

# Partnerships for Growth

## Which Assistance Is More Effective? Kyrgyzstan's Traditional and Emerging Bilateral Donors

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*Various commentators often contrapose emerging development donors to the traditional ones on a number of factors including aid effectiveness. While such distinction can be productive for analyzing development assistance at a global level, it might bring less value when considering development aid milieu at a local level. In this article the author considers the case of Kyrgyzstan and its main aid donors based on select criteria set out by the Global Partnership for Effective Development Cooperation. It draws on an analysis of databases, official documents, open sources including media and the country's National Sustainable Development Strategy for 2013–2017. It concludes that traditional and emerging donors do not represent homogeneous groups; for Kyrgyzstan, differences within the group can be as significant as differences among the groups. Moreover, the analysis does not support the notion that assistance from traditional donors has greater effectiveness. On some parameters including alignment emerging donors' assistance can be more effective. Nonetheless, serious gaps between the two groups remain in terms of transparency, mutual accountability and harmonization. The author also explores the stronger bargaining positions of aid recipient in their interactions with donors due to the increased diversity of sources of assistance, focusing on this trend in Kyrgyzstan. Given Kyrgyzstan's position as a priority for Russia's assistance and Russia's rapidly increasing levels of support, the author also addresses the case of Russian-Kyrgyz Development Fund in detail.<sup>1</sup>*

**Key words:** development assistance, aid effectiveness, traditional donors, emerging donors, Kyrgyzstan, Russia

### Introduction

The complexity of the international development assistance (IDA) architecture is increasing over time, new actors are appearing, and the role of emerging donors is increasing. Effective interaction between all participants of the IDA process, and major improvements in its effectiveness, are required to achieve Sustainable Development Goals for the period up to 2030.

There are two different points of view on the question of whether assistance from traditional or emerging donors is of greater benefit for developing countries [Sato et al., 2011; Quadir, 2013; Woods, 2008; Udvari, 2014; Zimmermann and Smith, 2011; Dreher et al., 2013].

On the one hand, emerging donors are suspected, and often openly accused of, providing assistance due to economic, political and other motives, rather than aiming to increase the welfare of the recipient country's population. Emerging donors often do not follow environmental protection standards, do not support good governance, undermine traditional donors' efforts

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<sup>1</sup> The article was submitted to the editors in January 2016.

on debt relief, exploit natural resources of recipient countries, and so on. Conversely, it seems that traditional donors tend to decrease levels of tied aid, while their assistance is more transparent and predictable, and they pay greater attention to the quality of governance in recipient countries. According to Hillary Clinton, developing countries can choose who to work with: with donors supporting democratic governance and human rights, or with those who grab land and resources (meaning new donors, especially China) [Eyben and Savage, 2013].

On the other hand, some believe that “hysteria about emerging donors is overacted” [Woods, 2008, p. 1212]. They genuinely give recipients more freedom of choice, but not in the categories described by Clinton. Many partners welcome the support of new donors, as there are usually fewer conditionalities, and the relationship between donor and recipient resembles a partnership rather than patronage. Emerging donors possess relevant expertise, as they themselves have recently undergone or are still going through a development path. They respect the sovereignty of their partners and do not intervene in domestic affairs. Meanwhile, traditional donors have discredited themselves by not following up on pledges to boost aid, abandon tied aid, strengthen the role of recipient countries, support their development priorities, and reduce aid fragmentation. Many researchers note that emerging donors give recipients not only freedom of choice, but a much stronger bargaining position in interaction with traditional donors. There is also a third opinion about the current situation: the difference between traditional and emerging donors is exaggerated, and neither of these groups is monolithic, rather manifesting unified approaches in providing assistance [de Haan and Warmerdam, 2011].

Even though differences between traditional and emerging donors are widely discussed, there are very few empirical studies that examine the issue and can provide real-life evidence [Dreher et al., 2013]. Some examples include Hackenesh’s study [2013] on the difference between European donors and China in Ethiopia; and Lim’s comparative study (2011) on the implementation of the Paris Declaration principles in Tanzania by such donors as Sweden, the United Kingdom, South Korea and China. These studies consider low-income African countries, and only China is represented among emerging donors. This article turns to a lower middle-income Central Asian country, Kyrgyzstan, and considers the effectiveness of aid from traditional and emerging donors, including but not limited to China.

There are two reasons why Kyrgyzstan presents an interesting case study. Firstly, the donor community in the country has been changing significantly in recent years: traditional donors are no longer the main providers of aid. Even without taking into account Chinese assistance (the exact figures on which are unknown), since 2012 official development assistance (ODA) from emerging donors represented by Turkey and Russia has surpassed the total assistance of all donors of the OECD Development Assistance Committee (OECD – DAC). However, Kyrgyzstan is not a “pariah state,” assistance to which is limited to such donors as China, and the country continues to receive significant assistance from traditional partners. In this regard, a comparison of traditional and emerging donors’ aid to Kyrgyzstan seems to be meaningful, given their relatively equal importance for the country.

Secondly, the development strategy of the country, the National Sustainable Development Strategy for the Kyrgyz Republic (NSDS) (The President of the Kyrgyz Republic, 2013), has been developed in line with internal needs, as can be seen in the country’s media. It was motivated mainly by the necessity of Kyrgyzstan to succeed as a state after two revolutions in the past 10 years. The Strategy was drafted by the Government and the Office of the President over more than a year, and the President himself took an active part in the process. At the end of 2012, the NSDS draft was presented to the National Sustainable Development Council of Kyrgyzstan and was submitted for public discussion on the internet. I proceed from the premise that the NSDS reflects the priorities of Kyrgyzstan’s development as understood by its leader-

ship and elite. In view of this, the NSDS seems to be a more suitable document for determining the recipient's development priorities, for the purposes of assessing aid alignment, than, for example, the poverty reduction strategy papers intentionally developed to "please" donors with the "right" strategy [Dijkstra, 2011].

The analysis dwells on various sources of data on development assistance to Kyrgyzstan, and tries to answer a research question on what group of donors provides potentially more effective assistance to Kyrgyzstan. The fact that Kyrgyzstan has become a major recipient of Russian IDA in 2012–2014 makes the issue particularly relevant. Since the country joined the Eurasian Economic Union (EEU), it has been expected that Russian assistance would increase, and the issue of its effectiveness and efficiency will gain even greater importance.

The article begins with a discussion of research methodology, proceeds to examine general trends of donor assistance to Kyrgyzstan, and follows up with an analysis of the effectiveness of donors' assistance, and conclusions.

## Methodology

The article considers only bilateral donors' development assistance to Kyrgyzstan. Due to the different nature of bilateral and multilateral assistance, the latter is beyond the scope of this article.

Bilateral donors, whose assistance has exceeded \$5 mln each year for the past five years, are included in the sample. The threshold cuts off at donors whose assistance is not systematic. The UK, Germany, the U.S., Switzerland, and Japan were selected on this basis. Among emerging donors that are not members of the OECD DAC, Turkey, Russia, China and Arab donors were included, based on available information on the significance of their assistance. It is worth noting that these countries can be called emerging or new donors only conditionally. For example, the Kuwait Fund for Arab Economic Development and the US Agency for International Development (USAID) were established in the same year, 1961 [Walz and Ramachandran, 2011]. China has been rendering development assistance since the 1950s. Russia has the legacy of Soviet development assistance.

It is quite difficult to operationalize what aid effectiveness means, when assessed at the level of assistance to a country, and not on the project level. However, in the last decade the international community has reached a relative consensus on the main indicators of aid effectiveness, via proxies of the donor's and recipient's behavior. The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action introduced five basic principles of aid effectiveness. It is important to note that these criteria are indicators of the process of assistance, rather than its result. The whole system of effectiveness evaluation under the terms of the Paris Declaration and other fundamental documents is based on the premise that the process determines the result. The Global Partnership for Effective Development Cooperation (hereinafter – the Global Partnership), established after the meeting in Busan, monitors the fulfillment of accepted principles of development assistance effectiveness on the basis of 10 indicators.<sup>2</sup> They are to a large extent built on the fundamental principles of ownership, alignment, harmonization, results-based management, and mutual accountability of the Paris Declaration.<sup>3</sup>

<sup>2</sup> The Monitoring Framework of the Global Partnership for Effective Development Co-Operation, 2015. Available at: <http://effectivecooperation.org/wordpress/wp-content/uploads/2015/05/GPEDC-Monitoring-Framework-10-Indicators.pdf> (accessed 06 February 2016).

<sup>3</sup> The Paris Declaration on Aid Effectiveness, 2005. Available at: <http://www.oecd.org/dac/effectiveness/34428351.pdf> (accessed 06 February 2016).

Since the Busan partnership marks a shift from the discussion of aid effectiveness to development effectiveness, new indicators reflecting the latest trends in the role of business, civil society involvement, gender issues and good governance have been introduced. These indicators reflect the development of priority areas of rendering assistance, rather than giving a description of aid effectiveness of a specific donor to a country. Otherwise, the assistance of a donor which prefers the energy sector, for example, would certainly be less effective than that of a donor investing in the capacity development of female entrepreneurs. These new indicators of the Busan Partnership were not included in the list of criteria for analysis in this article, but an older indicator of the Paris Declaration on harmonization of was added (see Table 1 for a full list). The selection of indicators was also determined by the availability of data for the analysis. For example, it is extremely difficult to assess the indicator “aid is on budgets which are subject to parliamentary scrutiny.” Assessment of development efforts of Kyrgyzstan itself is also beyond the scope of this article, so the analysis includes the criterion of alignment rather than ownership; as for the latter, according to the Paris Declaration, the main role is played by the recipient country.

Table 1. Effectiveness criteria and data sources for analysis<sup>4</sup>

Assistance effectiveness criterion	Data source for OECD donors	Data source for emerging donors
<b>Alignment</b> Assistance is aligned with national development strategies, donor resorts to the use of recipient institutions and procedures	NSDS and sectoral distribution of aid in 2013 and 2014 in the Creditor Reporting System, Disbursements, assistance policy or country programmes to Kyrgyzstan	NSDS and sectoral distribution of aid according to donor reports and other public sources
<b>Harmonization</b> Donors should coordinate their activities to avoid duplication	Information on participation in Development Partners' Coordination Council	Information on participation in Development Partners' Coordination Council
<b>Predictability</b> Medium- and short-term information on future funding is available, donors try to follow their commitments in actual disbursement of aid	Data from the Survey on Donors' Forward Spending Plans), mid- and long-term assistance programmes for Kyrgyzstan	Mid- and long-term assistance programmes for Kyrgyzstan
<b>Transparency</b> Information on development assistance is publicly available	Data from the Creditor Reporting System, Disbursements, donor reports	Donor reports, OECD database, donor databases
<b>Untied aid</b> No conditions on country of procurement	Data from the Creditor Reporting System, Disbursements	Data from open sources on tied status of aid, contracts, agreements, etc.
<b>Mutual accountability</b> Joint inclusive assessment of progress	Information from official donor web pages about evaluations in Kyrgyzstan	Information from open sources about evaluations in Kyrgyzstan

Source: prepared by the author.

<sup>4</sup> Statistical data used for analysis can be accessed here: <https://www.dropbox.com/sh/lgxijherc7im7h6/AADzPWY7g2gTP31RaMEgH1d5a?dl=0> (accessed 06 February 2016).

As can be seen from the table 1, data sources for traditional and emerging donors do not always coincide. The inconsistency of data sources presents a limitation for the analysis, which is not possible to overcome, taking into account the different nature of data revealed by traditional and emerging donors.

For most of the criteria, a simple analysis of available data was undertaken. For the alignment criterion, the analysis consisted of several stages. First, the sectoral distribution of donors' aid was analyzed. Data on aid disbursements was used for traditional donors. Official annual reports on aid (data on disbursements and commitments) were used for Turkey and Arab donors, government decrees and bilateral agreements (documented commitments) for Russia, and information from the press in Russian or English (data on actual allocation of resources and commitments) for China. The sectoral distribution of donors' aid was categorized according to the titles of sections and chapters in the NSDS. For each sector of the OECD Creditor Reporting System, the appropriate chapter of the NSDS was found. However some sectors, such as "Commodity aid", "Administrative costs", and "Sector not specified", were not included. The ratio of excluded sectors for each donor does not exceed 10% and does not affect the identification of priority sectors.

As different volumes of aid are required for the implementation of projects in various sectors, only financial allocation can distort analysis of donor priorities. Therefore, the analysis of policy documents was conducted at the second stage. USAID has a country strategy for Kyrgyzstan,<sup>5</sup> and Japan has a country strategy for all institutions, but it is fairly brief.<sup>6</sup> Switzerland has adopted a regional strategy with a separate section on Kyrgyzstan.<sup>7</sup> Germany has developed priorities for its assistance through a negotiation process with the Kyrgyz government. The priorities of the UK are defined in an embassy report.<sup>8</sup> The Cooperation Programme between China and Kyrgyzstan for 2015–2025 was adopted on 2 September 2015 but was not publicly available at the time of the analysis. Strategies of other donors were not found.

In the third stage, a discourse analysis of the NSDS was conducted in order to determine priority sectors for the country's development. First, different sectors were given points in accordance with verbally expressed priorities. In analyzing NSDS-like texts, which were made by a group of authors, different styles of different people can limit the analysis. For example, expressions used by a person drafting the education section can be very different from the style of a person working on the banking section. Therefore, the volume criterion in the form of the number of words was additionally used. It allows us to estimate whether the section is seen as a priority and the editor has considered a sector relatively large or small. For example, although the subsection on the banking sector does not contain vivid expressions of the sector's priority, it takes twice as much space as the subsection on the development of culture, which is presented as "the most important condition for improving life in Kyrgyzstan," "an essential resource for the development of the country," and "an important resource for the development of the soci-

<sup>5</sup> Country development cooperation strategy, 2014//USAID/Kyrgyz Republic. Available at: <https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Kyrgyz%20Republic%20Public%20Version%20Final%209-2014.pdf> (accessed 06 February 2016).

<sup>6</sup> Embassy of Japan in the Kyrgyz Republic, 2012 (in Russian). Available at: [http://www.kg.emb-japan.go.jp/economic%20cooperation/country\\_assistance\\_program\\_in\\_kyrgyzstan.pdf](http://www.kg.emb-japan.go.jp/economic%20cooperation/country_assistance_program_in_kyrgyzstan.pdf) (accessed 06 February 2016).

<sup>7</sup> Swiss Cooperation Strategy Central Asia 2012–2015//Federal Department of Foreign Affairs FDFA. Available at: [https://www.eda.admin.ch/content/dam/deza/en/documents/laender/swiss-cooperation-strategy-central-asia-2012-2015\\_EN.pdf](https://www.eda.admin.ch/content/dam/deza/en/documents/laender/swiss-cooperation-strategy-central-asia-2012-2015_EN.pdf) (accessed 06 February 2016).

<sup>8</sup> British Embassy Bishkek, 2014. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/309658/140310\\_Project\\_brochure\\_RUS\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/309658/140310_Project_brochure_RUS_FINAL.pdf) (in Russian) (accessed 06 February 2016).

ety,” as well as playing “a leading role in the development of human capital of the country.”<sup>9</sup> The final score, assigned to each sector, was made up of scores on the basis of verbal expressions of priority and volume. The sectors whose importance was stated in the introduction or other parts of the NSDS, in addition to the section itself, were assigned extra points. It is understood that the analysis can create a simplified vision of the priority areas, but this method was chosen to avoid subjective evaluations. Identification and discussion of the real needs of Kyrgyzstan’s development are beyond the scope of this article.

In the final stage, the results of analysis of the NSDS, financial allocation of donors’ assistance in accordance with NSDS chapters, as well as donors’ priorities with reference to their assistance strategies, were compared to evaluate the alignment criterion.

## General trends in donors’ assistance to Kyrgyzstan

This section discusses general trends in donors’ assistance to Kyrgyzstan based on available statistical data<sup>10</sup> in order to understand the environment in which traditional and emerging donor countries operate.

For several years, the total volume of ODA to Kyrgyzstan from all actors reporting to the OECD has been around \$500 mln (Fig. 1).

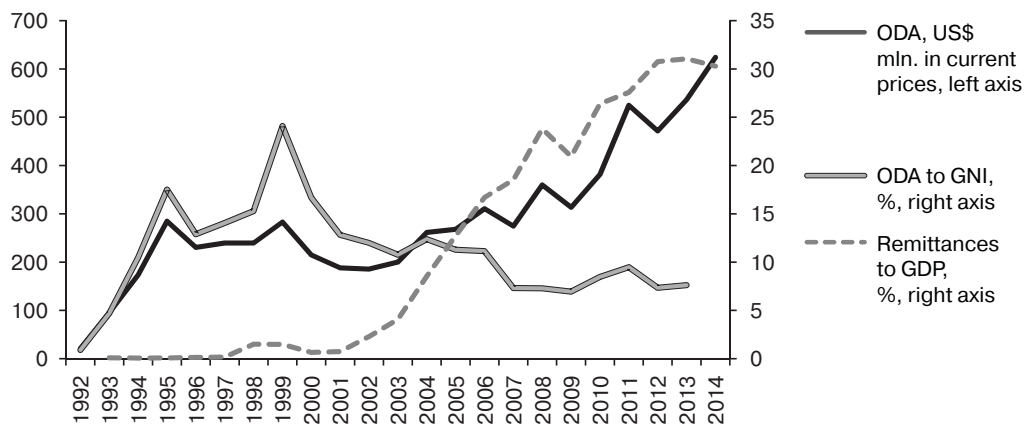


Fig. 1. ODA received by Kyrgyzstan, ODI to GNI, remittances to GDP

Source: OECD DAC2a dataset, World Bank World Development Indicators.

Two periods of rapid increase in ODA were observed: immediately after the country’s independence, and after 2009 during the economic crisis. While the first period of growth was mainly due to the efforts of OECD – OECD donors, the second time it was reinforced by an aid increase from emerging donors (Fig. 2). The emerging donors’ aid increase coincides with a period of decrease in Kyrgyzstan’s external aid dependency, as measured by the ratio of ODA to GNI (Fig. 1, right axis). At the end of the last century, this figure reached 24%, and is now around 7%. Since the 2000s, the growth of ODA has not been correlated with an increase in the country’s dependence on aid. On the contrary, the share of ODA to GNI is decreasing

<sup>9</sup> Text of the National sustainable development strategy for 2013–2017 (in Russian). Available at: [http://www.president.kg/ru/news/ukazy/1466\\_tekst\\_natsionalnoy\\_strategii\\_ustoychivogo\\_razvitiya\\_kyrgyzskoy\\_respubliki\\_na\\_period\\_2013-2017\\_godyi/](http://www.president.kg/ru/news/ukazy/1466_tekst_natsionalnoy_strategii_ustoychivogo_razvitiya_kyrgyzskoy_respubliki_na_period_2013-2017_godyi/) (accessed 06 February 2016).

<sup>10</sup> Here and after, data available on 29 January 2016.

alongside a significant increase in ODA. At the same time, the dependence of the country on remittances has been increasing (Fig. 1). Experts note that in terms of migration, Kyrgyzstan is dependent on Russia, which hosts more than 80% of Kyrgyz migrants [Malakhov et al., 2015, p. 12]. However, the investment role of migrants workers' remittances is not obvious: transfers are mainly used for meeting basic needs in food, daily necessities, construction, repairs and so on [Karabchuk et al., 2015]. It is therefore too early to say that development aid is replaced by remittances in supporting Kyrgyzstan's economic development.

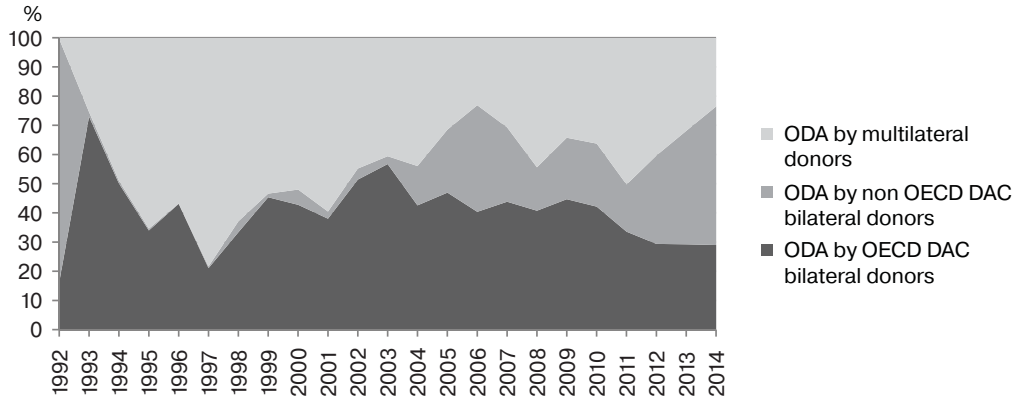


Fig. 2. Proportion of different donor groups in ODA to Kyrgyzstan

Source: OECD DAC2a dataset.

In the 1990s, multilateral channels and OECD – OECD donors accounted for most of the development aid to Kyrgyzstan (Fig. 2). The year 1992 was the only exception, when Turkey provided considerable assistance, while other donors were preparing to launch their programmes.

Since 2004 the share of emerging donors in aggregate assistance to Kyrgyzstan began to rise, and in 2013 was ranked ahead of other groups (Fig. 2). The growth is only provided by Turkey and Russia, as only they submit their data to the OECD. It can be assumed that taking into account assistance of such countries as China, the amount of emerging donors' aid is significantly higher than that of traditional donors.

From 2009 to 2013, Turkey was the largest bilateral donor to Kyrgyzstan (Fig. 3). In 2013, the volume of its aid amounted to about \$132 mln (24% of total ODA, or 36% of bilateral ODA received by Kyrgyzstan). In 2014, Russia took over as the main donor and allocated \$203 mln (33% of total ODA, or 42% of bilateral ODA received by Kyrgyzstan). The growth of Russian aid to Kyrgyzstan is truly exceptional. When Russia began submitting its ODA data to the OECD in 2011, its assistance to Kyrgyzstan amounted to \$13 mln, and each year its assistance has more than doubled compared to the previous year.

The arrival of emerging donors brought diversity to the donor community in Kyrgyzstan, resulting in a diversification of aid rather than a replacement of old with new. Such a conclusion can be drawn by analyzing the share of the largest donor in bilateral ODA of the country (Fig. 4). However, the prospects of Kyrgyzstan's future dependency on one or a few donors should not be excluded. Since Turkey and Russia have begun to increase their assistance, a gradual increase in the share from the largest donor in bilateral assistance to Kyrgyzstan can be observed.

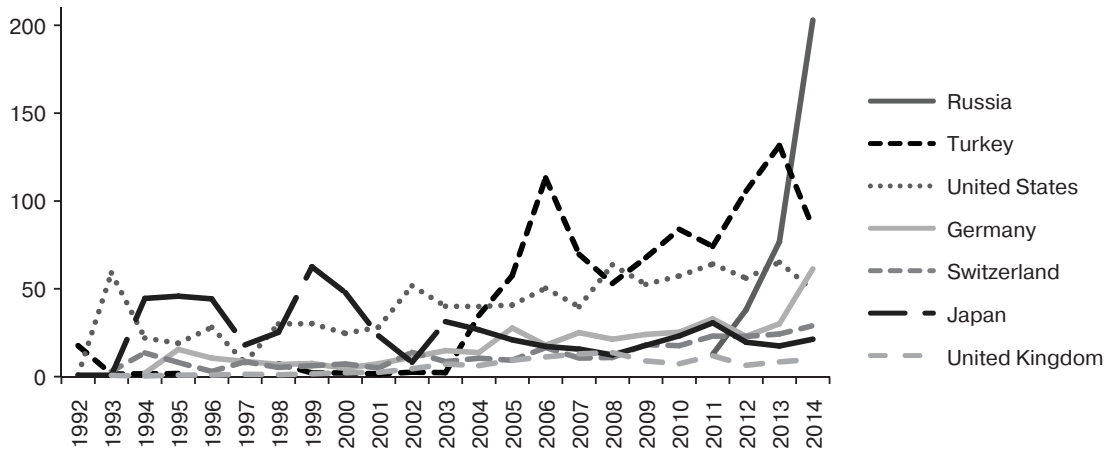


Fig. 3. Largest bilateral donors to Kyrgyzstan, mln USD, in current prices

Source: DAC2a dataset.

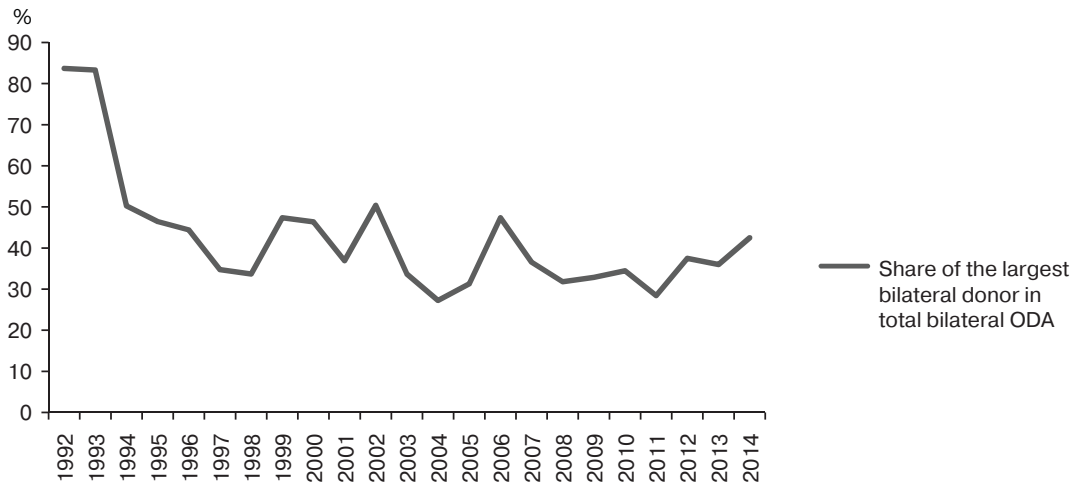


Fig. 4. Share of the largest bilateral donor in total bilateral ODA to Kyrgyzstan

Source: author's calculations based on DAC2a dataset.

## Aid effectiveness of Kyrgyzstan's main donors

This section examines the aid effectiveness of Kyrgyzstan main donors' assistance in accordance with the six criteria of the Global Partnership outlined above.

### **Alignment**

The National Sustainable Development Strategy for the Kyrgyz Republic for the period 2013–2017 (NSDS), approved in January, 2013 by the President of the Kyrgyz Republic, was



conceived as a strategic document reflecting the vision for the future of Kyrgyzstan and the main directions of its development. By the end of the implementation of the strategy, Kyrgyzstan should succeed “as a democratic state with a stable political system, dynamically developing economy and steadily rising incomes of the population.”<sup>11</sup> A few months later a Programme of the Transition to Sustainable Development for the Period 2013–2017 was adopted, which extended and detailed the provisions of the NSDS by listing the priority areas and objectives in each of the areas of the NSDS.<sup>12</sup> In 2014 the Action Plan of the Government of the Kyrgyz Republic for 2014 on the implementation of the above programme was approved.<sup>13</sup> It was not structured by sections of NSDS but by the zones of responsibility of ministries and departments. In 2015 the Action Plan of the Government of the Kyrgyz Republic for 2015 on strengthening the national economy was adopted, with the goal of facilitating the execution of economic part of the NSDS.<sup>14</sup>

Shortly after the adoption of the NSDS, in June 2013, Bishkek hosted the High-level Conference on Development, where Kyrgyzstan presented 76 projects to donors and requested around \$5 bln in assistance. However, donors at the conference pledged only \$2 bln for 2013–2017. The joint document based on the results of the Conference considers all sectors of the country’s development.<sup>15</sup> Donors expressed their commitments to the development priorities of the country, and announced their intention to take them into account in the provision of financial and technical assistance.<sup>16</sup>

The NSDS consists of two parts. The first part, entitled “To succeed as a state and establish a foundation for the successful development of the Kyrgyz Republic,” contains chapters on the formation of rule-of-law, ensuring the unity of the nation, resolving social issues, and environmental protection. The second part, entitled “Economic development priorities for the Kyrgyz Republic for 2013–2017,” lists tasks related to sustainable economic growth, improving the business environment and investment climate, financial sector development, the development of strategic sectors of the economy, and the economic development of regions. As a development plan for the whole country, the strategy is comprehensive. A number of sectors can be distinguished as playing the important role in leveraging development. The strategy clearly

<sup>11</sup> Text of the National sustainable development strategy for 2013–2017 (in Russian). Available at: [http://www.president.kg/ru/news/ukazy/1466\\_tekst\\_natsionalnoy\\_strategii\\_ustoychivogo\\_razvitiya\\_kyrgyzskoy\\_respubliki\\_na\\_period\\_2013-2017\\_godyi/](http://www.president.kg/ru/news/ukazy/1466_tekst_natsionalnoy_strategii_ustoychivogo_razvitiya_kyrgyzskoy_respubliki_na_period_2013-2017_godyi/) (accessed 06 February 2016).

<sup>12</sup> Kyrgyz Republic Government decree of April 30th 2013 #218, Programme of Kyrgyz Republic transition to sustainable development for 2013–2017). Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/53067> (accessed 06 February 2016).

<sup>13</sup> Kyrgyz Republic Government decree of February 28th 2014 #110, On the measures of implementation of Programme of Kyrgyz Republic transition to sustainable development for 2013–2017 in 2014). Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/96260> (accessed 06 February 2016).

<sup>14</sup> Kyrgyz Republic Government decree of February 20th 2015 #78, On approval of Plan of activities by the Government of the Kyrgyz Republic in 2015 for strengthening of national economy). Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/97482> (accessed 06 February 2016).

<sup>15</sup> Joint conference document: development partnership based on reforms for 2013–2017. High level development conference, 2013. Available at: [http://www.donors.kg/images/docs/reports\\_and\\_studies/Conference-background-document-rus.pdf](http://www.donors.kg/images/docs/reports_and_studies/Conference-background-document-rus.pdf) (accessed 06 February 2016).

<sup>16</sup> Problems identified during discussion and conclusions made. High level development conference, 2013. Available at: [http://www.donors.kg/images/BBB.HLC.Post\\_Conference.RUSSIAN.FINAL.Status\\_02\\_Nov.WORD.pdf](http://www.donors.kg/images/BBB.HLC.Post_Conference.RUSSIAN.FINAL.Status_02_Nov.WORD.pdf) (accessed 06 February 2016).

indicates the priority of the economic part, explaining that “at the present stage, it is the state of the economy that is the principal driver of sovereignty and national security.”<sup>17</sup>

Based on the analysis, the chapter on the development of strategic sectors of economy had the highest number of points. The section on the formation of rule-of-law state took second place. Resolving social issues and challenges was third in the list of priorities, according to the analysis. In the social chapter the section “Improving cultural environment, developing sports and youth initiatives” received the largest number of points. The strategy notes that culture plays a key role in improving the human capital of Kyrgyzstan. According to the analysis results, environmental protection for sustainable development appeared to be the lowest priority of Kyrgyz development.

All five OECD – DAC donors prioritize the social sector in their strategies, and in terms of volumes of assistance provided. They focus on education and health, but pay little attention to culture, which is prioritized in the NSDS. Only the U.S. and Japan reported assistance to Kyrgyzstan in the sphere of culture and recreation as part of their ODA. Public administration and creation of rule-of-law is the second main area in donors’ strategies and actual disbursements. Again, only the U.S. and Japan systematically provide significant assistance in the strategic sectors of the economy, identified as priorities in the NSDS. The analysis showed that the assistance of these two OECD – OECD donors has the greatest degree of alignment with the priorities identified in the NSDS. Japan is also the only country which included a strategic sector of the economy in the NSDS, i.e. transport, in its country programme for Kyrgyzstan.

The analysis of emerging donors’ aid distribution is complicated by data fragmentation and poor comparability. However, a significant difference between emerging donors and most donors of the OECD – OECD (except Japan) can be noted even on the basis of such inconsistent data. Emerging donors channel most of their support to the economic sections of the strategy (objectives 5–8 of NSDS in Annex 1). They pay closer attention to the development of strategic sectors of the Kyrgyz economy, therefore the level of compliance with the priorities of Kyrgyzstan is relatively high. The high leadership of the country duly notes the importance of such assistance. At the ceremonial opening of the Datka-Kemin power line, built using a loan from China, the President A. Atambayev stressed the crucial role of this support, which enabled the country to finally acquire energy independence. A summary of the alignment criterion results is presented in Annex 1.

Recent Russian assistance to Kyrgyzstan is guided by the obligations relating to the signing in May 2014 of an agreement between the two governments on the development of economic cooperation as part of Eurasian economic integration. Because of this, the priority sectors of Russian assistance in most cases coincide with the areas outlined in the agreement, which specifically provided for the establishment of the Russian – Kyrgyz Development Fund (RKDF) with capital of \$1 bln.<sup>18</sup> It is important to consider the Fund given its uniqueness in terms of alignment criterion. RKDF is managed jointly by both countries, with a Kyrgyz representative heading the Board of the Fund.<sup>19</sup> The initiative for the establishment of the Fund seems to have come from the Kyrgyz government. According to the first Chair of the Board, N. Akhme-

<sup>17</sup> Text of the National sustainable development strategy for 2013–2017, p. 59. Available at: [http://www.president.kg/ru/news/ukazy/1466\\_tekst\\_natsionalnoy\\_strategii\\_ustoychivogo\\_razvitiya\\_kyrgyzskoy\\_respubliki\\_na\\_period\\_2013-2017\\_godyi/](http://www.president.kg/ru/news/ukazy/1466_tekst_natsionalnoy_strategii_ustoychivogo_razvitiya_kyrgyzskoy_respubliki_na_period_2013-2017_godyi/) (accessed 06 February 2016).

<sup>18</sup> Agreement between the Government of Russian Federation and the Government of the Kyrgyz Republic on development of economic cooperation under the Eurasian economic integration). Electronic fund of legal and regulatory documentation, 2014. Available at: <http://docs.cntd.ru/document/420202467> (accessed 06 February 2016).

<sup>19</sup> On signing of the agreement between Government of Russian Federation and Government of Kyrgyz Republic on Russian – Kyrgyz Development Fund). Electronic fund of legal and regulatory documentation. Available at: <http://docs.cntd.ru/document/> (accessed 06 February 2016).

dova, during negotiations on the accession of Kyrgyzstan to the Eurasian Economic Union, the Kyrgyz delegation stressed the need to support businesses in the country, and this was one of the reasons for the establishment of RKDF. The Fund was needed to facilitate the transition of the Kyrgyz economy from a predominantly re-export model to a production one. In this regard, certain restrictions were set. For example, the Fund does not support working assets of enterprises, does not provide support in the area of trade (except for logistical centers) and works only with Kyrgyz business taxpayers. The main areas financed by the Fund were identified based on the potential for the development of the country: agriculture, garments, textiles, manufacturing, mining and metals, transport, housing construction, trade, and the development of entrepreneurship and infrastructure, including tourism. The Fund began its work very quickly, and in the autumn of 2015 started providing loans.

The Fund has demonstrated that it is willing to adapt to the interests of the Kyrgyz government and business, quickly responding to requests and criticism. For example, it was initially expected that the Fund would provide soft loans of \$3mln or more. The threshold was set so as not to undermine the Kyrgyz banking system, which works mostly in the segment under \$3mln per loan. However, just a few months after businesses started voicing concerns that small and medium enterprises (SME) had no opportunity to apply for RKDF support, the Fund opened special credit lines at several banks for SME. The Fund also promptly responds to the initiatives of the Kyrgyz Government. It supported the idea of establishing the State Mortgage Company, and later signed an agreement with it. Despite such a rapid start-up of the Fund as an international institution (in less than a year the Fund has considered over 150 loan applications worth \$1.5 bln, and allocated 113 loans under the programme of support for SME), it is constantly criticized for a slow start by the Kyrgyz authorities. It seems that a stumbling block has been created by the Fund's high requirements to borrowers, aimed at ensuring a higher probability of loan return, and cutting off unreliable borrowers. President A. Atambayev said that he had expressed dissatisfaction with the work of the Fund personally to President of Russia V. Putin, and commenting on the situation, said: "They think that we are here to steal. Apparently, they make judgments according to the old standards. I explained that we have a different situation."<sup>20</sup> Another reason for the criticism of the Fund was the placement of uncommitted funds in Russian banks, which according to the Chair of the Board of RKDF was caused by the low level of reliability of Kyrgyz banks. This fact was received very negatively in Kyrgyzstan. A. Atambaev said that the money was given to them by Russia not for the purpose of giving it back to Russia and receiving interest on it, but in order to maximize opportunities to obtain affordable loans.

Just under a year after the establishment of the Fund, significant changes were made in its work (and charter), all on the initiative of the Kyrgyz government. In addition to the above-mentioned programme to support SME, the Fund softened the conditions for granting loans. Credit length was increased from 5 to 15 years for strategic projects and up to 10 years for other projects, the proportion of applicants' own contributions was reduced from 20% to 15% for direct credits, and refunding was made available.

Thus, the power of the Kyrgyz side in decision-making on the Fund is unprecedentedly high. Given the history of the Fund's creation and its recent changes, one can conclude that RKDF could represent the principle of the leading role of the recipient in determining the means of assistance. However, this conclusion cannot be extended to the entire Russian assistance effort for Kyrgyzstan, as the Fund is a special case, and probably the product of the

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<sup>20</sup> Almazbek Atambayev. If RKDF does not start working soon, decisions on its staff should be made. *24.kg* (in Russian). Available at: [http://www.24kg.org/finansy/25305\\_almazbek\\_atambaev\\_esli\\_rossiysko-kyrgyzskiy\\_fond\\_v\\_blijayshie\\_mesyatsyi\\_ne\\_zarabotaet\\_nado\\_prinimat\\_kadrovyye\\_resheniya/](http://www.24kg.org/finansy/25305_almazbek_atambaev_esli_rossiysko-kyrgyzskiy_fond_v_blijayshie_mesyatsyi_ne_zarabotaet_nado_prinimat_kadrovyye_resheniya/) (accessed 06 February 2016).

negotiation process on the accession of Kyrgyzstan to the Eurasian Economic Union, with a specific distribution of roles typical for such negotiations (as opposed to “donor recipient”).

### ***Harmonization***

In order to harmonize donors’ activities, the Development Partners’ Coordination Council of the Kyrgyz Republic (DPCC) was established in 2004 on the initiative and with the support of the World Bank, the UK Department for International Development (DFID), and the Swiss Cooperation Office. Currently, DPCC has 22 members, including observers. Among the donors analyzed in this study, the members of DPCC are USAID, the German Development Bank (The KfW), the German Society for International Cooperation (GIZ), DFID, the Swiss Embassy in the Kyrgyz Republic, the Embassy of the Federal Republic of Germany in the Kyrgyz Republic, the Turkish International Cooperation and Coordination Agency (TIKA), and the Japan International Cooperation Agency (JICA). From 2007 to 2010, under the auspices of DPCC, a joint country support strategy was developed with the participation of the Swiss Agency for Development and Cooperation, DFID and the Government of Germany. It seems that donors with relatively small amounts of aid are most active in the harmonization of assistance to Kyrgyzstan. Assessment of the implementation of the strategy was carried out for the period 2007–2008, but the results of strategy’s implementation for the whole period, and information on its continuation, are unknown.

Most donors, in their strategies of assistance to Kyrgyzstan, do not mention how their assistance will be coordinated with the programmes of other partners. The USAID assistance strategy says the goals will be achieved “in a quartet with other donors,” but the mechanism of alignment, or the participation of donors in the design of the strategy itself, is not mentioned.<sup>21</sup> The High-Level Conference on the Development of Kyrgyzstan in 2013 was attended by all the considered donors, including emerging ones, with the exception of China. Their final statement referred to joint efforts for the development of Kyrgyzstan. An assessment of the Conference commitments’ implementation will be held within the framework of DPCC on a quarterly basis, under the leadership of the Prime Minister and a representative of the donors. At the time of writing, the results of such monitoring were not available in public sources.

Judging by information from open sources, we can conclude that donors harmonize their assistance quite poorly. No working programmes on harmonization have existed since 2013. Donors of the OECD – DAC and Turkey exhibit a greater commitment to aid harmonization, through their participation in DPCC. OECD donors with relatively small amounts of assistance to Kyrgyzstan (Switzerland, the United Kingdom, Germany) are the most committed to the principle of harmonization. As far as emerging donors are concerned, Russia and Arab donors (in addition to Turkey) participated in the High-Level Conference, not being the members of DPCC. China appears to show the least interest in harmonization of its assistance with other countries.

### ***Predictability***

Various internal policies and procedures of the donor country, such as budget cycles, to a large extent determine aid predictability. Indicators of the Global Partnership suggest that donors should focus their efforts on ensuring that allocated funds correspond to those planned

<sup>21</sup> Country development cooperation strategy, Kyrgyz Republic, 2014. Available at: <https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Kyrgyz%20Republic%20Public%20Version%20Final%209-2014.pdf> (accessed 06 February 2016).

for this year, and should increase the share of expenses for which information is available in advance, in the medium term (three years). Among the OECD donors considered, Germany and Switzerland are the only countries that provided data on Kyrgyzstan for the OECD database “Survey on Donors Forward Spending Plans” up to the year of 2018.

Country strategies and white papers form the basis for greater predictability of donors’ aid [OECD, 2014]. As earlier noted, with respect to Kyrgyzstan only five OECD – OECD donors have such strategies. The USAID Country Development Cooperation Strategy for the period 2015–2019 lists priority sectors of assistance, but financial information is not provided.<sup>22</sup> Similarly, Japan does not outline the financial parameters of its country strategy of cooperation with Kyrgyzstan<sup>23</sup>. It should be noted that Japan is a very open donor country in terms of country information, posting rolling plans with information on proposed projects and funding, five to six years in advance. For example, such plans are available for Armenia, Tajikistan and Uzbekistan. Such a plan for Kyrgyzstan could be made available in the near future, as there has been visible intensification of relations since the visit of Prime Minister Shinzo Abe to Kyrgyzstan in the autumn of 2015. The Governments of Germany and Kyrgyzstan hold talks on development cooperation issues on a biannual basis. Switzerland is the only donor that has provided financial data for cooperation with Kyrgyzstan in its unified strategy for cooperation in Central Asia for 2012–2015 for the Kyrgyz Republic, Tajikistan and Uzbekistan.<sup>24</sup> The UK also plans its assistance to Kyrgyzstan on a regional basis, and publishes data on financing three to four years in advance in the operational plan for Central Asia. The data are structured on areas of cooperation for the region, which does not make it possible to determine the amount of assistance to Kyrgyzstan specifically.<sup>25</sup>

Among the donor countries considered, only members of the OECD – DAC and Turkey have aid agreements that outline procedural aspects of assistance provision. Together with the country programmes, they form the basis for the assistance system, and therefore for more predictable interaction.

Emerging donors to Kyrgyzstan do not have country-assistance strategies. It would, however, be wrong to conclude that their aid is unpredictable, since the majority of their projects grow from bilateral agreements between states, which makes them predictable, and subject to inclusion in Kyrgyzstan’s budget cycle. Moreover, emerging donors have a number of agreements with Kyrgyzstan, covering a wide range of issues, which can include development assistance.

Russia does not have a country cooperation strategy with Kyrgyzstan, even though Kyrgyzstan is a priority recipient, both in terms of funding provided, and in line with the Concept of the Russian Federation’s State Policy in the Area of International Development Assistance. Until 2009, the Programme for Economic Cooperation between the Russian Federation and the Kyrgyz Republic for 2000–2009 provided for the preparation of joint programmes and projects

<sup>22</sup> Country development cooperation strategy, Kyrgyz Republic, 2014. Available at: <https://www.usaid.gov/sites/default/files/documents/1861/CDCS%20Kyrgyz%20Republic%20Public%20Version%20Final%209-2014.pdf> (accessed 06 February 2016).

<sup>23</sup> Country assistance programme to Kyrgyz Republic. Embassy of Japan in Kyrgyz Republic, 2012. Available at: [http://www.kg.emb-japan.go.jp/economic%20cooperation/country\\_assistance\\_program\\_in\\_kyrgyzstan.pdf](http://www.kg.emb-japan.go.jp/economic%20cooperation/country_assistance_program_in_kyrgyzstan.pdf) (accessed 06 February 2016).

<sup>24</sup> Swiss Cooperation Strategy Central Asia 2012–2015. Federal Department of Foreign Affairs FDFA, 2012. Available at: [https://www.eda.admin.ch/content/dam/deza/en/documents/laender/swiss-cooperation-strategy-central-asia-2012-2015\\_EN.pdf](https://www.eda.admin.ch/content/dam/deza/en/documents/laender/swiss-cooperation-strategy-central-asia-2012-2015_EN.pdf) (accessed 06 February 2016).

<sup>25</sup> Operational Plan 2011–2015. DFID Central Asia, 2013. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209329/Central-Asia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209329/Central-Asia.pdf) (accessed 06 February 2016).

in a wide range of areas.<sup>26</sup> An agreement on economic cooperation, signed on 29 May 2014, implied the adoption of a Cooperation programme within the framework of Eurasian economic integration between the Government of the Russian Federation and the Government of the Kyrgyz Republic.<sup>27</sup> However, public sources contain no information on its adoption.

In conclusion, Switzerland, Germany and the UK provide the most predictable development assistance to the Kyrgyz Republic. This is primarily due to the relevant procedures of these donors. Another factor in common is that these countries provide relatively small volumes of assistance to Kyrgyzstan, which may facilitate the disclosure of information.

### **Transparency**

The criterion of aid transparency suggests that detailed information on assistance of a particular donor to a recipient country is publicly available. The Global Partnership indicator on transparency supposes that the data should be provided in line with a Common standard, the introduction of which by the end of 2015 was agreed at the Busan forum. It is implied that each donor should intentionally systemize and publish data on its projects in one or more sources, outlining project goals, timing, financing, implementation geography, contractors, and so on.

Five of the OECD donors under consideration provide information on assistance to Kyrgyzstan to the Creditor Reporting System (CRS). The CRS is primarily intended to be used by professionals working in the area of IDA. The UK, Germany and the United States<sup>28</sup> have their own information systems in the form of interactive databases that are user-friendly to a much wider audience. Information about Kyrgyzstan is published on these sites for all three donors, but the German portal presents information about the Kyrgyz project portfolio since 2000 in the most detail. All five OECD donors are members of the International Aid Transparency Initiative (IATI).

Turkey does not report to the CRS, but its annual reports on assistance and TIKA reports contain information on the aggregate volume of assistance to Kyrgyzstan for the period considered, as well as a description of individual projects, including costs. These verbal descriptions generally contain a substantial amount of information required by general standards (project name, location, years of implementation, funding, contractors, description and so on). The TIKA report for 2013 contains a separate section on assistance to Kyrgyzstan, with detailed project information,<sup>29</sup> and in the report on Turkish aid in 2013, Kyrgyzstan is mentioned 79 times.<sup>30</sup>

<sup>26</sup> Agreement between Russian Federation and Kyrgyz Republic on economic cooperation for 2000–2009). Electronic fund of legal and regulatory documentation (in Russian). Available at: <http://docs.cntd.ru/document/901881383> (accessed 06 February 2016).

<sup>27</sup> Agreement between the Government of Russian Federation and the Government of the Kyrgyz Republic on development of economic cooperation under the Eurasian economic integration. Electronic fund of legal and regulatory documentation (in Russian). Available at: <http://docs.cntd.ru/document/420202467> (accessed 06 February 2016).

<sup>28</sup> Development Tracker UKAID. Available at: <http://devtracker.dfid.gov.uk/> (accessed 06 February 2016); Open Knowledge Foundation Deutschland. Available at: <http://www.offene-entwicklungshilfe.de/> (accessed 06 February 2016); ForeignAssistance.gov. Available at: <http://www.foreignassistance.gov/web/default.aspx> (accessed 06 February 2016).

<sup>29</sup> TIKA Annual Report 2013. Turkish Cooperation and Coordination Agency, 2014. Available at: <http://www.tika.gov.tr/upload/publication/tika%20annual%20report%202013.pdf> (accessed 06 February 2016).

<sup>30</sup> Turkish Development Assistance 2013. Turkish Cooperation and Coordination Agency, 2014. Available at: [http://www.tika.gov.tr/upload/publication/kyr\\_frae\\_2013\\_uyg9.pdf](http://www.tika.gov.tr/upload/publication/kyr_frae_2013_uyg9.pdf) (accessed 06 February 2016).

<sup>30</sup> Turkish Development Assistance 2013. Turkish Cooperation and Coordination Agency, 2014. Available at: [http://www.tika.gov.tr/upload/publication/kyr\\_frae\\_2013\\_uyg9.pdf](http://www.tika.gov.tr/upload/publication/kyr_frae_2013_uyg9.pdf) (accessed 06 February 2016).

The Ministry of Finance of the Russian Federation publishes annual reports on aid, which are concise in terms of volume and detail. The report for 2014<sup>31</sup> mentions several projects implemented in Kyrgyzstan: direct budget support, the creation of RKDF, food aid, urban development, implementation of national strategies for the improvement of statistics, rural development, and the creation of a school-meal system. The information contains only project names and short descriptions, without budget and timeline details. Thus, the data correspond to only one or a maximum of three information fields (name, description, contractor) of the Common Standard.

Arab donors also publish annual reports. The 2013 Saudi Arabia report<sup>32</sup> contains information on assistance to Kyrgyzstan, with sectoral distribution and channels of aid delivery. The Kuwait Fund for Arab Economic Development, in the report for 2013–2014,<sup>33</sup> only provides the total amount of assistance to Kyrgyzstan in a tabular application, without specifying how these funds were allocated.

China does not publish annual reports on its assistance. The law on the administration of foreign aid, adopted in 2014, envisages the creation of databases, but it is not clear how open they will be. In 2011 and 2014 two white papers on Chinese aid were published, but neither of them contained any reference to Kyrgyzstan.

Thus, as expected, one can conclude that there is still a gap in transparency between OECD donors and emerging donors. On this continuum, Turkey occupies a middle position and China seems to be the least transparent donor to Kyrgyzstan.

### **Untied aid**

Tied aid is provided on the condition that goods and services will be procured in a given country, most often in a donor country. It may have a significant impact on the effectiveness of aid due to lack of competition, exclusion of local suppliers, and an increase of project costs by an average of 15–30%.

The Creditor Reporting System was used to analyze tied aid status for OECD countries. The percentage of tied aid for 2013 and 2014 was determined by adding up the amounts of tied aid for each implemented project (disbursements). The UK and Switzerland did not tie their aid to Kyrgyzstan in 2013 and 2014. Japanese assistance was weakly tied, representing about 6% of the total volume in 2013. It is worth noting that Japan provided mainly grant assistance and technical support to Kyrgyzstan over the last decade, but in 2015 it announced a renewal of lending to Kyrgyzstan. The first loan of \$1 bln for the construction of the Osh – Batken – Isfana highway was approved in October 2015, and it is tied.<sup>34</sup> A Japanese grant for the improvement of equipment at Manas international airport, an agreement on which was ratified in 2016, is also tied. Germany slightly ties its aid to Kyrgyzstan, at 6% in 2013 and 8% in 2014. The United States provided tied aid to Kyrgyzstan to a significant extent, at 15% in 2013 and 23% in 2014.

<sup>31</sup> ) Russian contribution to international development assistance in 2014. The Ministry of Finance of the Russian Federation, 2015 (in Russian). Available at: [http://minfin.ru/common/upload/library/2015/10/main/Rossiyskiy\\_vklad\\_v\\_sodeystvie\\_mezhdunarodnomu\\_razvitiu\\_v\\_2014.pdf](http://minfin.ru/common/upload/library/2015/10/main/Rossiyskiy_vklad_v_sodeystvie_mezhdunarodnomu_razvitiu_v_2014.pdf) (accessed 06 February 2016).

<sup>32</sup> United Arab Emirates Foreign Aid 2013. UAE Ministry of international cooperation and development. Available at: <https://www.mofa.gov.ae/EN/Documents/4010.pdf> (accessed 06 February 2016).

<sup>33</sup> Fifty – Second Annual Report 2013-2014. The Kuwait Fund for Arab Economic Development. Available at: <https://www.kuwait-fund.org/documents/11433/54823/ANNUL+REPORT+KUWAIT+FUND+203-2014+en.pdf/509e7f5e-16e0-4c2d-b08d-a26f22cf87e6> (accessed 06 February 2016).

<sup>34</sup> Signing of Japanese ODA Loan Agreement with the Kyrgyz Republic: Strengthening the capacity to transport people and goods domestically and internationally. JICA Press release. Available at: [http://www.jica.go.jp/english/news/press/2015/151026\\_04.html](http://www.jica.go.jp/english/news/press/2015/151026_04.html) (accessed 06 February 2016).

Emerging donors do not provide data on tied aid status, so it was assessed by analyzing individual projects. As a rule, Russian assistance to Kyrgyzstan is untied, and relevant decrees of the Government of the Russian Federation on the allocation of funds do not envisage the use of exclusively Russian supplies or equipment. The Russian Federation has been providing direct budget support to Kyrgyzstan on a regular basis (quarterly) to cover the country's budget deficit, including, for example, the payment of salaries to teachers.<sup>35</sup> The volume of budget support ranges from \$20 mln to \$30 mln at a time. In 2014 it was provided at least three times.<sup>36</sup> The funds were allocated for social housing, provision of drinking water, education, healthcare, and other purposes. The largest recent project of RKDF is also not tied. The Fund encourages, but does not oblige Kyrgyz businesses to use Russian technology and means of production. Meanwhile, the Fund promotes itself to Russian businesses hoping to secure partners for the implementation of Kyrgyz projects. To that end it started cooperation with Vnesheconombank.

Almost all Chinese loans are tied [Sergeev et al., 2013] and granted on the condition of using Chinese materials, equipment and often workers. For example, the Chinese company TBEA was the operator of Chinese funds (\$389 mln) for the construction of the Datka-Kemin power line, linking the northern and southern regions of Kyrgyzstan. The China Road & Bridge Corporation often takes part in road construction financed by China.

The largest recent Turkish loan (of \$100 mln) can be assessed as tied, as in accordance with a credit agreement of 2012 and the relevant Regulation on the procedure of competitive bidding, the projects should be implemented by a joint Kyrgyz-Turkish consortium, temporarily established for these purposes and selected on a competitive basis.<sup>37</sup> That means that the participation of Turkish companies in the execution of projects is mandatory.

Arab bilateral donors generally render assistance to Kyrgyzstan for road infrastructure. In 2013, the Saudi Fund for Development entered into an agreement to provide \$10 mln for the repair of the Taraz-Talas road.<sup>38</sup> The project is co-financed by the Islamic Development Bank with a contribution of \$10 mln, and by the Government of the Kyrgyz Republic with \$2 mln. The Turkish company is the contractor of the project. In 2011, the Kuwait Fund for Arab

<sup>35</sup> Agreement between the Ministry of Finance of Kyrgyz Republic and the Ministry of Finance of Russian Federation on the provision by the Russian Federation of grant financial support to Kyrgyz Republic, 2013 (in Russian). Available at: [http://online.zakon.kz/Document/?doc\\_id=31410209](http://online.zakon.kz/Document/?doc_id=31410209) (accessed 06 February 2016).

<sup>36</sup> Kyrgyz Republic Government edict of March 11th 2014 #66r. Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/210953?ckwds=%25d1%2580%25d0%25be%25d1%2581%25d1%2581%25d0%25b8%25d0%25b9%25d1%2581%25d0%25ba%25d0%25b0%25d1%258f%2B%25d1%2584%25d0%25b5%25d0%25b4%25d0%25b5%25d1%2580%25d0%25b0%25d1%2586%25d0%25b8%25d1%258f> (accessed 06 February 2016).

<sup>37</sup> Kyrgyz Republic Government edict of November 24th 2014 #521r. Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/214111?ckwds=%25d1%2580%25d0%25be%25d1%2581%25d1%2581%25d0%25b8%25d0%25b9%25d1%2581%25d0%25ba%25d0%25b0%25d1%258f%2B%25d1%2584%25d0%25b5%25d0%25b4%25d0%25b5%25d1%2580%25d0%25b0%25d1%2586%25d0%25b8%25d1%258f> (accessed 06 February 2016).

<sup>38</sup> Kyrgyz Republic Government edict of July 4th 2014 #249r. Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/211961?ckwds=%25d1%2580%25d0%25be%25d1%2581%25d1%2581%25d0%25b8%25d0%25b9%25d1%2581%25d0%25ba%25d0%25b0%25d1%258f%2B%25d1%2584%25d0%25b5%25d0%25b4%25d0%25b5%25d1%2580%25d0%25b0%25d1%2586%25d0%25b8%25d1%258f> (accessed 06 February 2016).

<sup>37</sup> Regulation on the procedure of competitive procurement in projects financed under the Credit agreement between the Government of Kyrgyz Republic and the Government of the Republic of Turkey, 2012. Central database of legal information of Kyrgyz Republic (in Russian). Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/93697?cl=ru-ru> (accessed 06 February 2016).

<sup>38</sup> Development annual report for the year 2013. Saudi Fund for Development. Available at: <http://www.sfd.gov.sa/cs/groups/public/documents/document/mdaw/ndyx/~edisp/121-document-461968.pdf> (accessed 06 February 2016).



Economic Development provided \$15 mln for the reconstruction of the Bishkek – Naryn – Torugart road. Funds from other donors, including Exim Bank of China, were also attracted. The Kuwait-Chinese joint venture Kopri/Sinohydro was the contractor and pledged to hire only 20% of foreign workers.

Therefore, based on data from the largest projects, we can draw a preliminary conclusion that among emerging donors, Chinese and Turkish aid are most commonly tied, while Arab donors occupy the mid-position, and Russia provides untied loans and large amounts of direct budget support. Among OECD – OECD donors, the largest amount of tied aid is provided by the United States, and an increase in Japanese tied aid can be expected.

### ***Mutual accountability***

The criterion of mutual accountability means that both donor and recipient carry out a joint assessment of development assistance to the country, and review the implementation of the agreements reached. Among the donors considered, most evaluations that are publicly available are on U.S. and Japanese projects. USAID has published reports on the evaluation of 30 projects in Kyrgyzstan since 1993. Qualitative and quantitative evaluation methods are used, including surveys, interviews, and visits to project sites. Experts from Kyrgyzstan were included in some evaluation teams of USAID projects, for example in the assessment of the programme for human rights support.<sup>39</sup> The evaluation of most USAID projects is simultaneously carried out for several countries in regional projects.

JICA has posted reports on its website for the evaluation of Kyrgyz projects since 2008. Most of the evaluated projects relate to transport infrastructure. The evaluation uses quantitative (e.g. road capacity calculations) and qualitative methods (interviews with stakeholders). Japanese experts, who are members of specialized agencies or representatives of Japanese universities, most commonly act as evaluators.

GIZ evaluates its projects in Kyrgyzstan both individually and as a part of regional programmes in Central Asia, but only two evaluation reports for GIZ projects are available. Since 2010, Switzerland has also provided information on evaluations, and does not publish reports, but information on all evaluations conducted around the world in a specific year. In 2013, two evaluations of healthcare projects were conducted by Swiss Agency staff in review format for the purpose of project monitoring and improvement.<sup>40</sup>

Kyrgyzstan was included in the evaluation of DFID's work in Central Asia, the Caucasus and Moldova in 2008.<sup>41</sup> Information on later evaluations is not available. The DFID Central Asia operational plan for 2011–2015 includes project evaluations, and for most projects it is viewed at the design stage.<sup>42</sup> However, the DFID evaluation report database does not contain information on Kyrgyzstan.

All considered OECD – DAC donors evaluate projects in Kyrgyzstan in line with the OECD – OECD criteria, but they differ in the extent to which they make results publicly

<sup>39</sup> Strengthening human rights in Kyrgyzstan program evaluation, final report. USAID/Kyrgyzstan, 2012. Available at: [http://pdf.usaid.gov/pdf\\_docs/pdacu713.pdf](http://pdf.usaid.gov/pdf_docs/pdacu713.pdf) (accessed 06 February 2016).

<sup>40</sup> SDC'S Evaluations, Evaluations completed in 2013. Federal Department of Foreign Affairs FDFA, 2014. Available at: [https://www.eda.admin.ch/content/dam/deza/en/documents/resultate-wirkung/SDC-Evaluation\\_en.pdf](https://www.eda.admin.ch/content/dam/deza/en/documents/resultate-wirkung/SDC-Evaluation_en.pdf) (accessed 06 February 2016).

<sup>41</sup> DFID regional programme evaluation Central Asia, South Caucasus and Moldova, 2008. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67764/ev686.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67764/ev686.pdf) (accessed 06 February 2016).

<sup>42</sup> Operational Plan 2011-2015. DFID Central Asia, 2013. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/209329/Central-Asia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209329/Central-Asia.pdf) (accessed 06 February 2016).

available. No examples were found of donors' commitments to the OECD recommendation to conduct joint donor and recipient evaluations, aimed at improving mutual accountability and the consideration of the recipient's opinion. This is the notion of mutual accountability, which does not seem to be high on donors' agenda.

Emerging donors are just starting to develop their systems for development assistance evaluation. China acknowledged the importance of such work in its 2014 Measures for the Administration of foreign aid. According to the Concept of the Russian Federation's State Policy in the Area of IDA, evaluation of projects must be carried out. At this stage, no information on the evaluation of projects in Kyrgyzstan by emerging donors has been found.

## Conclusion

The analysis showed that there is no clear answer to the question of which assistance to Kyrgyzstan is the most effective, in terms of the Global Partnership criteria.

Emerging donors demonstrate higher levels of aid alignment with Kyrgyzstan's development priorities. This is especially true for Turkey and Russia. The findings conform to the popular belief that in the relationship between an emerging donor and a recipient, the role of the latter is often more powerful than in similar relations with traditional donors. Among the traditional donors, the U.S. and Japan stand out favorably in relation to the alignment criterion. They are usually considered as donors whose interests largely influence their aid provision [Riddell, 2007]. Intuitively, one would assume that their assistance would be poorly coordinated with the priorities of Kyrgyzstan. However, there is a contrary opinion that a strong donor interest, especially due to security concerns, contributes to high effectiveness of aid [Stone, 2010]. The analysis results support this hypothesis. The U.S. and Japan mention the "Afghanistan factor" in their strategies of assistance to Kyrgyzstan, and show the greatest alignment of their assistance with the priorities of NSDS among the considered OECD – OECD donors.

In terms of harmonization, predictability, and transparency, emerging donors are still falling behind the OECD – DAC members. With regard to tied aid criterion, the best performers are the mixed group: Russia, the United Kingdom and Switzerland are less likely to tie their assistance to Kyrgyzstan. As for mutual accountability, the most consistently open donors are the United States and Japan, but none of the donors carry out joint evaluations with the Kyrgyz government, so their accountability cannot be described as mutual.

Overall, the analysis confirms the conclusions of several researchers [de Haan and Warmerdam, 2011; Brant, 2011] that on the local level the distinction between traditional and emerging donors is less productive, due to the heterogeneity of both groups. Results also support the thesis of the advantages that donor diversification brings to recipients. An increasing diversity of donors provides Kyrgyzstan with freedom of choice and enhances its negotiating position, which with the arrival of China is evident for many African countries. This factor can perhaps explain the ease with which Kyrgyzstan denounced its cooperation agreement with the U.S. in the summer of 2015. It was the Kyrgyz response to an award given by the U.S. to Kyrgyz prisoner A. Askarov. The U.S. Embassy regarded the denunciation as the move that "could put assistance programs that benefit the Kyrgyzstani people in jeopardy."<sup>43</sup> But it appears that Kyrgyzstan's plan worked; during a visit to Kyrgyzstan in October 2015, the U.S. Secretary of State explained that A. Askarov's award was misinterpreted, and the U.S. did not want to harm rela-

<sup>43</sup> Kyrgyz Republic: Results of the assistance provided by the US. Response to the denunciation of bilateral agreement of 1993, Press release. Government of the United States of America in the Kyrgyz Republic, 2015. Available at: [http://russian.bishkek.usembassy.gov/pr\\_07-24-15\\_tangible\\_benefits\\_of\\_us\\_assistance\\_in\\_response\\_to\\_termination\\_of\\_the\\_1993\\_bilateral\\_agreement\\_ru.html](http://russian.bishkek.usembassy.gov/pr_07-24-15_tangible_benefits_of_us_assistance_in_response_to_termination_of_the_1993_bilateral_agreement_ru.html) (accessed 06 February 2016).

tions with Kyrgyzstan. The possibility of reducing assistance programmes was not discussed, and on the contrary, the two governments are now working on a new cooperation agreement. A stronger negotiation position also seems to be in place in cooperation with Russia. Kyrgyzstan unilaterally denounced the agreement with Russia on the construction of the Kambaratinskaya Hydropower Plant and the Naryn-1 Hydropower Plant at the beginning of 2016, justifying this by delays and financial difficulties on the Russian side. Russia did not react negatively to this move; on the contrary, the Ministry of Foreign Affairs spoke about strengthening the partnership between two countries. The strong bargaining position also manifested itself in the case of RKDF. The Fund, which was the ‘child’ of the negotiation process of Kyrgyzstan’s accession to the Eurasian economic union, is a unique example of the leading role of the recipient, and its ownership of the assistance process.

In future we might witness a further strengthening of Kyrgyzstan’s negotiation position with various donors, particularly traditional ones. Firstly, Kyrgyzstan can expect an increase in assistance from emerging donors. For most of them, especially for Russia and Turkey, Kyrgyzstan is a priority recipient of development assistance. Conversely, for OECD – OECD donors Kyrgyzstan is a lesser priority, accounting for less than 1% of the volume of their bilateral aid. Secondly, the country’s President has set an objective to achieve financial and economic independence. That will probably mean a continuation of the country’s course, to defend its interests in relations with donors. Recent studies show that taking into account recipient priorities is good for both recipient and donor. The degree of aid alignment with the needs of a recipient is positively correlated with the level of a donor country’s influence on the recipient’s reforms [Custer et al., 2015].

To build mutually beneficial and effective relations with Kyrgyzstan, Russia should take into account the dynamics of the changing field of the country’s donors, as well as the changing approaches of Kyrgyzstan itself. The Russian Federation has various interests associated with the provision of assistance to the states of Central Asia, including Kyrgyzstan [Sergeev et al., 2013]. In this regard, the question of assistance effectiveness is crucial. The development of a unified strategy of assistance to Kyrgyzstan, ensuring greater alignment of assistance provided by Russia through various channels, may be an important first step. Russia’s participation in the Development Partners’ Coordination Council of the Kyrgyz Republic is also necessary. An overall improvement of the effectiveness of Russian assistance should build on the principles of results-based management, including systematic collection of detailed data on the entire spectrum of Russian aid, along with rigorous evaluations and greater transparency.

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## Annex 1

**Kyrgyzstan development priorities for 2013–2017 and sectoral priorities of development assistance by main bilateral donors from 2013 onwards**

Chapters of the National Sustainable Development Strategy (NSDS)	The UK	Germany	The U.S.	Switzer-land	Japan	Turkey	Russia	China	Arab donors
<b>1. Establishing a state governed by the rule of law and ensuring supremacy of law</b>	***	**	***	**	*	**			
2. Unity of the nation as a prerequisite for preserving statehood and successful development	**	*	**	*		*			
<b>3. Resolving social issues and challenges</b>	***	***	**	***	***	***	**	**	
4. Environmental protection to ensure sustainable development	*	*	*	*	*	*	*		
5. Sustainable economic development and macroeconomic stability			*	*	*	**	***		
6. Improving business environment and investment climate		**	**	**	**	*	***		
7. Financial sector development		***	*	**	*				
<b>8. Development of strategic industries of the economy</b>									
• <b>Agro-industrial sector</b>			**		**	***	***		
• <b>Energy</b>		**	*		*	***		***	
• <b>Mining</b>					*		***		
• <b>Transport and communications</b>			*		***	***	***	***	***
• <b>Tourism and services industry</b>					*		*		

\*\*\* – priority sector for the donor (based on the volume of aid, for OECD DAC donors – not less than 20% in both 2013 and 2014).

\*\* – sector is moderately prioritized (for OECD DAC donors not less than 5% in both 2013 and 2014).

\* – sector is not a priority.

Greyfilling – priority sector in the donor's strategy of assistance to Kyrgyzstan.

**Bold in the first column** – priority sector according to NSDS analysis.