

EU SOCIAL SECTOR BUDGET SUPPORT IN KYRGYZSTAN

SPSP Sector Policy Support Programme in Public Finance Management and Social Protection in the Kyrgyz Republic

Dear Readers,

The EU Delegation in the Kyrgyz Republic is pleased to share with you the first publication specifically dedicated to the Sector Policy Support Programme in Social Protection and Public Finance Management in the country.

The timing of this publication gives us a unique opportunity to congratulate the Government and line Ministries of the Kyrgyz Republic on the continuous commitment and excellent support given to the implementation of this Programme.

Thanks to this fruitful collaboration, some very important steps have been undertaken and good progress has been achieved in the area of Social and Child Protection.

Notably, in collaboration with this programme, a Ministry uniquely responsible for the protection and care of vulnerable people has been created; a Child Protection Department has been established in the Government; Family and Children Support Departments and Commissions for Children's Affairs have been established in all regions and cities.

As a result of these structural interventions, the support available for vulnerable families has significantly improved, more families and children in situations of extreme poverty have been given access to social services and now receive direct financial assistance, and there has been increased attention to the needs of children without parental care.

This publication highlights only one of the many cooperation programmes of the EU Delegation in the Kyrgyz Republic, which are made possible by the contribution of the EU Member States and the Delegation's local and international partners.



To know more about our work, visit the Delegation website at: <http://eeas.europa.eu/delegations/kyrgyzstan> or contact our Press and Public Information service at: delegation-kyrgyzstan-pic@eeas.europa.eu.

Enjoy reading!

Budget support as a financing modality for delivering development aid

What is EU Budget Support and how does it work in Kyrgyzstan?

The EU is increasingly making use of sector approach with budget support as an aid modality, as opposed to traditional projects. This commitment is in line with the Paris declaration on aid effectiveness of March 2005 and with the European Consensus on Development of December 2005.

Budget support in Kyrgyzstan is part of the overall cooperation package to support the partner government's sector programme in social protection. The cooperation includes policy dialogue, financial transfers, performance assessment and capacity building and it is based on partnership and mutual accountability.

EU Budget support is the transfer of EU financial resources to the Central Treasury of Kyrgyzstan, following the respect by the latter of agreed conditions for disbursement. Once transferred, the financial resources

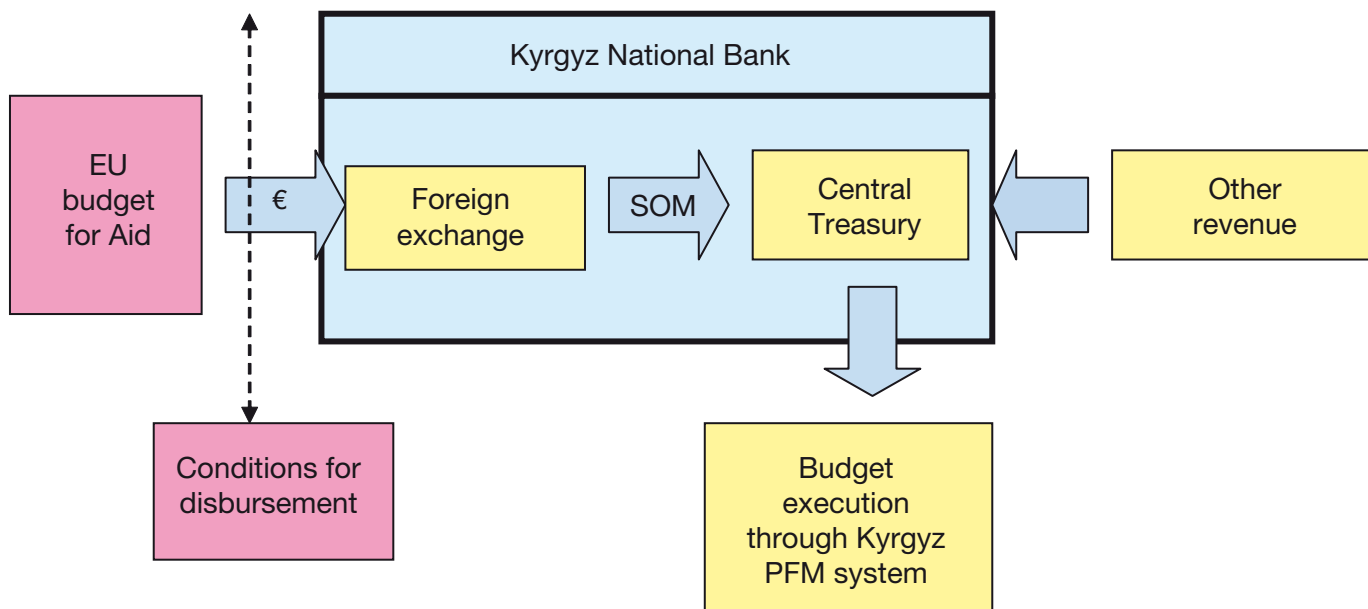


This project is funded by the European Union



This project is implemented by HTSPE limited.

The views expressed in this publication do not necessarily reflect the views of the European Union



received become part of the global resources of the country.

Through budget support, the EU helps the Government of Kyrgyzstan implementing complex reform processes in the area of social protection and in achieving financial stability.

Every year the Government of Kyrgyzstan and the EU sign a

Financing Agreement that details the commitment of both partners, the conditions involved and the disbursement procedures.

Transfers to the central bank are made only after agreed **conditions for payment** are fulfilled by the Kyrgyz Government. The compliance with conditions is assessed by an independent review mission, the EU Delegation HQ services.

Once the transfer is made, these resources are used, along with other government resources, in accordance with the **partner government's public financial management** systems. That is, they are planned for, budgeted, spent, reported on, accounted for, and audited through the procedures of the Kyrgyz Government. The EU has the responsibility to ensure that key conditions have been met prior to disbursing and that resources are transferred to the national treasury in accordance with the agreement.

Eligibility criteria

The EU only provides budget support to countries that meet the following three **eligibility criteria**, derived from the legal frameworks governing EU support to each region: when there is in place or under implementation a) a well defined national (or sectoral in the case of Sector Budget Support) policy and strategy; b) a stability-oriented macroeconomic framework; c) a credible and relevant programme to improve public financial management. All disbursements are conditional on continued adherence to these three standard eligibility criteria (reflected in the **«general conditions»**), and may also be subject to **«specific conditions»** reflecting performance criteria and indicators (often focused on results) in priority areas.





The EU has provided budget support to Kyrgyzstan since 1996. Before the SPSP (see below) the EU provided budget support through the Food Security Programme, which operated from 1996 to 2007. During these years **€ 93 million** was disbursed as budget support to the Government of Kyrgyzstan for the implementation of agriculture and social protection reforms, as key elements of the country's poverty reduction strategies.

Once the transfer has taken place, the responsibility for the management of the transferred resources stays with the Kyrgyz Government.

The EU is not involved in following up on the expenditures but it is concerned with monitoring and supporting the implementation of the agreed reforms and in that expected results are being achieved.

Any follow-up on the uses of the transferred funds is undertaken by

The Paris Declaration on Aid Effectiveness includes twelve indicators of progress on ownership, alignment, harmonisation, managing for results, and mutual accountability. Many of these indicators of progress implicitly lend support to the use of budget support, and encourage the use of partner country's public financial management systems.

Linked to the Paris Declaration the EU has made an additional specific commitment to budget support as financing modality for delivering development aid: «To channel 50 per cent of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or sector programme arrangements».

the authorities of Kyrgyzstan that are responsible for the supervision, control, and auditing of public funds.

In total € 40 million is programmed under the SPSP from 2008 to 2011, of which € 37.75 million is used as direct budget support and € 2.25 is used for technical assistance.

EU Sector Policy Support Programme in Kyrgyzstan – current cooperation

Sector Policy Support Programme (SPSP) is the term used to identify European Union programmes designed to support a partner government's sector programme.

From 2008 the EU sector programme in Kyrgyzstan is called “**Sector Policy Support Programme in Social Protection and Public Finance Management**”. This programme uses budget support as a financing modality and provides technical assistance to the Government to support the implementation of the reforms envisaged in the frame the programme.

The SPSP supports reforms in the area of Public Finance Management and in the Social Protection sector.

Year	Budget support	Technical assistance
2008	€ 8.5 million	€ 0.5 million
2009	€ 8.0 million	€ 1.0 million
2010	€ 9.0 million	0
2011	€ 12.25 million	€ 0.75 million
Total	€ 37.75 million	€ 2.25 million

What was achieved with the Government in Public Finance Management?

The achievements in PFM and Social Protection reform are directly linked to the specific conditions set up in the programme design.

- The budget preparation system has been improved through the establishment of a solid system of budget circulars and methodological instructions.





- The multi-annual planning system has been improved through the introduction of non-financial performance indicators.
- The accountability of line managers has been increased through the establishment and start up of internal audit departments.

What was achieved with the Government in Social Protection?

- Targeting of social assistance has been improved and the size of the Monthly Benefits has been increased:
 - On average 360 thousand extremely poor beneficiaries receive their benefits every month on time and in full.
 - The Guaranteed Minimum Income for extremely poor families has been gradually increased from 200 KGS to 310 KGS and will increase further.
 - Around 3200 extremely poor families with children without birth certificates or parents without identification documents have been included in the system and started receiving Monthly Benefits. These families could



not receive benefits before the reforms.

- Around 2800 extremely poor families, which had land but could not cultivate it and did not have any income from it started receiving Monthly Benefits. These families could not receive benefits before the reforms.
- Commissions have been established in every Ayil Okmotu (community) to discuss local situations of vulnerability on a case by case and to propose the inclusion of poor families into Monthly Benefits schemes.
- The case-management of vulnerable families and children in difficult situations has been improved:
 - A Child Protection Department has been established in the Government.
 - Family and Children Support Departments and Commissions for Children's

Affairs have been established in all rayons and cities.

- 2951 orphans and children without parental care have been adopted during 2008-2010.
- 3000 cases of working children have been analysed by the Family and Children Support Departments. Referral mechanisms have been established and adequate support provided to these children and their families.
- More than 3000 children with special needs received services in rehabilitation centres.
- More than 4000 vulnerable children received psychological support.



Future of our cooperation

The EU is planning to continue to provide budget support to Kyrgyzstan in the years to come. The Programme for 2012-2013 to continue support in social protection is being developed.

