

# Evaluation of EU Budget Support and Blending in the Kyrgyz Republic 2010-2019

## 4 Common objectives of a strategic partnership

The cooperation between the European Union and the Kyrgyz Republic aimed at contributing to four common, high-reaching objectives.

## 2 Complementary aid instruments

Budget support and blending proved appropriate to implement EU assistance in the country. Each modality provided its specific inputs and approach.

## 6 Sectors

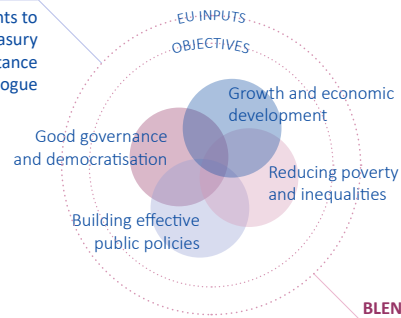
EU budget support programmes covered four policy areas



### EU-KR STRATEGIC PARTNERSHIP

#### BUDGET SUPPORT

Disbursements to the Kyrgyz Treasury  
Technical Assistance  
Policy Dialogue



#### BLENDING OPERATIONS

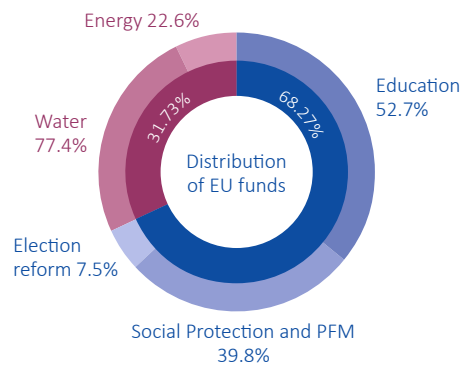
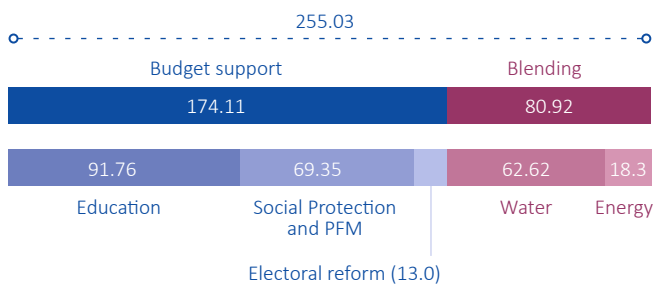
EU Investment Grants  
EU Grants  
Policy Dialogue

Blending projects were implemented in two sectors



Total allocated funds per instrument and sector

€ Million



### BUDGET SUPPORT AND BLENDING ADDRESSED KEY ISSUES DIFFERENTLY

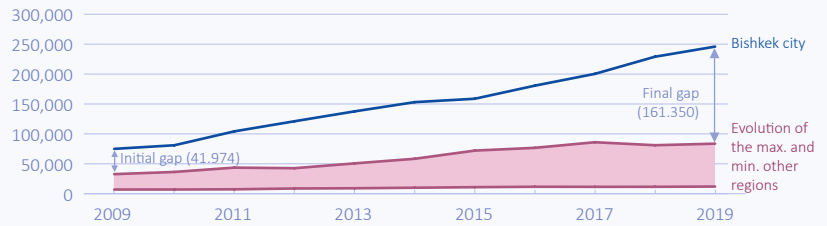
BUDGET SUPPORT			Key Issue	BLENDING		
Poor	Modest	Good		Poor	Modest	Good
○	○	●	Alignment with Kyrgyz priorities	○	○	●
○	●	○	Closure of financial gaps	○	○	●
○	●	○	Delivery of outputs	○	○	●
○	○	●	Focus on results & impacts	●	○	○
○	●	○	Addressing cross-cutting issues	○	●	○
○	○	●	Effective policy dialogue	○	●	○
○	○	●	Effective accountability	○	●	○

# TRENDS IN GROWTH, POVERTY AND INEQUALITY

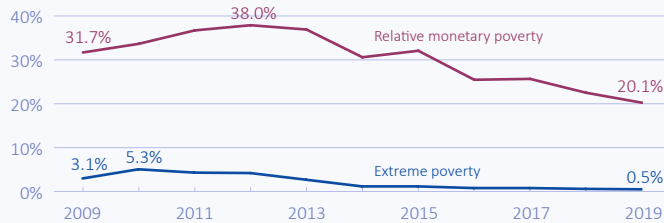
## GROWTH

**Kyrgyz economy grew moderately during the decade, concentrated mostly in urban areas.** Real GDP grew by 4,4% annually in average. The goal of reducing the rural-urban gap has not been achieved and the difference between Bishkek's GDP and the rest of the country has skyrocketed.

Evolution of GDP (total million Som.)



Poverty rate (national threshold, in %)



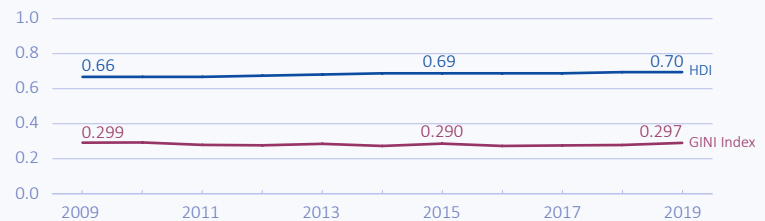
## POVERTY

**Poverty was substantially reduced, although more than half of the population barely remains above the poverty level.** Relative monetary poverty fell from 38% in 2012 to 20% in 2019 and extreme poverty dropped from 4.2% in 2012 to 0.8% in 2019. There are still huge divergences between urban and rural areas in income and in access to basic services.

## INEQUALITY

**Inequality was slightly reduced over the past decade.** While trends in cross-national indicators such as GINI and the Human Development Index indicate a slightly positive trajectory, progress towards a more equitable society is still slow.

GINI Coefficient and Human Development Index



# CONTRIBUTION OF EU SUPPORT TO PROGRESS IN SECTORS: Blending

Projects financed by the EU and its development partners had tangible results.

## WATER

**Service levels of water supply and wastewater disposal have improved;** supported interventions have substantially contributed to this evolution by way of provision of infrastructure, capacity building and institutional support to utility company operational and financial management.



**Access to water supply.** Increase in beneficiaries with access to water supply:

**175,522**



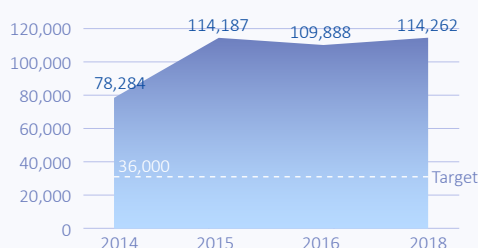
**Access to wastewater services.** Increase in beneficiaries with access to wastewater services:

**83,894**

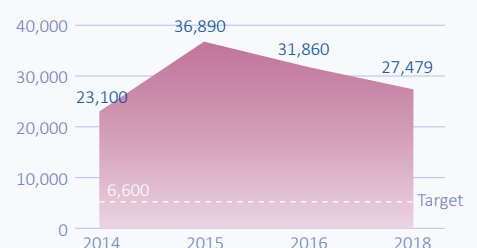
## ENERGY

**The goals of improved resilience and security of energy sector has been outperformed.** The results include an improved operational efficiency and corporate governance.

Annual energy savings (MWh/year)



Annual tonnes of carbon reduction (tCO2/year)

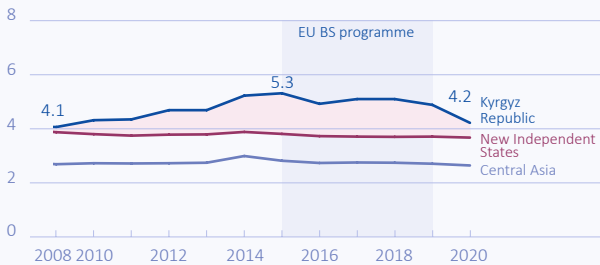


# CONTRIBUTION OF EU SUPPORT TO PROGRESS IN SECTORS: Budget support

EU-funded programmes helped the Kyrgyz Government achieve some key results.

## ELECTORAL REFORM

Democracy Index 2006-2020 (Value 0-10)



The Kyrgyz Republic democracy index improved during 2010 decade and has constantly remained above the average of surrounding countries, but it drastically worsened in 2020.

## EDUCATION

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The objectives of the Education Development Strategy related to access to education have been achieved, without any significant differences between gender, region or ethnicity.

**98.8%** School enrolment rate in Primary and Lower Secondary education Year 2018-2019

Total coverage of pre-school and early childhood programmes among children entering first grade

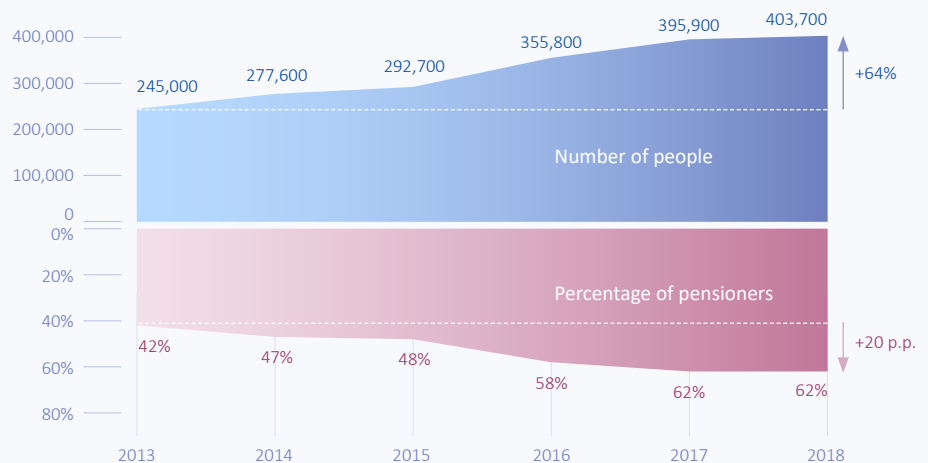
**55.6%** Year 2015-2016  
**78.9%** Year 2017-2018

**59%** **56%** Net attendance in Upper Secondary education

## SOCIAL PROTECTION

The share of retirees receiving pensions above the subsistence level reportedly increased by 20 percentage points. The average pension in relation to the minimum subsistence level for retirees has increased by over 20%.

Number of pension recipients above MLSR 2013-2018



The Kyrgyz Republic has made important advances in improving the oversight of residential institutions managed by the public sector. The number of institutionalized children declined by 27%.

Family-care is encouraged and enrolment in a public residential institution is now the last resort.

Number of children in residential institutions managed by Ministry of Education and Science



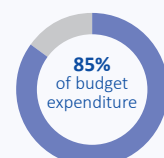
## PUBLIC FINANCIAL MANAGEMENT

The oversight function has been enhanced and budget transparency and public participation have been improved. The audit practice of the Chamber of Accounts, the country's Supreme Audit Institution, has been substantially developed since 2009, with financial audit and the beginning of performance audits undertaken alongside compliance audit.

Open Budget Survey scores the Kyrgyz Republic at

**10/100** 2010 survey  
**63/100** 2019 survey

Internal audit is now operational in **30 bodies** responsible for



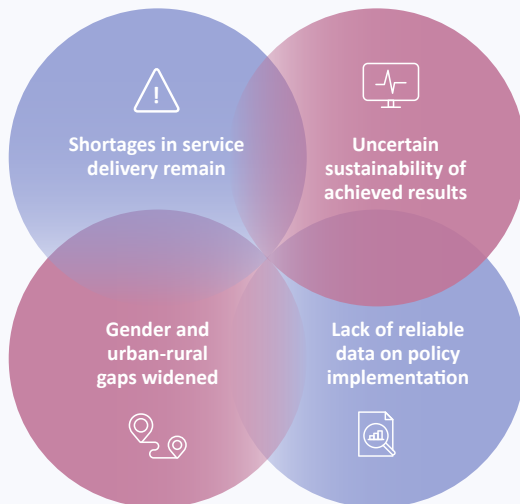
# CHALLENGES AND RECOMMENDATIONS

Despite the achievements, further support and action is required.

## CHALLENGES

**The main concerns with public service delivery remain unaddressed:** shortages in financing, strategic planning and implementation capacity of Kyrgyz public institutions do not allow yet to see substantial increase in access and the use of public services by the population.

**The gender gap and rural-urban divide in employment have not yet been sufficiently addressed.** Growth of formal employment was discrete. The number of men working in the formal sector in Bishkek and Osh City improved, while female employment and in rural areas stagnated.



**The durability of progress made is uncertain:** Exposure to external shocks, changes in government, frequent turnover among officials, lack of policy consistency, poor coordination between legal and executive powers and the recent political turmoil could negatively affect the continuity and sustainability of the reform process.

**Severe gaps and inconsistencies in data jeopardize the efforts of Government and development partners.** The country's weak capacity to compile and publish reliable information for monitoring economic and social development and policy implementation is an important constraint for decision-making and for formulating, implementing and evaluating public policies, programmes and projects.

## RECOMMENDATIONS

### Strategic partnership

The EU and the Kyrgyz Government should elevate their strategic partnership through increased political and policy dialogue that build on past experience and consolidate the underlying principles of their collaboration (promoting democracy, fighting corruption). Both partners can be more ambitious with expectations and targets of their common high-level strategic objectives (development outcomes and impacts).

### Data and indicators

The Government of the Kyrgyz Republic and its cooperation partners urgently need to address the severe shortage and inaccuracy of data at the project, sector and aggregate levels. The EU and other donors should increase their support to strengthen national statistical and monitoring and evaluation systems.

### Joint action to improve blending projects

The EU and its partner International Financing Institutions must work together to improve the design and implementation of blending operations to better complement infrastructure-related outputs with expected improvements in the use of public services, the quality of life of the population and the contributions to higher-level impacts.

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### Reduce inequalities

Supporting the Kyrgyz Government in reducing 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.

### Complementary aid instruments

Budget support and blending will continue to be useful modalities to implement EU support in the 2021-2027 period. Furthermore, a combination of modalities is an interesting option that will require substantial discussions with DG INTPA and development partners.

### Maintain and optimize the use of Technical Assistance

BS complementary support and Blending TA Grants should continue to be substantial components of EU operations. To increase their efficiency and effectiveness, the needs and capacities of beneficiaries should be better assessed and the EU should be as involved as possible in decision-making and overview of TA.