national level that can positively impact on policy and decision making that enhances the system of service management in Kyrgyzstan

Systems oriented M&E; *identifying approaches and tools that can measure systemic change.* For PSI II it means that effective M&E systems are set up to ensure that the project can measure its progress against a set of SMART objectives and indicators that are geared towards achieving systemic change at all levels of the results framework.

Consequently, the Theory of Change for PSI II is formulated as follows

If women, men, youth and socially excluded groups of people are empowered to engage in local public service management processes, if municipalities are capacitated to improve public services by using effective and socially inclusive methodologies, and if the national framework for service provision and relevant national actors are strengthened, then socially inclusive and gender responsive public service provision that addresses the needs and priorities of community members in Kyrgyzstan will be achieved.

People in rural Kyrgyzstan enjoy better living conditions thanks to improved public services

The project aims at improving living conditions in rural areas of Kyrgyzstan by improving the capacities of local duty bearers and the overall conditions for better public service provision at the local level. The objective entails five key aspects:

1. **Inclusiveness** by supporting and facilitating inclusive, transparent and accountable processes of service provision and management that build on citizen’s needs, and on norms and standards.
2. **Improved services** by supporting planning processes and delivery mechanisms through technical and financial support as well as the elaboration of standards, services planning, implementation and monitoring.
3. **Strengthened capacities** by delivering service packages and building of institutional support capacities.
4. **Anchoring products** by capitalising good practices and innovations, while strengthening national institutions in owning and scaling-up the use of the different developed products.
5. **Conducive legal framework** by using practical evidence and best practices to influence and shape policies and the law in favour of good local governance and quality service provision

These five aspects provide the base for the two outcomes the project intends to achieve.

2.3. Project Outcomes and Outputs

The outcomes and the adherent 5 outputs are respectively outlined and elaborated below:

Outcome 1: Rural municipalities provide local public services in an effective and efficient manner	
Output 1.1. Men, women, public interest groups and LSGs participate and understand their role in sustainable service management at the local level	Main interventions: <ul style="list-style-type: none"> • Support the LSG Union to disseminate and present the SIAP Methodology (focus more on civil servants than elected representatives) in the two target regions • Provide financial incentives for the LSGU coordinated regional initiatives (IK and JA) on local service improvements (based on SIAP methodology) • Hold regional Public Private partnership orientation meetings for LSGs • Capacity building to private businesses on Public Procurement System • Capacity building of LSGs and private sector on cooperation under the CSR • Develop GSE strategy and tools for the LSGs to promote reflection and decision making on socially inclusive and gender responsive public service provision • Facilitation of public hearings on budget planning & execution and tariff setting • Conduct joint (rights holders and duty bearers) monitoring of services • Hold sensitization sessions for LSGs bodies and citizens on socially inclusive and gender responsive public services, facilitated by CSOs • Apply Citizen's Report Card methodology • Conduct social accountability pilots facilitated by CSOs
	Output 1.2. Innovative approaches for effective service provision are introduced and applied
Outcome 2: The various system actors create enabling conditions – technical, legal and financial – fostering socially inclusive and gender responsive local public service provision	
Output 2.1. National and regional policy framework for local services is improved	Main interventions: <ul style="list-style-type: none"> • Capacity building for LSG Union and SALSGIR within the LSGs interaction platform initiative and e-learning mechanism • Assessment and elaboration of policy proposals and recommendations for models on regional organization of services and inter-administrative cooperation; • Capacitate LSG union and SALSGIR (Ministry of Economy/Gosstroy if needed) on policy analysis and assistance in formulation of recommendations • Facilitate national level policy events to discuss lessons learned from PSI and likeminded project (incl. CAMI & VAP) • Develop evidence base for reforms, build partnerships with national partners for policy revision

	<ul style="list-style-type: none"> • Develop an advocacy strategy on intergovernmental fiscal relations (e.g. work with the Parliament, Ministry of Finance and other actors)
Output 2.2. National mechanisms for knowledge dissemination and learning are in place and provide guidance to municipalities	Main interventions: <ul style="list-style-type: none"> • Capacitate LSG Union and SALSGIR for replication of the tested models, to provide advisory services to LSGs and to organize peer-to-peer learning events regionally and nationally • Document good practices for innovative public service collaboration (incl. private sector engagement) and dissemination through the national mechanism (SALSGIR/LSGU platform and e-portal) • Support LSG Union to strengthen its outreach structure - interaction with LSGs by supporting the Union to provide services to membership in the regions and conduct service improvement initiatives • Support the LSG Union in facilitating knowledge sharing and service improvement – ToT and grant fund; institutionalizing GSE tools for LSGs at the level of national mechanisms • Support to national interaction platform and e-learning portal. Share and publish knowledge products and information through national e-learning portal and multi-media channels (press releases, Munitsipalitet magazine, social media, newspapers, and TV). Document success stories and stories of change

2.4. Description of main project stakeholders

The key stakeholders for PSI II can be clustered into three main categories

Beneficiaries:

The Project will directly reach the primary beneficiaries (right holders): community members, i.e. women, men, and youth in the municipalities that are engaged in improving the public service management and provision. Through project interventions that provide management and service provision support to municipalities, the citizens will enjoy direct benefits of improvements in public service delivery mechanisms.

Primary stakeholders:

The primary stakeholders ultimately benefitting from the project are the councils and executives of municipalities (Aiyl Kenesh & Aiyl Okmotu), organized civil society (CSOs and CBOs) as well as 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 conducive environment.

System actors

At the district, regional and national level, the main system actors who have the leverage and influence to improve enabling environment for public service provision include:

- Rayon and Oblast administrations in Issyk-Kul and Jalalabad
- State Agency for Local Self-Government and Inter-Ethnic Relations (SALSGIR)
- Union of LSGs
- Gosstroy
- State Personnel Service
- Ministry of Economy
- Ministry of Finance
- Anti-Monopoly Agency

The project will establish final target numbers of beneficiaries and stakeholders after conducting the Baseline Survey. A more thorough analysis of stakeholders is provided in Annex IV.

3. Implementation Strategy

3.1. Project Area

PSI I was implemented in two out of seven oblasts of Kyrgyzstan, namely Issyk-Kul and Jalal-Abad. At total 30 target municipalities were reached from 2015-2019, 11 in Issyk-Kul and 19 in Jalal-Abad. These are also the regions where SDC already invested in LSG development through the VAP Project. Whereas project support will be still offered and rendered to municipalities in these two regions, PSI II will invest into establishing replication models that will allow to scale up the approach to non-project municipalities. Outcome 1 of Phase II will focus on two out of seven regions (oblasts) of Kyrgyzstan, namely Issyk-Kul and Jalal-Abad, aiming to reach up to 35 LSGs directly with the view to consolidate the results reached during Phase I. Through Outcome 2, the project will invest into capacitating national key partners, in particular the Union of LSGs and SALSGIR, and into establishing replication mechanisms anchored in these institutions that will allow to scale up the developed approaches to non-project municipalities. Thus, indirectly, through these mechanisms and through close collaboration with USAID-funded CAMI, the project methodology has a strong potential of being successfully implemented in LSGs countrywide.

Phase I piloted and facilitated inter-municipal knowledge exchange and introduced innovative delivery models like inter-municipal collaboration and enterprises. Accordingly, the project clustered these LSGs as “pilot districts”. In phase II PSI will deepen its work with Inter-municipal collaboration, so a total of up to 5 IMC models are expected by the end of the project period given the appropriate amount of technical and financial support. Part of the grant facility will therefore be ring-fenced to support districts that are interested in inter-municipal collaboration. Given the previous track record and capacities developed through both VAP and PSI in Issyk-Kul and Jalalabad, IMC grants will therefore only be available in those two regions.

3.2. Selection process of municipalities

The selection criteria applied during phase I included: 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 and previous participation in the VAP project. In the second phase and in the targeted two regions, the project expects to work closely with the so-called champion municipalities from the Phase I that in addition are willing and have potential of joining forces with neighboring municipalities in creation of sustainable inter-municipal service provision. 5-8 such ‘clusters’ are expected. They will be provided with the technical assistance and service planning resources. The service improvement will be supported only for the awarded ‘clusters’. Besides the intervention on inter-municipal cooperation the project will build the capacities of the Union of LSGs in disseminating the knowledge and best practices through peer-to-peer events. More details on the project’s support to service improvement are provided in the Annex XI Grant Program.

Service Improvement	2019 (8 months)	2020	2021	2022	2023 (4 months)
IMC SIAP Cycle (JA and IK)	SIAP IMC methodology preparation	GTS (8 clusters) and TA	SIAP implementation (GSI): 4-6 clusters		

LSG Union regional (JA and IK)	Information workshops, peer-to-peer events	Service planning consultations	Implementation of best proposals		
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Figure 3 Project's Financial Support Program Cycles

3.3. Levels of Intervention

PSI II will adapt a multi-level approach to its interventions. Outcome 1, which in a nutshell focuses on provision of public services and citizens' interaction with the LSGs will happen at local (**micro**) level. Outcome 2 which aims at enhancing the enabling environment for socially inclusive and gender responsive local service provision can be described as a national or **macro** level outcome since state agencies will be engaged in knowledge sharing and policy dialogue interventions related to the policy framework for public service provision. Broadly, these policies would relate to: own revenue generation & local tax policies; intergovernmental transfer of funds and grants; public service provision mandates and inter-budgetary relationship. Preliminary examples of **policy barriers and gaps** to improve service provision on local level to be addressed during phase II:

1. Due to the Budget Code coming into force only in 2017, there are still some transfer mechanisms regulations lacking. They should regulate certain inter-budgetary instruments such as horizontal transfers between the municipalities. The horizontal transfers are needed for development of inter-municipal cooperation during phase II.

2. Large amount of analytical work that resulted in the joint Plan of Measures for Optimization of the system of services provided at the local level for 2018-2023 by Ministry of Economy and SALSGIR in 2018 identified tasks that should be tackled during the stipulated period such as creating a new framework of service provision that includes not only administrative services currently provided by the LSG bodies but also communal services such as drinking water provision, solid waste removal, etc. Currently they are not included in the definition of "municipal services" according to the Law on State and Municipal services.

3. One of the biggest issues pointed out by the municipalities is the lack of available land for the landfills in order to fit the exponentially increasing solid waste. According to the legislation there are certain criteria in order for the land be transformed from the agricultural into the municipal. As it is extremely difficult to complete the process, majority of the current landfills operate as illegal. This issue has to be analyzed more in depth including the possible inter-municipal or regional cooperation.

At **meso** level PSI II will both work on inter-municipal service delivery models as well as models for regional planning and management of selected services such as e.g. waste and water resources management. In addition, the project aims to take into consideration wider implications of the administrative organization and current practices on service provision. For this purpose, a functional area¹¹ assessment will be piloted in one of the target regions to understand the various

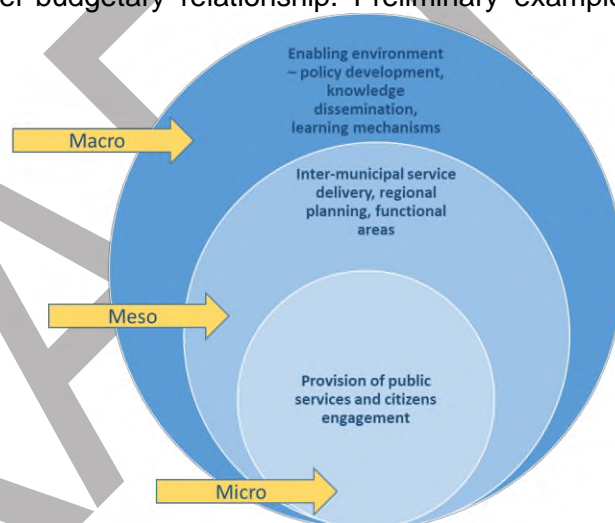


Figure 1 PSI 2 Levels of intervention

¹¹ An area that is not exclusively assigned to any specific level of government. The relevant observed spheres of interaction are the economy (employment, consumption), access to services, and inter-municipal cooperation.

interactions between the citizens - and government and economic entities in a given space. PSI II will give special attention to interconnecting the three levels of intervention. It will be of particular importance that stronger efforts are made towards capitalizing lessons learned, good practices and innovative modes of collaboration at micro and meso level with the aim to inform macro level policy dialogues while also enhancing the likelihood of replicating and scaling up PSI II interventions in other regions than Issyk-Kul and Jalal-Abad.

3.4. Transversal themes

Good Governance

At the core of PSI II, good governance principles will form the basis for the project's rights-based approach and systemic approach to sustainable development:

- **Transparency:** the public in general, or at least those directly affected, have direct access to adequate information about the underlying reasons, criteria, intended manner and expected outcome of any decision.
- **Accountability:** any person or institution, including the state, is answerable for its actions or those under its control. This also implies that clear roles and responsibilities are defined.
- **Participation:** the active, free, effective, and voluntary input to decision-making processes of at least those parts of the population that are directly affected by a process or decision.
- **Inclusion:** no person or group shall be excluded from access to power or resources.
- **Efficiency:** processes and institutions make best use of the available financial and human resources to produce the expected results, without waste, corruption, or delays.
- **Rule of law:** all persons and institutions, including the state, are subject to laws that are equally and impartially enforced, and that are consistent with human rights norms and standards.

Gender equality and social equity

Gender equality and social equity are at the heart of PSI II. Through local governance processes and improvement of public services, the project phase will further deepen the engagement with women and other socially excluded individuals and groups while acknowledging the strengths of their social positions and supporting their capacities. In line with HELVETAS' GSE policy, PSI II will work on a set of main principles:

GSE principle	PSI II contributes to strengthening
1. Including the marginalized and excluded	<ul style="list-style-type: none"> • Women's (political) voice and empowerment • Inclusive local decision-making processes, giving socially excluded groups a voice. Socially excluded groups are defined by the project as follows: people with special needs; people living below the national poverty threshold; ethnic minorities; women, especially single mothers with many children; and youth, especially young women
2. Being sensitive to local culture whilst respecting human rights	<ul style="list-style-type: none"> • Conflict sensitivity in access to public services
3. Focusing interventions	<ul style="list-style-type: none"> • Quality public service delivery in sectors that are a priority for women and disadvantaged groups • Interventions based on local knowledge/mapping of marginalized and disadvantaged groups

4. Acknowledging the needs and opinions of men and women	<ul style="list-style-type: none"> • Inclusive local decision-making process
5. Highlight gender equality and social equity in social dialogue	<ul style="list-style-type: none"> • Analysis of GSE relevance in PSI contributions to social dialogue, i.e. on socially inclusive and gender responsive public service delivery
6. Integrating GSE in M&E systems	<ul style="list-style-type: none"> • Monitoring how empowerment of women and marginalised groups can be measured

In more concrete terms, PSI II will deepen its interventions for women's voice and empowerment and socially inclusive decision making by mobilizing these groups to meaningfully participate and critically engage in local governance and community development processes to ensure that their priorities and needs are adequately reflected in the service provision system in the endeavor to secure and protect their basic rights to e.g. health, education, water.

The increasing religious narrative, in conjunction with the re-emergence of traditionalist social attitudes, represents burden on the shoulders of women and youth in making their life-determining choices. The persistence of well-entrenched patriarchal norms, numerous cultural and social challenges the women and young people face, and the society's perception of gender roles not only restrain but also control their activities within the household and on the community level. The feminization of caring responsibilities and the disproportionate time women spend on unpaid care work, as compared to men, contributes to and reinforces gender-based inequalities in economic and political life. It has direct implications on women's ability to invest time in other economic, social and political activities, from paid employment to education, community engagement and leisure. It hampers women's ability to build up assets, skills and voice and, thus, women's empowerment. Reduction of unpaid care work means that the time spent on unpaid care work is reduced for individual women and for society more generally. It also means reducing the drudgery of heavy and repetitive work. This frees up time and energy for other activities. For example, unpaid care work would be reduced by having a clean water source closer to the house or through labour saving technologies such as washing machines, fuel efficient stoves, etc. Women are often less involved than men in leadership or decision-making positions, whether in households or in cooperatives, companies, local councils or community-based organisations. As a result, women's practical needs and challenges are often not reflected in the prioritization of public service needs.

In the context of Kyrgyzstan, 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.) has 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. 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. The local issues, 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 neighbourhoods. These services of local significance are particularly relevant in LSGs where the ethnic and social composition is very diverse. The infrastructural issues often prevail while the services are not considered, 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. Women's need for capacity building and information are given limited priority compared to infrastructures (schools, roads, markets).

Conflict Sensitive Project Management

PSI II wishes to consistently analyze and be sensitive towards the root causes of conflict linked to access to resources and public service provision, with the aim of both prevention and transformation. PSI will apply HELVETAS' 3-steps approach to Conflict Sensitive Project Management. The 3-Steps approach indicates to staff and partners at which points they must take action 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.

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 conflict potential. 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 of the main factors contributing to fragility and violent conflict. With the intention to Do-No-Harm and to foster existing positive and constructive community and LSG potentials, the project will pay special attention to:

- Assessing and monitoring local level tensions linked to public service provision
- Developing capacities to analyze and address tensions
- Organizing regular Do-No-Harm workshops to better understand the context the project is operating in, to map all the stakeholders in view of their connector/divider roles and to adjust the project accordingly.

Anti-Corruption

In addition to applying and promoting good governance principles as the important pre-condition in prevention of corruption, the project applies specific measures and recommendations to mitigate the corruption risks in project implementation and service provision at the local level. During the Project's first phase a number of very important experiences were gained. Within the scope of the project a number of instances in service planning and organization are particularly vulnerable to corrupt practices. The project has successfully put into place specific anti-corruption mechanisms.

Corruption opportunity	Anti-corruption mechanism
Selection of partner municipalities	The project is transparent about the criteria and selection process (definition of geographic scope → consultation with national stakeholders → public call with selection criteria → official minutes of the selection process → presentation of the results)
Selection of priority services	Joint Action Plans and other Development documents re-validated; separate focus groups held with vulnerable groups; public hearing in communities and voting on priorities; formal adoption by the councils <i>Focus Groups and Public Hearings on priorities are included in the SIAP methodology</i>
Defining the method of service provision	Evaluation methodology for different provision methods developed and applied; the evaluation tool is included in the SIAP methodology
Selection of service provider for the tendered grant funds	3-level expertise validation:

	<ul style="list-style-type: none"> external expertise of the relevance of technical documentation and appropriated funds (construction works, equipment, licences etc.) external expertise of the prepared tender documents, submitted proposals and selection committee minutes HELVETAS expert's compliance monitoring in accordance with Organizational Finance Manual <p>Grant Agreement includes the right of the project to withhold the funds in case of experts' disapproval. <i>The Evaluation methodology for selection of provision method is included in SIAP methodology</i></p>
Payment to service providers for the provision of local services	<i>SIAP methodology recommends "Act on volume of services performed" co-signed by the M&E group</i>

Knowledge Management & Learning for replication and scaling up

The evaluation of phase I of the Public Service Improvement project has shown that the sustainability of the PSI project is challenged and that the results are mainly limited to pilot municipalities and regions. Therefore, in the phase II the project will not expand geographically but instead build its strategy around:

- enabling conditions at the system level in order to allow for public service provision and development in the long run, and
- countrywide scaling up and sustainability of the achievements of its phase I.

The Project will specifically **build the capacities** of the **LSG Union for scaling-up** its impact through LSGU's role in promoting best practices based on various elements of SIAP methodology. During the phase II the project will support Union's countrywide peer-to-peer learning events for professional communities (Heads of AO, executive secretaries, financial managers, council members). In order to give full ownership of the knowledge to the Union, the project will support a program (including financial incentives) for capacity building of municipalities (IK and JA), designed and managed by the LSG Union. (See Grant support section page 28-29).

A trilateral collaboration between SALSGIR, Union of LSGs and DPI was launched in 2018. The **Interaction Platform** is aimed at connecting the LSGs horizontally, provide capacity building and represent their interests at the national level.

Horizontal interaction	Vertical interaction
Sharing information, best practices, products and management models	Sustainable 'bottom up' communication
Improving cooperation of LSG bodies with local communities	Effective solutions to locally emerging problems
Improving cooperation with civil society and business	Balancing powers through negotiation process between national and local levels
	Strengthening mutual accountability between the state and local governance actors

As an additional instrument of the Interaction Platform initiative the national stakeholders agreed to create an **e-learning instrument** with an aim to:

- accumulate information about the practices of local self-government;
- summarize and analyse the experience of applying various practices of local self-government and provide results of analysis and synthesis to the state bodies for making adjustments to the state policy in the field of LSG;
- without limitation distribute information necessary to introduce the best experience among all stakeholders.

The e-portal will equally be used as effective means of communication and learning and knowledge sharing. In order to effectively link and scale up the outputs from the local level (outcome 1) to the national level (outcome 2) the PSI II will support the platform and the e-portal with capacity building of the national partners, handing over knowledge products and facilitating policy dialogue and learning events operationalized through the platform.

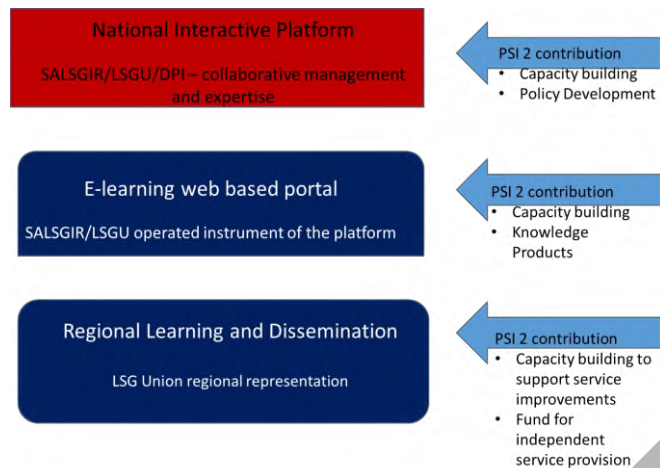


Figure 2 National LSG Interaction and Learning Mechanism

3.5. Methodologies and approaches

- *Rights Based Approach*

The implementation strategy of PSI II is founded in the Rights Based Approach (RBA). The RBA works on both the demand and supply side of public service provision, or in other words it focuses on both rights holders and duty bearers. More specifically, PSI will on the rights holder side empower citizens and strengthen civil society to raise their voices in participative local governance process and hold LSGs to account for providing quality, affordable and accessible public services. On the duty bearer side, PSI II will further enhance the capacities of LSGs to manage public resources and deliver services more effectively and efficiently. Bringing the different actors together through various forms of state-citizens engagement and social dialogue is also at the heart of rights-based programming.

- *Working with and through local partners to improve policies and institutional capacities of local authorities and service providers*

The project places high importance on working through and with the local partners. Locally, it is a partner LSG and not the project in the focus of the interventions.



Figure 3 Working with and through LSG bodies, at local level

Nationally, the project will partner with the Union of LSGs and State Agency for Local Self Government and Interethnic Relations (SALSGIR) to foster learning, best practice dissemination and policy dialogue in public service provision country-wide. (Figure 4)

▪ **Service Improvement Action Plans (SIAP)**

SIAP is a 13-step tool that helps LSGs to better plan, manage, and provide services based on the priority needs of the local population. The SIAP methodology which was successfully introduced during phase I of PSI will be replicated in new municipalities. The usefulness and relevance of the SIAP methodology was confirmed by the external evaluation. Local governments and service providers emphasized that the SIAP methodology helped them to address problems in a structured and holistic way, and to focus on sustainable solutions to improve service levels. LSGs also emphasized that the SIAP approach allowed them to find solutions that are in line with legal requirements. The SIAP methodology will, based on the external evaluation recommendations, be revised including adapting the methodology to support inter-municipal collaboration. (SIAP Methodology described in Annex VII).

▪ **Competition based grant mechanism**

The project will administer two grant schemes:

- The first scheme is focused on improvement of services through support of inter-municipal cooperation (IMC). It will be managed by the project in close collaboration with national partners (e.g. for selection of municipalities and M&E of grant implementation).
- The second scheme aims at improvement of public services based on Service Improvement Action Plan (SIAP) methodology with allocation of small grants to incentivize municipalities (e.g. grants for feasibility studies, consultations by technical specialists). This scheme will be managed by the Union of LSGs that will provide consultations on how to use the SIAP methodology, while the financial management of grants will be done by the project.

Table 1 Grant Program Summary (for more explanation see Annex XI)

	<u>Inter-Municipal Cooperation grant scheme</u>	<u>Service Improvement program through the Union of LSGs</u>
<u>Overall # of targeted municipalities</u>	<u>Up to 35 municipalities in Issyk-Kul and Jalal-Abad regions</u>	<u>Municipalities in the Issyk-Kul and Jalal-Abad regions that are not participating in the IMC grant program</u>

<u>Grant Program Total</u>	<u>624 000 CHF</u>	<u>250 000 CHF</u>
<u>Contribution from LSGs</u>	<u>Up to 40%</u>	<u>Not less than 10%</u>
<u># of clusters receiving technical assistance and 1-tier grant for preparatory process</u>	<u>Up to 8</u>	<u>N/A</u>
<u># of clusters receiving 2-tier grant for service improvement</u>	<u>4-6 clusters (IMC)</u>	<u>N/A</u>
<u>Realization deadline</u>	<u>1-tier grant - 2020</u> <u>2 tier grant 2021 – 2022</u>	<u>Financial incentives for independent service improvement 2020-2021</u>

▪ *Citizens' engagement*

The growth in popularity of citizen engagement initiatives, such as community development committees, citizen satisfaction surveys, public consultations, participatory planning, budget consultations and social audits, reflects the crucial contribution that citizens in transitioning countries can make to the solution of specific problems in the delivery of public services by engaging constructively with state actors. PSI II will therefore deepen the approaches to citizens' engagement by applying the following tools and methodologies:

- Joint Action Plans for identification of priority needs of communities
- Service Improvement Action Plans
- Public Hearings for budget and tariff consultations
- Joint Monitoring Groups to monitor the progress in SIAP implementation
- Conduct gender analyses of project products (AO Charters, draft legislation, training materials, modules, guidelines)
- Citizen Report Cards for municipalities – in cooperation with civil society - to collect feedback on the quality and adequacy of public services from the users. CRC will serve as the basis for social accountability and -dialogue efforts
- Social audits facilitated by CSOs to engage in a conflict sensitive dialogue with the service providers to improve the delivery of public services

▪ *Socially Inclusive and Gender Responsive Public Service Provision*

During Phase I, PSI mainstreamed gender and social inclusion by coaching municipalities on different models of inclusive policies and practices and emphasizing GSE as key element in the processes for selecting municipal services for improvement, awarding grants to realize the SIAPs and monitoring the public service improvements. For phase II the PSI project will strengthen Gender & Social Equity analyses and activities by making use of relevant approaches and tools developed by UN Women and SDC Gender Equality Network such as:

- Socially Inclusive and Gender Responsive Budgeting
- Gender and social inclusion assessment of public services, possibly even beyond the scope of PSI grants
- Reinforcing that M&E interventions and systems ensure that service improvements reach women and other vulnerable groups as intended in the SIAPs.

- Applying Political Economy & Power Analysis tools to ensure that PSI grant allocations are not captured by local elites
- Introducing the Unpaid Care Work (UCW) framework that focuses on:
 - Recognizing (especially men) the double burden of women's care work, e.g. by use of time use diaries
 - Redistribution of women's care work by more evenly sharing the unpaid care services within the family unit and at community level
 - Reducing UCW through improved GSE public service provision and making the conceptual link to using freed up time for women to engage in local governance processes, stand for local elections, obtain paid work and have more leisure time

3.6. Drivers, Restrainers and Challenges to Public Service Provision

As in PSI phase I, the main challenges for public service provision in Kyrgyzstan that are listed below by and large remain unaltered. During phase I of the PSI Project good partnership- and trust relationships were established with institutions that are championing and advocating for an improved service provision system. Consequently, PSI II aims to deepen its collaboration with such key stakeholders that include SALSGIR, Union of LSGs, Local Self-Government bodies and the Ministry of Economy and Gosstroy. Rayon and Oblast administrations, as well as the Ministry of Finance are at present not fully backing the decentralization agenda as it ultimately will result in channeling more and more financial resources and devolve decision making to the local self-governments.

Corruption risks 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 stages of local governance:

- a. 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.
- b. Service planning: Opportunity to select a type of service delivery model (e.g. public, private) that are per se implying a particular kind of service provider creates a corruption risk.
- c. Selection of contractor for service delivery: One of the most serious corruption risks is within the framework of state procurement when selecting a contractor for delivery of services. The corruptive practices take place during preparation of tender documents, technical specifications, as well as during the evaluation of bids.
- d. Payment to contractor for contract execution: the actual non-control of contractor's 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, 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.

- e. Service delivery from municipal basic register of services: corruptive internal mechanisms in regard to provision of service of allocating the land for individual housing construction. The municipalities fail to introduce a transparent mechanism for maintaining a waiting list. The State Agency for LSG initiated a project on establishing of an electronic queue but has not institutionalized it yet.
- f. Inter-governmental fiscal relations: Several aspects of the inter-budgetary transfers raise concerns of being conducive to corruptive practices. First of all, the lack of transparency and clarity of the equalization formula increases the risk of corruption in the distribution of transfers. Further, the national budget transfers that are intended to compensate for the loss of LSGs' income are generally distributed without any system, as was the case with the cities on the loss of sales tax. Finally, the system of stimulation grants is questionable as it puts the rural municipalities into an unfair competition against the cities. Rather than through a competition process, the incentive grants should be provided to all municipalities, without exception, in order to stimulate development of services. One of the ways for the rural municipalities to 'win' this competition is to resort to kick-backs to the Ministry of Finance.

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 the municipal administrations. Renewed 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 which in January 2015 resulted in the Governmental Resolution. Currently this registry includes 14 types of services. However, it is not correlated to the Law on Local Self-Government. The term "municipal services" 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 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 which level of governance. Without clarity on the roles and responsibilities of the different levels of governance, accountability – both upwards and downwards – is seriously challenged. PSI II shall continue supporting all types of services under the full competency of the LSGs.

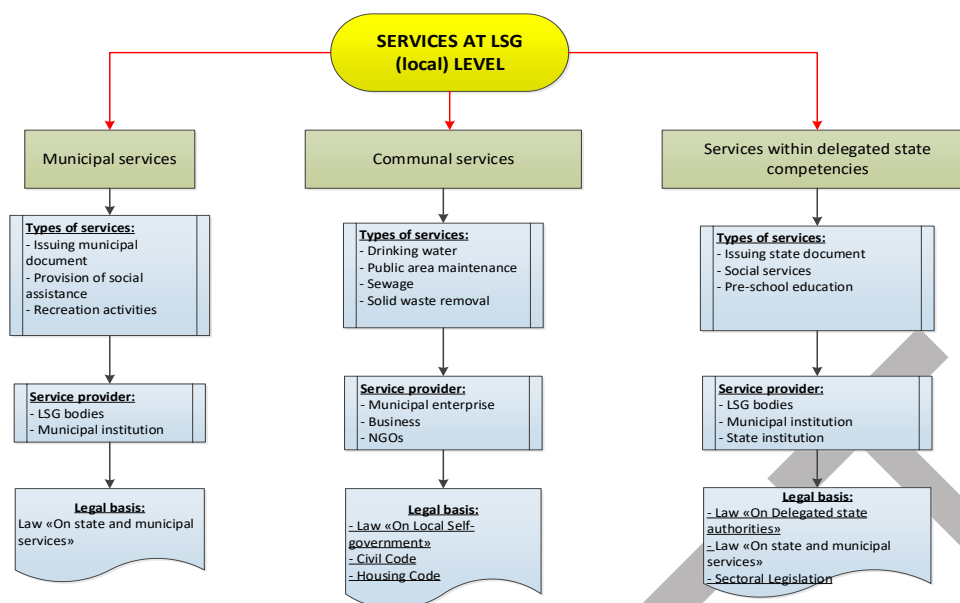


Figure 4 PSI II intervention focus to public services that are organized by the LSGs and provided at the local level

Defining the cost of local services and their funding

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 are still required to both clarify technical standards of service delivery and to establish the basis for calculating the cost of delivering services at local level to this standard. 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.

Engagement of private sector and inter-municipal cooperation

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. To address these interlinked challenges PSI II will assist municipalities to better understand and identify relevant, viable and sustainable alternative options. Based on the experience of the phase I in the two target regions the project expects to pilot several models of inter-municipal cooperation in service provision - waste management, drinking water, local road maintenance and public transport. Technical assistance will be offered to set up PPPs, build the capacity of private business to participate in public procurement processes, promote the private public cooperation within the CSR initiatives, initiating inter-municipal cooperation – or even regional level models for public service provision - based on national and international best practices.

3.7. Collaborations and synergies with other projects

The development goal of the PSI II Project relates to a wide range of SDC and other donor funded projects. From the perspective of strategic planning and effective scaling up and sustainability of the PSI - two currently implemented projects in Kyrgyzstan are specifically relevant:

- SDC funded **Voice and Accountability Project (VAP)** 2019-2021 exit phase. The current VAPII phase focuses on community engagement in local budgetary process to ensure that public finances are managed in a more transparent and effective mode through greatly increased accountability and citizen participation in the decision-making process. PSI II will, in similar fashion as phase I, actively build on the VAP achievements and municipal collaboration by deepening the capacity building, institutional strengthening and public service reform processes that are outside the objective and mandate of VAP. Furthermore, PSI and VAP will work in close synergy on supporting a national mechanism for learning and interaction (Platform for interaction and E-portal) in order to scale-up the methodology and best practices of both projects, strategically support policy framework development and strengthen the role and performance of the LSG Union.
- USAID funded **Community and Municipal Governance Initiative** in Kyrgyz Republic (CAMI) 2016-2021. CAMI is a five-year and 9.5 mil USD project that works with local self-governments to improve their performance, deliver quality services, increase citizens' trust and promote peer-learning networks across the Kyrgyz Republic. CAMI covers 50 municipalities of Jalal-Abad, Issyk Kul, Osh and Naryn regions. The streamlining and coordination of the two projects is especially important as together with expected coverage of the PSI I and II, the two projects are directly active in and covering more than a quarter of 453 rural municipalities in Kyrgyzstan. Furthermore, both projects aim at supporting sustainable national mechanisms and partners for scaling up the projects' impact and anchoring the knowledge products and best practices into the available learning mechanisms for the LSGs. Already during the PSI Phase I the two projects had a fruitful collaboration where the PSI shared its SIAP methodology which served as the basis for development of CAMI's *Visible Improvement Strategy* tool. In addition to the main tool for service improvement the projects have other similarities but also differences in their strategy. Given the weak potential of national partners (the Union of LSGs and State Agency for Local Self Government) and uncertainty with the policy framework on public services and local budgets development the projects' different strategies on tackling the sustainability issues are increasing the probability of creating and supporting viable models for institutionalizing and safeguarding the results of both projects.

The synergies between CAMI and PSI are mainly expected in the following areas:

- ✓ **Coherent approaches:** both projects promote the same concept of service improvement through strengthening capacities of local self-governments to manage service delivery processes and through increased engagement of citizens into these processes.
- ✓ **Increased outreach and knowledge sharing:** by promoting the same concepts and working in different municipalities, both projects will jointly contribute directly to the creation of a critical mass of municipalities (around 25% of all rural municipalities) that apply the same approaches for service management, with a potential for spillover countrywide.

- ✓ **Increased leverage:** the projects join forces to advocate for changes in the area of local public service delivery with one voice.

The coordination and strategic alignment take place at the level of donors – USAID and SDC, and at the level of project teams. Regular coordination meetings at both levels are planned to take place at least once every quarter.

Interventions	PSI	CAMI
Tool for service improvement	SIAP methodology	VIS methodology (based on SIAP)
Financial support to municipalities	On budget grant support for service improvement and capacity building program; service improvement through coaching only	Project procured awards for best initiatives; project organized technical support; service improvement through consultation only
Services in focus	All services organized by LSGs, per citizens priority – individual model services guidelines developed	Selected services within competency of the LSGs
Citizens' consultation mechanisms	Public hearings on service prioritizing, budget planning, tariff setting; citizens report cards; joint monitoring groups; focus groups; social accountability events	Public hearings; mobile feedback mechanism (WhatsApp); piloted municipal communication strategy and developed model communication strategy
Post-project support and sustainability	Support to National Platform for Interaction and National learning mechanism (e-portal and LSG Union)	Selection and capacity building of local NGOs to provide services to LSGs
Support to Union of LSGs	Capacity building in financial, legal, organizational and sustainability aspects of service organization; capacity building in providing services to LSGs through experience in organizing learning events; strengthening the LSG Union's role and position within national frameworks for supporting and representing the LSGs	Support to institutional development (internal regulations, M&E system, financial sustainability plan, employee appraisal, job descriptions)

PSI II will in addition, in a proactive manner seek to exchange knowledge, share learning and, where possible, establish project synergies with the following relevant projects:

- SDC funded **Strong and Inclusive Parliamentary Democracy** (SIPD) project 2017-2021, Phase I. SIPD is a 10-year initiative aimed at strengthening parliamentary democracy in Kyrgyzstan by making it more inclusive and centered on the needs of citizens. The project works with three selected parliamentary committees on improving coordination mechanisms with citizens. In the framework of the SIPD project, an initiative on strengthening accountability of the parliament to local communities is supported and co-implemented by the Union of LSGs and DPI. PSI II will collaborate with the project to enhance its advocacy efforts and facilitate its work with the parliament.
- **Public Financial Management Capacity Building Trust Fund.** 2015-2019, Phase II. It is a SECO co-funded 5-year intervention with the overall objective to improve efficiency, transparency, and results focus in Public Finance Management at national and local levels

through reviewing the performance of public expenditure and financial accountability, strengthening the budget process, enhancing efficiency of Public Finance Management and intergovernmental fiscal relations, and strengthening institutional and human capacity of the Ministry of Finance. PSI II will collaborate with the project to enhance its efforts in optimizing the inter-budgetary fiscal relations.

- EU and BMZ co-funded **Integrated Rural Development Programme** in Jalal-Abad Region (2018-2022). The Programme aims at improving income opportunities of rural population, especially among women, youth and vulnerable groups in southern Kyrgyzstan with the focus on Jalal-Abad region. Via multiple measures such as calls for proposals, small investments and capacity building, it supports local farmers, providers of tourism services, civil society and local self-governments.
- HELVETAS own funded **Irrigation Water Integrity Project (IWIP)** 2018-2021. IWIP aims to influence decision-makers to improve the frame conditions for and delivery of irrigation water services by amending laws and regulations at different levels of governance (national, district and municipal) and to elaborate integrated collaboration models between relevant stakeholders that may be replicated and scaled up in other parts of the country. IWIP pays attention to formulating policy-oriented knowledge products and foster shared learning between multiple stakeholder dialoguing at multi-level platforms.
- **Projects implemented by ARIS**
 - World Bank funded Urban Development Project (UDP)** 2017-2020 aims to improve access to basic services, such as water, solid waste management and other urban infrastructure, along with energy efficiency and seismic resistance technologies in Kerben, Sulukta, Balykchy, Toktogul. PSI II will work with rural municipalities with one possible exception of Toktogul town.
 - Islamic Development Bank funded Improvement of Rural Water Supply and Sanitation Project (IRWSSP)** 2017-2022 in Jalal-Abad oblast. Project's main goal is to assist the Kyrgyz Republic in improving the availability and quality of water supply in targeted rural communities, improving sanitation services in selected villages and strengthening the capacity of providers in the water supply and sanitation sector. PSI II can collaborate with the project on agreeing on the unified approach in calculation of tariffs.
 - International Development Association (IDA) funded Sustainable Rural Water Supply and Sanitation Development Project (SRWSSDP)** 2016-2025. Main objectives are (i) to improve access to and quality of water supply and sanitation services in the Participating Rural Communities; and (ii) to strengthen capacity of the providers in the water supply and sanitation sector. One of the components focuses on building capacity of local authorities and service operators, such as CDWUU in sustainable water supply and sanitation system management. PSI II can collaborate with the project on agreeing on the unified approach in calculation of tariffs.

3.8. Phasing and long-term vision

The stakeholder consultations and findings from the external evaluation of phase I have informed the long-term vision, including the design of phase II. The evaluation found promising experiences of inter-municipal cooperation in provision of services which will be deepened and scaled up in phase II. The service improvement methodology (SIAP) and the piloted citizens' consultation mechanisms (prioritization, monitoring, appeals, tariff calculation) were proved useful, practical and already sporadically used beyond the project framework.

Therefore, the main thrust of PSI phase II will be to deepen, replicate and scale up tested models and solutions from phase I to tangibly improve public services by establishing replication models and supporting national mechanism for their dissemination and scaling up the approach country-wide.

The strategies and tools for scaling up and replication rely heavily on existing national actors - the Union of LSGs and the State Agency for Local Self-Governance and Inter Ethnic relations. Since the capacity of these actors is weak, it is a major risk for the project. Therefore, to assess the progress of the capacitation of the national actors a mid-term assessment will be done after two years of project implementation. If the progress is good, the support to strengthening the partners and mechanisms defined under Outcome 2 should be continued and PSI project phasing out should be scheduled only for the third phase. If progress is not satisfactory, the remaining two years of Phase II may be used for phasing out.

Phase III (phasing out) will be used to consolidate the Project experiences, fully mainstream the established models and best practices by the national authorities in an independent manner and thus secure sustainability of its outcomes.

4. Organization, Management and Administration

4.1. Project Management

As is the case for PSI I, the project will continue to be jointly implemented by a consortium comprising the organizations: HELVETAS Swiss Intercooperation and Development Policy Institute, Kyrgyzstan. 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 set-up of the PSI Project Implementation Unit will continue which means that both organizations have a shared responsibility for all outcomes. However, each organization will contribute with its specific competences. For Phase II the competences and the specific roles of the partners are distributed as followed:

HELVETAS:

- Overall project steering; quality assurance, 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 national, regional and global level

DPI:

- Implementation at the local level in partnership with municipalities and implementing partners
- Provide quality inputs to service policy recommendations and partners' advocacy strategies
- 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

4.2. Organizational structure and Advisory Board

The project is managed by the Project Implementation Unit. The project has one regional office in each of the two targeted regions and a coordination office in Bishkek. Regional offices are

located in Karakol and Jalal-Abad cities. They are supported by the coordination/expert team in Bishkek. The coordination team will be co-located with the HELVETAS Program Office.

The **Advisory Board** is the highest consultative mechanism of the project. This mechanism increases the accountability and transparency of the project. The Board meets at least once a year and the project submits annual project progress reports and annual implementation plans for review. The Board shall provide recommendations on strategic orientation, assure alignment of the project to the State's priorities and contribute to coordination with other stakeholders. Extraordinary meetings of the Advisory Board can be convened upon necessity.

Project Advisory Board is composed of the representatives of:

- SDC Kyrgyzstan
- State Agency for Local Self-Government and Inter-Ethnic Relations
- Union of Local Self-Governments
- Department on LSG of Prime Minister office

Additional participants can be invited as per need. The Project Manager acts as the Secretary of the Advisory Board.

In the capacity of an observer:

- HELVETAS Swiss Intercooperation Kyrgyzstan
- Development Policy Institute

The Advisory Board is co-chaired by both SALSGIR and SDC representatives.

The composition of the board ensures that stakeholders from all levels (local, regional, national) are represented in the advisory board.

Optionally, a joint Advisory Board with SDC funded Voice and Accountability project might be considered.

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 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 PSI in the phase I experienced difficulties with regards to the allocated human resources. It consisted of 5+1 (administrative assistant) full time PIU staff and a part time technical advisor (60%). Due to project's considerable technical assistance and grant program which require particular control and strong management tools some opportunities to increase the project impact were missed. This was confirmed by the external evaluation of the PSI phase I: *The PSI project is understaffed. Insufficient allocation of staff impedes the project's dissemination of knowledge, practices and lessons learned, as well as advocacy work at the national policy level.* It was recommended for the second phase to carefully consider sufficient allocation of staff for dissemination of good practices in order to upscale the results. Following the theory of change of the second phase and foreseen objectives, and based on experience, the PIU is revised with two additional national positions and a 20% increase of the technical advisor's employment rate.

The Project Implementation Unit is composed of:

- National Project Manager, 100%
- International Technical Advisor, 80%

- Manager of Local implementation, 100%
- National Knowledge and Dissemination Coordinator, 100%
- GSE & Knowledge Officer, 100%
- Regional Coordinator Issyk-Kul, 100%
- Regional Coordinator, Jalal-Abad, 100%
- Grants Officer/M&E, 100%
- Project Officer, 100%

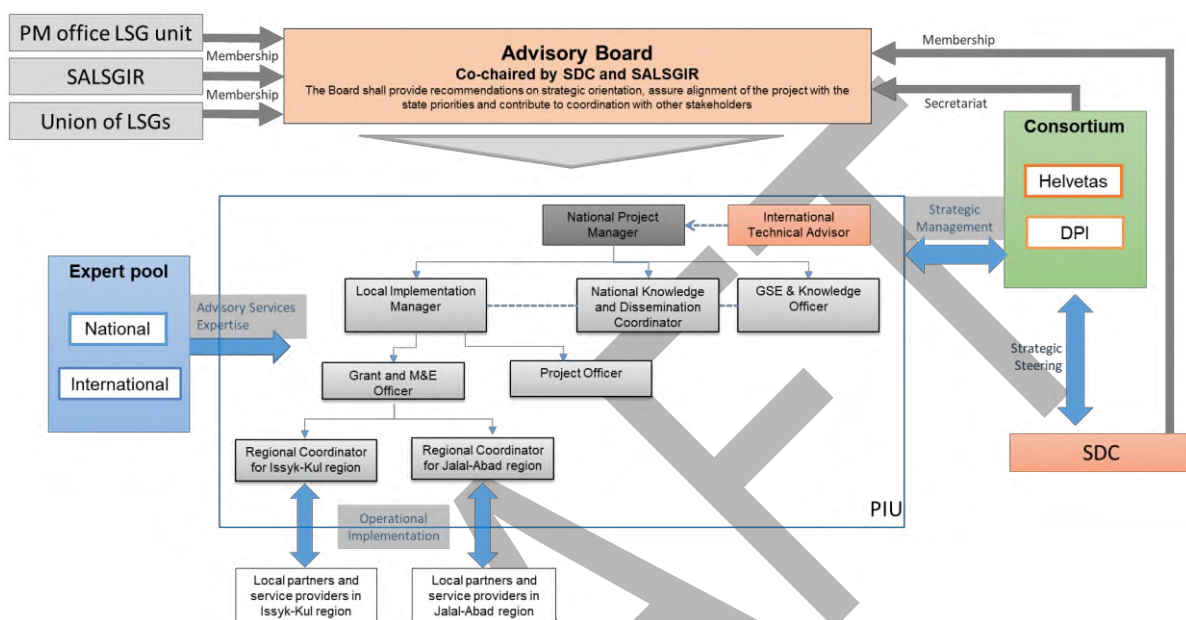


Figure 5 Project's Organizational Set-up

The roles, tasks and responsibilities of each of the staff members are described in detail in the Annex VIII.

4.3. Administration

Accounting, Audit & Internal Control System (ICS): At Programme Office (PO - Bishkek) level, HELVETAS shall as in phase I maintain two accounting systems in Kyrgyzstan: one that follows local law and regulations and taxation (1C, using accrual system), and one that allows a detailed follow-up of expenditures for each cost centre (Banana, using modified cash system). On a quarterly basis the expenditures are consolidated into accounts maintained at Head Office. DPI prepares quarterly reports which are consolidated into accounts for the project on PO level. Annually DPI is subject to local audit in order to confirm project's expenditures.

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 conducted by an independent auditor to confirm their financial statements and bookkeeping procedures.

5. Resources

5.1. Human Resources

The Project Implementation Unit described in the section 4.2 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.

International experts are mostly drawn from the large pool of HELVETAS' Advisory Services. The Head of Governance & Peace from HELVETAS will provide backstopping support, regular advisory services and on-demand deliver specific know-how or knowledge products for the Project. Through the international backstopping advisory services, PSI will also benefit from lessons learned, good practices, applied methodologies and tools from the wide selection of local governance projects that have a similar scope like PSI in more than 25 countries.

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.

5.2. Infrastructure and Equipment

The PIU coordination unit is co-located with the existing HELVETAS office in Bishkek. This office has the necessary infrastructure for secure and adequate operating activities. The regional offices in Karakol and Jalal-Abad are rented as PSI Project offices where basic infrastructure was arranged during PSI I. The PIU will use the outsourced transportation as per needs and the work plan.

5.3. Budget

The project is funded by the Swiss Agency for Development and Cooperation (SDC). The budget break-down per year and project outcome can be found in Annex II in a standard SDC budget template. The efficiency of the resources is carefully balanced with the effectiveness and sustainability of the results. More details on the cost-effectiveness are presented in the Annex X.

6. Monitoring & Evaluation

PSI's existing project monitoring and evaluation system will continue 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 results framework; (b) provide information, results and analysis (lessons learned, problem identification) to management, steering board and stakeholders; (c) to

monitor the degree of achievement of goals, objectives and results; d) monitor and manage the risks and (e) to support SALSGIR and LSG Union with evidence-based data for further development of the service provision policy.

The M&E system will on each level of the result chain identify specific indicators that are disaggregated between women, men, and disadvantaged groups. Thus, it offers 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 through its interventions and to adapt strategies, if necessary and allow drawing and learning end lessons.

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

The existing baseline study will be updated during the 3 first months of the second phase. The study will be based on the new PSI II target indicators. Partners will send half yearly and yearly reports to PSI PIU for approval and analysis. Half yearly / yearly reports will be consolidated by the PIU and sent to SDC. The Project will have an internal strategic mid-term review in the first semester of 2021 to analyse and adapt the project strategy. It will include an assessment of the progress on the capacitation of the national actors. The End of phase evaluation will in 2023 critically analyse the 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 III.

At community level the integrated joint M&E interventions for public services will continue to provide opportunities for participatory monitoring and ensure regular interaction with and among stakeholders, especially between LSGs and local communities (beneficiaries). Apart from jointly monitoring the provision of public services, PSI II will, as described in the section on Citizens Engagement pay more attention to social accountability processes which enable duty bearers and rights holders to jointly evaluate the quality, access, affordability and sustainability of public services.

7. Annexes

Annex I	Project Logical Framework
Annex II	Project Budget
Annex III	Risk Analysis
Annex IV	Stakeholder Analysis
Annex V	External Evaluation Report, PSI phase I
Annex VI	List of Participants, PSI II Planning workshop
Annex VII	SIAP methodology
Annex VIII	Long Term Experts Terms of Reference
Annex IX	Experts Pool for PSI 2
Annex X	Cost - Benefit Analysis
Annex XI	Grant Program

Annex III Risk Analysis

	Risk Identified	Probability	Impact	Threat ¹²	Risk management and mitigation measures
Contextual	<ul style="list-style-type: none"> Political instability / weak performance of state / increasing fragility at Central Asian and national level / political interference in Project activities 	Low	High	Medium	<ul style="list-style-type: none"> Contribute to adherence to good governance 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
Contextual	<ul style="list-style-type: none"> Lack of political will to further clarify local self-government (LSG) system 	Moderate	Medium	Medium	<ul style="list-style-type: none"> Support to advocacy efforts of the State Agency for Local Self-Governance and Interethnic Relations (SALSGIR) and Union of Local Self-Governments (Union of LSGs) Information sharing and coordination with partner organizations and donors
Contextual	<ul style="list-style-type: none"> Security deterioration due to increased migration, return of migrants, radicalization on the ground causing new unrests in the region, negative impact on women due to society getting more traditional 	Moderate	Medium	Medium	<ul style="list-style-type: none"> Conflict-sensitive project management and communication Strengthen non-violent conflict resolution capacities of local actors, prepare security measures and contingency planning Work with the informal social groups (e.g. aksakals, elderly, mothers-in-law, religious leaders)
Contextual	<ul style="list-style-type: none"> Change of administrative and territorial borders of districts and municipalities influences governance structure both in state and LSG bodies/delays in Service Improvement Action Plan (SIAP) implementation because of unclear successor of responsibilities; change in local priorities 	Medium	High	Medium	<ul style="list-style-type: none"> The Project will react flexibly and operatively to the changes in governance systems. Inter-municipal and regional cooperation models developed by the project could provide positive input into Administrative and Territorial Reform.
Contextual	<ul style="list-style-type: none"> Delays in implementation and loss of institutional memory and ownership due to staff change resulting from the 2020 Local Elections 	Low	Medium	Low	<ul style="list-style-type: none"> The Project will particularly focus on capacity building of technical staff of the municipalities directly and through supporting peer to peer learning (between communities of professionals – e.g. executive secretaries) Length of implementation cycles (SIAP) within the project overall duration allows to accommodate for distraction and interruptions caused by local elections

¹² Threat = Probability (Low, Moderate, High) x Impact (Low, Medium, High)

Institutional	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The project actively works with the SALSGIR, the Ministry of Economy, State Agency for Architecture, Construction and Communal Housing (Gosstroy) to improve regulatory framework in service provision sector. Work with municipalities has revealed many contradictions and shortcomings in the legislation and the need to further improve the regulatory framework. The project in the second phase will pay more attention and resources to work at the national level to improve legislation.
Institutional	<ul style="list-style-type: none"> Weak capacity of national partners (SALSGIR, Union of LSGs) that could result into failure to fulfil their functions Potential limitations of institutional set-up of local self-governance administration at the national level (SALSGIR, Union of LSGs) Recommendations of the Union of LSGs do not meet the formal requirements; Government rejects submissions non-compliant to its procedures of document processing 	High	Medium	High	<ul style="list-style-type: none"> Weak capacity of national partners will be mitigated through the Interaction Platform consisting of the Union of LSGs, SALSGIR and DPI (co-implementing agency of PSI), which was created in 2018 and is meant to connect LSGs among themselves, provide capacity building and represent their interests at the national level. Now the Interaction Platform supports some functions of the Union of LSGs due to its low capacity. However, since the Union is a part of the Platform, this approach contributes to capacitate the Union to better fulfil its functions independently in the future. The Union of LSGs still needs to improve its organizational and financial capacities as well its recognition in municipalities. PSI as well as other projects (e.g. VAP, CAMI) will continue to provide support to the Union of LSGs to strengthen its ties with LSGs. Support to SALSGIR and Union to operationalize national interaction and learning mechanism for LSGs (the Interaction Platform; e-portal for learning) Addressing potential limitations of institutional set-up of local self-governance administration at the national level would require a thorough public administration reform which is not realistic at least in the medium-term and beyond the mandate and objective of PSI. However, related risks will be mitigated by fully involving SALSGIR as a partner in accordance with its current mandate into all national-level interventions, as relevant, and by providing capacity building and expertise. However, with a view to long-term sustainability and potential public administration reforms in the sector in the future, it will not be considered as the only partner to rely on for replication and ensuring sustainability country-wide. Collaborations with other potential partners (e.g. civil society) will be actively sought.

Institutional	<ul style="list-style-type: none"> A list of state and municipal services defined by the law does not include most priority services needed for citizens/services with highest requests are not addressed; failed expectations of citizens including from PSI 	High	Medium	High	<ul style="list-style-type: none"> PSI will deal not only with services defined in the state law on state and municipal services but mostly with services and obligations prescribed by the Law on LSG (issues of local significance) PSI will also work on amending the existing regulatory framework in the area of service provision Conflict-sensitive project management and communication
Institutional	<ul style="list-style-type: none"> 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/slowdown of democratic transformation 	Moderate	Low	Low	<ul style="list-style-type: none"> PSI will work at the local and national levels in parallel, having ensured linkages with the central state bodies via SALSGIR and the Union of LSGs. Dialogue will be open and issues will be raised in justified way; objectives will be defined jointly in order to resolve the problems. PSI will continue to actively educate LSGs on their role and responsibility in the organization and provision of services as well as work with citizens through community-based organization (CBOs).
Institutional	<ul style="list-style-type: none"> Municipalities paying only lip service to citizens overview role and not really applying the relevant mechanisms 	Low	Medium	Low	<ul style="list-style-type: none"> The Project will continue including the element of active citizens monitoring mechanism in each step of service plan implementation as well as enshrining them in the normative municipal acts
Institutional	<ul style="list-style-type: none"> 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 	Low	Medium	Low	<ul style="list-style-type: none"> PSI has not yet encountered such risks in Phase I. Municipalities effectively apply various innovative solutions to improve services within the framework of existing legislation.
Institutional	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

Institutional	<ul style="list-style-type: none"> 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 Existing issues in the area of intergovernmental fiscal relations (e.g. non-transparent distribution of funds to the local level, lack of incentives to increase local budget revenues) are not addressed resulting into insufficient resources of municipalities to improve services. 	High	Medium	High	<ul style="list-style-type: none"> PSI together with SDC-funded Voice and Accountability Project (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. The project on Capacity Building on Public Finance Management funded by SECO and the EU, administered by WB and implemented by MoF, will also contribute to addressing the existing issues in the area of intergovernmental fiscal relations.
Institutional	<ul style="list-style-type: none"> Interests of outsourced provider for profit higher than obligations to deliver services/service cost does not meet expected quality 	Moderate	Medium	Medium	<ul style="list-style-type: none"> PSI provides assistance to LSGs on models of contracts for outsourcing with clear duties of the parties (Model contract between LSGs and service provider was elaborated and provided to municipalities during Phase I and will be disseminated to new ones)
Institutional	<ul style="list-style-type: none"> Municipalities do not adopt and apply the norms in service provision 	Low	High	Medium	<ul style="list-style-type: none"> PSI assists (through efforts on national level) in creating the regulation and framework through the government mechanism (the Laws in general are not implemented due to lack of communication and lack of bottom-up requests; PSI will work on both fields)
Institutional	<ul style="list-style-type: none"> Installed services and their quality cannot be sustainable if the service providers operate in an unsustainable manner 	Low	High	Medium	<ul style="list-style-type: none"> With the support of the Project, a number of methodologies for calculating the cost of services were developed and service providers will be trained to calculate and maintain their economic effectiveness
Institutional	<ul style="list-style-type: none"> Municipalities are commercialized in their activities 	Moderate	High	High	<ul style="list-style-type: none"> Helvetas, Development Policy Institute (DPI), the Union of LSGs will actively advocate a position against the commercialization of LSGs when LSG go beyond their direct functions in providing private services to the citizens both directly or through municipal enterprises
Programmatic	<ul style="list-style-type: none"> Insufficient coordination with other Projects / donors, contradicting approaches 	Low	Low	Low	<ul style="list-style-type: none"> Switzerland, together with DFID, co-chairs the Development Partner Coordination Council (DPCC) Working Group on democratic governance where coordination takes place Organize / attend coordination meetings of development partners Actively discuss and share Project plans and results

Programmatic	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> This risk will be minimized in some part by PSI continued work with municipalities where VAP and PSI I worked previously. Regarding new municipalities that will be open for grant program there will be special provisions in selection criteria on citizen participation in decision making process. Due to newly institutionalized requirement to conduct public budget hearings in the Budget Code it goes in line with the current legislation.
Programmatic	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 Also, PSI hired a public procurement expert who consulted municipalities on public procurement procedures. And most importantly, the funds of the grant program were allocated through the local budget, which means that local authorities are accountable for these funds both to the community and to state inspection bodies, which also reduces the risks of corruption.
Programmatic	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Additional focus groups of disadvantaged groups considered, who will conduct additional discussion of the priorities and will define additional services. Project places more focus on gender and socially inclusive service planning and provision One of the eligibility criteria for the grant program is related to disadvantaged groups
Programmatic	<ul style="list-style-type: none"> The project on Capacity Building on Public Finance Management funded by SECO and the EU, administered by WB and implemented by MoF, does not progress as planned. 	Medium	High	Medium	<ul style="list-style-type: none"> Close collaboration and dialogue with project partners and the MoF

Annex 1. Logframe

HIERARCHY OF OBJECTIVES STRATEGY OF INTERVENTION		#	INDICATORS	BASELINE	TARGET VALUE	DATA SOURCES MEANS OF VERIFICATION	EXTERNAL FACTORS ASSUMPTIONS
Impact (Overall Goal)		Impact Indicators					
Impact	People in rural Kyrgyzstan enjoy better living conditions thanks to improved public services	1.	% increase in citizens' satisfaction rate with public services at local level	48%	58% country wide	External survey	Political willingness to revise policies & engage in reform processes that enable LSGs to better deliver quality, accessible and affordable public services
		2.	# of rural municipalities that improved services	0	At least 113 rural municipalities	Citizens Report Cards PSI minutes and reports	
		3.	% of women's unpaid care and domestic work load is reduced and redistributed due to improved public services at local level	Women 57%	Women - 52%	Baseline and Endline Survey	
Outcomes		Target Indicators					
Outcome 1	Rural municipalities provide local public services in an effective and efficient manner	4.	# of men and women directly benefitting from the improved services in target regions	0	Approx. 300'000 in target regions	PSI M&E reports	The financial viability of LSGs and civil service capacities remains stable
		5.	% of men and women in project municipalities who are satisfied with the quality of the prioritized services	Women 52% Men - 55%	Women - 66% Men - 66%	LSG reports Citizens Report Cards	

		6.	# of service providers who are cost-effective ¹³	0	At least 12		
Outcome 2	The various system actors create enabling conditions – technical, legal and financial – fostering socially inclusive and gender responsive local public service provision	7.	# of policy areas with barriers and gaps to be removed by national policy makers to improve service provision at local level	0	At least 4 policy areas	Policies and Legislative documents LSG perception survey	Willingness of state agencies to improve the enabling environment for LSGs
		8.	% of municipalities satisfied with support and services by LSG Union and SALSGIR	44% by SALSGIR 49% by Union of LSG	54% by SALSGIR 69% by Union of LSG (country wide)		
		9.	% of LSGs that perceive the frame conditions for public service provision has improved	46%	increase to 66% (countrywide)		
		10.	# of municipalities with socially inclusive and gender responsive service policies in place	0	100% project municipalities and at least 15 non-project municipalities in target regions		
Outputs		Target Indicators				Means of Verification	Assumptions

¹³ Budget of a supplier, oriented towards result as a result of appropriate measures to enhance the capacity of suppliers

Output 1.1	Men, women, public interest groups and LSGs participate and understand their role in sustainable service management at the local level	11.	# of men and women participating in public hearings on budget, tariffs, prioritization	0	at least 10000 participants (at least 30% women)	LSG attendees list	Municipal willingness to engage citizens in participative, socially inclusive, transparent and accountable local governance processes
		12.	# of joint monitoring recommendations elaborated by LSGs and community groups in project municipalities	0	At least 20	Joint Monitoring Reports	
		13.	# of municipalities covered by awareness raising initiatives on civic responsibility and gender&social inclusive services for LSG bodies and communities	0	At least 30 (in target regions)	Minutes of social accountability events	
		Main Activities: <ul style="list-style-type: none">Facilitate citizens' consultation mechanisms (budget, tariff, priorities) and feedback mechanisms (e.g., Citizens Report Card methodology)Conduct joint (rights holders and duty bearers) monitoring of services; elaboration of recommendationsElaborate social accountability and GSE sensitization program in public service delivery, implemented by regional CSOs through local initiatives					
Output 1.2.	Innovative approaches for effective service provision are introduced and applied	14.	# of services delivered through IMC SIAPs	0	at least 4 (in target regions)	Grant Committee Protocol Project monitoring	Municipal willingness and preparedness to enter into Intermunicipal collaboration
		15.	# of developed and used models for inter-municipal service provision	0	at least 3 (in target regions)	Project Reporting Training feedback	

		16.	# of private businesses engaged in service provision and service improvement	0	At least 4 (in target regions)	SIAPs LSG reports LSGUnion reports	
Main Activities: <ul style="list-style-type: none"> • Prepare and test methodology on inter-municipal cooperation (IMC) • Provide technical assistance and grants for IMC SIAP implementation • Document lessons learned on IMC and identify policy gaps regarding IMC • Capacitate LSGs and private sector on cooperation in service provision • Support the LSG Union to disseminate and present the SIAP Methodology (focus more on civil servants than elected representatives) in IK and JA • Hold regional Public Private Partnership orientation meetings for LSGs • Develop GSE strategy and tools for the LSGs to promote reflection, processes and decision making on socially inclusive and gender responsive public service provision 							
Outputs		Target Indicators				Means of Verification	Assumptions
Output 2.1	National and regional policy framework for local services is improved	17.	# of policy proposals regulating service provision elaborated by national partners	0	At least 3	Policy proposals	Political willingness to review and revise policy frameworks for local public service provision
		18.	# of issue based national policy dialogue events resulting in legislative changes (e.g. GSE policies, interbudgetary transfers, gaps in legal framework on service provision)	0	At least 4	Gazetted decisions by state and LSG bodies Reports from policy dialogue events Experts' assessments reports on cross administrative boundaries cooperation	
		19.	# of elaborated recommendations and models	0	2	Agreements on regional cooperation on 1 public service	Political willingness to engage in innovative regional models for public service provision

			on regional organization of services and cooperation				
	Main Activities: <ul style="list-style-type: none"> • Develop evidence base for reforms, build partnerships with national partners for policy revision • Prepare assessment and elaborate policy proposals and recommendations for models on regional organization of services and inter-administrative cooperation; • Capacitate LSG union and SALSGIR (Ministry of Economy/Gosstroy if needed) on policy analysis and assistance in formulation of recommendations • Develop an advocacy strategy on intergovernmental fiscal relations (e.g. work with the Parliament, Ministry of Finance and other actors) • Facilitate national level policy events to discuss lessons learned from PSI and likeminded project (incl. CAMI & VAP) 						
Output 2.2	National mechanisms for knowledge dissemination and learning are in place and provide guidance to municipalities	20.	# of non project municipalities that improved services based on SIAP methodology in target regions with the support of the Union of LSGs	0	at least 50 (in target regions)	External survey	PSI project capacity to document and share knowledge and lessons learned is enhanced
		21.	Rate of implementation of the Roadmap on capacity building of the Union of LSGs	0%	100%	Project minutes and reports	
		22.	# of project knowledge products generated and disseminated through national partners showcasing innovative, gender sensitive and socially inclusive models for public service management	0	At least 10	Partner agreements and commitments on KNL platform Knowledge products: videos, reports, best practice cases, testimonies etc.	The Union of LSGs performs its role on support to initiatives from the LSGs, prescribed in its Charter SALSGIR performs its role of participating in regulatory framework formulation
		23.	# of knowledge and peer-learning events provided through national learning mechanisms	0	At least 120 (country wide)	Reports and minutes from peer-to-peer and shared learning events	

							related to service provision
	Main Activities: <ul style="list-style-type: none"> • Capacitate LSG Union and SALSGIR for replication of the tested models, to provide advisory services to LSGs and to organize peer-to-peer learning events regionally and nationally • Support the LSG Union in facilitating knowledge sharing and service improvement – ToT and grant fund; institutionalizing GSE tools for LSGs at the level of national mechanisms • Document good practices for innovative public service collaboration (incl. private sector engagement) and dissemination through the national mechanism (SALSGIR/LSGU platform and e-portal) • Support LSG union to strengthen its outreach structure - interaction with LSGs by supporting the Union to provide services to membership in the regions and conduct service improvement initiatives • Support to national interaction platform and e-learning portal. Share and publish knowledge products and information through national e-learning portal and multi-media media channels (press releases, Munitsipalitet magazine, social media, newspapers, and TV). Document success stories and stories of change 						

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