

6 *The Kyrgyz Republic*¹

DEVELOPING NEW CAPACITIES IN A POST-TRANSITION COUNTRY

Introduction

Capacity development is characterized by three main activities: skills upgrading (both general and job-specific), organizational strengthening and procedural improvements. The skills enhancement component includes general education, on-the-job training and professional improvements in crosscutting skills such as accounting, policy analysis and information technology. Organizational strengthening covers what some have defined as institutional development – reinforcing the capacity of an organization to use available funds and staff more effectively. The procedural improvement refers to functional changes or systemic reforms. In the volume preceding this work, UNDP has referred to a facet of capacity development as the “societal” dimension, involving capacities of society as a whole (Fukuda-Parr et al, 2002).

Over the last decade, several factors have increased the significance of technical cooperation (TC), including globalization, the information revolution, the growth in international markets, and an acceleration of the democratization and decentralization of national authority. Technical cooperation itself, however, has undergone little change. The purpose of this chapter is to analyze TC and the role it can play in developing

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lasting capacities in Kyrgyzstan. The main focus is an analysis and assessment of the following five issues: (i) the overall record, dynamics and profile of the TC relationship; (ii) TC's contribution to capacity development, (iii) donor and government TC policies and practices; (iv) promising alternatives and options; and (v) factors and conditions that enable or constrain TC's contribution to capacity development.

Background

The Central Asian Republic of Kyrgyzstan attained independence just 10 years ago. It has a population of nearly five million and is land-locked. Its presidential system of government and two-chamber Parliament are elected by universal franchise. More than 65% of the population is Kyrgyz, and there are two minority ethnic groups, Russian (Slav) and Uzbek. A majority of the population is Muslim, but other religions are practiced. As part of the former Soviet Union (FSU), its economy was organized through a central planning system.

One of the poorest FSU republics, Kyrgyzstan was historically dependent on transfers from the centre. In 1990, prior to independence, transfers from the central Soviet budget were equivalent to almost 11% of GDP. With the collapse of the Soviet Union and independence in 1991, the subsidies ceased. The triple transition to nationhood, democracy and the market economy has prompted an urgent need to build national capacity in all dimensions. In the first years of independence, with scarce financial resources, disintegrating economic links and hyperinflation, the country was forced to borrow from external sources in order to achieve macroeconomic stability and economic growth. After 10 years of independence, the situation has not changed much. External assistance still has a vital role to play in supporting the process of economic, social and political reforms by strengthening institutions, developing management systems and promoting the development of human capital.

The post-independence period can be divided into the phase of transformation (1992-1995), in which output declined rapidly, and the period of stabilization and growth (1996 onwards), in which there was a renewal of economic expansion. In the first phase, GDP declined by 45% and standards of living fell sharply, a trend exacerbated by high inflation. The change from a controlled to a market economy took a heavy toll on the population. Since 1996, growth in GDP has resumed, and there is greater macroeconomic stability. Kyrgyzstan is a low-income country and its GDP per capita in the year 2000 was about \$270, (\$2,521 in purchasing power parity terms). The country's economy is relatively open, with exports accounting for about 44% of GDP, and imports around 55%.

Kyrgyzstan placed 102nd out of 173 countries on UNDP's 2002 Human Development Index, compared with neighboring Kazakhstan's 79th place ranking. With less than half of Kazakhstan's income per head, however, Kyrgyzstan's life expectancy, at 67.8 years, is a shade higher than its wealthier neighbor. Kyrgyzstan also performs comparatively well on the two other components of the index: adult literacy

and gross enrolment ratios (97% against 99%, and 68% to 77%, respectively). Government expenditure on education has remained above 20% of the total since 1985.

TC – Overall Features

Technical cooperation for capacity development is of special importance to countries such as Kyrgyzstan, which are not rich in natural resources, and where opportunities for economic development are related mainly to effective economic management and use of available human potential. It is consequently scarcely surprising that Kyrgyzstan is vitally interested in all forms of TC.

Kyrgyzstan has come under increasing pressure to reform TC since the early 1980s, well before the start of the transition process in former communist countries. In spite of these pressures, TC has not lived up to its potential, and is still being criticized for being inefficient, donor-driven, and even undermining indigenous capacities. There are weaknesses on all sides: in recipient countries, among donors and in the development industry.

Recipient countries often suffer from weak leadership and thus lack strategic vision and ownership of reform processes. They are criticized for having inadequate systems of accountability and public participation, misguided policies and priorities, a lack of transparency, corruption, “demotivated officials”, bureaucratic red tape, inflexibility and disinterest in development. In some cases, local governments, NGOs and civil society organizations serve their own interests with donor resources. Domestic pressures often result in competition rather than cooperation with other partners. Bilateral and multilateral partners drive and maintain existing attitudes and approaches.

Donors, particularly through the OECD/DAC, have in principle agreed to new partnership approaches that place national ownership at the centre of development efforts. There is a common consensus, however, that donors still tend to dominate the identification, design and implementation of projects. As a result, provision of TC is largely supply-driven. Key criticisms directed towards donors practices include: inappropriate development concepts and incentives; lack of downward accountability and transparency in processes and reporting; hidden strategic agendas; inhibitory procedures and rules; inappropriate capacities; and for undermining local capacities, institutions and organizations. High levels of funding also create serious distortions in the recipient country labour market, with local experts increasingly seeking levels of remuneration that only international organizations can provide.

The development industry is driven, to a great degree, by a genuine motivation to help the poor and enable governments and civil society actors to better perform their tasks. In reality, however, the staff and procedures of many development agencies seem poorly equipped to make the necessary reforms. The development industry has a vested interest in “staying on the job” and attracting sources of funding. It has also been recognized that international aid has worked primarily with an established pool of service providers at arguably high costs. In many cases, the pricing of TC services

remains largely insulated from the principles of comparative advantage and immune to the forces of market competition.

Main Sources of TC

Kyrgyzstan has been the recipient of quite significant amounts of official development assistance (ODA) since independence, reaching over 9% of its GDP in 1999 (see Table 6.1).

Technical cooperation began to flow into Kyrgyzstan in 1992, and in some years constituted more than half of the total value of ODA. According to the database created at UNDP's Kyrgyzstan country office, the amount of TC increased steadily until 1998, when it topped out at \$35 million, before falling back in 1999 and 2000 (see Table 6.2 and Figure 6.1). Total TC during the nine-year period 1992-2000 amounted to \$204.6 million or \$45 per capita, which is quite a high level by international standards.

The major donors among international organizations are the United Nations (UNDP in particular), the Asian Development Bank (ADB), the World Bank and the European Union (through its grant-financed TACIS programme). Among bilaterals, Germany, Turkey, Switzerland and Japan contribute a significant share. Among non-governmental organizations, the Soros Foundation made the biggest contribution. Major donors, which provided more than \$20 million each, are Germany (21% of total TC amount), the Soros Foundation (12%), Turkey (11%) and the UN system (10%).

At various periods, different donors played the leading role in the provision of TC. After independence in 1992-1994, Turkey was the largest foreign partner, but its contribution subsequently fell back as Germany and the Soros Foundation became the country's major donors. The UN contribution has also greatly increased since 1997 (see Table 6.3).

In terms of TC allocation by sector, the pattern has been very diverse, covering 20 sectors. Nine received more than \$1 million per year on average, reflecting the fact that after independence, many spheres of public activity and social life had to be developed almost from nothing.

The most heavily supported sectors were human resource development (\$37.9 million or 18.5% of total TC), economic management (\$29.4 million or 14.4%), health (\$25.5 million or 12.4%), agriculture (\$23.4 million or 11.5%) and public administration (\$19.3 million or 9.4%).

The main components of TC (in terms of money spent) in these sectors included the following: consulting services; assistance in developing sectoral policy, legislation, planning and management; building information systems; and institutional and organizational support to local authorities. The basic characteristics of TC projects in these five major sectors are presented briefly below.

Human resource development – Within this sector, education and cultural cooperation programmes have dominated. Projects have included assistance in founding

TABLE 6.1: TRENDS IN OFFICIAL DEVELOPMENT ASSISTANCE (ODA), 1992-99

Year	1992	1993	1994	1995	1996	1997	1998	1999
Total, US\$ millions	3.43	69.4	86.96	96.83	99.37	50.42	79.81	115.56
% of GDP	0.15	1.61	2.72	2.91	5.44	2.84	4.85	9.18
% of Gov. Revenue	0.93	10.38	17.43	17.44	36.74	18.55	27.55	70.58
% of Budget (revenue+deficit)	0.50	7.12	11.67	10.33	26.92	13.98	23.54	59.19
% of Exports	1.21	19.93	23.33	21.61	17.66	7.46	13.47	21.85
Per capita	0.76	15.48	19.44	21.45	21.72	10.88	17.12	24.04

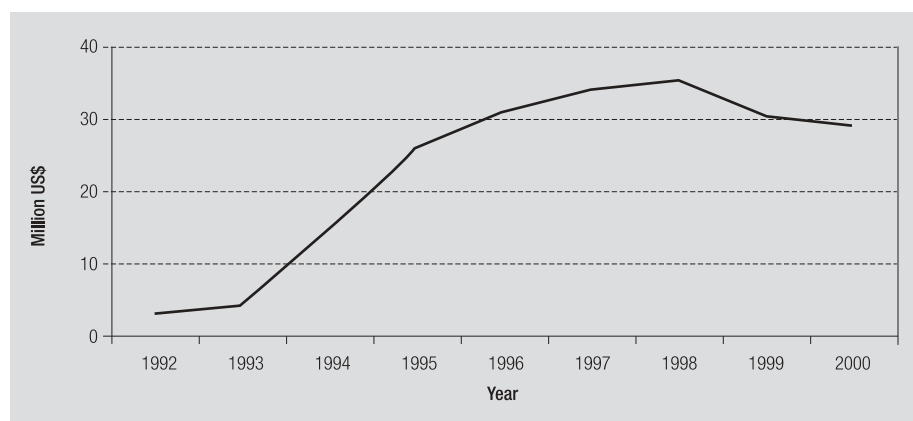
Sources: OECD, World Bank

TABLE 6.2: TRENDS IN TECHNICAL COOPERATION, 1992-99

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total, US\$ millions	3.03	3.93	14.17	25.53	30.49	33.67	35.04	30.04	28.65
% of GDP	0.13	0.09	0.44	0.77	1.67	1.89	2.13	2.39	2.20
% of ODA	88.34	5.66	16.29	26.37	30.68	66.78	43.90	26.00	13.34
% of Gov. Revenue	0.82	0.59	2.84	4.60	11.27	12.38	12.10	18.35	14.65
% of Budget	0.44	0.40	1.90	2.72	8.26	9.33	10.33	15.39	12.93
% of Exports	1.06	1.13	3.80	5.70	5.42	4.98	5.91	5.68	5.11
Per capita, USD	0.67	0.88	3.17	5.66	6.66	7.26	7.52	6.25	5.83

Sources: UNDP, World Bank

FIGURE 6.1: TRENDS IN TECHNICAL COOPERATION VOLUME, 1992-2000



Source: UNDP

TABLE 6.3: TECHNICAL COOPERATION BY DONOR, 1992-2000 (US\$ THOUSANDS)

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
GRAND TOTAL	3,031	3,925	14,171	25,532	30,491	33,671	35,041	30,048	28,649	204,559
Germany	0	915	2,435	4,590	4,428	5,600	6,771	5,582	12,278	42,599
Soros Foundation	0	0	0	3,364	3,541	4,162	4,551	4,722	3,854	24,194
Turkey	3,031	1,818	4,681	3,567	2,645	2,822	4,323	0	0	22,887
UN Organizations	0	350	809	1,048	1,147	2,774	4,838	5,735	4,554	21,255
Asian Development Bank	0	0	30	1,190	5,342	3,585	2,970	4,577	2,058	19,752
Switzerland	0	365	1,343	2,690	3,607	2,481	2,006	2,366	2,115	16,973
World Bank	0	0	400	1,981	1,524	2,349	2,483	2,599	1,586	12,922
Japan	0	230	1,980	3,210	2,850	2,860	1,310	373	40	12,853
European Commission	0	0	0	0	1,841	1,844	1,789	2,577	990	9,041
EBRD	0	45	1,019	1,787	1,321	787	930	700	0	6,589
Netherlands	0	202	759	1,287	1,363	458	360	159	10	4,598
Denmark	0	0	707	568	342	2,673	0	0	217	4,507
Finland	0	0	0	0	0	600	1,900	1	5	2,506
Islamic Development Bank	0	0	0	250	200	98	340	90	0	978
DFID	0	0	8	0	340	410	58	0	0	816
Sweden	0	0	0	0	0	0	0	112	484	596
USA	0	0	0	0	0	98	151	230	0	479
IOM	0	0	0	0	0	70	78	130	0	278
IMF	0	0	0	0	0	0	0	0	200	200
China	0	0	0	0	0	0	183	0	0	183
Bill & Melinda Gates Foundation	0	0	0	0	0	0	0	0	138	138
OSCE	0	0	0	0	0	0	0	23	109	132
Centre For Diseases Control	0	0	0	0	0	0	0	37	0	37
Canada	0	0	0	0	0	0	0	35	0	35
Ireland	0	0	0	0	0	0	0	0	6	6
Norway	0	0	0	0	0	0	0	0	5	5

Source: UNDP

TABLE 6.4: TECHNICAL COOPERATION BY MAJOR DONOR, 1992-2000 (% OF TOTAL)

Year	1992	1995	1998	2000
Finland	0.00	17.98	19.32	42.86
Sweden	100.00	13.97	12.34	0.00
USA	0.00	10.54	5.72	7.38
Canada	0.00	12.57	3.74	0.14
Other bilateral	0.00	7.26	7.40	2.51
UN Organisations	0.00	4.10	13.81	15.90
Asian Development Bank	0.00	4.66	8.48	7.18
World Bank	0.00	7.76	7.09	5.54
European Commission	0.00	0.00	5.11	3.46
EBRD	0.00	7.00	2.65	0.00
Other multilateral	0.00	7.98	4.01	1.56
Soros Foundation	0.00	13.18	12.99	13.45
Total bilateral	100.00	62.32	48.53	52.92
Total multilateral	0.00	24.50	38.49	33.63

Source: UNDP

new colleges such as the American University in Kyrgyzstan and the Kyrgyz-Turkish University; assistance in vocational and foreign languages training systems; publishing and purchasing textbooks and other training literature; grants for local researchers to participate in international conferences; programmes for improving professional skills; and assistance to libraries and other cultural institutions.

Economic management – Technical cooperation to this sector has focused on training programmes and strengthening training centres for civil servants employed in the major economic agencies (including the Ministry of Finance and the National Bank). A considerable portion was composed of investment-related TC projects aimed at preparing capital projects in different sectors of the economy (such as energy and agriculture) that were later funded by international organizations.

Health Care – Technical cooperation to this sector has consisted in the provision of medicines, equipment, training for medical personnel, and advocacy programmes for various health protection issues such as AIDS and reproductive health.

Agriculture – In this area, TC has targeted land reform efforts and new forms of farm management. This includes restructuring large state and collective farms into private ones, creating water-user associations and developing agricultural infrastructure. Considerable attention has been paid to the creation of a system for financing agricultural enterprises – in particular, strengthening the Kyrgyz Agricultural Financial Corporation. Numerous projects providing microfinance for agricultural (and non-agricultural) activities

in rural areas have been implemented and considerable resources have been directed to forestry support.

Public administration – Technical cooperation programmes within this sector have been quite diversified, but mainly oriented towards supporting selected government agencies (such as the Presidential Administration, the Prime Minister’s Office, ministries) and local authorities. Technical cooperation included numerous civil service training programmes, support to the country’s participation in international organizations, and efforts at creating elements of an e-governance system, including “Shailoo”, an automated information system for electoral processes.

The main recipients were the following ministries: Health (8.4% of the total), Agriculture and Water Resources (6.9%), Finance (6.9%) and Education and Culture (5.1%). The top 10 major recipients are all central government bodies, reflecting priority sectors of assistance. Another notable characteristic, however, was the large number of smaller organizations receiving TC – those that fall under the “Other” category. All together, this group’s allocation comprises more than 40% of total TC.

Detailed analysis of information about TC reveals its prevailing forms.

Institution building – Many TC projects were directed towards the development of government organizations, because of the need to establish them from scratch. These projects included support in developing the public administration system, clarifying the roles and functions of different government agencies, and the provision of equipment. In the second part of the decade, donors began to provide the same sort of assistance to civil society organizations, especially educational institutions, NGOs and some mass media.

Training – Training activities play a central role in many TC programmes. They include courses for government officials, on-site training, study tours, and support to young people’s education in internationally recognized universities. This activity also includes establishing special educational institutions such as the Banking Training Centre.

Access to information – Considering the insufficient development of information infrastructure and the geographic barriers to the movement of people, a sizeable component of TC programming has focused on eliminating the information gap. The main forms of this assistance included establishing information centres providing free access to foreign mass media, social and political literature, as well as information about education and economic opportunities in developed countries. The Soros-Kyrgyzstan Foundation information centre and the IREX Resource Centre financed by the US Government are the best examples of such initiatives. Another important focus has been providing people with free access to the Internet, in particular by UNDP, the Soros Foundation and IREX. It is especially important that this kind of activity was targeted at youth and students.

Consulting – Consultancy services to government agencies and enterprises are the most expensive activities in the framework of TC projects. They are provided mainly by foreign experts with long- and short-term advisory missions. Their role consists of

TABLE 6.5: TECHNICAL COOPERATION BY SECTOR, 1992-2000 (US\$ 000s)

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
GRAND TOTAL	3,032	3,925	14,172	25,535	30,490	33,670	35,040	30,047	28,649	204,559
Economic Management	120	1,334	3,391	4,423	3,039	4,253	5,705	3,471	3,650	29,386
Development Administration	0	556	950	1,448	2,456	2,757	3,612	3,718	3,785	19,282
Natural Resources	0	0	267	1,090	2,330	1,451	1,962	1,664	1,311	10,075
Human Resources Development	2,912	1,416	3,122	4,974	5,035	4,069	7,813	5,255	3,273	37,869
Agriculture, Forestry and Fisheries	0	0	985	2,207	5,859	5,081	3,404	3,500	2,400	23,436
Area Development	0	0	36	245	178	178	983	1,458	946	4,024
Industry	0	0	200	1,400	2,848	3,592	2,659	1,953	200	12,852
Energy	0	45	126	704	342	413	82	87		1,799
International Trade	0	0	40	200	250	140	260	180	540	1,610
Domestic Trade	0	0	420	129	131	0	0	0	0	680
Transport	0	0	48	43	1147	809	871	990	600	4,508
Communications	0	16	1,620	3,499	2,352	946	620	533	235	9,821
Social Development	0	0	0	611	230	1,376	3,001	2,770	2,553	10,541
Health		350	1,915	2,584	2,969	5,654	2,491	2,741	6,761	25,465
Disaster Preparedness	0	0	0	0	0	0	93	93	93	279
Humanitarian Aid and Relief	0	0	0	0	350	319	123	152	615	1,559
Political Participation, NGO, civil support	0	0	0	308	391	425	276	433	627	2,460
Judicial reform	0	32	248	357	20	68	284	599	617	2,225
Banking system	0	155	569	495	1	0	0	0	0	1,220
Other	0	21	235	818	562	2,139	801	450	443	5,469

Source: UNDP

providing government agencies – and sometimes the private sector – with methodological assistance in the preparation of legislative and normative documents and analytical tools. This training should help in developing consistent government policies.

Participation in international organizations – Another form of TC is enabling Kyrgyzstan to participate in international organizations and agreements. Technical cooperation in this area mainly consists of an explanation of the goals and forms of

activity of these organizations. In some cases, international organizations provide money for membership fees.

Research and culture – A relatively small but important part of TC goes towards developing research and cultural potential. This means involving local specialists in international research projects, supporting environmental studies, and developing analytical capacity. The same assistance is provided in the cultural and arts spheres.

Preparation of investment projects – An essential component of TC projects is connected with implementing the most expensive type of external financial aid – investment projects. This includes sectoral research and feasibility studies for anticipated investment projects.

Figure 6.2 presents the expenditure structure of TC projects estimated on the basis of a UNDP database. It is notable that the salaries of foreign experts constitute the second biggest item.

During the last few years, significant changes have taken place in the sectoral structure of TC. The share of TC to industry, agriculture and communication in 1998-2000 was considerably reduced. At the same time, donors' attention to public administration and social and regional development increased. This demonstrates the change in priorities of both the Government and donors. To some extent, it is also a result of critical analysis of results from previous TC programmes.

The information on TC in Kyrgyzstan reveals some important trends that determine, to a large extent, how projects are implemented and how efficient aid programmes are.

Multiplicity of Donors

Dozens of different donor organizations are active in the country. At least 10 of them can be considered as large TC suppliers. On the one hand, donor multiplicity ensures considerable TC inflow into the country and potentially creates opportunities for faster development. On the other hand, this multiplicity generates numerous problems. There is a clear lack of coordination among donors, as well as duplication of activities originating from different agendas and discrepancies in methods and approaches. This leads to the conclusion that the large number of donors creates more problems than it solves.

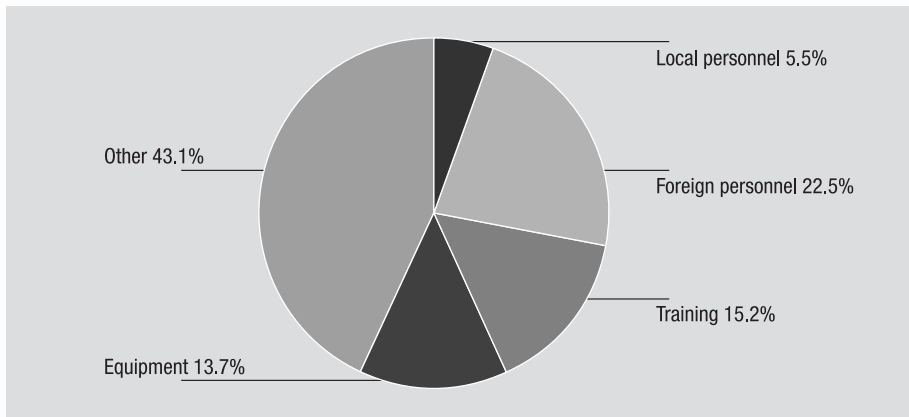
Multiplicity of Sectors

As mentioned above, TC programmes affect many sectors. This is a reflection of the specific priorities of each donor and Kyrgyzstan's readiness to accept almost every TC proposal, which was especially characteristic of the first years of independence. Too often, this led to the dissipation of aid and insufficient focus for creating truly sustainable changes in the desired direction.

Government as the Largest TC Recipient

An important feature of TC programmes in Kyrgyzstan is the predominance of the Government as an aid recipient. Because many problems addressed by TC are related

FIGURE 6.2: TC STRUCTURE BY TYPE OF EXPENDITURE



Source: UNDP

to the provision of public goods, this makes sense, at least theoretically. The abundance of TC projects focused on government structures, however, detracts from their individual effectiveness. This is because the Government's ability to absorb aid is low – much lower than that of civil society organizations. Also, concentrating TC resources within government does not help in delimiting and clarifying the roles and functions of government.

Uneven Territorial Distribution

Another peculiarity of TC programmes in Kyrgyzstan is their excessive concentration in the capital, Bishkek. This concentration reflects the fact that the majority of programmes are focused on nation-wide issues. Another reason is the availability of much better infrastructure (communications, local staff, etc.) in Bishkek. Territorial concentration results in uneven development opportunities, especially for rural areas. At the same time, it is clear that a mechanical reallocation of TC projects to provinces will not solve the problem, because of the region's lack of absorptive capacity. Territorial reallocation requires a change in the design of TC programmes that would have to account for the specificity of needs and potential in different parts of the country.

TC Programmes and Conditionality

A specific feature of TC activities is their relationship with programme and investment loans and grants. Implementation of TC projects is often a prerequisite for the allocation of such loans. This relationship is quite logical, but very often leads to a situation wherein recommendations produced in the framework of TC projects are perceived by beneficiaries as something thrust upon them, as an "unavoidable evil" they must accept. This practice is clearly antithetical to country ownership, even if the conditionality associated with TC programmes is not very rigorous. Lack of success in implementing projects or the beneficiary's failure to comply with conditions does not

lead to an immediate withdrawal of aid. This provokes insufficiently careful and realistic design of TC projects by donors and TC providers, and ambiguous behaviour by beneficiaries, who almost always formally agree with project ideas and content, but rarely intend to implement the recommendations.

To sum up, while it is possible to note the impact of TC on a large number of sectors, its influence does not always result in the direction desired by stakeholders. In its current scale and form, TC greatly exceeds the absorptive capacity of the country, with an immediate and negative impact on its effectiveness.

Changes in TC Practices and Management

Strategic Documents

By the latter half of the last decade, there was consensus among the main donors and local policy makers that one of the reasons for low effectiveness of TC projects was the absence of a clear national development strategy. Technical cooperation projects were fragmented, uncoordinated and non-complementary. An overall operational and governance framework was needed to shift from a project- to a policy- and programme-based approach. With the strong support and assistance of international donors, local authorities developed the *National Strategy for Sustainable Human Development* and the *Comprehensive Development Framework* as umbrella frameworks. Their basic concepts are characterized below.

National Strategy for Sustainable Human Development – The NSSHD was initiated in 1996-97 by UNDP and approved by a National Forum in 1997. The NSSHD is the country's long-term development strategy, leading up to the year 2015. It provides a conceptual foundation for national development in the 21st century, and a platform for overall coordination of development activities. The Strategy aims to achieve its development objectives based on domestic resources – human, social and environmental. The basic idea is to link national priorities and development programmes, and transform them into nation-wide policy.

Under the NSSHD, the country's commitment to social progress is reflected in seven components, with a system of objectives that are to be met by solving a range of medium- and short-term tasks. The main components are: (i) the integration of society, (ii) overcoming internal and external isolation, (iii) overcoming threats to human security, (iv) developing natural capacity, (v) developing human and social potential, (vi) promoting a competitive economy, and (vii) building democratic governance. Several thematic programmes have also been developed, including poverty alleviation, governance and environment.

A big disadvantage, however, is the lack of a built-in mechanism to implement tasks. As a result, many statements in the NSSHD have remained mere good intentions and many short-term strategy targets have been missed.

Comprehensive Development Framework (CDF) - In March 1999, Kyrgyzstan was selected as a pilot country for the World Bank-supported Comprehensive Development Framework. In this regard, the Government began to formulate a national development strategy for 2000-2010. The CDF is based on two important principles. The first focuses on public participation in the discussion, preparation and realization of CDF objectives. This involves bringing NGOs, academia, media, business, local and national government, and international organizations together to define development objectives and the means of attaining them.

The second principle is a comprehensive approach to the process of achieving CDF objectives, taking into consideration human and physical factors of development. The CDF document was finalized in 2001 and was also approved by the National Forum. The CDF clearly states national priorities and goals, highlighting three main interrelated areas for focused effort by government and society: good governance, social development and sustainable economic growth.

The CDF attempts to analyze and quantify all required and available resources for strategy implementation. While the final document is based on a number of assumptions that may seem optimistic, the attempt to achieve a balance between goals and means is a new and positive change. The country's visible ownership is another important feature of the CDF. Finally, one sign of a more responsible approach is the inclusion of a special chapter on monitoring and evaluation.

Government Initiatives

The Government has not traditionally given high priority to TC projects, focusing instead on resource-rich investment projects and budgetary aid. Recently however, the Government has taken steps to improve coordination of TC activities. In December 2000, the President dissolved the State Committee for Foreign Investment and Economic Development, a specialized body responsible for TC coordination, and transferred these functions to the Ministry of Finance. The decision reflected the Government's dissatisfaction with TC practices and the committee's failure to coordinate TC activities and attract foreign investment. The Ministry of Finance now coordinates all government-related TC and manages the relationship with donors. No TC projects with a government agency as a counterpart can begin without prior approval by the Ministry.

Measures to improve the financial transparency of projects have been undertaken as well. For example, new regulations governing remunerations of local project staff have been approved. Applying them to the managers and staff of TC projects could realize significant "savings". Much still remains to be done in the sphere of transparency. No attempt to integrate government-related TC projects into the government budget has been made. This obviously weakens the coordinating capabilities of the Ministry of Finance and does not allow for effective public control – in resources terms – of a very significant part of the activities of governmental agencies.

The lack of coordination is problematic. To date, the Government does not have any comprehensive database of projects. The first attempt to create one was undertaken

by UNDP's Kyrgyzstan office, on the basis of the now-defunct Goskominvest's information. The Ministry of Finance is now compiling its own database with the help of the TACIS Coordinating Unit. Reflecting the priorities set in the CDF, more attention is now paid to attracting foreign investors: the Government considers the fostering of an attractive investment climate as one of the most important functions of TC. The newly-appointed Special Representative of the President for the Attraction of Foreign Investment has assumed an important role in TC project selection and aid coordination.

Donor Activities

In recognition of some of the underlying problems with the TC scenario, many donors, including UNDP, TACIS and the World Bank, have produced their own programme frameworks to drive their inputs.

Based on the UNDP Country Review for Kyrgyzstan, the UN Common Country Assessment and the National Sustainable Human Development Strategy, the latest UNDP Country Cooperation Framework was formulated in 1999 for the period 2000-2004. The core themes include the intensification and deepening of democratic governance reforms and the creation of conditions for market-based solutions for poverty alleviation. The objectives are to be achieved through: (i) changing the role and functions of the state and creating the infrastructure for democracy and accountability, (ii) poverty alleviation and social governance, and (iii) political reconciliation and preventive development. The document also has two cross-cutting themes: gender in development/promoting the economic and political empowerment of women during transition, and aid coordination.

Beyond programme framework documents, donors have also implemented changes in the way they organize projects, albeit sometimes with contrasting results. For example, UNDP has switched from a large number of relatively small, less accountable projects to fewer, larger programmes with clearly specified objectives and more transparent procedures. The transition to a programme, rather than a project approach has been the trend in donor policy. TACIS, however, has begun shifting from larger, less successful but ambitious projects, to smaller ones with very concrete and realistic objectives.

Both UNDP and TACIS claim these changes will improve results. Both organizations also agree on the desirability of reducing the number of Chief Technical Advisors (CTA), the most expensive components of projects. They are also gradually decreasing the use of short-term expatriate consultants who do not bear full responsibility for the project, relying more on local consultants.

Coordination of International NGOs

Although the activities of international NGOs in Kyrgyzstan only account for a small proportion of total TC, these organizations are important for national capacity building. Because their activities are more distant from government, coordination is difficult. UNDP is playing an intermediary role in gathering and distributing information

on NGOs. An upcoming UNDP Development Cooperation Report that includes the results of a survey on donor TC activities will include those of international NGOs.

TC for FSU Countries

In the last several years, a number of international organizations and private donors have supported activities related to national capacity building, mainly through human capital development and support to civil society. The activities of the organizations described below were designed not only for Kyrgyzstan, but for all FSU countries. One of the most active and probably the most successful organizations is the Soros Foundation (see Box 6.1).

Other programmes that aim to increase national capacity for FSU countries are the Joint Vienna Institute (JVI) and the Economic Education and Research Consortium (EERC). Both of these organizations are located abroad and provide support to local staff. Both of them focus on human development, but JVI provides training mainly to policy makers while EERC provides support to researchers involved in economic policy research. After almost 10 years of activities, JVI has begun to assess the impact of its training on national capacity. Representatives are currently visiting countries involved with the programme in order to establish an alumni network (see Box 6.2).

Local NGOs

The importance of local non-governmental initiatives in national capacity development has been widely recognized. In Kyrgyzstan, the development of civil society organizations has been slow. Among the limited number is the Centre for Social and Economic Research (CASE-Kyrgyzstan).

CASE-Kyrgyzstan was established with the help of CASE-Poland and with the initial financial support of Soros Foundations' Open Society Institute. In the process of establishing the organization, the experience gained during the Polish transition and advice of Polish experts was utilized extensively. The founding of CASE-Kyrgyzstan can thus be considered a good example of horizontal (South-South) cooperation (see Box 6.3).

In sum, despite numerous problems with TC implementation, there have nevertheless been positive changes. First, Kyrgyzstan has developed strategic frameworks that provide for better targeting of TC activity and long-term development planning. Second, donors now have mid-term TC frameworks of their own, which can facilitate inter-donor coordination. Third, there is now a deeper understanding – even if more action is yet to materialize – on the part of the Government of the need for radical improvement in TC coordination. Fourth, there are valuable regional institutions of capacity development from which Kyrgyzstan can benefit, promising a strengthening of human potential and dissemination of best practices. And fifth, there is the increasing involvement of local research institutions, NGOs and individual specialists in TC activities.

BOX 6.1: Activities of the Soros Foundation-Kyrgyzstan

The Soros Foundation-Kyrgyzstan has operated since January 1993. The Foundation's mission is to create the necessary conditions for building an open society through support to public institutes and initiatives. Education, science and culture are priority fields of activity. The Foundation works towards achieving its goals through a number of programmes. They include:

- The Civic Education and Democracy Programme (familiarizing students with human rights concepts and the fundamentals of constitutional democracy; assisting educators in developing and disseminating methodological literature; introducing new subjects).
- Economic Reform Programme (the Soros Economics Olympiad; training programmes for economics teachers; a children's economics school).
- Higher Education Support Programme (established the School of Future Elite; seminars; exchange programmes; summer schools for students and professors; internships).
- Regional Student Exchange Programme.
- Mass Media Programme (consultations, seminars and internships).
- Publishing Programme (seminars for publishers; consulting on modern equipment; funds for publishing books and textbooks by local authors related to national culture, history and humanitarian subjects).

The Foundation's activities have not been limited to the programmes mentioned above. Projects have been successfully implemented in other fields such as gender, refugees and health. The Foundation's Open Society Institute also supports the American University in Kyrgyzstan and a number of local NGOs.

Profile of Stakeholders in TC

Kyrgyzstan hosts about 25 donor agencies, many foundations and a large number of international NGOs. Among them are powerful multilaterals (WB, IMF, UNDP, TACIS, ADB) and bilateral donors like the United States Agency for International Development (USAID), the German Technical Fund (GTZ), the Danish International Development Agency (DANIDA) and the Turkish Agency for International Development. Almost all of them exert pressure on Kyrgyz authorities to implement their proposals, and the abundance of actors brings forth a potentially chaotic array of projects derived from different cultures.

At the beginning of the transition, TC was entirely supply-driven. From the latter part of the 1990s, however, the relations between stakeholders have become more balanced, although the initiative in designing TC still resides with donors.

Self-perpetuation is a driving force. Technical cooperation provides jobs for those involved, and the effectiveness of TC is compromised by the continuation of projects even where no significant results have been achieved. For example, the lack of progress in reforming the state apparatus has not resulted in any marked changes of orientation. The absence of change may be partly justified by the inherent limitations

BOX 6.2: Regional TC Initiatives

The Joint Vienna Institute (JVI) was established in 1992 by a number of international organizations (including the International Monetary Fund, the World Bank, the World Trade Organization) and the Austrian Government. The Institute offers a variety of courses in the areas of economic and financial administration and management, primarily for public officials. JVI training has two components: the Seminar Programme and the Main Programme. The Seminar Programme consists of a series of stand-alone, specialized courses of short duration. The Main Programme includes Introductory and Applied Economics Policy courses. The JVI's Introductory Course in Market Economics and Financial Analysis is an 8-week course taught in three regional centres: Kiev, Moscow and Tashkent. Their purpose is to provide an intensive introduction to the principles of modern market economics and financial analysis. At the end of this course, selected participants are invited to Vienna attend the Applied Economics Policy Course. Since 1992, JVI has trained approximately 600 participants from 31 transition economies, including over 20 from Kyrgyzstan. In addition, hundreds of people have taken part in various JVI workshops and seminars.

The Economics Education and Research Consortium (EERC) was created with international funding in 1995 to strengthen economics education and research capabilities in CIS countries. The initial focus was on graduate-level education in Ukraine, and research in Russia. Since 2000, EERC-Russia has served as the regional representative of the Global Development Network (GDN) among CIS countries. With support from the GDN, Russian EERC activities have been extended to other FSU countries (including Kyrgyzstan), leading to the creation of a CIS-wide research network. The EERC mission is to promote a research culture, encourage economists to work at the frontiers of the discipline, and subject their research to international standards of excellence. The EERC puts special emphasis on capacity development and the formation of a CIS-wide professional network of economists engaged in policy-relevant studies. The EERC delivers funding for original research through a cycle of semi-annual grant competitions and special research projects. In addition to funding, network members are provided with many opportunities for professional growth through participation in international research workshops, conferences and seminars. The EERC also conducts a variety of training programmes aimed at developing the capacities of individual scholars throughout the region. One research development programme launched in 2000, the Transition Economics Research Network (TERN), is primarily targeted at younger scholars. In 2000, a TERN summer school session took place in Kyrgyzstan, with one-third of the participants from the country.

BOX 6.3: Centre for Social and Economic Research in Kyrgyzstan

The Centre for Social and Economic Research in Kyrgyzstan (CASE-Kyrgyzstan) is an independent, non-governmental research organization founded by the Centre for Social and Economic Research in Poland. Established in 1998, CASE-Kyrgyzstan's mission is to assist social and economic development through research, training and advisory activities. The Centre is one of the country's first think tanks. All activities are based on a principle of independence from government and non-engagement with political parties and organizations. All staff members are Kyrgyz citizens. CASE-Kyrgyzstan collaborates with the Kyrgyz Government and international development organizations, including the World Bank, ADB, UNDP, TACIS, the Open Society Institute and USAID. The Centre is active in research on a broad spectrum of topics including macroeconomic forecasting; fiscal, monetary and social policy; agricultural economics; foreign trade; privatization; and investment. CASE-Kyrgyzstan publishes the quarterly *Kyrgyz Economic Outlook*, which contains a detailed analysis of recent economic developments and provides a short-term forecast of basic macroeconomic indicators. Advisory activities are concentrated in TC to the Ministry of Finance, the Ministry of Agriculture, and other government agencies. An essential part of this assistance consists of quantifying the impact of various policy proposals; statistical analysis of the economic, social and budgetary context; and economic forecasting. The Centre provides training for government officials in microeconomics, macroeconomics, public finance, econometrics and information technologies.

of external aid. Donor agencies can formulate proposals for reform and provide TC, but in politically sensitive areas, only governments can take the difficult decisions.

Bilaterals – The TC decisions of individual donor countries are driven mostly by their respective policies (and sometimes geo-political) concerns. Following independence, Turkey focused on re-establishing cultural and political ties with the Turkish-speaking nations of Central Asia, and supported a number of projects aimed at human resource development, culture and institution building. From the middle of the 1990s, when it became Kyrgyzstan’s main TC donor, Germany has focused on industrial investment projects as well as advice on governance policy and social service reform. Swiss assistance has concentrated on advisory and educational programmes in agriculture and business promotion. Japan has supported structural reforms, the development of cultural institutions and communications-related programmes. The Scandinavian countries have supported the reform of social services and ecology, whereas USAID’s preferences have been wide-ranging: enterprise; trade; land, fiscal and local government reform; democratic culture; primary health care; and environmental management.

All bilateral donors have demonstrated a commitment to support reforms, backed by the necessary financial and human resources. But bilaterals have introduced their own distortions. Some have sought to “tie” their TC – directly through the acquisition of their equipment – or more indirectly, through cultural and political ties and the fostering of a conducive investment climates for their firms.

Bilateral donors have also differed in their choices of local partners. Some have cooperated closely, and worked with the Government. Others have preferred to operate more at arm’s length, using intermediaries. Switzerland has concentrated more on development programmes at the local level, trying to combine the efforts of local authorities, NGOs and state agencies to support rural development.

International organizations – The contribution of international organizations is significant and is predominantly directed towards government institutions. UNDP focuses almost exclusively on policy advice at the central and local levels, while TACIS programmes are accompanied by technical equipment. Both organizations collaborate with the Government and participate in all stages of TC programming (planning, implementation, monitoring and evaluation). There is a certain degree of competition between UNDP and TACIS, which results in some duplication of effort.

Senior officials and the staff of international organizations like to make their own impact on the course of change in conformity with the goals and values of their organizations. Local publicity provides the incentive to do so, as well as the approbation of the authorities. Awards of merit are given by the Government to heads of international organizations at the end of their terms. Local staff and consultants of international organizations are motivated by high salaries, compared with pay rates in government.

Development banks – The Asian Development Bank and the World Bank have contributed most to TC programmes in Kyrgyzstan. The ADB focused first on education

reform, and has gone on to finance a range of smaller programmes in agriculture, trade, industry, ecology and institution building (banking, Ministry of Economy, pension system reform).

The World Bank and other international financial institutions (such as the IMF) played a leading role in the Kyrgyz transition to a market economy. The World Bank was involved in privatizing industry and agriculture, reforming industry and the health sector, and various rural development projects.

The Bank has sometimes been criticized for development concepts that seem derived from a global cookbook rather than from local ingredients, as well as for insufficient efforts to build participation among local stakeholders. The latter accusation is perhaps only partly justified, as the country did not have a coherent concept of transition, and was thus ready to accept any and every donor proposal. In the second part of the 1990s, however, the Bank and other multilateral donors made substantial efforts to support national programmes in the social sphere, and involved all major local stakeholders in the preparation of the Comprehensive Development Framework.

The World Bank recently contributed to the state administration programme. Although its objectives are similar to those of earlier programmes supported by UNDP and TACIS, there is the expectation that the project will extend analytic work to other ministries and will monitor the implementation of previous recommendations. A continuation strategy was elaborated in cooperation with representatives of the UNDP and World Bank country missions.

Private foundations – Kyrgyzstan is a good example of a former Soviet republic where a private foundation, Soros-Kyrgyzstan, has played an important role in public life and the transition process. While other donors have concentrated on market reforms almost exclusively, Soros-Kyrgyzstan extended its work into other dimensions of transition – democracy, an open society and national identity building. The main incentive for establishing the Foundation in January 1993 was the image of the country then as an “island of democracy” in Central Asia.

The Foundation has benefited greatly from four interrelated factors: ample financial resources, independence from central authorities, powerful leadership and an impact on the intellectual elite. It has contributed to transparency of TC programmes and public work in general by publishing its annual financial reports, a jolting novelty in Kyrgyzstan. For all these reasons, Soros-Kyrgyzstan has become, on one hand, a quasi-opposition centre challenging the behavior of the political establishment, and on the other hand, the object of some envy.

A number of other organizations have recently started operations, including the Eurasia and the Friedrich Ebert foundations. They offer a set of educational programmes for Kyrgyz partners, although their activities are as yet much less visible.

International NGOs – Western NGOs have been central to the development of domestic NGOs. Both have focused mostly on education and training, and deliver the

same set of educational services and programmes, which leads to an excess of supply over demand. Critics point out that the number of NGOs interested in training is decreasing and that the slogan “No more seminars” has become more vocal. Persistent concentration on training and development of organizational structures may hamper the growth of NGOs, because in a poor country, financial resources for primary missions are needed more than the endless mastering of organizational skills.

Religious organizations – The role of religious organizations in TC projects is negligible. The Dutch inter-church organization ACT works with pensioners and the elderly, and supports rural, community infrastructure projects. The Adventist Adra Foundation finances a system of home kitchens for the poor, accompanied by self-help training schemes for the elderly. Other religious organizations concentrate on pure charity.

Kyrgyz Authorities

As stated above, the Kyrgyz Government is the main recipient of TC. In the period immediately following independence, Kyrgyz authorities did not carry out any programming work connected with TC, acquiescing to every project submitted by donors. Technical cooperation programmes were mostly geared to restructuring the central organs of executive power. Only in 1998 did UNDP propose a decentralization programme prepared for local government, and a small-scale project on capacity building for Parliament.

The Kyrgyz authorities have benefited greatly from TC programmes. They helped to restructure the Government, create the State Property Fund, the State Investment Committee (or Goskominvest, the government agency responsible for privatization, foreign investment and aid, respectively), and the Tax and Customs offices. Technical cooperation programmes developed capacity in the Ministry of Foreign Affairs through language and other training, and also helped in restructuring the Ministry of Finance, which along with other state institutions, were supplied with modern technological equipment. Officials took advantage of numerous training programmes at home and abroad, and some went on to work on projects. These factors helped to develop an image of the ruling elite as reformers, and to engender self-confidence.

At the same time, the hierarchical structure of the strongly centralized state did not change and a number of poorly qualified civil servants retained key positions in the administration. Powerful politicians in central and local government committed themselves to hasty privatization, but did not tackle the moral hazards in the Government’s involvement with banks, investment funds and corporations outside the financial sector. Lack of transparency and widespread corruption inhibited the process of change. Officials began to treat international assistance as a means to increase both power and income.

Programme coordinators, too, were pressured to treat the funds allocated to their respective programmes flexibly, in order to provide incentives for their Kyrgyz hosts. In a situation of donor competition, these pressures bore fruit. Typical incentives included equipment, jobs for relatives, paid lectures, foreign tours, payments for key information, and various other underhanded methods of “financing” officials. The

“flexibility” shown by both sides reduced the effectiveness of aid. There was an impression that authorities desired TC to shore up the existing power structure, not to change it. Middle management expected financial and other returns from donors’ interventions, and TC became a form of subsidy.

Local authorities are much more positive with respect to the decentralization programme, which helped build capacity among local government bodies through participatory planning. Communities also benefited from additional financial resources allocated by donors. The central authorities support the programme, and a growing number of donors are turning to projects focused on local government and development as a complementary and effective way of supporting change.

Ministries

To target external support more effectively, a number of specific sector programmes were drawn up in the mid-1990s. They included *Ayalzat* (a programme to improve women’s position in society); *Jetkinchek* (a presidential initiative promoting access to education); *Emgek* (labour market and employment); and *Manas* (health). Donors contributed to the conception and implementation of reforms in health and education. Here, elements of partnership appeared; in the case of *Manas*, local NGOs were involved in the process of implementation and monitoring of TC programmes.

Despite significant successes, the programmes under consideration were not completed for a number of reasons. First, resources were insufficient. Another important factor was the rotation of top officials in the ministries, which resulted in a loss of institutional memory. One minister would sign the project, the next would oversee its implementation, and a third would receive the recommendations of evaluation missions. But nobody would take into account what had been done by predecessors. Competition among donors promoting models based on different principles advanced conflicting advice and complicated the strategic choices. Finally, corruption disrupted progress.

NGOs

Domestic NGOs have been playing a growing role in TC programmes. First, they are recipients of assistance and profit from it in many ways, such as institutional and skills development and technical equipment. Second, donors recognize them as important social actors, and their weight with respect to domestic authorities has been strengthened. Third, some of the more developed NGOs take part in TC implementation as providers of services or organizers of training. Fourth, NGOs have become the medium of mentality changes that are fundamental to the transition process.

NGOs benefit financially from TC that provides grants and creates jobs. NGOs have also created an important incentive for women to take a more active part in public life, in a context where men tend to monopolize politics. Finally, the NGO sector substitutes, in one way or another, for the political parties and free media that are absent in Kyrgyz public life.

At the same time, NGO programmes produce some ambiguous results. Many NGOs are primordially grant-seekers, switching from one kind of activity to another. Strong competition makes cooperation among existing organizations difficult, and discourages accountability. Finally, NGOs cannot solve many of the social and political problems they try to address. In many cases, a political solution or an intervention is needed from the state. This puts the dilemma of participation in politics at stake. The Government has made some efforts to invite “recognized” NGOs to join the Presidential Council of NGOs. But less known organizations still experience restrictions and harassment, resulting in a deepening of the divisions among NGOs.

Private Sector

The private sector has not been a principal beneficiary of TC, and Kyrgyz authorities have demonstrated a certain reluctance to promote this sector. UNIDO assistance to the Small and Medium Size Enterprise Development programme, for example, was located in the Ministry of Labour, not in the more strategic Ministry of Economy. The programme provided the training, expert services and financial resources to design and implement a private sector development strategy. Within the project (implemented over the period 1997-2000), some 3,500 representatives of small businesses received training. A number of “business incubators” were established and over 1,000 business plans prepared.

Recently, many more projects have aimed to support small business. The Swiss agency Helvetas provides assistance to enterprises in tourism and agriculture. Participants benefit from training, consulting services and access to data. In the case of the tourism enterprises, there has been a measurable impact on incomes. Agricultural firms have been hurt by three problems: lack of markets, low and variable profitability and the de-monetarization of the Kyrgyz rural economy.

Universities and Research Centres

As of the late 1990s, none of the Kyrgyz universities had delivered services or expertise for TC programmes as subcontractors. However, individual academics have been invited to take part in UNDP projects or have worked as trainers for various donors. Their experience has resulted in the creation of new centres that are aimed at providing services to international donors on a more regular basis.

The Centre of Human Development, for example, was established at the Kyrgyz-Russian-Slavonic University in 1998 to propagate ideas of human development. It focuses on monitoring social mobilization, the organization of social partnerships and advocacy. The Centre participates in research and educational projects dealing with human development.

A similar role is played by the Institute of Regional Studies, which takes part in UNDP’s decentralization project, and monitors the national poverty alleviation programme (through studies administered by the World Bank and the ADB). The Centre of

Economic Research established at the National Academy of Sciences in 1998 is another potential partner that has not been part of the consultancy market.

A successful example of the potential of local expertise is given by the Centre for Public Opinion Studies and Forecasts. Established in 1998 with UNDP support, the Centre started its work on opinion polling research during the parliamentary and presidential elections in 2000, and publicized its results through the media. Thereafter, the Centre has conducted research on an assessment of UNDP services by its clients, a national survey on the quality of primary education, corruption in Kyrgyzstan and an analysis of Kyrgyz NGOs.

The Centre has built on its professionalism in many ways. It has received many requests for new research from the Presidential Administration, Parliament and donors. Staff members have been invited as consultants to Parliament. They have also started working as consultants in Tajikistan and Azerbaijan. Experience in collaboration with donor agencies and good relations with state structures and private business have contributed to its success.

At the same time, the findings of its *Monitoring Learning Achievements* study became the basis for discussion between donors and the administration concerning a common strategy in education. As a result, a five-year programme was drawn up, attracting support from UNICEF, UNESCO and other donors.

Local Consulting Firms

Technical cooperation programmes spawned nearly 30 local consulting firms that emerged in the second part of the 1990s. Many of them were established by former state officials or staff members of state agencies dealing with foreign aid (such as Goscominvest and the State Property Fund). Most consulting firms deliver narrowly specialized services such as internal audits for donors, or training in international standards of accounting for state agencies and private companies. Others offer advice and training for small business and state institutions. The most experienced firms have initiated work on wider programmes focusing on the country's utilization of international aid.

In this context, the KAPPA Group is worth noting. KAPPA is a consulting agency that sub-contracts to various projects. It is able to mobilize about 40 local consultants and takes part in most tenders announced by donor agencies. The head of the agency recently served as a voluntary advisor on international aid issues at the Ministry of Finance. He led the working group charged with preparing an institutional mechanism for more effective and transparent grant disbursement. KAPPA can be seen as an example of a new group of social actors capable of improving the process of planning, distribution and implementation of international aid.

Local consulting firms could lead to the emergence of more independent actors in TC relationships, and would provide for more competition. Until now, this option was limited by political and bureaucratic barriers, and lack of transparency in the selection process. In practice, winning a contract "costs" about 5%-10% of its value. Consulting

firms are thus vitally interested in increasing the level of competition and transparency in the consulting market. For now, they are disadvantaged by a two-tier pricing system that remunerates the services of expatriate experts at higher rates than local consultants.

International Consulting Firms

International consulting firms service TC programmes as contractors or sub-contractors of donor agencies at commercial rates. Their overheads are high, usually amounting to 25% of direct costs. Some of them do not have permanent professional staff, but hire freelance consultants or local specialists when obtaining contracts. The consulting firms collaborate with the donor representatives in charge of financing project implementation, but do not provide for participation on the part of the Government. International consulting firms work for profit, and are not strongly committed to developing the capacity of local partners.

Apart from typical recruitment agencies, a number of more specialized foreign consulting firms also operate in Kyrgyzstan. They are strongly oriented towards local actors and their needs. An example is the Urban Institute (UI), which established its own office in Bishkek with USAID support to assist in the local government reform process. The UI dedicates itself to building local institutional capacity. Its work focuses on fostering strong partnerships with local counterparts to sustain reforms in municipal finance, and on improving effectiveness and accountability of local administrations. It is also involved in reviewing draft laws and training.

Finally, bilateral aid agencies contract specialized consulting firms to promote the skills of local partners in specific areas, such as agriculture. The absence of domestic specialists in areas like local government will ensure the presence of such firms for many years to come.

Lessons and Conclusions

Unlike Central and Eastern Europe, the Baltic states, Russia, Ukraine and even the Caucasus republics, Kyrgyzstan began its independent existence with a small political and intellectual elite that was able to address the challenges of state-building and a market economy. The country's real need was for TC related to both general strategic issues as well as a range of specific technical problems. As a relatively liberal country with a Government set on rapid modernization and market reform, Kyrgyzstan offered a much better climate for TC inflow than its neighbors.

The demand for TC led to a large supply of projects financed by multilateral and bilateral donors. Looking back over the last decade, there is little doubt that international TC helped Kyrgyzstan give momentum to its economic and institutional transition to a market economy, particularly between 1993 and 1996. Concrete results in individual sectors, however, have been mixed. Not all TC projects were effective in terms of addressing the priority needs of the country, or with respect to project design, sequencing, financing, internal organization and staffing, and so on.

A number of problems on both the recipient and donor sides reduced the overall effectiveness of TC. Oversupply, compared to the realistic absorptive capacity of the country, was probably the most important, at least in the early part of the decade. The oversupply was determined by motivations on the part of both donors and national authorities. Donors wanted to help a relatively poor and handicapped country that was committed to quickly reforming its economy and building a modern state. Kyrgyzstan was perceived as a significant political window of opportunity for many donors, especially considering the country's complicated geopolitical neighborhood – more evident now than 10 years ago.

On the recipient side, the will for reform and a determination augmented by the feeling of deep geopolitical isolation pushed the country's leadership towards seeking Western support and adopting Western patterns of economic life. Popular slogans about Kyrgyzstan as the “Switzerland of Central Asia”, although somewhat fanciful, reflected the real political choice of the country's elite. The great openness to Western TC – much more than in most other post-communist countries – was just one manifestation. And because TC projects were provided to Kyrgyzstan almost entirely free of financial obligation on the country's part, there was no rational demand barrier.

As in other transition countries, Kyrgyzstan had little experience and institutional capacity to manage TC at the very beginning of the transition process, when it was most urgently needed. This posed a challenge that donors and suppliers of TC services were poorly equipped to meet. Nor did they have a good contextual understanding of the scale and nature of the transition process, particularly in the less developed republics of the former Soviet Union.

Bilateral donors were initially uncertain about how to respond to the changing needs of the former Soviet republics. There was no initial thought of providing aid along the pattern of developing countries. Bilateral donors were thus mostly motivated by the political agendas and interests of the development industries in their own countries. International financial organizations, particularly the IMF and the World Bank (whose operations had originally begun in Europe), had a much better and more comprehensive understanding of what should be done in transition economies, but their TC activities were usually subordinated to lending programmes and associated with conditionality. Private donors such as the Open Society Institute (Soros Foundation) were also better prepared to support the transition process, but their assistance – though very important – constituted only a small portion of the total TC on offer.

Partly for these reasons, donors did not put much effort into coordinating their actions and helping Kyrgyzstan manage the huge TC inflow in a rational way. The lack of coordination was hardly new, however. Even in developing countries with long-established aid programmes, there is insufficient cooperation among donors, whether they are multilateral organizations – many of which belong to the same UN system (UNDP, UNIDO) – or bilaterals, which are members and shareholders of the same multilateral organizations, and have closely aligned foreign policies.

Because of ignorance and lack of experience in the transition process, donors experienced difficulties with the sequencing of TC projects, with defining priorities, and with responding quickly and flexibly to changing needs. Many TC projects suffered from unclear formulation and were excessively broad in scope. Some TC initiatives were launched too early, before the specific problems had been perceived as important by the Kyrgyz authorities, or before the relevant institutional ground had been prepared. This was the case with most of the civil service-related projects. Other expertise came too late, as did the capacity to appraise public investment projects.

Providers of TC services were even less prepared than donors. Most of them did not have experience with post-communist economies and did not understand their problems and needs. Many had no command of Russian and therefore had problems in finding a common professional language. There was consequently a heavy reliance on foreign experts rather than on local staff. Many projects had excessively complex organizational schemes, bad prioritization and sequencing, inappropriate staffing and delays in implementation.

Inappropriate staffing was also caused by shortcomings in recruitment policies related both to individual experts and institutional providers. Very often, donors limited recruitment to home country individuals and firms. Alternatives were usually not actively sought, and when they were, recruitment and procurement were not open and transparent. The same short cuts applied to recruitment of local staff, where it occurred.

Some donors (such as UNDP) prefer to employ individuals rather than institutions, which involves two kinds of problems. First, there is the risk of selecting inappropriate candidates. Second, it sometimes requires an excessive amount of time to put teams together. These problems can be avoided by recruiting institutional providers where it is feasible to do so.

All parties have made management mistakes stemming from a lack of experience in TC in the specific context of transition. These mistakes were probably unavoidable, and it was better to take risks than wait for institutional and organizational conditions that might have been long in coming. This is the price of radical change.

With time, there has been a learning process by all parties, and some of the early shortcomings have been overcome. The gap between TC supply and country's absorptive capacity has narrowed. Local experts have become more involved in the implementation of projects, and even in their management. Increasingly, projects have become smaller and shorter, addressing more specific technical needs. Generally, more attention has been put on local capacity development instead of just the provision of policy advice. Foreign teams have been more appropriately staffed, and the pool of international experts familiar with transition economies and the region, and specifically with Kyrgyzstan, has increased substantially compared to the beginning of the 1990s.

Some changes have not materialized fast enough, however. The lessons of the early TC experience have not been adequately examined and learned. In the second

half of the 1990s, the TC process was driven mainly by inertia and vested interests on both sides. There have been changes in the profile of TC, but only slowly. Too much emphasis has continued to be put on central government, with regional and local government and the non-governmental sectors lagging behind.

The early reform enthusiasm on the recipient side has dissipated, and anti-reform coalitions of vested interests have become stronger. The evolution of the constitutional model towards a presidential republic in effect weakened the young parliament, and did not help in developing a modern political system or active civil society. There were serious weaknesses in public administration, which undermined TC projects meant to strengthen the public sector, promote a civil society, and strengthen parliamentary institutions.

Many of the earlier irregularities also became more persistent and difficult to overcome. They included corruption and nepotism, the parasitic exploitation of TC projects for specific interests, and distorted incentives for project staff and the personnel of beneficiary agencies. The country as a whole has become heavily aid-dependent, not only in terms of TC, but also in terms of increased financial cushioning of fiscal and external imbalances. In sum, a decade of large-scale TC has been, in some ways, typical of many other country cases. For both donors and recipient, it has followed a cycle that began with reform enthusiasm and excessive expectations, followed by critical reflection and a certain sense of disappointment.

What are the immediate prospects? In spite of a drop in TC volumes during the last three years, Kyrgyzstan is expected to remain a key recipient during the present decade. The country's participation in the World Bank-initiated process of preparing the *Comprehensive Development Framework* is intended to create, apart from other potential uses, the long-term conceptual basis for large-scale foreign aid in its various forms. In addition, recent global political developments (including the war against terrorism) have increased the international importance of the entire Central Asia region, which will probably translate into a substantial and sustainable inflow of aid, including TC.

There are several lessons to be retained from experience. The continuation of the TC effort should be based on a more precise identification of the country's real needs and reform readiness. Appropriate conditionalities attached to financial aid packages would be helpful. Donors cannot, however, be substitutes for local leadership and will. When strong national leadership and determination are absent, donors should be cautious, since the probability of failure is high.

The issue of country ownership of the reform process is fundamental, as is ownership of associated TC projects. Ownership of the reform process depends very much on the political will and determination of national authorities to carry out concrete policy and institutional changes. Ownership is a quintessentially political phenomenon. In Kyrgyzstan, the political will was present in the first half of the 1990s, but diminished thereafter.

TABLE 6.6: TECHNICAL COOPERATION BY RECIPIENT ORGANIZATION, 1992-2000 (US\$ THOUSANDS)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
GRAND TOTAL	3,031	3,925	14,171	25,532	30,491	33,671	35,041	30,048	28,649	204,559
Ministry of Health	0	0	1,534	2,391	2,389	4,796	1,959	972	5,820	19,861
Ministry of Agriculture and Water Resources	0	0	750	1,557	3,883	3,212	2,165	3,213	1,555	16,335
Ministry of Finance	0	225	415	425	825	1,623	2,407	1,653	1,718	16,246
Ministry of Education, Science & Culture	2,912	1,406	2,897	1,428	1,359	151	836	897	204	12,090
State Committee on Foreign Investments	0	1,095	1,268	2,083	901	1,076	695	784	1,364	9,416
Ministry of External Trade & Industry	0	0	0	460	2,100	1,650	304	0	0	7,628
Ministry of Labour & Social Protection	0	0	0	777	348	1,382	1,671	1,548	340	6,066
National Bank	0	0	484	900	610	1,100	1,400	234	400	5,128
Ministry of Transport & Communications	0	0	48	0	1,100	747	854	990	600	4,339
Ministry of Environmental Protection	0	0	117	30	720	280	1,019	789	356	3,311
SAGMR	0	0	150	600	1,000	600	650	200	0	3,200
National Broadcasting Company	0	0	1,200	1,649	247	66	6	0	0	3,168
Centre for Development of Private Sector	0	21	195	568	368	1,312	590	0	0	3,054
Joint-stock company "Kyrgyzenergo"	0	45	90	1,001	715	681	382	87	0	3,001
Kyrgyz-Turkish Manas University	0	0	0	0	0	0	3,000	0	0	3,000
Soros Foundation-Kyrgyzstan	0	0	0	708	769	548	495	226	252	2,998
Joint-stock company "Kyrgyztelekom"	0	0	0	1,300	950	480	0	0	0	2,730
State Forestry Agency	0	0	70	650	800	550	0	0	0	2,070
Gender in Development Bureau	0	0	0	0	0	0	211	648	742	1,601
Office of the President	0	0	0	8	17	0	114	631	761	1,531

	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Ministry of Internal Affairs	0	11	6	0	15	492	380	325	213	1,442
NOKP	0	0	0	0	350	0	0	1,064	10	1,424
Financial Company for credit unions	0	0	0	0	0	0	150	324	910	1,384
State Property Fund	0	0	0	0	100	529	276	265		1,170
Ministry of Foreign Affairs	0	0	260	120	152	120	200	169	100	1,121
Other	120	3,779	8,594	13,266	14,535	14,164	17,863	17,164	24,476	10,3742

Source: UNDP

Apart from ownership of the reform process in general, it is important to rationalize TC demand and ensure that the country takes responsibility for project definition and implementation. Project co-financing and the requirement to repay loans, as in the case of many World Bank projects, would help to better filter TC demand, and provide incentives for more effective use. Co-financing would not only increase national ownership, but also the accountability of the Government and donors. The Kyrgyz Government could be required by donors to provide contributions in kind (office premises, for example), and the salaries of local staff involved in the project.

Local ownership of TC projects would also be strengthened by more involvement in defining the TC agenda and setting priorities. Local stakeholders need to be part of the discussion on terms of references, the selection of suppliers, project management and staffing, and monitoring and evaluation. But a balance of responsibilities needs to be maintained. Donors still retain the right to determine where and how their money is spent. And there are no guarantees that the prerogatives of the recipient country will help to minimize observed flaws and irregularities. As international experience shows, if the recipient country does not have an efficient public procurement mechanism and an effective and well-paid civil service – neither condition prevailing in Kyrgyzstan – foreign aid can lead to new sources of corruption.

With the transition process in Kyrgyzstan already at an advanced stage, future efforts should focus on a narrower, but better-defined agenda. Smaller TC projects with simple management structures, staffed with Russian-speaking foreign experts familiar with transition economies, and supported by competitively-recruited local experts and administrative personnel, have a chance to achieve more than some of the larger, earlier programmes. Smaller projects can be more flexible and responsive to changing demand, and less bureaucratic and costly in their implementation.

Another change in TC priorities should involve a greater emphasis on strengthening regional and local authorities, as well as non-government sectors. In the latter case, this means promoting independent media and supporting academic, cultural

and research activities. Human rights and minorities' organizations, and policy research and cultural institutes also merit strong assistance. Civil society in Kyrgyzstan is ripe for external support in order to avoid an anti-democratic drift and forestall the ethnic or religious conflicts so often present in Central Asia.

Some lessons apply more broadly. Apart from closer cooperation with the recipient country, donors should seek to improve coordination and cooperation among themselves to avoid duplication and conflicting conditionalities and advice. Closer coordination will create opportunities for more comprehensive TC approaches. Donors should also encourage TC providers to employ local experts and organizations, as well as foreign experts who understand the local context and language.

Technical cooperation agencies could also separate donor functions from the process of providing, organizing and managing TC projects. Financing TC programmes and delivering professional services represent two different spheres, and combining both in one agency can lead to conflicts of interests and low efficiency.

Donors should concentrate on the overall TC agenda and in supervising its implementation, but should not be directly involved in project micro-management and staff recruitment. The latter should be delegated to professional TC providers (consulting firms, institutes, NGOs and other relevant organizations) working in a competitive environment that increasingly involves local suppliers and personnel. Donors can best contribute in this way to strengthening local think tanks and public policy institutes in developing and transition countries.

Finally, there are lessons to be drawn by the Kyrgyz authorities. Apart from a greater readiness to provide their own input to TC projects, they must create the proper incentives for those in public administration to use TC projects in the most effective way. Civil servants at all levels need to know that their active and creative engagement in TC projects will pay off in terms of their individual careers. The Government should also establish clear and transparent tendering procedures, which will help in selecting local TC providers and experts. Duplication and overlapping in TC often comes from contradictory messages from different government agencies, and lack of sufficient coordination between them. Although the Kyrgyz Government has now selected the agency formally in charge of aid coordination and monitoring (previously the Goscominvest, currently the Ministry of Finance), its functions cannot yet be considered adequately efficient.

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