

Evaluation of EU External Action – Response of the Services



Evaluation title	Evaluation of EU Budget Support and Blending in the Kyrgyz Republic (2010-2019)		
Lead EU Service	European Commission, Directorate-General for International Partnerships	EU Delegation(s) involved	Delegation of the European Union to the Kyrgyz Republic
Associated EU Services	European Commission European External Action Service		
Evaluation budget	EUR 379,830.00	Contractor	PARTICIP GmbH
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Date of approval of final report	December 2021	Date of response of the services	May 2022
Additional information	-		

Recommendations from the independent Evaluation Report		Response of the services	Follow-up (one year later)
R1	<p>EU and GoK should continue to develop and elevate their strategic partnership, building on past experience and consolidating the underlying principles of their collaboration.</p> <p><i>Promoting democracy and fighting corruption are essential issues that transcend specific operations but more than ever should continue to be at the centre of high-level political dialogue. Programmes and projects can be more ambitious and specific on their expected contribution towards achieving high-level effects (impacts): Promoting inclusive growth and reducing poverty and inequalities.</i></p>	<p>Accepted</p> <p>The EU is engaging in policy dialogue to promote reforms in all sectors supported and cooperates well with other development partners and especially development banks to promote democracy and fight corruption. Promoting inclusive growth and reducing poverty and inequalities is the heart of the new MIP.</p> <p>Budget support: It is evidenced that BS operations positively effect on behaviour change of the responsible authorities. It has been made clear to the Government that use of BS modality is only possible when all eligibility criteria are met. If there is no sign of transformative potential in the suggested sectors, BS modality is very unlikely. However the EU plans to continue with</p>	

		<p>budget support in the areas of education and digitalisation and start a new budget support operation in the water sector.</p> <p>Improvement of PFM remains one of the priorities for the new MIP 2021-2027 to address accountability, promote transparency and curb corruption.</p> <p>More importantly, adherence to fundamental values is well monitored and discussed at different levels of the policy dialogue in the framework of the budget support operations.</p> <p>The EUDEL continues to actively monitor fundamental values and engage in policy dialogue on these issues.</p>	
R2	<p>Helping GoK to reduce inequalities and effectively mainstreaming cross-cutting issues into policies, programmes and projects should be a priority of EU support to the Kyrgyz Republic in the 2021-2027 period.</p> <p><i>EU interventions should particularly be aimed at contributing to close the urban-rural gap and promote the effective inclusion of women and ethnic minorities. The challenge is to transcend the generic references to inclusion and cross-cutting issues that are included in the design of EU interventions. This can be done, for instance, by elevating the importance of gender and inclusion in policy dialogue and in capacity building actions or disaggregating performance indicators of budget support programmes. In blending operations, more attention must be put on addressing the needs of the beneficiaries and on the effects of project outputs on vulnerable persons or areas.</i></p>	<p>Accepted</p> <p>Policy dialogue will address issues of gender-equality and inclusion. The Spotlight project and grant projects will specifically address elements of gender equality, inclusion and vulnerable persons.</p> <p>Budget support: Crosscutting issues are properly addressed in the new programmes and the MIP 2021-2027.</p> <p>Two ongoing BS programmes in education and digitalisation, which are not subject to the current Strategic Evaluation, adequately support gender equality in school education and promote girls in STEM, foster multilingual education to improve access for minorities and reduce urban and rural digital divide.</p> <p>Furthermore, the BS in education sector of AAP2021 will continue to address gender equality, inclusive education with regard to disability and multilingual education for minorities, and promote digital, green and media skills in urban and rural schools.</p> <p>Blending: Regarding the blending interventions there has been an improvement in the last years to better incorporate crosscutting issues. Gender mainstreaming is also a priority and the EU will request monitoring of outputs and outcomes in a gender sensitive approach.</p>	
R3	<p>GoK and its cooperation partners urgently need to address the severe shortage and inaccuracy of data at the project, sector and aggregate levels.</p> <p><i>GoK policy and donor support need to be more evidence-based and count on more, better-quality, publicly available and updated information, especially on outcome and impact indicators. EU could devote part of its funds to supporting to the Statistics Office to increase its overall capacity, its links with sector information systems and, more specifically, enlarging and improving the Kyrgyzstan Household</i></p>	<p>Accepted</p> <p>Budget support: Data quality and availability are a serious challenge not only for the Development Partners but also for the Government itself. Meanwhile, there are several attempts undertaken by the Government and line ministries to improve data collection, analysis and reporting systems such as EMIS, FMIS, centralised data exchange system Tunduk, etc.</p> <p>Moreover, the recently launched WB-funded Tax Administration and Statistical System Modernization Project (\$35 million, 2021-2025) to operationalise regulatory reforms, digitalise administrative data, modernise</p>	

	<p><i>Integrated Survey. Involving and supporting CSOs in an overview role would also increase the transparency and accountability of GoK policy and donor support. More specific measures can be considered as part of Budget Support programmes to boost Monitoring, Evaluation and Learning. This includes running studies to help establish baselines, fine-tune sector targets and performance indicators and/or identify determining factors of outcomes and impacts, especially for key issues like growth and poverty reduction in rural areas, gender equality and inclusion.</i></p>	<p>IT system, improve interoperability of government systems, streamline business processes for greater data utilisation and strengthen capacity will likely bring statistic services up to the appropriate standards. It is expected that the upcoming National Census along with household survey scheduled for April 2022 will serve as accurate baselines. PFM related actions planned under MIP 2021-2024 will also address lack of statistics data and their quality. An existing facility to support statistics suggested by DG INTPA will be explored as an added value element. Involvement of CSOs through a Call for proposals is envisaged within budget support operations under MIP 2021-2027 to monitor, advocate and oversee GoK's accountability and transparency.</p> <p>Blending: Regarding the blending projects, data quality and availability is a challenge due to the capacities of the municipal companies and local authorities. The EU is requesting the new blending projects to have more resources to ensure more quality data (including disaggregated data) of the outcome of the projects.</p>	
<p>R4</p>	<p>As of 2021, the EU and GoK should consider using the same modality structure (i.e. Budget Support for governance and social sectors and blending for infrastructure-related sectors) and continue improving their design and implementation. <i>The clear exception to this continued use of BS would be any future support to electoral reform, which should rather be a project, unless it is included as part of a bigger Rule of Law Budget Support programme. A possible simultaneous use of blending and Budget Support in the water sector is an interesting option that will require previous discussions at INTPA and with EBRD and, if confirmed, should include a preparatory phase to help GoK produce and adopt a sector strategy based on IWRM, advance with key issues such as tariff reform, establish baselines and targets for possible performance indicators and build the accountability and implementation capacity in GoK entities.</i></p>	<p>Partially accepted</p> <p>Budget support: The EU plans to sign a Financing Agreement in 2022 to continue BS in the education sector, which is assessed as effective and appropriate. Furthermore the new MIP recommends the use of budget support for digitalisation. The sector, which is not recommended for BS intervention, e.g. electoral reform, is not envisaged in the new MIP 2021-2027. Rule of Law might be again support as a project based on needs during the second part of the MIP from 2025-2027.</p> <p>Blending: Budget support and blending are very different tools and cannot replace each other, but they can be very complementary tools. In the new MIP the EU will pursue to continue supporting the water sector infrastructure gap through blending investment projects and also the policy reforms through a budget support operation when the conditions are right (National Water Strategy adopted namely). The Budget support will also include capacity building at national level of the water sector reforms.</p>	
<p>R5</p>	<p>The EU should work with partner IFIs to substantially improve blending projects design and implementation. <i>Intervention Logics need to be more comprehensive and transcend infrastructure-related outputs, thus also measuring how the project has supported improved service delivery (e.g. coverage rates of basic services), development outcomes (e.g. quality of life indicators, WASH indicators)</i></p>	<p>Partially accepted</p> <p>Blending: We agree with the recommendation provided to improve blending project designs and implementation. Logframes have been under negotiation with EBRD and subject to improvement. The indicators will include also more detail of the beneficiaries. Also, the EU is already involving IFIs in the policy dialogue on sector reforms.</p>	

	<p><i>and the possible contributions to impact indicators. In policy dialogue, IFIs and EU should be better aligned. Finally, the EU must have a bigger role in decision making and overview of TA grants, and the accountability and learning arrangements of projects must be improved.</i></p>	<p>However, ongoing projects can only be changed in agreement with the IFI's and the role of the EU in decision making and management of blending projects is limited by the financial rules in place.</p>	
<p>R6</p>	<p>EUD and its cooperation partners must jointly explore ways of increasing the efficiency and effectiveness of TA and grants to continue upgrading the capacities of institutions, utilities and CSOs, which are still low. <i>Budget Support complementary support should continue to receive substantial funding, as it has proven a key element of EU cooperation. For both modalities, more focus should be put on increasing the technical sustainability of outputs and outcomes through a more realistic assessment of the capacities of beneficiaries, their absorption capacity and ability to continue delivering after donor support has ended. The EU also needs to have a more direct involvement when it relies on other Development Partners to implement capacity building actions, for instance through Trust Funds.</i></p>	<p>Accepted</p> <p>Budget support: BS operations are built on the government-owned policy and strategic documents, milestones and targets. It is evidenced that budget support implies specific and tangible incentives for change, through the conditions and indicators governing payments. This will be strengthened under the new MIP 2021-2027 through larger shares of variable tranches pursuing specific reforms. Currently all BS interventions are accompanied by technical assistance to address institutional capacity gaps. In the framework of the newly adopted MIP 2021-2027, it is envisaged that BS operations will encompass not only Technical Assistance but also Twinning/peer-to-peer cooperation in the form of close collaboration between relevant public administrations of Kyrgyzstan and EU MSs; and support to CSOs to strengthen bottom-up approach and advocacy.</p> <p>Blending: The capacity building is an important component of the blending interventions. We take note of the findings of the evaluation and we will work with FIs to improve the TA on the projects and increase capacity of utility companies and local administrations.</p>	