**External Review
Strengthen Voice and Accountability Project (VAP)
Inception Phase and Phase I (November 2011 - 31 March 2015)**

September 2014

Team

The Team was composed of the following members:

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Responsibility

This report represents the thoughts and views of the Team. As such, they bear sole responsibility for the analysis and recommendations contained within it.

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Acronyms and abbreviations

CSO	Civil Society Organisation
DFID	Department for International Development
LED	Local Economic Development
IG	Initiative Group
JAP	Joint Action Plan
LGA	Local Government Association
LSG	Local Self-Government
MDTF	Multi-Donor Trust Fund
M & E	Monitoring and Evaluation
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NGO	Non-Governmental Organisation
PFM	Public Finance Management
PIU	Project Implementation Unit
PSI	Public Services Improvement project
RBM	Results-Based Management
SALSGIR	State Agency for LSG and Interethnic Relations
SDC	Swiss Development Cooperation
SPS	State Personnel Service
TIA	Training Impact Analysis
TNA	Training Needs Analysis
TORs	Terms of Reference
ToT	Training of Trainers
UNDP	United Nations Development Programme
VAP	Voice and Accountability project

Clarification of terminology

Since some of the terminology used in this report is sometimes interpreted in different ways by different actors, we include here clarifications on a few key terms, to assist the reader to interpret the comments and analysis in the report. Terminology is taken directly from the Glossary of Key Terms in Evaluation and Results Based Management produced by OCED's Development Assistance Committee (DAC) Network on Development Evaluation.

Inputs: Financial, human, and material resources used for the development intervention.

Activities: Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs.

Outputs: The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
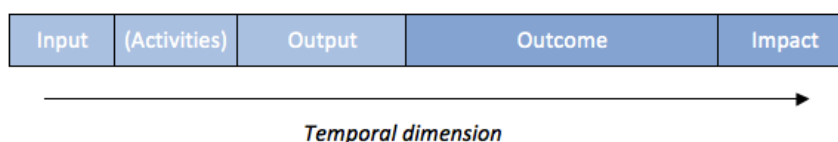
Outcome: The likely or achieved short-term and medium-term effects of an intervention's outputs. The term can also be defined as the effects that can be directly attributed to an intervention (as opposed to indirect effects) or its effects on the target group (in contrast to its effects on people outside that group).

Impact (long-term outcome): Positive and negative, primary and secondary long-term effects produced by a development intervention, directly/indirectly, intended/unintended.

Results: The outputs, outcomes and impacts (intended or unintended, positive and/or negative) of a development intervention.

Results chain: The causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback. In some agencies, reach is part of the results chain.

RESULTS CHAIN

Input	(Activities)	Output	Outcome	Impact

Temporal dimension

Results framework: The program logic that explains how the development objective is to be achieved, including causal relationships and underlying assumptions.

Results-based management (RBM): A management strategy focusing on performance and achievement of outputs, outcomes and impacts. An orientation towards outcomes and impacts (rather than outputs) is often regarded as the distinctive feature of RBM.

Contents

Annexes

I.   Executive Summary

External review findings

This review was carried out during 8 – 19 August 2014. It is based on a limited coverage of Municipalities, consultation with different stakeholders and a wide-ranging review of relevant documents and legislation. The focus is on assessing the contribution of the project to objectives and outcomes.

The project is largely well-designed with an appropriate mix of outcomes focusing on community participation, LSG capacities and improved LSG legislation. While the formulation of project outcomes is sufficient, further consideration could have been given to improving the formulation of outcome indicators, which are primarily short-term in nature. For the first phase, it was relevant to concentrate pilots geographically whilst retaining the objective of disseminating the project experience, either regionally or at the national level.

The project was necessary to address the absence of a post-2010 decentralisation policy orientation and the withdrawal of donors from the sector. VAP has been implemented against a backdrop of competing interests with the political economy context threatening to reverse decentralisation completely; 2013 was a critical year during which the advocates of decentralisation appear to have gained significant advantage.

VAP has been largely effective to date in contributing to its overall goal: "to strengthen the ability of citizens to participate in the budget process at local level, and to ensure that local governments perform their responsibilities in using funds adequately for public services". VAP's current impact is, however, limited to a specific set of LSGs in Jalalabad and Issyk-Kul Oblasts with more time needed to secure wider citizen participation and service delivery effectiveness. The community-driven budgetary framework is in place and functioning in pilot Municipalities. This has resulted in a high level of community engagement, awareness and trust towards pilot Municipalities. Thanks to the efforts of VAP in supporting the MoF to integrate compulsory Budget Hearings within legislation, there is a strong likelihood that pilot (and other) Municipalities will begin to apply the model in the medium-term. In the pilot Municipalities, this is based on the fundamental shift in thinking that was expressed by municipal and community representatives in visited pilot Municipalities. While citizen participation and budget transparency have been achieved as a result of first pilot Municipalities involvement in VAP, work is still required to insitutionalise this work within the second round of pilot Municipalities, as well as non-pilot Municipalities. The model is, however, recognised by a wide range of stakeholders as being successful and unique in its approach, since it targets LSG own systems and processes.

The ability of LSGs to "perform their responsibilities in using funds adequately for public services" is still heavily dependent on the enabling environment within which they operate. These issues are being addressed by the project through a focus on reforms to the inter-governmental finance system, clarity over the funding of delegated competences and activities targeting the municipal service qualification improvement system. DPI deserves recognition for policy advocacy efforts; it did not do it alone, but its technical knowledge and vocal advocacy provided a significant input to the debate, with the result that a very real

threat to decentralisation has been overturned. There is now an opportunity to consolidate legislative gains and herald in a new era of decentralisation in Kyrgyzstan. But the context is still extremely sensitive and there are many outstanding challenges which include both the legal framework and its implementation. It is therefore too early to conclude if the legislative breakthroughs made in 2013 will have the desired result in terms on public service delivery and budget transparency across the country.

VAP has been credited with making significant contributions by SCS, and it is easy to conclude that it has fulfilled several output indicators (eg. number of curriculum proposed, number of tested trainings). The litmus test for VAP's inputs in this component will be the effectiveness of training provided through SCS and, if successful, its replication over subsequent years; there is a huge need for investment in the capacity of the municipal sector. While it is understandable in the short-term to advocate for a common personnel system for municipal and state civil servants, this policy approach presents significant challenges to the long-term objective of independence of LSGs, particularly concerning the definition of own staffing requirements and human resource policies.

DPI has occupied a role that might usually be played by a Local Government Association (LGA). There is a long-term risk related to the perception that DPI may lack full legitimacy. There is also a perception that DPI is occasionally working in isolation. While we can conclude that VAP has achieved a number of policy advocacy successes which go beyond the output indicators, further efforts are needed to engage a wider set of partners in its lobbying efforts, in order to make these successes sustainable.

Strategy and recommendations for Second Phase and Exit Phase

The Team recommends the continuation of VAP with a 4 - 5 year second phase and 2 - 3 year exit phase. We recommend expansion of pilots using the same model that was applied to support pilot and non-pilot Municipalities in Phase 1, with a similar anticipated timeframe of 1.5 – 2 years in new Oblasts/Rayons. Five options are presented in this report as follows:

1) Deepen support to existing pilots and expand to 3 - 4 more Municipalities in each Rayon in Jalalabad and Issyk-Kul Oblasts
2) Reduce focus to all Municipalities in 2 – 3 Rayons each in Jalalabad and Issyk-Kul Oblast and introduce all Municipalities in 2 – 3 Rayons in Chui Oblast
3) Limit support to Municipalities in Jalalabad and Issyk-Kul Oblasts to training activities, and introduce VAP methodology to 2 new pilot Municipalities in each Rayon in 5 remaining Oblasts
4) Limit support to Municipalities in Jalalabad and Issyk-Kul Oblasts to training activities, and introduce VAP methodology to all Municipalities in 1 Rayon each in 5 remaining Oblasts
5) Expand to all LSGs in remaining Oblasts (non-pilot Municipalities)

The Review Team recommends that VAP pursues Option 3.

The grant mechanism should be introduced to other Municipalities under a competitive basis; we recommend keeping the same value for each individual grant but increasing the grant pool. Grant funds should also be restricted to core competences, and efforts should be

made to align the grant project allocations with the budget process. VAP should take care to ensure that wider public participation in relevant events.

We also recommend continuation of central policy work including: (i) transparency and predictability of inter-governmental transfers and own/shared revenues; (ii) focus on delegated state authorities; (iii) personnel development system.

The M & E system should be structured to guide project implementation and take account of intended objectives/outcomes. The introduction of an RBM approach based on the Results Chain, will focus the analytical point of departure on Outcomes and Impact. This will ensure the project management and beneficiaries alike will be able to take on more of a "management perspective", using monitoring as an integral part of implementation and aligning reporting and planning. The project should consider investing in technical assistance to support the preparation of the next progress report and RBM training.

International assistance should be introduced to expand perspectives and underline arguments that: (i) delegated state authorities should be met with new financing; (ii) amount of transfers and timing of release should be predictable and stable over time; (iii) criteria for allocation of transfers must respect the principle of equity and take into account of structural factors affecting the revenue capacity of Municipalities.

It is recommended to carry out an external review towards end of the second phase of VAP. This review should seek to assess qualitative improvements in knowledge in pilot and non-pilot Municipalities. Depending on the findings of the review, the following aspects may be considered for inclusion within a 2 – 3 year exit phase:

- Review lessons from VAP first and second phases.
- Repetition of trainings where there is weak absorption of VAP knowledge transfer.
- Institutionalise approach from successful Municipalities with Ministries.
- Advocate for adoption of common approach by other projects and partners.
- Assessment, publication and dissemination of best practice.
- Capacity development of wider group of non-state actors to carry advocacy work.
- Organisation of a national conference to promote VAP experiences.
- Review long-term requirements for capacity development of the municipal sector.
- Present long-term vision for service/welfare delivery through LSGs according to subsidiarity principle, involving a range of actors and lobbyist from civil society.

While DPI has been working diligently and effectively, most of the organisation is working as on VAP and since there is an increasing demand on DPI staff on other projects, there are a number of risks for its own organisational sustainability and project implementation.

It will be important for VAP to use this report to enter into a considered dialogue with SDC about which activities are of fundamental importance to support the achievement of medium- and long-term outcomes. VAP has a huge workload going forward, not least related to expansion into new pilot Municipalities; narrowing the focus may help to achieve more sustained outcomes.

II.   Review

1.   Clarifications regarding the review methodology

This external review follows the Terms of Reference and Mission Programme developed by SDC and DPI (Annex 1 and 2). It is based on limited coverage of Municipalities, consultation with limited set of stakeholders and a wide-ranging review of relevant documents and legislation. The findings are based on the evidence of field visits to 4 pilot and 2 non-pilot Municipalities, in addition to information provided by other stakeholders. It is not therefore based on the experience of all 26 pilots and other non-pilot Municipalities in Jalalabad and Issky-Kul Oblasts. It is therefore not possible to confirm with one hundred per cent accuracy the level of impact of the project at the national and local level.

The focus has been on assessing the contribution of the project to objectives and outcomes. While we have included some reference to numerous outputs, a detailed exploration of each and every quantitative performance indicator was not deemed relevant, given the limited duration of the assignment, and the fact that VAP already addressed this level in its recurrent progress reporting.

Consideration has been given to coordination with other projects of direct relevance for VAP and SDC funding (eg. PFM Trust Fund, Public Services Improvement).

In this review, LSG is generally used to refer to Rural Municipalities not Cities.

2.   Review of context

The dialogue on decentralisation in Kyrgyzstan during the last decade has been characterised by dramatic swings and occasionally contradictory signals from policy makers. VAP has been implemented against a backdrop of competing interests with the political economy context threatening to reverse decentralisation completely; 2013 was a critical year during which the advocates of decentralisation appear to have gained significant advantage. There is a currently a considerable opportunity to consolidate legislative gains and herald in a new era of decentralisation in Kyrgyzstan. However, the context is still extermely sensitive and there remain many outstanding challenges. Among the current challenges:

- Significant policy gains are only relatively recent, and there are many actors, particularly at the central level, who oppose the adherance to a 2-tier (as opposed to 3-tier) budget system.
- While there has been progress since the Law on Access to Information (2006) and the Constitutional reforms, there is a 'default setting' among state institutions and local governments towards secrecy.
- Inter-governmental finance system needs to be adjusted to ensure that the current mix of LSG revenues (transfers, shared revenues, own revenues) is configured to ensure an appropriate balance between these elements.
- LSGs are currently expected to finance delegated state authorities with own / shared revenues.

- Beyond the relatively limited number of VAP pilots, there is a weak understanding of financial and budget issues amongst citizens, and a limited capacity of LSGs to manage budget finances and deliver services effectively, across the country.
- Landless and women citizens have fewer opportunities to influence budget processes so are even less likely to be engaged.
- The country is in the top 10% of corrupt countries in the world according to the Transparency International Corruption Perceptions Index.
- Capacity on decentralisation is limited to a small group of experts and advocates the Union of LSGs is currently rather limited in its capacity to play a role as the national representative of Kyrgyz LSGs.
- Donor community needs to work to ensure that efforts and models to support public participation in local service delivery and harmonised/instutionalised within and across LSGs.

3. Project design and relevance

The Project Document presents a number of amendments as compared to the tender document and DPI offer. These were authorised by SDC with the approval of the Project Document. The Team considers these amendments to be largely relevant, given the context within which the project was operating.

The pilot project methodology was based on earlier project interventions: it was a work in progress at the point at which VAP was initiated, but it was based on a considered review of international practices vis-à-vis the Kyrgyzstan context. In particular, an emphasis was given to a combination of the Participatory Modernisation and Proximity Democracy models (see Annex 3: Models for Participatory Budgeting). It is considered to be a relevant choice.

The project was in fact needed to address the absence of a post-2010 decentralisation policy orientation and the withdrawal of donors from the sector. In this regard, the project included a high level of risk, particularly concerning its focus on the national policy dialogue. However, the Team connsiders the longer-term perspective (10-year project) for SDC support to be an often-overlooked precondition for support to decentralisation.

The project was largely well-designed with an appropriate mix of outcomes focusing on community participation, LSG capacities and improved LSG legislation. Furthermore, amendments to the overall objective are considered to have improved clarity regardind the overall results chain:

> "To strengthen the ability of citizens *to participate in* the budget process *at local level*, and to ensure that local governments perform their responsibilities *in using funds adequately* for public services" (*italics* denote changes in the Project Document, as compared to the Tender Document).
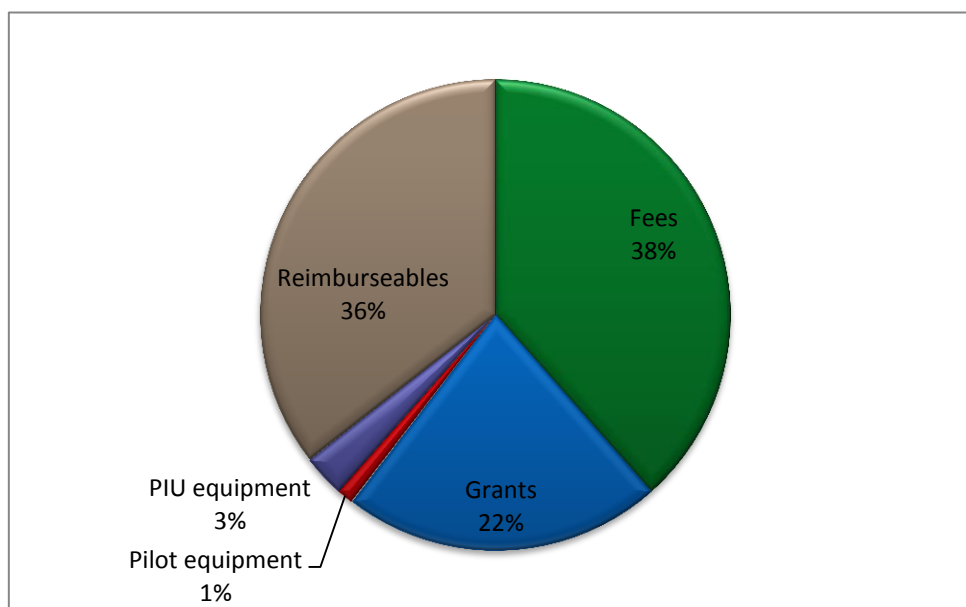
While the formulation of project outcomes was also sufficient, further consideration could have been given to improving the formulation of outcome indicators, which are primarily focused on short-term outcomes (changes introduced such as new methods, tools and strategies). In a 10-year project with a focus on decentralisation, it is entirely appropriate to

have a degree of flexibility in the formulation of outcome indicators, but more efforts are required to include a focus on medium-term outcomes (effectiveness changing as a consequence of new methods, tools and strategies) and long-term outcomes or impact (effectiveness resulting in changes for beneficiary groups). With regard to Outcome 1 and 2, more consideration could be given to the latter; VAP is starting to demonstrate impact, but long-term outcomes are not currently considered within VAP's M & E framework. Outcome 3 might include a focus on the implementation and monitoring of decentralisation legislation, as well as changing relations between different stakeholders as decentralisation progresses.

For the first phase, it was relevant to concentrate pilots geographically whilst retaining the objective of disseminating the project experience, either regionally (directly between pilot and non-pilot Municipalities) or at the national level (indirectly through models, legislation, and presenting the approach to development partners and the media). Given the possibility of an eventual territorial-administrative reform in addition to the need to consider the adoption of the model by all LSGs in Kyrgyzstan, it is thought that the inclusion of cities as pilots might have presented an added-value to the project.

The concept of engaging wider partners (emphasised in DPI's Offer and Project Document) was considered highly-relevant in terms of developing wider capacity and sustainability.

The budget for VAP was increased as compared to the Tender Document owing to: (i) introduction of new DFID funds; (ii) extended duration beyond 7.5 years. The table belows shows a breakdown of the budget between fees, reimburseables, equipment and grants.

The weighting on these different elements is considered to be appropriate given the nature of project inputs/activities.

VAP set out to coordinate with a number of other projects, specifically the Capacity Development in Public Finance Management (PFM) project, implemented by MoF and administered by World Bank through the Multi-Donor Trust Fund (MDTF), which received

financing from EU, SDC, Sida and DFID. The VAP Project Document outlined plans to: (1) cooperate with the Trust Fund to support upgrading the model of equalization grant calculation; (2) conduct a public discussion of the outcomes; (3) develop amendments to the package of regulatory documents; (4) provide support to the MoF and MDTF in developing methods of mid-term forecast at the local budgeting level. The Team was not able to assess the performance of MDTF in areas concerning transparency in the budget process and developments regarding the system of intergovernmental relations, but it is clear that VAP has made contributions, particularly regarding the latter (see Output 3.1).

We can conclude that the project was reelvant at the time of design the mix of outcomes focusing on community participation, LSG capacities and improved LSG legislation remains relevant to the context in Kyrgyzstan. More concerted efforts are, however, required within the Planning, Monitoring and Evaluation system (PME) to ensure that actvities are targeted towards medium- and long-term outcomes.

4. Results achieved at outcome and outputs levels

VAP has been largely effective to date in contributing to its overall goal: "to strengthen the ability of citizens to participate in the budget process at local level, and to ensure that local governments perform their responsibilities in using funds adequately for public services". This is evident from the work of VAP in pilot Municipalities, where there is clear evidence of enhanced citizen participation in defining local government priorities including and beyond the budget process, but also in the way local governments have improved their governing and managing capacities in response to citizens' needs, particularly through the activation of previously obsolete service delivery functions. It is also evident across a wider set of non-pilot Municipalities, where local communities are participating more effectively in public service delivery. In addition, various measures have been introduced within the national policy framework to support citizen participation, local government service improvement and, above all, decentralisation.

VAP's current impact is, however, limited to a specific set of LSGs in Jalalabad and Issyk-Kul Oblasts with more time needed to secure wider citizen participation and service delivery effectiveness. While a number of outcome indicators (Logical Framework) related to citizen participation and budget transparency have been achieved as a result of first pilot Municipalities involvement in VAP, work is still required to insitutionalise this work within the second round of pilot Municipalities, as well as non-pilot Municipalities. Furthermore, there is as-yet limited evidence of sustained adoption of formal M&E processes and systems driven by citizens. This review deals with this questions in Section III.

The ability of LSGs to "perform their responsibilities in using funds adequately for public services" is still heavily dependent on the enabling environment within which they operate. These issues are being addressed by the project through a focus on reforms to the inter-governmental finance system, clarity over the funding of delegated competences and activities targeting the municipal service qualification improvement system. While a number of important (legislative) breakthroughs have been made during 2013 with the help of the project, is still too early to conclude if they will have the desired result in terms on public service delivery and budget transparency in a wider set of Municipalities across the country.

The question remains as to whether it will be sufficient to concentrate efforts on existing Oblasts together with national policy initiatives, or whether a broader focus will be required on implementation in other Oblasts, as indicated in the Tender Document: "The project will initially focus on three pilot oblasts. The selection of these oblasts will be based on the result of the mapping analysis as well as the presence of Swiss bilateral projects. At least one of the pilot oblasts will be in the South (Osh, Batken, or Jalalabad). Over time, the project will scale up and consolidate the support across the country." (Tender Document, page 9). This review deals with this questions in Section III.

5. Effectiveness

Effectiveness concerns the extent to which results (outputs, outcomes, impact) have been achieved as planned. Below we provide an overview of the achievements of VAP as compared to the Project Document.

Outcome 1: Local communities (including CSOs) are participating in public service management

Output 1.1. Community driven budgetary framework is in place and functioning

VAP developed its participatory budgeting model in 3 pilot Municipalities (Leninskii, Ivanovskii and Tort-Kulskii) during the project's inception period. The model included training on Participatory Rural Assessment (PRAs), the establishment of Initiative Groups (IGs) composed of local councillors, municipal staff and community representatives, how to conduct budget hearings and and developed Joint Action Plans (JAP) training. The model was then rolled out to a further 11 Municipalities during the period April 2012 – January 2014. Support continued to the initial pilots but a further 13 pilots were introduced in the same Rayons from January 2014, after an additional funding contribution was provided by DFID.

All pilot LSGs have been trained and conducted PRAs, established IGs, conducted (sometimes pre- and post-) budget hearings, produced JAPs. DPI has provided considerable support to this process through its local consultants, field experts and specialists.

VAP has succeeded in achieving a number of important outcomes related to public service improvement that stem from the work on citizen's engagement in the budget process. The process of identifying needs has not only resulted in a greater understanding about Municipality roles, it has also resulted in an increasing awareness among citizens about the specificities and challenges related to different types of service provision. This has led to an increasingly level of trust and cooperation between citizens, local councils and municipal servants. In addition, the process has allowed DPI to document needs in both pilot Oblasts. This in turn has been useful as it has provided input to the wider dialogue on decentralization and public service improvement in the country.

It is evident from interviews with citizens representatives in IGs in the Municipalities visited by the Review Team that local communities have become increasingly active during public meetings and events, and the level of their engagement is increasingly sophisticated, with participants expressing a high level of knowledge, according to municipal servants. This is

confirmed in VAP progress reports. The same is true for IG member participation in JAP monitoring, with citizens engaged to monitor budget spending and present feedback during budget hearings.

Based on a review of the visit pilots, there appear to be differences in the level of instiutionalisation of these processes, with the first round of pilots demonstrating a higher level of community engagement than the second pilots, which require more time and support to fully realise the process over several phases, and non-pilots municipalities. Both of the 2 non-pilot municipalities visited by the Review Team demonstrated a high degree of awareness on, and had applied, VAP methods, although the level of community engagement appeared to be more limited. The grant mechanism (see Output 2.3 below) proved to be an effective means to stimulate non-pilot Municipalities into adopting tools and methods promoted by the project.

VAP has sought to ensure that IGs and the wider process of community participation can be formalised. Since this is possible through the formation of Commissions of LCs or based on the adoption of Community Charters, the following outputs have been produced that were not considered in the original Project Document: Model Regulation for LC Operations adopted and disseminated; Model Community Charter tested, approved and integrated into legislation.

VAP has subsequently conducted workshops for pilot municipalities on the Model Regulation for LC Operations. In addition, VAP has been working on a model operational plan for Local Councils, which it plans to disseminate during the second half of 2014. This is considered to be a positive and necessary step that has the potential to align the Joint Action Plan promoted by VAP with other strategic policy documents that are currently being applied by different Municipalities. It is therefore advised to defer the completion of this work until the implementation period of current JAPs are complete, in order to take account of other mechanisms and the process of preparation for next election of new LCs.

We conclude that the community driven budgetary framework is in place and functioning in pilot Municipalities. This has resulted in a high level of community engagement, awareness and trust towards pilot Municipalities. Thanks to the efforts of VAP in supporting the MoF to integrate compulsory Budget Hearings within legislation, there is a strong likelihood that pilot (and other) Municipalities will begin to apply the model in the medium-term. In the pilot Municipalities, this is based on the fundamental shift in thinking that was expressed by municipal and community representatives in visited pilot Municipalities. The model was also recognised by a wide range of stakeholders as being successful and unique in its approach, since it targets LSG own systems and processes.

While the visited sample also showed positive progress in 2 non-pilots, it is impossible to verify if this is the case in all Municipalities in the 13 Rayons.

Output 1.2. Local communities initiate and implement own projects

While not necessarily recommended[1], the fact that Village Heads are also municipal servants appears to have supported the mobilisation of IGs, and the wider community, in pilot and non-pilot Municipalities. Most Municipalities in concerned Rayons have been successful in establishing IGs which have for the most part been very active in designing projects to address concerns and problems identified during PRAs. Recurrent reporting indicate an increasing level of engagement by community members in pilot Municipalities, including in public hearings and through ad hoc exchanges between citizens and local councillors and municipal servants (ie. beyond IGs). VAP has been instrumental in supporting local communities to define and implement JAPs (including specific projects). In some cases, pilot Municipalities have now reviewed and updated JAPs. The direct engagement of citizens in defining the voting procedures is seen as a large positive of the VAP model. This is supported by positive testimonies from citizens met in visited Municipalities, although the numbers are still relatively low and efforts will be required to sustain this incremantal increase, without VAP support.

Pilot and non-pilot Municipalities have succeeded in accessing funding for projects, either in the form of VAP grants, stimulating grants or other sources. Non-pilots have adopted the methodology primarily because of the prospect of grant funding. Most projects present solutions to long-standing challenges in local service provision and many have direct impact on the lives of citizens. In this sense, we can confirm that the project has been successful in meeting planned outputs, but further efforts are made to identify and measure the indicator for 'number of beneficiaries of implemented initiatives' within the project.

While VAP has helped to raise awareness among local communities about national funding deficiencies for investment projects, there remains a large unfulfilled gap. In this sense, the capacity and therefore potential of local communities to initiate and implement projects is constrained by the eabling environment. In the longer-term, this must be dealt with primarily through advocacy efforts targeting fiscal decentralisation (see Output 3.1 below).

The Local Initiative Competition has announced for 2014, following its introduction during 2012 and 2013, this time with additional funds from DFID and SDC (0.5M CHF for Small Grants). The competition goals are listed in the competition regulations as follows: 1) to encourage more active participation of the people in the community life and decision-making process at the local level; 2) to identify the most successful examples of implementation of local initiatives addressing issues of local importance to the promotion and dissemination of information about them, and; 3) promote the use of best practices work and new ways to address local issues of local communities in partnership with local self-governance in Kyrgyzstan. Leaders of the local communities, IGs, NGOs, LSGs, municipal institutions and organisations jointly or separately are encouraged to submit an application describing their the most effective, successful experience or event, arranged in their village by the common initiative and aimed to solve the local importance issues. Prizes range from 10,000 Soms for Incentive Prizes to 100,000 Soms for First Place. An evaluation (deadline 5th August 2014) will be carried out by a committee composed of VAP, DPI, SALGSIR and an NGO

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[1] International practice dictates that it is important to ensure a clear seperation of powers between the executive and legislative branches of government (including local government).

representative. During 2012 and 2013, 21 applications were submitted by CSOs (including NGOs, womens unions, drinking water and irrigation water associations). The idea is obviously to stimulate a higher degree of community engagement, as opposed to a serious investment in local projects; in this sense, it seems to have achieved its purpose.

Not so many actual NGOs participated in this component, as they are not so present at the village level, however VAP states that it sought to engage civil society through local organisations (jamaats, public committees, etc), with the main objective to promote cooperation between LSGs and communities. As per the Project Document "NGOs regional forums to share experience on advocacy and participation in LSG" took place, with 2 forums per year year (1 in each oblast); participants were mainly winners of the Local Initiative competition (14 participants representing CSOs and NGOs) together with representatives of LSGs.

We conclude that VAP has been instrumental in supporting local communities in pilot Municipalities to play a central role in the process of defining and implementing JAPs, including specific project priorities identified within JAPs.

Output 1.3: Citizens assess LSG's performance based on Action Plans' implementation

The first part of 2014 has been used to deliver Training of Trainers (ToT) to 34 participants from LSGs and M & E groups. In addition, local VAP consultants have been introduced to the Municipal Budget Transparency Index and Service Assessment. The latter includes a survey questionnaire to measure satisfaction with local services. According to VAP reporting, M & E groups under supervision of trained trainers conducted assessments of various local services in June 2014. In total, 3,442 people (including 1531 women) participated in 89 surveys to assess 22 local services. The most common concerns related to drinking water, roads, solid waste and irrigation; services assessed and identified as priorities both during PRAs and the survey. A similar assessment by M & E groups is apparently planned for February 2015, who are in turn supposed to report findings to Local Councils and local communities.

The Municipal Budget Transparency Index is not referred to directly in the Project Document; it was introduced into the project in 2014. Initial training has commenced to LSG, IG and M & E Group representatives on the Municipal Budget Transparency Index. While the value of this tool is not in doubt, the Team considers that it may be too sophisticated and time-consuming for community representatives to follow up on a regular basis (VAP recommends monthly follow-up). The Team has heard testimonies that some members of M & E Groups are not fully aware of the strategic importance of M & E, and the reasons why they are engaged in this work. The Team considers that citizens may be more interested in the Service Assessment as a means to directly monitored the performance of JAPs and other lcoal initiatives. This is particularly important given the emphasis of the Charter on joint M & E.

JAPs include indicators although they are largely focused on inputs/outputs, as opposed to outcome/impact. At present, LSGs with inputs from the M & E Groups are involved into monitoring. VAP acknowledges that there are challenges with the current level of

monitoring of JAPs. In addition to further training to IGs and M & E Groups, it plans to propose adjustment to the current reporting format.

Further work is required to develop the models for citizens assessment of LSG performance based on action plan implementation. While recurrent project reporting concludes that the average level of JAP implementation is 73%, there may be challenges to the level of objectivity of IGs by the very fact that the Municipalities are represented in these groups, and citizens still possess a comparatively limited level of knowledge on specific aspects of service delivery, as compared to municipal servants. Furthermore, consideration needs to be given to qualitative aspects of LSG performance that go beyond JAPs. In this regard, while the performance of the project against Project Document is sufficient regarding the outcome indicators (eg. number of assessment events, JAPs designed) given the current stage of implementation, further efforts are required towards outcome indicators (eg. JAP implementation, numer of citizens satisfied with services).

This is the output where the most efforts are still required from VAP including in the first round of pilot Municipalities. VAP has established informal mechanisms for citizens assessment of LSG performance through IGs participation in "monitoring and assessments" of JAP execution. While VAP is seeking to introduce a more structured and systematic approach through assessments by M & E groups, it is evident that further training and support should be given to these groups in order to ensure that they fully understand the purpose of the assessments they have been asked to carry out. In this regard, VAP should target M & E group capacity development in advance of the planned 2015 assessment. . VAP should urgently seek to fill the currently vacant M & E position with a well-qualified candidate.

Outcome 2: LSG's governing and managing capacity improved to respond citizens' needs

Output 2.1. LSGs practice engagement of communities in local budgeting

Whereas Outcome 1 concerns the demand side of budget transparency in LSGs, this outcome relates to the supply side; both are inter-related. In this regard, the project has provided wide-ranging training (see Output 2.2 below) and sustained support to Municipalities in pilot Oblasts. According to the testimonies of interviewed municipal servants and councillors, this has 'awakened' LSGs and has resulted in a complete change in the dynamic with local communities. The contrast with earlier orientations of LSGs could not be more stark; with numerous ramifications on their development that go beyond budget transparency and community participation to include aspects related to longer-term planning, clearer accountability relationships, service delivery improvement and income generation.

Pilot Municipalities have during the last 2 years conducted numerous meetings, public hearings and made budget information publicly-available. The way in which these events occur have become increasingly sophisticated and adapted to local contexts over time without significant guidance from VAP; in a number of cases, Municipalities are inadvertently using these events to build a more sustained contact with the community by reporting on

implementation of service improvements, requesting input to budgetary decisions, etc. It is evident that even non-pilot municipalities have started to apply knowledge gained through VAP trainings and peer-to-peer events. This information is documented in VAP progress reports but confirmed by the sample visited, in addition to consultations with other stakeholders working with LSG.

VAP has supported Bosteri and Aral LSG to develop websites that can be used to support budget transparency. During the field visits, the benefits of information technology were advocated by youth councillor from Bosteri. It will be important for Bosteri to measure use of the site and assess its effectiveness in raising public awareness. It is understood that a recent VAP procurement of IT equipment was delivered to pilot Municipalities; a possible explanation for the unopened boxes in some pilot Municipalities. VAP should pay close attention to ensure that its investments are well-used.

Toguz-Toro Rayon Administration has also received support for its website. This has come at the expense of 4 other Municipalities, who applied for support. VAP justifies this activity based on an articulation of demand from the Municipalities within the concerned Rayon towards the development of a Rayon Administration website which, it is argued, would allow for better access to Rayon-level information by Municipalities. While this is may be considered useful to the Municipalities in terms of giving them a clearer picture of the budgets of neighbouring Municipalities, it is unclear how this investment will contribute directly to the concerned Output (ie. LSGs practice engagement of communities in local budgeting).

The Review Team was not able to locate Bosteri and Toguz-Toro websites, despite an extensive internet search. Hence it was not possible to compare the results of these sites. One explanation could be that the Municipalities have stopped paying subscriptions for websites hosting. If this is the case, a clear conclusion is that, if VAP is going to make these investments, it should do so with sustainability in mind. In other words, the Municipalities should have a system, in terms of financial allocations and internal regulations, which will ensure that website operations will not discontinue unexpectedly.

We conclude that VAP has succeeded in 'awakening' pilot Municipalities regarding their service delivery responsibilities, as a direct consequence of capacity development activities targeting community participation. This has had numerous ramifications that go beyond budget transparency and community participation to include aspects related to longer-term planning, accountability relationships, service delivery improvement and income generation. All of the above underscores the argument for local self-governance. By building a critical mass of sustained best practice cases in different parts of the country, VAP may in the longer-term help to convince the doubters about the virtues of decentralisation, when applied correctly.

Output 2.2. Knowledge of LSG's servants and local councils increased

Training has been provided to groups composed of municipal servants, local councillors and citizens groups in pilot Municipalities on LSG legal basics, LSG roles and functions, LSG and community efficient dialogue (based on Charter and Local Council operation regulations),

municipal finance management, transparent management of public resources, public budget hearings, ICT training (limited so far) and local budgeting including Training of Trainers (formation and execution of local budgets). In addition, domestic study tours have been arranged to established pilots by other Municipalities.

The logical framework for the project includes mostly output indicators (training design, training and study tour delivery, coaching, magazine publication/dissemination, public information dissemination, etc.) as opposed to outcome indicators, most of which have been achieved and are documented in recurrent progress reports.

The effectiveness of these inputs/outputs are most interesting to consider. Internal study tours have been an effective means for exposure, clarification, exchange and capacity development. Many participants pointed to their effect as ab inspiration to adopt new approaches in their own Municipalities. An inadvertent effect may well include the first steps in an associative culture between Municipalities; an important aspect in the decentralisation process in the long-term.

Based on pre- and post-training testing, VAP reports an average increase of the level of knowledge of 33% among municipal servants and local councillors. Further methods could be considered that extend over a longer duration and assess qualitative improvements in knowledge (eg. Most Significant Change). Notwithstanding the above, testimonies from citizens and other stakeholders indicate that the impact of trainings is evident in the increased quality of public events, availability/accessibility of budget information and the quality of communication skills of municipal servants and local councillors.

An obvious measure is the performance of the Municipality in the delivery of its assigned tasks. While this is complicated by the fact that Municipalities must also deal with expectations to deliver delegated authorities (see Output 3.2 below), it is evident that the participatory budgeting model and corresponding training and exposure has resulted in the introduction of fledgling municipal services in a number of cases. If this effort is sustained, it will be a significant contribution by VAP.

Another measure is the revenue capacity of Municipalities. Again, this is significantly influenced by central government fiscal policy (addressed under Output 3.1 below), but there is evidence that VAP pilots have succeeded in increasing their own revenues as compared to Municipalities in the same Rayon. The table below shows an increase in revenues for a sample of four pilot Municipalities during 2012 – 13, as compared to the average for all Municipalities in the same Rayon. While an explanation for the overall increase relates to changes in the share of Personal Income Tax (PIT) allocated to Municipalities, a difference in increase in revenues between pilot Municipalities and the Rayon average is evident in 3 out of 5 cases.

Pilot AA in Issyk-Kul Oblast

Increase in own revenues in 2012-2013

№	AA (Rayon)	% change in AA	% avg. change in rayon

1	Lipenka (Zheti-Oguz)	300	147
2	Ulahol (Ton)	151	86
3	Aral (Tyup)	39	52
4	Bosteri (Issyk-Kul)	31	33
5	Ak-Chiy (Ak-Suu)	147	75
		133,6	**78,6**

VAP has encountered a wide range of capacities among municipal servants and local councillors; this is common to local government in almost all countries. These aspects are sometimes hard to influence since they relate to the 'human factor'. Nevertheless, VAP has recongised and should be prepared to develop skills among LSGs in areas that are possible to influence, such as formal preparation and documentation of plans, projects and initiatives.

As with Output 2.1, we can conclude that VAP capacity development activities have had a direct impact on municipal servant and local councillor knowledge on a wide range of issues including budget transparency, community participation, longer-term planning, accountability relationships, service delivery improvement and income generation.

Capacity development of LSGs is covered more under Output 3.3.

Output 2.3. Improved skills on investment project management (small grant component)

VAP carried out 13 trainings for LSGs on project management in preparation for its Call for Proposals under the Small Grant Component. Out of the 44 LSGs submitting proposals, 36 Municipalities have received small grants through VAP. These 36 include original winners of the 2014 Competition and 10 additional municipalities co-funded from increased pool alloted by SDC in 2014. In addition to the initial training, beneficiary municipalities received technical assistance to improve the technical part of their projects, in addition to procurement training.

Grant priorities respond to citizens demand by attaching directly to priorities outlined in JAPs. They have proved to be an excellent incentive to mobilise even non-pilot Municipalities to adopt participatory processes involving their communities. Most grants are used to co-finance projects that involve larger funding from other sources, including municipal budgets. Given their small size, they can be considered as an incentive rather than a significant investment in local service delivery; this was always the intention with VAP.

Nevertheless, some projects are now starting to show tangible medium- to long-term outcomes. For example, in Kum-Bel Municipality, 25 women have returned to work with increased male participation in childcare as a consequence of the investment of the grant project to refurish one of the Municipality's kindergartens. In addition, as a response to a grant to repair and extend the lines connecting a water well, over 700 people now have direct access to drinking water. Accornding to VAP, 16 911 residents have benefited from implemented grant projects. In the opinion of the Team, the VAP team should aim to adopt more of a results-focus including building medium- and long-term outcomes into the M & E system (see Section 7 below).

While the grant mechanism has its advantages and has served a valuable purpose as an incentive for Municipalities to adopt transparent and participatory processes, the way in which it has been delivered sends occasionally conflicting signal regarding: (i) delegated state functions (some awards have been granted for projects that fall outside the scope of direct municipal responsibilities); (ii) lack of alignment of grants with budget cycle (some municipalities have started to prioritise grant applications according to budget availability rather than most pressing priorities or economies of scale); (iii) absence of proper environment for competition among the second set of pilots (all new pilots received funding, despite lower ranking in their original applications).

We can conclude that VAP activities have resulted in improved skills related to the development and management of small grant projects; the process for identifying project priorities jointly with communities is considered to have been successful. However, VAP needs to ensure that Municipalities maintain a wider perspective on investment project prioritization, in order to ensure that demand is not compromised in favour of funding availability.

Outcome 3: Improved legislation to enhance proper decentralization process

Output 3.1. National policy on LSG decentralization (political, administrative and financial) developed and promoted

As mentioned in Section 3 above, the Team acknowledges the decision of SDC to engage in long-term support to decentralisation in Kyrgyzstan. Given its 10-year commitment, it is not surprising that this particular output is defined rather broadly. The political economy of decentralisation dictates that advocates for decentralisation can sometimes wait for years before the right constellation of factors falls into place, so that specific proposals and preferences can be adopted.

The post-2010 period was characterised by swings in the dialogue on decentralisation. Since its inception in November 2011, VAP has advocated for administrative and fiscal decentralisation (with slightly less focus on political decentralisation). 2013 was a critical year during which decentralisation was under severe threat owing to a central government lobby to re-introduce a 3-tier budget system. By all accounts, VAP played a significant role in countering efforts to re-centralise the system of Government in Kyrgyzstan. DPI delivered a prolific output in terms of the number of proposals for amendments to different forms of legislation, legal acts and programmes. It would be impossible to explore in detail the rationale behind proposed amendments to each and every piece of legislation; suffice to say that DPI has developed and presented over sixty different legal comments, suggestions and draft laws. Below are listed those deemed to be of the greatest significance:

- Amendments to the Law on LSG (regarding list of local significance affairs)
- Comments/proposals to the draft Strategy on Sustainable Development 2013 - 17
- LSG Development Program in the Kyrgyz Republic for 2013-2017
- Proposals to the draft Action Plan to the LSG development in the KR for 2013 -2017
- Amendments to the Tax Code (transfer of tax administration to the LSG bodies)

- Amendments to the Government Resolution and Draft Programme on Payment of state and municipal servants (2013-2020)
- Draft Charter of local community
- Development of new version of Concept on Administrative-Territorial Reform

DPI through VAP has assisted the debate on inter-governmental finance with the result that LSGs now have a mix of: (i) transfers (ii) shared revenues (iii) own revenues. The introduction of increased shared revenues in the form of personal income tax (PIT) is considered a very positive step in the direction of sustainable local finance (following the Nordic model), but this must be balanced with other income sources, taking into consideration the prevalence of an informal economy and comparatively low taxation, as well as wide-ranging structural differences between Kyrgyz Municipalities. In terms of equalisation, DPI is pursuing a model based on local revenue capacity. While this is understandable in the short-term, in the opinion of the Team DPI may wish to consider a wider set of alternatives, since it is very hard to measure the revenue raising capacity of local governments, because there are almost no local government revenues whose base can be objectively assessed to make sure that changes in yield are not the result of local government policy. This is an area where external support might be warranted to: (i) provide alternative policy perspectives (international); (ii) formulate a more accessible message to wider audience (local).

In terms of alignment with the MDTF PFM project, VAP has:

- Participated in a round table discussions and suggested amendments to the Parliament draft unified version of the Budget Code.
- Provided 2 analytical papers with comments and suggested changes and additions to the draft Budget Code were provided to the Parliament and PFM Task Force.
- Provided comments and suggestions on improvements, additions to the Budget Code during the Parliamentary public hearings.
- Participated and spoke during national budget hearings for 2013 in Karakol with a special focus on problems faced by LSGs in terms of budgeting.
- Contributions to discussions of MDTF PFM report on new approaches to equalizing grants and presented alternative vision/option
- Contributions to the design and development of an electronic database and a reporting system for local budgets
- Analysis of the status of local budgets, design of regulations on stimulating grants, participation in development of the section on guidelines for technical application for grants; participation in the Experts Working Group meetings and discussions.
- Analysis of inter budgetary finances, participated in elaboration of the "Formation and execution of local budgets" manual, discussed the manual's content and obtained/negotiated official approval by the MoF).

DPI deserves recognition for policy advocacy efforts during 2013; it did not do it alone, but its technical knowledge and vocal advocacy provided a significant input to the debate, with the result that a very real threat to decentralisation has been overturned. There is now an opportunity to consolidate legislative gains and herald in a new era of decentralisation in Kyrgyzstan. But the context is still extremely sensitive and there are many outstanding challenges which include both the legal framework and its implementation.

VAP has been involved in the development of a Concept Note on Territorial - Administrative Reform. The Team did not receive a copy of this document but understands it proposes a 3-stage preparatory process for Territorial - Administrative Reform: (i) guaranteeing 2-tier budget (2013); (ii) political capacity of LSGs (2014 – 15); (iii) enlargement of LSGs (2015 – 16). This is a very important subject which has the potential to accelerate decentralisation in favour of improved local service delivery but it is important to ensure that a proper process is envisaged over atleast a 5 – 10 year timeeframe. Further work is proposed by DPI on this subject; this should be discussed directly with SDC during the next review meetings.

In addition to the above, DPI has sought to integrate lessons from the first two project Outputs into national policy dialogue. In particular:

- Local budgets database developed under VAP is expected to become important tools for ensuring consistent interpretation of LSG financial data and improving budget process efficiency and effectiveness.
- Model Regulation for LC Operations, Model Community Charter and amendments to the legislation make budget transparency and citizen participation legally binding.

DPI has applied a very active communications approach, both to promote the community engagement model applied in pilot Municipalities, but also to support national policy advocacy. The methods include engaging the media in project events but also the wide disemination of its own 'Municipality' magazine; the latter receiving praise for its documentation of local good practice.

DPI's approach to communications and lobbying, while resulting in obvious successes during 2013, presents several risks going forward. These are discussed further in Section 7 below.

We can conclude that VAP has achieved a number of policy advocacy successes which go beyond the output indicators in the Logical Framework. In order to make these sustainable, DPI will need to reflect about ways to engage a wider set of partners in its lobbying efforts.

Output 3.2. Delegated state authorities are properly defined/contracted and financed

Kyrgyz Municipalities are currently 'loaded' with delegated state authorities without commensurate financing; there is a need for a strict definition of roles and responsibilities of different tiers of government and different government agencies, in national and sectoral legislation.

VAP has assisted in drafting the following legislation:

- Law on the procedures of delegation of certain state authorities to LSG
- Model agreement on the delegation of state authorities to LSGs

Both were adopted as Law and Government Resolution approving Model Agreement in 2013. This resulted in a decision to assign the Ministry of Finance the responsibility to develop procedures for the calculation of financial, material and other resources necessary

to the LSG bodies to implement delegated state authorities, with a (extended) deadline of December 2014. SALSGIR has in addition initiated a process to create a working group on the delineation of functions, authorities of state bodies and LSG bodies as well as delegated state authorities. This work is urgent and DPI is involved (on invitation of MoF and SALSGIR) in developing an inventory of LSG own authorities and delegated state authorities, as well as a methodology on financing state delegated authorities, and drafting necessary amendments to the legislation.

DPI has supported the development of a new Law on State and Municipal Services that was signed by the President in July 2014. This Law will regulate the provision of state and municipal services for the first time, but not cover services by municipal enterprises. Hence, it excludes the most common form of delivery for major municipal services (drinking water, sewage, solid waste removal, etc.).

VAP has made significant contributions to the debate on delegated state authorities, and in-so-doing contributed towards the achievement of several output indicators. This is an important issue for decentralization since, if unresolved, it will present major impediment to effective municipal service delivery and accountability, and has ramifications on other aspects of fiscal decentralisation. The next 6 months are crucial; VAP's approach going forward is discussed further in Section III of this report.

Output 3.3. Municipal servants' qualification improvement system is designed and tested

VAP has assisted the State Personal Service (SPS) to prepare a tender for LSG training. As part of the process, it tested the training on municipal servants in the two pilot oblasts Jalal-Abad and Issyk-Kul. In July 2013, a Presidential Decree approved the programme and implementation plan. The tender has now been awarded to the Academy of Management (training for municipal servants based in Bishkek and Chuy oblasts) and training in other oblasts will be provided by regional educational institutions.

The development is somewhat historic since it is the first time all educational organisations were allowed to participate in the process of training state and municipal employees organized by SPS. In this regard, it is hoped that the level of quality of training will increase, although that will depend to a large extent on the capacity development of the market for training providers.

VAP has also assisted SPS to develop new methodologies for Training Needs Analysis (TNA) and effectiveness evaluation of state and municipal servants training, and plans to support SPS to introduce a system for Training Impact Analysis (TIA).

In addition to the above, VAP has worked with SPS to develop (as a member of a working group) and disseminate information on a draft Law on State and Municipal Service (Servants). The Law is pending submission to Parliament. If ratified, this Law will introduce uniform procedures for hiring state and municipal employees, rotation of service from state to local government positions and improved wages of local government employees to attract more well-qualified candidates.

VAP has fulfilled several output indicators (eg. number of curriculum proposed, number of tested trainings). It has more importantly been supporting SPS to build its capacity to increase the level of training provided to Municipalities, in addition to considering changes to the legislation concerning the status of municipal servants. The litmus test for VAP's inputs in this component will be the effectiveness of training provided through SCS and, if successful, its replication over subsequent years; there is a huge need for investment in the capacity of the municipal sector.

While it is understandable in the short-term to advocate for a common personnel system for municipal and state civil servants, this policy approach presents significant challenges to the long-term objective of independence of LSGs, particularly concerning the definition of own staffing requirements and human resource policies.

Taking into account the current stage of implementation, and the level of ambition of the project, we can conclude that the project's implementation strategy has by-and-large been effective. The VAP model has similarities with other approaches but is distinct in its application to LSG budget processes. The Participatory Budgeting Model applied by VAP has been successful in reinforcing local budgeting process in pilot Municipalities (and has also had an impact on non-pilot Municipalities). VAP work with local populations on community empowerment and awareness raising (including PRAs, IGs, JAPs, etc.) has had a marked effect on pilot Municipalities. VAP has also been successful in building the capacity of Municipalities, through engagement with the population, preparation and presention of the budget and the coordination of joint activities around work plans. There is a wide recognition amongst the development community of the success of the approach.

6. Efficiency

Efficiency concerns the relationship between costs and outputs. For the sake of this review, outputs can be considered as either strict outputs (tangible immediate results of activities such as production or learning) or short-term outcomes (changes introduced such as new methods, tools and strategies).

The process for pilot interventions has in general been well-managed. VAP has by-and-large applied a cost effective methodology for Outcomes 1 and 2 in terms of the reduction in cost and time for delivering support to the second round of pilot Municipalities (approximately CHF 10,000 per pilot during the period Jan – June 2014, without associated DPI staff costs), as compared to the first round (approximately CHF 16,000 during the period April 2012 – Dec 2013). VAP has also been efficient in supporting a wider set of non-pilot Municipalities to adopt the same tools and methods for budget transparency and community participation, with a relatively low cost. However, since the commitment to supporting the first set of pilots over a longer duration has led to a greater institutionalisation of results (see section 6 below), it is anticipated that a similar level of investment will be required to ensure second round pilots achieve the same status. The cost per non-pilot Municipalities is expected to remain constant, if the same methodology is applied to training as during the first Phase.

While the mobilisation and training of local consultants has helped to reduce costs associated with recurrent contact and support to pilots, variations in skills and experience

have been felt by different pilot Municipalities. Furthermore, the choice of DPI to locate all its field officers in Bishkek comes with considerable associated costs, including recurrent travel to Jalalabad and Issyk-Kul.

The Team consider the approach to internal study visits as an effective means for knowledge transfer; more emphasis should be placed on peer-to-peer exchange in different forms during the next Phase of the project, as indicated in the original Tender Document: "When progress has been achieved in these 'initial AO, the most progressive Aiyl Kenesh members, AO staff and community leaders could be engaged by the project to support a roll-out of the programme to all other AO in their rayon, in order to progressively achieve national coverage." (Tender Document, page 9).

The relatively high DPI salary and own expert costs (including increases by 10 - 20% for most exisiting positions with the allocation of new DFID funds) may have come at the expense of international exposure and advice to complement national policy advocacy on challenging issues (eg. fiscal decentralisation, delegated authorities, municipal servant legislation and capacity development, etc.), with only one home-based international expert mission carried out during the project on community engagement.

While DPI has been working diligently and effectively, most of the organisation is working as on VAP and since there is an increasing demand on DPI staff on other projects (DPI has carried out two medium-sized assignments for UNDP during 2012 – 13), there are a number of risks for its own organisational sustainability and project implementation. These are covered in section 7 below.

VAP is making good progress towards anticipated outputs and has even introduced a range of new activities across the project as a whole; it will be important for VAP to use this report to enter into a considered dialogue with SDC about which additional activities correspond to the Project Document and are of fundamental importance to support the achievement of medium- and long-term outcomes, and which are not. VAP has a huge workload going forward, not least related to expansion into new pilot Municipalities; narrowing the focus may help to achieve more sustained outcomes.

There is currently no M & E officer for the project and project activities at the national and local level are mainly measured in terms of inputs, outputs and short-term outcomes. There is a risk that M & E Groups will become overwhelmed by the tasks being transferred to them; this presents significant challenges to the sustainability of VAP's pilot support, following the eventual departure of VAP from given Oblasts. This issue is addressed further in section III 1.2.

As of June 2014, VAP has consumed 2,554,878 CHF out of 5,063,926 CHF, corresponding to 50.45% of the total budget after 33 months out of a 41 month project phase (80% of implementation period). This delayed expenditure has been explained as being related to the addition of new DFID funding, which came later than expected. Nevertheless, VAP has a considerable amount of work to do, if it is to utilise the budget for intended activities, by the end of the first project phase. VAP have explained that a significant share of these unconsumed funds relate to grant project disbursement; while the Team was not able to get a detailed breakdown of expenditure according to Administrated Project Funds (ie. those with direct investment beyond salaries and fees), this budget post (which includes Grants)

had a balance of 1,568,538 CHF (or 67% of the total balance) as of June 2014. With 8 month remaining, VAP is advised to devote specific efforts to ensure that existing and newly-awarded grants should be supported to ensure maximum transparency in the utilisation of funds.

VAP has utilised 72% of the budget for long-term experts; this is anticipated given the predictable nature of these roles. However, there is a comparatively low rate of expenditure from the short-term expert budget (46% consumed for international and national experts as of June 2014). Since over 50% of this was budgeted for 'Additional Expertise (including Technical for Grant)', VAP is encouraged to review whether grant projects will receive sufficient support from regular staff and other expert positions (eg. Grant Expert), and prioritise what support should be provided for the remaining 8 months (eg. gender, international technical assistance, etc.).

We can conclude that, while the project has by-and-large been able to demonstrate efficiency in the achievement of outputs, there are certain aspects of the project implementation strategy that merit a further consultation between DPI and SDC, in order to increase efficiency. These include: the choice to locate DPI field officers in Bishkek; prioritisation of DPI staff roles in relation to other projects/assignments; and prioritisation of activities in line with medium- and long-term outcomes.

7. Horizontal issues (including youth participation, gender, minorities)

LSG staff salaries are low compare to other government levels. As a result of this salary rate and low quality of life in rural municipalities, the high rate of turnover is observed in Ayil Okmotys. The most highly qualified municipal persons are drained to national service jobs and cities. Moreover, young people consider work at LSG as least prestigious, so they are not interested in employment at AOs. Because one of the VAP strategies is to train LSG staff on participatory local government, the project must effectively deal with high turnover rate, especially of trained staff. In this regard, VAP should continue introducing new customs, practices, and laws, which promote good governance and civic participation. If these customs, practices and laws become accepted and used by many people, it will ease effect from turnover of trained LSG staff. In addition, VAP should continue promotion of external and internal knowledge exchanges. Study tours, organized by VAP for pilot and non-pilot municipalities, are already proved their efficiency as external knowledge sharing practices. VAP can also encourage trained staff to share obtained knowledge with their peers, especially with newly employed, as internal practices. Although VAP is not able to promote salary increase of LSGs staff in short-term, it can encourage internal motivation of LSG staff to retrain at their work places. Public recognition of important role of LSD staff is one the ways to increase this internal motivation. For example, VAP can assist in wide adoption of regular public ceremonies, where best LSGs employees receive certificates of appreciation.

During field visits to AOs in Issyk-Kul oblast, we have observed active participation of young people in VAP activities. The young people take part in initiative groups, and work of AOs. As one of results of their engagement, these municipalities more actively use Internet for information exchange. However, we have seen much less youth involvement in AOs in Jalalabad oblast. VAP must pay attention to youth engagement, because young people are

majority of population and agents of their own development. In fact, municipalities can do a better job of creating the services and opportunities through youth engagement. This engagement offers local governments the expertise and partnership of young people. Youth civic engagement is also critically important to prepare young people to be active citizens in a democracy. Although many young people in rural municipalities drained to cities or other countries for work, VAP can cooperate with large number of youth that still remains in the rural AOs. VAP should actively engage these young people in education, planning and the project implementation activities, especially in Jalalabad oblast. Because 36% of all Kyrgyzstan population are below 18 years old, VAP can also encourage municipalities to promote ideas of participatory local government among kids. For example, AOs can conduct best essay contests on local government for school students.

A review of population and project data from pilot Municipalities reveals that female participation in IGs across all pilot Municipalities is at 27%, as compared to an average total population of 50%.

FEMALE PARTICIPATION IN IG (PILOT MUNICIPALITIES)	
TOTAL ADULT POPULATION	150198
TOTAL ADULT FEMALE POPULATION	74900
PERCENTAGE FEMALE	**50%**
TOTAL NO. IG MEMBERS	987
TOTAL NO. FEMALE IG MEMBERS	262
PERCENTAGE FEMALE	**27%**

The figures for Jalalabad pilot Municipalities (which have over three times the population of Issyk-Kul pilots) show a slightly lower female participation in IGs, at 24% (as compared to 30% in Issyk-Kul). It is interesting to note that there has been a big change in female participation between first and second round pilot Municipality IGs in Issyk-Kul, with 25% for old pilots and 37% for new pilots. The same trend is not evident in Jalalabad pilots, with 26% for old pilots and 22% for new pilots. There are wide variations in female participation between individual pilot Municipalities; Kara-Jal in Issky-Kul with a very small number of total IG members achieves 67% female participation. This is the only Municipality that achieves over 50% female participation in IGs, although a greater number of Issyk-Kul pilots get closer to 50% (Bosteri, Lipenka, Toguz-Bulak, Jety-Oguz), whereas Jalalabad only has one pilot with more than 38% female participation (Jany-Jol with 48%). The lowest IG female participation is in Aral, Kumbel (both Issky-Kul), Kok-Tash and Toguz-Toro (Jalalabad), with 14%, 14%, 15% and 18%, respectively.

These variations could be explained by specific socio-cultural factors in the different Municipalities but it is nonetheless recommended that VAP introduce a more systematic review/analysis of gender participation in project activities; specific contextual factors may also be influenced by the role and approach of different local consultants. Budget expenditure received by the Team is not disaggregated to the level of different posts, but should there be an underutilisation of the short-term Gender Specialist position (under

Short-Term Experts budget), it is advised to mobilise specialist expertise over the remaining project period.

VAP does not have any specific strategies for minorities, barrings it emphasis on participation of different groups during VAP training activities. According to the project management, minorities were not included in the mandate of VAP. Thus, while VAP promotes participation of minorities to a limited extent, the project does not seek to assess the impact of project activities on minority groups.

III.   Strategy and recommendations for Second Phase and Exit Phase

1.   Considerations for amendments to project design

1.1 Lessons learnt from First Phase

The choice of implementation strategy for the first project phase is considered to have been appropriate including the introduction of the Model in 26 pilot Municipalities in two Oblasts. However, certain aspects of that strategy can be improved at both the central and regional levels to ensure sustainability of the participatory budget processes established by the project.

Based on the field visits to 2 non-pilot Municipalities, there is clear evidence of replication (supported by the incentive of the grant scheme). A period of 1.5 - 2 years is considered sufficient to develop the capacities of pilot Municipalities. In order to acquire a critical mass in the two Oblasts, it will be important to ensure that the second round of pilot Municipalities receive a prolonged period of support (beyond the 6 months received to date), and training activities are sufficiently wide in their reach so as to include non-pilot Municipalities, during the next six months. If the decision is made to move on from the first 2 pilot Oblast, VAP will need to devote further efforts to ensure that the Model is institutionalised in the second set of pilot Municipalities. In this regard, further training will be needed to ensure that these pilots receive the same level of training at the same level of depth as was provided to the first set of pilots. VAP should carry out a stocktaking exercise, then deliver corresponding training, to these pilots: LSG legal basics, LSG roles and functions, LSG and local community efficient dialogue, municipal finance management, formation and execution of local budgets, transparent management of public resources, public budget hearings, computer training, etc. VAP should also seek to assess the extent to which local consultants coaching/advice has reached the second set of pilots, and accordingly develop a structured programme of support. Other efforts will also need to be maintained to support good local governance (eg. activities targeting administrative decentralisation and LSG personnel capacity) at a policy level.

It was appropriate to use the small grants scheme as a training model during the first project phase; this allowed Municipalities to build their capacity to apply JAP priorities in projects, seeking out co-financing, implementing projects, initiating new services and achieving outcomes for the community. Given the emphasis on incentivisation, the small size is considered to have been appropriate. However, the way in which it has been delivered sends occasionally conflicting signal regarding: (i) delegated state functions; (ii) lack of alignment of

grants with budget cycle; (iii) absence of proper environment for competition among the second set of pilots. Furthermore, there has to date been limited efforts to consider the relevance of the mechanism against central government stimulating grants and the Team consider that there may still be risks associated with the absence of direct project reporting by Municipalities. Technical assistance to prospective grant applicants should in future seek to raise awareness about different types of investment projects, in addition to the specific grant projects implemented within VAP. This will ensure that a clearly identified demand is not compromised by short-term funding requirements.

Since VAP sustainability depends to a large extent on IGs, the project must pay careful attention to the development of IGs (especially M & E groups). Firstly, VAP should create a system that will allow careful selection of IG members in collaboration with AOs and local consultants. These members should be really motivated and have some influence in their communities. They should also represent different sectors, gender and age groups. Secondly, VAP can incorporate sessions on leadership, negotiation, and team-building in their regular trainings, in order to contribute to IG development. In addition, VAP might consider how best to utilize mobile technologies as a channel of communication between people and local governments.

As outlined under Output 3, the project has contributed significantly to the improvement of the LSG-related legal framework. This work should continue, including short-term inputs to support policy dialogue on delegated competences (see section III 1.3 below). VAP was awarded to DPI through a competitive tender; it is therefore committed to implement the project according to the Project Document that has been agreed with SDC. This presents a challenge, particularly regarding the national policy component, which is broadly formulated and requires a degree of flexibility, especially given the progress made so far. It is therefore important for SDC and DPI as the implementing party to hold a recurrent dialogue as to whether any newly introduced activities (eg. work on territorial - administrative reform) fall outside of the intended scope of VAP. One way to ensure that this happens is to increase the frequency of planning meetings between SDC and DPI.

DPI has occupied a role that might usually be played by a Local Government Association (LGA). There is a long-term risk related to the perception that DPI may lack full legitimacy (eg. as compared to a membership organisation representing Municipalities), particularly with regard to intensive lobbying efforts. There is also a perception that DPI is occasionally working in isolation. There is therefore a need for DPI to engage a wider set of non-state partners (as outlined in DPI's Offer) in its advocacy effort, in order to avoid the potentially harmful situation whereby their prevalence in the policy arena will create monopolisation and mistrust. The Team recognises the challenges associated with the Union of LSGs, but the conditions for its engagement in the project were in the opinion of the Team incorrect (see III 1.1 below). Other NGOs should also be brought into the process in order to ensure that a wider groups of actors have sufficient capacity to support the debate on decentralisation moving forward. VAP must therefore seek to build a stronger partnership with other NGOs, including in the project planning and implementation processes. For example, VAP can conduct roundtables where it can discuss project activities and develop joint plans together with other NGOs, rather than simply engaging them as contractors to implement specific activities.

Another issue concerning sustainability relates to the fact that the project is seeking to scale up and institutionalise but the donor coordination mechanism should advocate common application of the approach by other projects and partners.

Medium- and long-term outcomes are starting to become evident including horizontal aspects (eg. environmental, social, gender, etc.). VAP musts should seek to develop a more robust M & E system, starting with the recruitment of a new M & E officer with required skills and/or the provision of external training on Results-Based Management.

VAP should seek to reinforce the Steering Committee so that it plays a more effective role in decision-making regarding project priorities by providing executive oversight, advocacy and support for the project.

It is recommended to assess the cost effectiveness of establishing a more robust field presence during any expansion of the pilot approach.

1.2 Alignment with the new Public Service Improvement (PSI) project

The Team have reviewed the Tender Document and Framework Project Document for PSI in order to make an assessment of potential complementarities and overlaps, and assist in the definition of VAP Phase 2 activities.

One aspect that is mentioned specifically in the Project Document for VAP and Framework Project Document for PSI is the Delegated State Competences. The VAP logical framework addresses this in terms of the development of an enabling legal framework and contractual models between LSGs and State Authorities. PSI takes this work further within both of its components. There are obvious parallels between its focus on: "National policies and regulatory frameworks in relation to delegated public services" (2.1) and VAP's output: "Delegated state authorities are properly defined/contracted and financed" (3.2). PSI also includes a local level output: "Municipalities have introduced contractual arrangements for the implementation of delegated services" (1.2).

PSI output 1.2 should under normal circumstances be implementable without much overlap with VAP, provided contractual models are already established at the central level, and LSGs have sufficient capacity to negotiate directly with central government. The challenge related to this output is more that it is very much conditional on work currently charged to MoF to develop procedures on calculation of financial, material and other resources necessary to the LSG bodies to implement delegated state authorities, with a deadline of December 2014. SALSGIR has in addition initiated a process to create a working group on the delineation of functions, authorities of state bodies and LSG bodies as well as delegated state authorities. This work is urgent and DPI is involved (on invitation of MoF and SALSGIR) in developing an inventory of LSG own authorities and delegated state authorities, as well as a methodology on financing state delegated authorities, and drafting necessary amendments to the legislation.

It is our opinion, given the critical importance and urgency of this discussion, VAP should continue its efforts at least until PSI begins proper implementation. Given that there will be a 3-month preparation phase; this will not be until January 2015. Under SDC supervision, the awarded contractor for PSI can then use the preparation phase to agree on either (i) a role division with VAP, or (ii) a phasing out of VAP activities in this area.

PSI output 2.2 presents risks if the contractors offer indicate an early preference to engage directly in policy dialogue without first focus including activities that will develop the capacities of SALSGIR. This is because there is a risk that, based on the evidence of VAP, SALSGIR may consider directly engaging external technical assistance rather than engaging directly in the work itself.

The same applies to PSI output 2.3 regarding the Union. Under VAP, the Union was assigned a task to deliver training to Municipalities. This is considered to be an ill-judged starting place for a Union with limited capacities. Consideration should be given to why DPI's offer for VAP included a component to support the capacity development of the Union, yet it did not appear in the Project Document. Furthermore, evidence from supporting Local Government Associations (LGAs) in other countries indicates that there is a very low probability that regional associations will eventually align into one national association; to the contrary, the proliferation of different associations in one country can weaken Local Government lobbying and advocacy efforts and actually stifle decentralization. For the new project, the Union should therefore in the first instance be the beneficiary of technical assistance focusing on building the basic elements of the Union as a national membership organization. This requires a clear commitment for a given period of time and specialist knowledge.

1.3 Recommendations for VAP Second Phase

The subsidiarity principle and sustainability should underline discussions on decentralisation and a wider group of partners should be engaged to push for a longer-term vision for welfare delivery through LSGs in Kyrgyzstan. While VAP should be dedicated to further securing wins from the model applied in the first phase, the challenge for the second phase will be to secure wider participation of relevant stakeholders in the national policy context, including capacity development of currently weak, but nevertheless legitimate, stakeholders such as the Union of LSGs.

The Team recommends:

- Carry out a stocktaking exercise on the training received by the 2nd round of pilot Municipalities, then deliver corresponding training, to these pilots, to ensure that these pilots receive the same level of training at the same level of depth as was provided to the first set of pilots. VAP should also seek to assess the extent to which local consultants coaching/advice has reached the second set of pilots, and accordingly develop a structured programme of support.
- Hold urgent discussions between DPI and SDC about: choice of preferred expansion option; choice to locate DPI field officers in Bishkek; prioritisation of DPI staff roles in relation to other projects/assignments; and prioritisation of activities in line with medium- and long-term outcomes.

- Continuation of VAP with a 4 - 5 year second phase and 2 - 3 year exit phase, depending on which options the project partners decide to pursue.
- Expansion of pilots using the same model that was applied to support pilot and non-pilot Municipalities in Phase 1, with a similar anticipated timeframe of 1.5 – 2 years in new Oblasts/Rayons.
- The Model Operational Plan being developed by VAP for Municipalities should take account of other mechanisms and should be postponed till the completion of current JAPs and built into the process of preparation for next election of new LCs. This greater period of reflection will not only increase the quality and implementation of Plans; it will also generate further support from a wider set of actors.
- Continuation of grant mechanism in other Municipalities under a competitive basis; keeping the same value for each individual grant but increasing the grant pool (see section 3 below). Grant funds should be restricted to core competences, and efforts should be made to align grant project allocations with the budget process. VAP should aim to secure wider public participation in relevant events by shifting some activities to the winter season (when citizens are not busy farming). SDC should consider what expectations it has in terms of direct reporting by Municipalities on the use of specific grants. DPI may consider providing gender mainstreaming training to Municipalities as a part of the process of grant project development.
- Consider an expansion of future LSG training together with SPS to ensure the effective adoption of legally required compulsory Budget Hearings.
- Continuation of central policy work including: (i) transparency and predictability of inter-governmental transfers and own/shared revenues; (ii) focus on delegated state authorities; (iii) personnel development system.
- Engagement of a wider set of non-state partners in its advocacy efforts, including in the planning and implementation stage (rather than as contractors to implement specific activities).
- Introduction of capacity development activities targeting the development of the Union of LSGs. Support may include a focus on strategic aspects related to member engagement (legitimacy), communications, member services, lobbying and advocacy and financial sustainability. Alternatively, SDC should encourage other donor partners to develop standalone project tagreting Union capacity development. The focus should be on the long-term engagement of the Union as a politically-steered representative of LSGs in national decentralisation dialogue, but also to support capacity development of LSGs.
- International assistance should be introduced to expand perspectives and underline arguments that: (i) delegated state authorities should be met with new financing; (ii) amount of transfers and timing of release should be predictable and stable over time to ensure they contribute to effective local planning; (iii) criteria for allocation of transfers must respect the principle of equity and take into account of structural factors affecting the revenue capacity of Municipalities.
- Pay careful attention to the development of IGs (especially M & E groups) through: (i) creation of a system of careful selection of representative IG members (different sectors, gender, age groups and minorities); (ii) delivery of training to IGs on leadership, negotiation and team-building; (iii) delivery of training on M & E (see below); (iv) consideration of how best to utilize mobile technologies as a channel of communication between people and local governments.

- Develop a more robust M & E system to guide project implementation and take account of intended objectives/outcomes. This will ensure the project management and beneficiaries alike will be able to take on more of a "management perspective", using monitoring as an integral part of implementation and aligning reporting and planning. The project should immediately with the recruitment of a new M & E officer with required skills and/or the provision of external training on Results-Based Management. Technical assistance should be provided to support the preparation of the next progress report and facilitation/training for the next review meeting. Further training and support should be given to M & E groups in order to ensure that they fully understand the purpose of municipal service assessments. In this regard, VAP should target M & E group capacity development in advance of the planned 2015 assessment.
- Reinforce the Steering Committee so that it plays a more effective role in decision-making regarding project priorities by providing executive oversight, advocacy and support for the project.

1.4 Exit Phase

It is also recommended to carry out an external review towards end of the second phase of VAP. This review should seek to assess qualitative improvements in knowledge in pilot and non-pilot Municipalities. Depending on the findings of the review, the following aspects may be considered for inclusion within a 2 – 3 year exit phase:

- Review lessons from VAP first and second phases.
- Repetition of trainings in areas with the weakest absorption of VAP knowledge transfer.
- Institutionalise approach from successful Municipalities with Ministries.
- Advocate – through donor coordination mechanism – for adoption of common approach by other projects and partners.
- Assessment, publication and dissemination of best practice.
- Capacity development of wider group of non-state actors to carry advocacy work forward including integrating Union of LSG.
- Organisation of a national conference to promote VAP experiences. Use the opportunity to invite Municipalities from across the country and also sim to support the capacity development of the Union of LSGs.
- Review of requirements for capacity development of the municipal sector in the longer-term.
- Present long-term vision for service/welfare delivery through LSGs according to subsidiarity principle, involving a range of actors and lobbyist from civil society.

2. Expansion path for pilots

Below we review a range of options for VAP to expand the methodology applied in Phase 1, supported by argumeents for and against each option. We have included options that remain georgraphically concentrated in addition to that cover the whole country. All options assume the completion of the second round pilots in Jalalabad and Issyk-Kul Oblasts by April 2015.

OPTION 1: Deepen support to existing pilots and expand to 3 - 4 more Municipalities in each Rayon in Jalalabad and Issyk-Kul Oblasts (approximately 75 Municipalities)

SUPPORTIVE ARGUMENTS	ARGUMENTS AGAINST
• Deepens traditions of civic participation. • Greater possible impact in terms of socio-economic development in pilots. • New local government authorities elected in 2016 elections will be exposed by the project; contributes to sustainability of changes in these pilots. • VAP already has built network and gained experience in these Oblasts.	• Other Oblasts will not benefit directly. • More efforts will need to be made towards national capacity development systems. • Reforms in two Oblasts will have less effect on national agenda. • VAP will be less visible.

OPTION 2: Reduce focus to all Municipalities in 2 – 3 Rayons each in Jalalabad and Issyk-Kul Oblast and introduce all Municipalities in 2 – 3 Rayons in Chui Oblast (approximately 100 Municipalities)

SUPPORTIVE ARGUMENTS	ARGUMENTS AGAINST
• Deepens impact in selected Oblasts. • VAP has previous experience in Chui Oblast. • Promotion of cooperation of Municipalities within Rayon(s). • Step towards regional cooperation and possibility of Regional Associations of Municipalities. • Greater possible impact in terms of socio-economic development in Rayons, as a result of economy of scale. • Chui Oblast will increase VAP model visibility (media and field visits). • Reforms in three Oblasts will have stronger effect on national agenda	• Some Municipalities have to be 'dropped'. • Some Municipalities in selected Rayons may not be interested in participation in VAP (current selection of pilots based on competition-based).

OPTION 3: Limit support to Municipalities in Jalalabad and Issyk-Kul Oblasts to training activities, and introduce VAP methodology to 2 new pilot Municipalities in each Rayon in 5 remaining Oblasts (approximately 55 new Municipalities)

SUPPORTIVE ARGUMENTS	ARGUMENTS AGAINST
• Jalalabad and Issyk-Kul Oblasts continue sharing experiences / benefit from training. • Selection of new pilots on competitive base.	• VAP has limited experience and network in new Oblasts. • Growth of VAP staff (and branch offices) to cover all Rayons may

- Coverage of each Rayon in the country.
- Level of proximity to the majority of other Municipality.
- Significant effect on national agenda.
- National approach will make it easier to present the model internationally (eg. other Central Asian countries).
- Deeper VAP cooperation with partners to cover all Rayons.

- increase administrative costs.
- May prolong time for implementation of project activities with start-ups in each of the 5 Oblasts.

OPTION 4: Limit support to Municipalities in Jalalabad and Issyk-Kul Oblasts to training activities, and introduce VAP methodology to all Municipalities in 1 Rayon each in 5 remaining Oblasts (approximately 50 new Municipalities)

SUPPORTIVE ARGUMENTS	ARGUMENTS AGAINST
- Jalalabad and Issyk-Kul Oblasts share experiences / benefit from training. - Competitive Selection of new pilots. - Coverage of each Oblast in the country. - Significant effect on national agenda. - National approach will make it easier to present the model internationally (eg. other Central Asian countries). - Promotion of cooperation of Municipalities within Rayon(s); step towards regional cooperation and possibility of Regional Associations of Municipalities. - Greater possible impact in terms of socio-economic development in Rayons, as a result of economy of scale. - Reforms in all 7 Oblasts will have stronger effect on national agenda.	- VAP has limited experience and network in new Oblasts. - Growth of VAP staff (and branch offices) to cover all Oblasts may increase administrative costs. - May prolong time for implementation of project activities with start-ups in each of the 5 Oblasts. - Some Municipalities in selected Rayons may not be interested in participation in VAP (current selection of pilots based on competition-based). - Longer distances between pilots and non-pilots within each Oblast.

OPTION 5: Expand to all LSGs in remaining Oblasts (approximately 100 new – non-pilot – Municipalities)
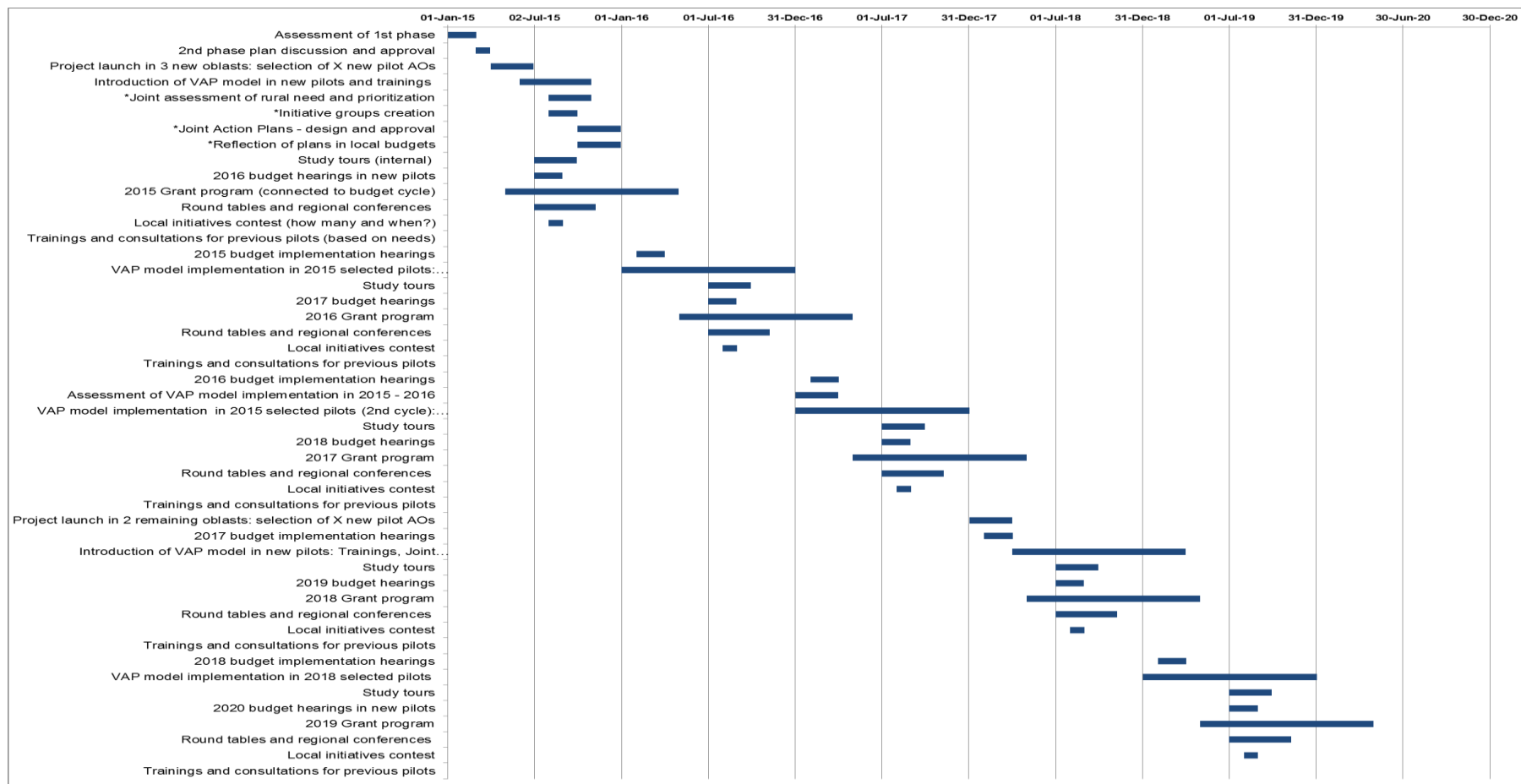
SUPPORTIVE ARGUMENTS	ARGUMENTS AGAINST
VAP will cover all LSGs.	Less significant impact; success will mainly depend on how LSGs use obtained knowledge and skills from training.

The Review Team recommends that VAP pursues Option 3. As envisaged by the original Project Document, this will ensure that the pilot Municipalities from Jalalabad and Issyk-Kul

Oblasts will continue to be involved through the sharing of their experiences and best practices, but it will also allow for an expansion of the VAP experience in each Rayon of the country. This will ensure a high level of proximity to the majority of other Municipality; based on the experience of non-pilot Municipalities during the first phase, one can anticipate a reasonable degree of scaling up and replication of the VAP methodology. This will strengthen the argument for community-based approach to planning and budgeting, in line with the new elements of the legislation. By comparison with Options 1 and 2, Option 3 is preferable because of the potential national impact. It is also preferable to Option 4 and 5 because it will have a further-reaching impact geographically, whilst also ensuring sufficient level of exposure in target Municipalities.

3. Timeframe and budget framework

Below is an indicative timetable for the implementation of the second phase according to Options 3 and 4.

Options 3 and 4 have been emphasised in the above timetable since they reflect a national expansion of VAP. The timetable will of course need to be adjusted if another Option is selected.

The table below presents an indicative costing for the second phase of VAP, assuming 5 years of implementation. It is based on the experience of the first phase. It is not intended to be used as a formal means for calculating the budget; it is merely intended to assess likely budget commitments from SDC.

Indicative costing – Second Phase (CHF)			
Item	Annual	Five year	Required
Fees	380,000	1,900,000	1,900,000
Reimburseables	370,000	1,850,000	1,850,000
Grants	250,000	1,250,000	1,700,000 (97M Som)
TOTAL	**1,000,000**	**5,000,000**	**5,450,000**

The table below presents an indicative costing for further pilot support. A comparatively high figure has been included per pilot Municipality (20,000 CHF) in order to take account of the expansion into new Oblasts and also the cost of integrating a wider number of non-pilot Municipalities into training actvities, or increasing the volume of training to non-pilot Municipalities. It may be considered appropriate to reduce the amount allocated towards pilot Municipalities, in favour of enhanced technical assistance (fees).

Indicative costing and budget availability for pilot support	
Assume cost - new pilot Municipality	20,000 CHF
Approx. no. new pilots (20,000 / 1,850,000)	92

In order to keep the same value for each individual grant but increasing the reach of grant activities, the grant pool has been increased to 1,700,000 CHF. This will allow for up to 97 single grant allocations of 1M Som (ie. more than one per pilot, if applications are of a sufficient standard).

Indicative costing and budget availability for gramt allocations	
Assumed cost – per grant	1M Som
Approx. no. new grants (97M Som)	97

A number of factors will influence the actual required amount including the choice of option for expansion path and its impact on volume and type of technical assistance, project management (including field presence) costs, choice of number of grants and emphasis on national policy dialogue.