



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID'S
DEMOCRACY AND
GOVERNANCE ACTIVITIES IN
KYRGYZSTAN**

AUDIT REPORT NO. 8-116-08-002-P
June 12, 2008

FRANKFURT, GERMANY



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

June 12, 2008

MEMORANDUM

TO: USAID/Central Asian Republics Regional Mission Director, William Frej

FROM: Regional Inspector General, Frankfurt, Gerard M. Custer /s/

SUBJECT: Audit of USAID's Democracy and Governance Activities in Kyrgyzstan
(Report Number 8-116-08-002-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on the draft report, making changes where appropriate, and have included your comments in their entirety in appendix II.

The report contains no recommendations, so no further action is required on your part.

I want to express my sincere appreciation for the cooperation and courtesies extended to my staff during this audit.

CONTENTS

Summary of Results	1
Background	2
Audit Objective	2
Audit Findings	3
Program Activities Achieving Limited Impact	8
Evaluation of Management Comments	13
Appendix I – Scope and Methodology	14
Appendix II – Management Comments	16
Appendix III – Schedule of Kyrgyzstan’s Democracy and Governance Programs	17

SUMMARY OF RESULTS

Following Kyrgyzstan's "Tulip Revolution", in March 2005, and subsequent presidential election later that year, the Government embraced the need for a series of reforms, covering rule of law, fiscal decentralization, parliament and the media. To assist the country in its efforts at political reform and improve democratic governance, USAID has supported a broad range of activities—through targeted technical assistance, training and other assistance—intended to build on prior program activities and improve local governance and accountability as well as strengthen the country's parliament, civil society, media, political parties, and human rights organizations.

This audit was conducted as part of a multi-country audit, led by the USAID Office of Inspector General's Performance Audit Division in Washington, D.C., focusing on USAID's democracy and governance (DG) activities. The objective of this audit was to determine if USAID's DG activities in Kyrgyzstan were achieving their intended results and to assess the impact of those results. (See page 2.)

From October 1, 2005 through September 30, 2007 (fiscal years 2006 and 2007), USAID's DG activities in Kyrgyzstan were, for the most part, achieving their intended results for the items tested. During this two-year period, the mission met most of the planned targets established for the performance ("standard") indicators used by the mission to report its performance results to Washington via its annual Operational Plan. Of the two performance indicators that the mission had established planned targets for and reported results against for fiscal year (FY) 2006 and the seven indicators reported on for FY 2007, the mission met or exceeded the targets for all but two indicators (See page 3.). The shortfalls under both of these indicators were attributed to factors considered to be beyond the mission and implementer's control (e.g., decision by Kyrgyzstan's president to dissolve the parliament and programming decisions by USAID/W prompting delays in the start-up of new activities expected to generate results under one indicator). In addition to meeting the planned targets under its performance indicators, our review of a sample of planned DG activities found that most of these activities were achieving their planned results. Of the 66 planned activities selected for review, covering the FY 2006 and 2007 time frame, we determined that all but four were fully or substantially completed and achieving their intended results, while the remaining four could not be completed for reasons beyond the implementer's control. (See page 4.)

The audit, however, determined that USAID's DG activities have had a limited impact in promoting Kyrgyzstan's democratic development as reflected by the lack of progress shown in a number of widely used industry and USAID indices. The lack of impact was attributed to several factors, including declining funding levels, the large number of implementing mechanisms in the mission's portfolio, and Kyrgyzstan's difficult political environment. Since these factors were determined to be outside the mission's control, a formal recommendation on this issue was not deemed necessary. As a result, the report contains no recommendations. (See page 8.)

The USAID Mission for the Central Asian Republics (USAID/CAR), which is responsible for managing USAID's DG activities in Kyrgyzstan, concurred with the findings discussed in the audit report. (See page 13.)

Management comments are included in their entirety in appendix II.

BACKGROUND

Since Kyrgyzstan's "Tulip Revolution" of March 2005, which followed disputed parliamentary elections that led to the ouster of Kyrgyzstan's former President and a new presidential election—considered one of the fairest in Central Asia—later that year, the country has been at a crossroad in its political development. With a new president elected, the country embraced the need for a series of reforms, covering rule of law, fiscal decentralization, parliament and the media which, in turn, have created opportunities for civil society participation and free media operation. However, structural changes in the balance of power within the government and effective mechanisms for maintaining accountability are still needed to ensure sustained democratic governance.

To assist Kyrgyzstan in its efforts at political reform and in implementing critical changes needed to institutionalize democratic governance, USAID has supported a broad range of activities intended to build on prior program activities and improve local governance and accountability by strengthening the country's parliament, civil society, media, political parties, and human rights organizations. Specifically, USAID assistance—consisting of targeted technical assistance, training and other support—seeks to help the new Kyrgyz government establish strong institutions of governance, strengthen rule of law, and implement fair and effective political processes, while also nurturing public interest in politics through public discussions.

Kyrgyzstan's democracy and governance programs are managed by the USAID Mission for the Central Asian Republics (USAID/CAR), through its country office in Kyrgyzstan (country office), and implemented by a number of implementing partners funded through contracts and cooperative agreements. As of September 30, 2007, the mission's portfolio consisted of twenty-two mission-managed programs¹, administered by fourteen implementers, whose authorized funding level totaled approximately \$42.8 million, with cumulative obligations and expenditures totaling approximately \$33.6 million and \$20.3 million, respectively. (See appendix III.)

This audit focused on selected activities administered for 8 of the 22 programs which covered the following areas: (1) human rights, (2) governance (legislative; local government), (3) political competition (political parties; elections and political processes), and (4) civil society (civic participation; media freedom).

AUDIT OBJECTIVE

As part of a multi-country audit led by the USAID Office of Inspector General's Performance Audit Division, the Regional Inspector General in Frankfurt, Germany conducted this audit to answer the following question:

- Are USAID's democracy and governance activities in Kyrgyzstan achieving intended results and what has been the impact?

Appendix I contains a discussion of the audit's scope and methodology.

¹ The portfolio also included two programs managed by USAID/Washington which were excluded from the scope of our audit.

AUDIT FINDINGS

During the period from October 1, 2005 through September 30, 2007, USAID's democracy and governance (DG) activities in Kyrgyzstan were, for the most part, achieving their intended results with respect to the items tested. However, the overall impact of these and earlier program activities have been limited.

Based on reported results data, Kyrgyzstan's DG activities met or exceeded most of the planned targets established for the standard performance indicators specified in the country's annual operational plan, which includes indicators that all USAID operating units are required to report on to the Office of the Director of U.S. Foreign Assistance Bureau of the State Department, for fiscal years (FYs) 2006 and 2007.

For FY 2006, the initial year of reporting under the State Department's new performance results reporting system, the USAID Mission for the Central Asian Republics (USAID/CAR), through its country office in Kyrgyzstan, reported results under five standard indicators, with only two of the five having established targets² that year, both of which were met. For FY 2007, the number of indicators reported on (where actual results were being reported against planned targets) was expanded from two to seven. Of these seven indicators, the mission exceeded the planned targets for five, but fell short on meeting the targets for the remaining two, which we determined were not met for reasons deemed to be beyond the control of the mission and its implementers.

The targets not met related to two performance indicators which were designed to track the (i) number of USG assisted civil society organizations that engaged in advocacy and watchdog functions; and (ii) number of positive modifications to legislation, drafted with USG assistance, supporting the media. Shortfalls related to these two indicators were attributed to several factors, including programming decisions by USAID/Washington which deferred the start-up of a new program activity expected to generate results under one of the indicators. In addition, the difficult political situation in Kyrgyzstan, with the ongoing conflict between the country's Parliament and Executive branch over the President's authority, was another contributing factor which negatively affected the Government's ability to pass key legislation, thereby limiting the results under another indicator ("Number of positive modifications to enabling legislation for media drafted with USG assistance"). This situation deteriorated further when the President made a sudden announcement, in September 2007, to dissolve the Parliament and called for snap parliamentary elections to take place in December 2007.

A comparison of actual reported performance results in relation to planned targets for FYs 2006 and 2007 is presented in the following chart.

² Since the timing of the initial roll-out of the State Department's new performance results reporting mechanism, in early-FY 2007, occurred after FY 2006—at a time when Kyrgyzstan's DG portfolio was in a state of transition, with a number of its programs ending during that time frame and uncertainty concerning the start-up of new programs due to several programming issues—the mission was unable to establish meaningful targets under its standard indicators for FY 2006. For that year, targets were established under two indicators, but only because these indicators happened to match two that were already being tracked by two implementers (among the set of performance indicators specified in their work plans) under their respective programs.

Results Reported for Standard Indicators - For FYs 2006 and 2007

Program Element	Indicator	Targets and Actual Results			
		FY 2006		FY 2007	
		Target	Actual	Target	Actual
2.1.4 Human Rights	Number of public advocacy campaigns on human rights supported by USG	3	3	3	8
2.2.1 Legislative	Number of national legislators and national legislative staff attending USG sponsored training or educational events	N/A	N/A	150	175
2.2.3 Local Government	Number of sub-national government entities receiving USG assistance to improve their performance	25	25	150	160
2.3.3 Political Parties	Number of individuals who receive USG-assisted political party training	N/A	N/A	3,156	3,227
2.4.1 Civic Participation	Number of positive modifications to enabling legislation/regulations for <i>civil society</i> accomplished with USG assistance	N/A	N/A	1	1
	Number of USG Assisted Civil Society Organizations that engage in advocacy and watchdog functions	N/A	N/A	15	0
2.4.2 Media	Number of positive modifications to enabling legislation/regulations for <i>media</i> drafted with USG assistance	N/A	N/A	2	1

In addition to meeting the targets under most of its standard indicators, Kyrgyzstan's DG activities, for the most part, were completed as planned and had achieved their intended results for the items tested. Specifically, the audit team reviewed a total of 66 activities, consisting of 19 of 174 planned activities (11 percent) for FY 2006 and 47 of 164 activities (29 percent) for FY 2007, which were selected from 8 of the 22 mission-managed programs in the country's portfolio. Of the 66 planned activities reviewed, 62 were determined to have been successfully completed, having achieved their intended results as specified in the implementer's work plan, while the remaining four activities were either not completed or not achieving planned results for reasons that were deemed to be justifiable and beyond the mission's and implementer's control.

One of the four activities, for example, involved the provision of technical assistance in financial management to at least five cities and seven rural municipalities. Although the implementer initiated work under this activity, the activity could not be completed and had to be temporarily halted due to the sudden passage of a new national budget system, which required staff originally assigned to this activity to be reassigned to work on the new budget system, a change approved by the mission, which was considered a higher priority at the time. Another activity involved assisting keneshes (local councils) in rural municipalities in developing their own administrative procedures, a task that was later cancelled when it was learned that a government working group had elected to develop model procedures to be used by all local governments, including all keneshes, making the drafting of administrative procedures for individual keneshes unnecessary.

In most cases, however, the DG activities selected for review were found to have been successfully completed (i.e., achieved intended results), with a number of these activities producing positive results, as illustrated in the examples listed below.

- **Parliament:** Under USAID/CAR's Parliamentary Strengthening Program (designed to help Kyrgyzstan's Parliament operate in a more transparent manner), the implementing partner completed one activity which reported on the Parliament's legal authorities to oversee the Government and provided recommendations on how the Parliament could more effectively exercise its authority to review and draft legislation.
- **Local Governance:** Under Kyrgyzstan's Decentralization and Local Government Program, USAID funds were used to support the Kyrgyz Government in implementing its decentralization reforms through activities designed to strengthen local governments' capacity to meet the community's needs and promote community participation at the local level. Among other things, these activities emphasized the development of checks and balances within local administrations and between the administrations and elected councils. One activity, for example, offered training to develop local government capacity in asset management and technical advice on a wide range of topics, such as how to manage and register municipal property. Thanks, in part, to this activity, community members began to see the benefits and advantages associated with the effective management of municipal land. According to one entrepreneur, "Today any person may lease or buy land from the mayor's office and start his or her own business—our lives have improved as a result."
- **Election Reform Efforts:** To assist the Kyrgyz Government in reforming its electoral framework, USAID funds were used to publish an Ink Manual, explaining the use of inking, including its costs and administration, in ensuring that votes are cast only once. Both the manual, and the required inking equipment, were provided to the government for use in initiating its own inking program.

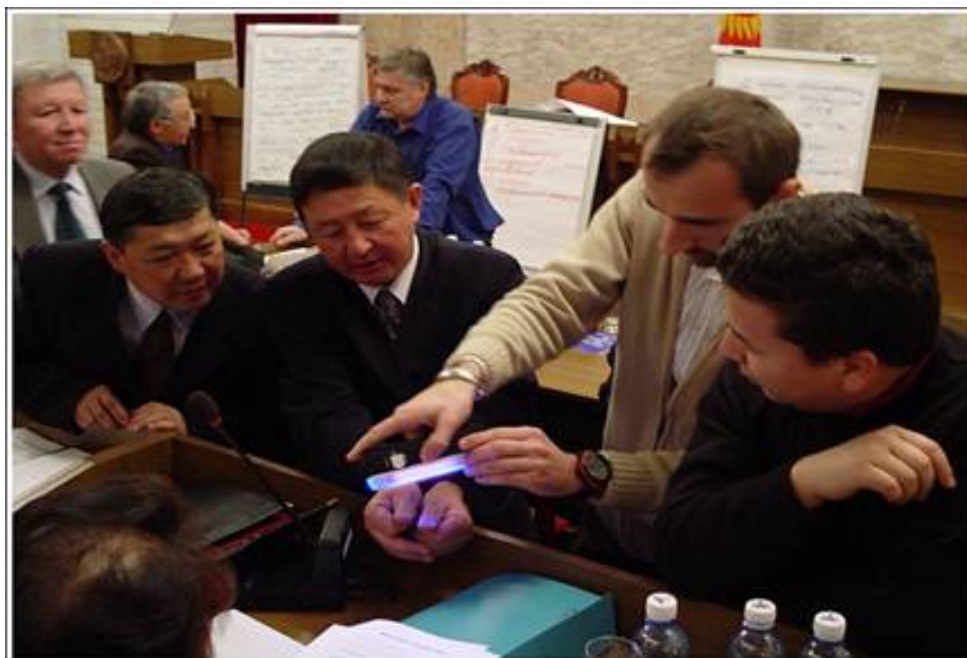


Photo of a technician demonstrating the use of an ultra-violet light designed to check for ink used to ensure that votes are cast only once during elections. (Photo furnished by the International Foundation Electoral Systems, IFES)

- Human Rights:** Under the mission’s Human Rights Program, designed to strengthen the technical and organizational capacity of local human rights defenders (HRDs) to identify, monitor, report, and advocate for change on critical community-based and national human rights issues, the mission’s implementing partner organized and sponsored a regional network conference—the first in Central Asia—attended by HRDs from Kyrgyzstan, connecting them with HRDs from other countries within Central Asia. This activity, which proved to be a success, resulted in the drafting of a strategy dealing with access to information and the draft of a new freedom of information law as well as recommendations on increasing reporting to international media outlets and the preparation of complaints for the United Nations.
- Rule of Law:** To raise public awareness over individual rights, one implementer produced and broadcasted six public service announcements nationwide on national and local television stations—exceeding the planned target by 200 percent—while also distributing 4,000 brochures—double the planned target—throughout the country, which, together, increased the availability of legal information to citizens and provided them with a better understanding of their rights under the law. Another activity carried out by this same implementer involved the provision of training to university students to teach “Street Law”—covering basic domestic law, democracy and civil rights issues—at secondary schools and madrassas (religious schools). As a result of this activity, Islamic leaders in Kyrgyzstan have come to realize that knowledge of Islamic law alone is not sufficient for their students to live in a secular state and that their community needs to know their rights if they are to exercise their faith freely. Due to the success of the program, the implementer received permission to expand the program to other madrassas in additional regions.



Photo showing the DVD cover of a documentary, produced under USAID’s Legal Education Activities in Central Asia Program, dealing with the topic of the arrest authority of the courts, which was broadcasted on local TV in Kyrgyzstan in 2007. (Photo furnished by ABA/CEELI)

- Media Development:** To promote the development of independent broadcasting in Kyrgyzstan and increase the variety and availability of news and information to the public, USAID funds were used by one implementer to establish an Open Media Fund for Central Asia, which financed 123 broadcasting productions for Kyrgyzstan during FY 2007. These productions—consisting of talk shows, documentaries and other programs—covered a wide range of political, economic and social issues. In addition to sponsoring these productions, resources were allocated from the Fund to provide legal assistance for local journalists and representatives of media outlets, which included over 150 consultations on various legal issues, including investigative journalism, libel and protection of a person’s honor, dignity, and business reputation.
- Political Party Strengthening:** Another DG activity, intended to promote the involvement of youth in politics, involved a training project (“New Generation of Creative Politicians”), which consisted of seven training sessions covering topics, such as political parties, public speaking, team building, and strategic planning.
- Conflict Mitigation:** To help Kyrgyzstan’s citizens and leaders to address conflict in an effective and peaceful manner, USAID funds were used to support a variety of community-based economic development activities. One of these was designed to improve the public’s access to information in targeted provinces through the installation of information boards, which has proven to be an effective means of disseminating information in the local communities, since many there have no access to advertising opportunities through radio or television. During FY 2007, the implementer worked with local government officials to install 14 of these boards in 7 communities in Kyrgyzstan’s southern region. Another activity involved the provision of training under a master apprentice program, which successfully graduated 62 apprentices and masters during its first round of apprenticeships in FY 2007—32 of whom have since found permanent jobs in Kyrgyzstan and abroad.



Photo of graduates of a master apprentice program, held in Kyrgyzstan’s southern district of Osh and sponsored under a USAID local government program. (Photo furnished by Mercy Corps; December 2006)

Despite these positive achievements, USAID's DG activities in Kyrgyzstan have had a limited impact in promoting the country's democratic development as discussed below.

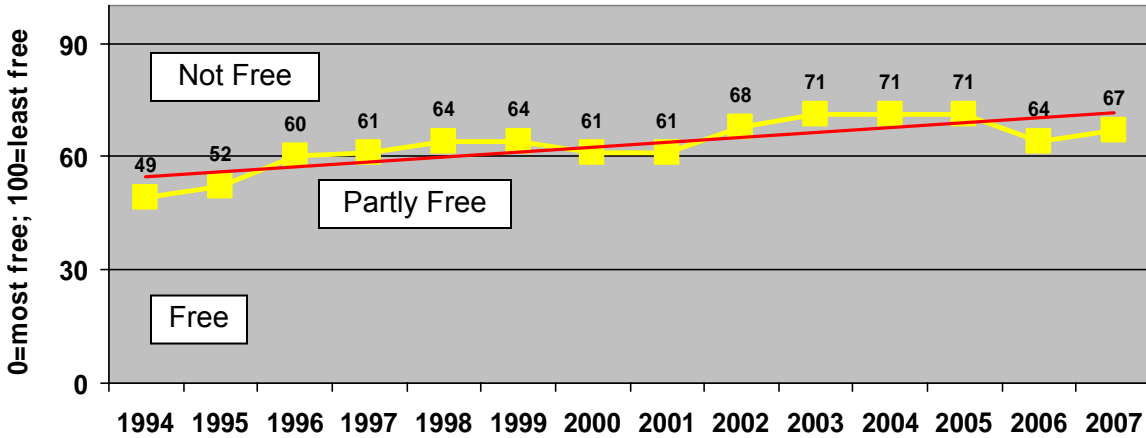
Program Activities Achieving Limited Impact

Summary: USAID policies emphasize the importance of ensuring that USAID-funded activities have a positive impact on achieving desired program results and objectives. The audit, however, determined that USAID's DG activities in Kyrgyzstan have had a limited impact in promoting the country's democratic development as reflected by the lack of progress shown in a number of widely used industry and internal USAID indices. The lack of impact was attributed to several factors, including declining funding levels, the large number of implementing mechanisms in the country's portfolio, and the difficult political environment in Kyrgyzstan. As a result of these factors, which, in some cases, undermined many of the gains achieved to date under certain program activities, USAID has been unable to maintain sustainable progress towards its objective of helping to promote Kyrgyzstan's democratic development through increased accountability and improved governance. Although the mission had taken steps earlier to try to increase the impact of its activities, by reducing the number of programs in its portfolio and strategically focusing its limited resources on those areas where it felt it could have the greatest impact, these strategic programming decisions were unfortunately not approved by USAID/Washington due to other considerations that were deemed to be beyond the mission's control.

Automated Directives System (ADS) Section 201.3.12.4, *Overview of Activity Planning Requirements*, summarizes the major requirements for planning USAID-funded activities. These requirements are based on several principals, one of which states that "Operating Units should question and refrain from activities with little tangible impact on intended results." In promoting improved governance and democratic institutions in Kyrgyzstan, USAID assistance has focused on: (1) developing sustainable civic organizations; (2) increasing the availability of information on civic and domestic public issues; (3) creating opportunities for citizen participation in governance; and (4) supporting more effective, responsive, and accountable public institutions.

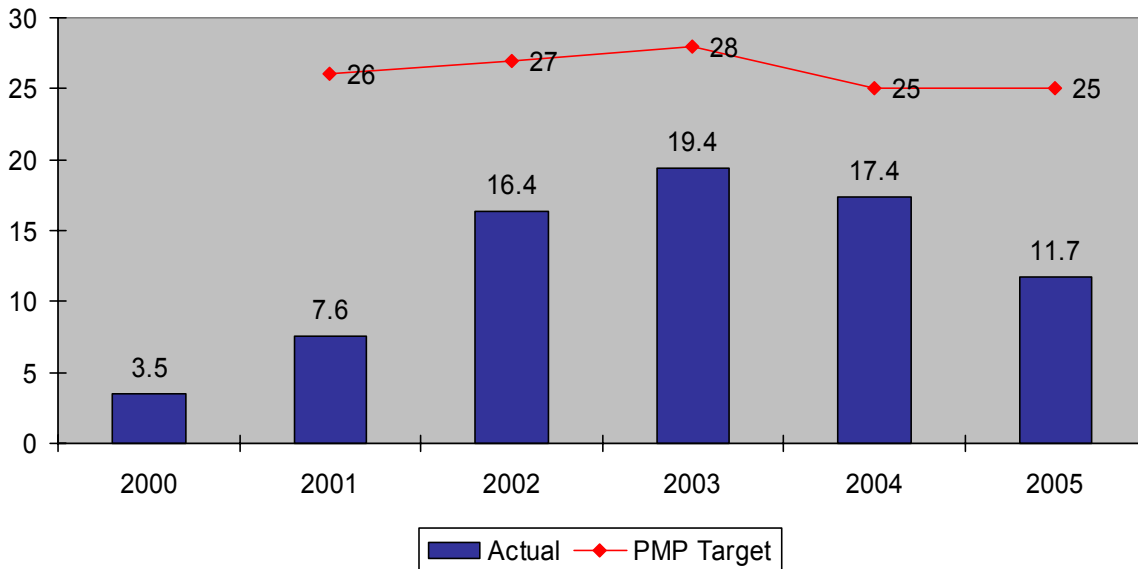
Although USAID's DG program activities in Kyrgyzstan have resulted in some notable achievements, these activities, taken collectively, have had a limited impact in promoting the country's overall democratic development. Despite the level of resources programmed for this country since FY 2000 (in excess of \$50 million), democratic development in Kyrgyzstan has either made little or no progress according to most standard indices of democratic performance. For example, Freedom House's *Nations in Transit* index, used to measure a country's progress towards democratic change and any setbacks to political transition, showed no progress achieved in Kyrgyzstan between FYs 1999 and 2007. Also, the organization's index for measuring press freedom indicated that press freedom in the country actually declined during the period from FY 2000 to FY 2007, as illustrated in the chart below.

**Freedom House: Kyrgyzstan Press Freedom Index (1994 to 2007)
(unaudited)**



Similarly, the mission’s own internal indices also reflected little or no progress. For example, the mission’s NGO sustainability index, the Bureau of Europe and Eurasia’s (E&E Bureau’s) premier instrument for gauging the strength and continued viability of each country’s NGO sector, demonstrated little change between FYs 2000 to 2006. Likewise, data collected based on the mission’s public opinion surveys showed that confidence in local government has actually declined since FY 2003 as shown below.

USAID/CAR Public Opinion Poll: Kyrgyzstan - Percentage Confidence in Local Government: 2000 to 2005 (unaudited)



The limited impact achieved by USAID’s democracy programs in Kyrgyzstan is attributed to several factors which include: (1) declining funding levels; (2) the large number of implementing mechanisms maintained in the mission’s portfolio; and (3) the political environment in Kyrgyzstan. These are discussed in further detail below.

Declining Funding Levels: Since FY 2002, USAID funding for democracy programs in the Central Asia region, including Kyrgyzstan, has been declining. While Kyrgyzstan's democracy budget has varied during this time frame, peaking at \$8.19 million in FY 2005, the funding level has declined since then, decreasing to \$6.84 million in FY 2007. This decline, in turn, has resulted in a reduction in the number and scope of activities being carried out by Kyrgyzstan's main implementers.

Large Number of Implementing Mechanisms: In addition to declining resources, Kyrgyzstan's democracy budget was further constrained by the large number of implementing mechanisms in its portfolio. As of September 30, 2007, the mission's portfolio consisted of twenty-four programs, including two that were managed by USAID/Washington, many of which had authorized funding levels under \$1 million. According to an internal regional strategy document drafted by USAID/CAR in the Spring of 2006, since FY 2000, USAID/CAR's portfolio of democracy programs (including those for Kyrgyzstan) "...grew to cover a wider range of technical areas with an equally broad number of implementing partners, with the expectation that broad coverage of democracy issues would allow for response to emerging opportunities." In practice, however, this approach prevented the mission from being able to address any one area in depth since limited resources were being spread among a large number of primarily U.S. implementers where a majority of the funding was being used for office operations and staffing, leaving little left for actual programming, according to mission records. To illustrate, an analysis of the operating budgets for implementers of the mission's portfolio of democracy programs for FYs 2006 and 2007, done by USAID/CAR, revealed that implementer operating costs³ (excluding funding for activities) represented an average of 73 percent of the portfolio's entire democracy budget during those two years. With such a small portion of the budget left for activities, this limited the number of actual activities carried out under each program, thereby limiting the portfolio's overall impact.

Recognizing this, USAID/CAR attempted to address the problem in 2006 as part of its efforts to develop a country specific strategy for Kyrgyzstan. Based on anticipated funding levels, an assessment of the country's development needs, and a review of past performance and results (per its latest internal portfolio review and sector assessments), the mission identified areas of priority where it felt it could achieve the greatest impact, given current funding levels, and restructured its portfolio accordingly to pursue a more focused approach. This restructuring, among other things, entailed the phasing out of two existing programs in FY 2006, one year earlier than originally planned, in an effort to scale down the size of the portfolio and focus its limited resources on those activities considered to be priority areas.

Washington, however, did not concur with this approach. In reviewing the mission's proposed regional strategy, the E&E Bureau and State Department's Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE) were not in favor of the idea of implementing a more focused strategic approach and, instead, directed the mission to implement a slightly broader range of activities and continue to work in the two program areas that were slated to be phased out early. For example, rather than incorporating a political party development activity in a planned parliamentary strengthening program—as proposed by the mission—the mission was instructed, with regards to the former, to establish a separate stand alone program.

³ Defined as fixed local office rent and related office operational costs (i.e., utilities, phone, etc.), salaries and benefits for long-term expatriate and local staff, and indirect costs.

Following these initial program adjustments, the mission received further direction from the E&E Bureau, in late-2006, in response to concerns expressed by some members of Congress and certain implementers that the restructuring decisions may be viewed as a reduced USG commitment to democracy in the region. To address these concerns, the Bureau directed the mission to initiate several additional programs. In the end, as a result of these programmatic directives, the mission added four additional programs to its portfolio that were not originally planned, programs totaling more than \$3.5 million. During this same timeframe, the mission was also required to fund three additional Washington-based initiatives from its democracy budget, putting a further strain on the portfolio's limited resources.

In an effort to fund these new programs, the mission was forced to reallocate funds from activities planned under other programs, as well as to eliminate several staff positions intended to provide monitoring over the programs. It also resulted in the delayed start-up of the highest priority program in the portfolio—a civil society initiative—by over six months while the mission determined how best to meet the Bureau's directives. Most importantly, however, the program changes undermined the mission's earlier efforts to scale down the number of implementing mechanisms in order to reduce overhead and increase the amount of funds available for activities.

Political Environment: Another key contributing factor has been Kyrgyzstan's difficult political environment which, at times, hampered the implementation of certain activities and, in some cases, undermined any progress achieved. Examples of some of the challenges implementers have had to contend with include the following:

- *Governmental Gridlock.* Since the last presidential election, in 2005, there has been an ongoing conflict between the country's Parliament and Executive branch over the authority of the President, the judiciary and the legislature which has stalled the enactment of meaningful laws and policies and created a governmental gridlock. This situation limited the impact of a number of USAID activities, particularly those under one program which was designed to strengthen Parliament's capacity to research, draft and review legislation.
- *Staff Turnover.* The frequent turnover of key Government counterparts has been another chronic problem which has frustrated efforts to implement activities and see them through to completion. For instance, changes in the leadership of the Central Election Commission, in 2007, were cited as one of several factors negatively effecting USAID's efforts to strengthen election administration procedures.
- *Lack of Transparency.* USAID activities have also been negatively affected as a result of the Government adopting new policies and laws without allowing for public participation or debate. The adoption of the new Electoral Code, in 2007, is one example. During that year, USAID provided expertise and analyses to an electoral reform working group, made up of NGOs and political party members, which had been formed to review and discuss the provisions of Kyrgyzstan's new code. Despite this group's work, which met frequently throughout the year, the Government—immediately after the President abruptly submitted his own version of the new Code—went ahead and adopted the new electoral code without any public participation or debate, essentially negating the group's efforts as well as those of the implementer to promote civic involvement and a consultative process.

- *Executive Actions:* In September 2007, Kyrgyzstan's President announced a snap national referendum on a new Constitution to be voted on the following month. Despite broad criticism of its contents, the Government adopted the new Constitution, in October 2007, under a voting process that was deemed questionable based on reports by both international and domestic observers who cited widespread electoral violations. Among other things, the new Constitution contained provisions that changed the size and representational system of the parliament and reversed earlier changes that provided increased authorities for the Parliament, revisions that effectively limited political competition and reduced the role of non-ruling political parties—undermining USAID activities designed to promote political competition and consensus building. During this time frame, the President also dissolved Parliament and called for parliamentary elections, which is likely to further limit the impact of USAID's current parliamentary strengthening activities.

Collectively, these factors have limited the impact of USAID's DG activities, and, in the case of some programs, have actually undermined many of the gains achieved to date, preventing USAID from making sustainable progress in achieving its overall objective of helping to promote Kyrgyzstan's democratic development.

And there are signs that the situation may only worsen as many of the implementers find themselves faced with having to initiate new programs with reduced resources and a scope of activities that has been scaled down. One such implementer, carrying out one of the mission's media development programs, was granted a two-year cost extension, starting in October 2007, but with a scope of work that had been radically scaled back. During an interview with the implementer's regional director, in February 2008, the audit team was informed that due to funding reductions, the program could no longer continue to provide support to develop the country's radio and printed (i.e., newspapers) media, with the bulk of the program funding being allocated to TV (satellite) programming. Some of the activities discontinued under the implementer's new scope of work included training for broadcasters (to develop general management and marketing skills) and journalists (to develop more objective reporting skills); and the provision of much-needed equipment to small undeveloped media studios. With no further activities in these areas, it has severely reduced the implementer's ability to broaden the diversity of programming available and strengthen the capacity of the country's smaller, independent media broadcasters who are poorly equipped and operate in an environment dominated by larger, more developed stations owned by the Government (i.e., President's family). The regional director, while appreciative of USAID's continued support, felt the situation was unfortunate. Although Kyrgyzstan posed a number of challenges for media operators, he pointed out, the environment there is less repressive in relation to other countries in the region, creating the potential for USAID assistance to have a far greater impact.

Since the underlying causes associated with this issue, were deemed to be beyond the mission's control, we are not making a recommendation on this issue. We believe, however, that USAID should review its earlier programmatic decisions which resulted in the expansion of Kyrgyzstan's portfolio with additional implementing mechanisms, and give careful consideration in the future to the effect that such decisions have in terms of reducing the overall amount of funding available for actual program activities. With declining resources and implementing mechanisms that require a large percentage of total funding to cover office operations and staffing, USAID can ill afford to spread its resources too thinly and needs to ensure that the limited funding allocated to Kyrgyzstan is programmed effectively so that future activities achieve a greater impact.

EVALUATION OF MANAGEMENT COMMENTS

In responding to our draft report, the USAID Mission for the Central Asian Republics concurred with the audit findings and stated that the report accurately reflected the results of Kyrgyzstan's democracy and governance activities, as well as the complex factors that have limited the overall impact of these activities.

In its written comments, the mission pointed out a few minor corrections relating to the data presented in the report's Schedule of Kyrgyzstan's Democracy and Governance Programs (appendix III) and corresponding cumulative authorized funding and cumulative obligation totals cited in the Scope and Methodology section of the report (appendix I). All of the suggested corrections were made in finalizing this report. Apart from these minor corrections, the mission had no other comments on the report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General in Frankfurt, Germany conducted this audit of USAID's democracy and governance activities in Kyrgyzstan in accordance with generally accepted government auditing standards. The purpose of the audit was to determine whether Kyrgyzstan's democracy and governance activities had achieved their intended results and assess the impact of those activities. Audit fieldwork was conducted at the USAID Mission for the Central Asian Republics (USAID/CAR) in Almaty, Kazakhstan and the Kyrgyzstan country office in Bishkek, Kyrgyzstan from February 19, 2008 through March 19, 2008. During this period, visits were also made to the implementing partners and activity sites at both locations. The audit covered the period from October 1, 2005 to September 30, 2007, but in cases where related activities extended beyond that period, we considered supporting documentation from prior or subsequent periods.

In planning and performing the audit, the audit team gained an understanding and assessed relevant mission management controls and performance measures used in monitoring the progress achieved under the country's portfolio of programs. These controls included the mission's Strategy Statement, data quality assessments, the latest annual self assessment of management controls as required by the Federal Managers' Financial Integrity Act, quarterly and annual progress reports furnished by the implementers, and correspondence documenting the interaction between mission staff and program implementing partners. The audit team also gained an understanding of the mission's process for aggregating and reporting the program results data supporting the performance (i.e., "standard") indicators specified in Kyrgyzstan's annual Operational Plan submitted each year to the State Department's Office of the Director of Foreign Assistance. We also conducted interviews with relevant USAID personnel, at the USAID/CAR Mission and its country office in Kyrgyzstan, as well as staff for selected implementing partners at their regional and country offices.

At the time of our audit, USAID/CAR's portfolio of democracy and governance programs in Kyrgyzstan consisted of twenty-two mission-managed programs being implemented through a series of contracts and cooperative agreements by fourteen separate implementing partners. As of September 30, 2007, these twenty-two programs had a total authorized funding level of approximately \$42.8 million, with cumulative obligations and expenditures totaling approximately \$33.6 million and \$20.3 million, respectively. The mission's portfolio also included two additional programs which were excluded from the scope of this audit since they were being managed by USAID/Washington. The authorized funding level for these two programs totaled approximately \$3.0 million.

In assessing whether Kyrgyzstan's planned democracy and governance activities had achieved their intended results, the audit team (1) compared actual program results for fiscal years (FYs) 2006 and 2007, as reported in Kyrgyzstan's annual Operational Plan, against planned targets established for those years; and (2) reviewed selected activities for 8 of the 22 programs in the mission's portfolio to verify whether planned activities had been completed and achieved their intended results. With regards to the latter, the audit team reviewed a judgmental sample in which 66 of the 338 planned activities (20 percent) for fiscal years 2006 and 2007 were selected, consisting of 19 of 174 (11 percent) planned activities for FY 2006 and 47 of 164 (34 percent) for FY 2007.

Methodology

To determine whether USAID/CAR's democracy and governance activities in Kyrgyzstan were achieving their intended results, the audit team initially interviewed pertinent USAID/CAR staff in the mission's Office of Democracy and Conflict Mitigation, both by e-mail and in person, to familiarize themselves with the programs in the mission's portfolio (audit universe) and to gain an understanding of the mission's procedures for gathering and compiling program results data for reporting purposes. The audit team's overall assessment of whether intended results were being achieved was based on the results of two separate analyses focusing on determining whether: (1) actual program results were meeting or exceeding planned performance targets; and (2) planned activities had been completed and produced the expected results (i.e., outputs).

With regards to the first analysis, focusing on the performance indicators, the audit team reviewed the actual program results reported under the mission's performance indicators for FYs 2006 and 2007, as reflected in Kyrgyzstan's Annual Operational Plan, and compared the results against planned targets established under each indicator to ascertain whether these targets were being met. The analysis also included validating the reported performance results data, for a judgmentally selected sample of results, to supporting records maintained by the implementing partners to verify whether the reported data was accurate and reliable.

In conducting the second analysis, verifying whether planned activities were being completed, the audit team selected a judgmental sample of planned activities specified in the implementers' annual work plans for 8 of the 22 programs. The team then compared actual accomplishments under the sampled activities against planned results from the work plans to verify that the activities had been completed and produced the intended results. This comparison entailed examining supporting records, including documented deliverables and the implementer's progress reports, for evidence that the activity had, in fact, achieved its intended results. We concluded that this was the case in those instances where the activity achieved at least 80 percent of its planned results.

In assessing the overall impact of the mission's democracy and governance activities, the audit team relied primarily on information, data and correspondence provided by the mission's Office of Democracy and Conflict Mitigation as well as interviews with staff from this office. The information gathered included a number of widely used industry and internal USAID indices reflecting key indicators used to gauge the status of democratic development in the country; various strategy documents, correspondence documenting specific programming decisions; and annual operational reports and other pertinent documents providing evidence on the factors limiting the impact of activities.

In addition to the above, the audit team reviewed applicable policies and procedures pertaining to Kyrgyzstan's democracy and governance activities, including: Federal Managers' Financial Integrity Act of 1982; Foreign Assistance Act of 1961, Section 116 (e); Automated Directives System (ADS) chapters 201, 203, 253, 324, 350 and 621.

Additionally, the audit team reviewed the pipeline reports showing the cumulative obligations and expenditures under each program in the mission's portfolio as of September 30, 2007. The team also examined the agreements for eleven judgmentally selected programs to verify whether the agreements included the appropriate requirements stipulated under Section 116(e) of the Foreign Assistance Act of 1961.

MANAGEMENT COMMENTS



USAID
FROM THE AMERICAN PEOPLE

CENTRAL ASIAN REPUBLICS

May 20, 2008

MEMORANDUM

TO: Regional Inspector General, Frankfurt, Gerard M. Custer

FROM: USAID/Central Asian Republics Regional Mission Director, William Frej

SUBJECT: USAID/CAR Comments on Audit Report No. 8-116-08-002-P, Audit of Kyrgyzstan's Democracy and Governance Activities

The Mission reviewed the draft audit report on USAID's democracy and governance activities in Kyrgyzstan. We appreciate the comments and recommendations of the auditors outlined in the draft report.

Apart from factual corrections to the figures contained in Appendix 3 (see corrected version attached), the Mission has no comments on the report, except for one small point described below. The Mission concurs with the audit findings. The report accurately reflects the results of the audited democracy and governance activities, as well as the complex factors that have limited overall programmatic impact.

Small correction: as the figures in Appendix III have been changed, please reflect these changes on page 14 of the report, Scope and Methodology. In paragraph 3, total authorized funding should be changed for \$42.8 million and cumulative obligations should be changed for \$33.6 million.

Schedule of Kyrgyzstan's Democracy and Governance Programs as of September 30, 2007 (unaudited)				
#	Program	Authorized Funding Level	Total Obligations as of 9/30/07	Total Expenditures as of 9/30/07
1	Legal Education Reform	\$700,000	\$300,000	\$0
2	Human Rights Support	\$966,878	\$966,877	\$601,889
3	Parliamentary Strengthening	\$1,499,000	\$1,200,000	\$461,021
4	Decentralization and Local Government	\$5,887,488	\$3,217,580	\$643,829
5	Local Government Initiative Phase II	\$5,242,089	\$5,242,089	\$2,396,289
6	Peaceful Communities Initiative	\$865,923	\$865,923	\$865,884
7	Conflict Mitigation Follow-on	\$2,549,803	\$2,050,103	\$1,076,995
8	Political Party Development	\$2,007,570	\$2,007,570	\$1,918,331
9	Political Party Assistance	\$975,000	\$975,000	\$942,165
10	Strengthening Political Parties	\$1,300,000	\$1,300,000	\$260,513
11	Electoral Assistance	\$1,222,070	\$1,222,070	\$731,100
12	Legal Education Activities	\$1,170,000	\$1,170,000	\$873,956
13	Civic Education	\$3,069,552	\$3,069,552	\$3,026,721
14	Civic Advocacy	\$4,775,084	\$1,610,655	\$77,376
15	Civil Society Support Initiative	\$4,638,872	\$4,618,902	\$4,269,753
16	Constitution Reform Process	\$185,000	\$185,000	\$158,042
17	Constitutional Reform	\$151,587	\$150,000	\$141,918
18	Constitution Reform Process	\$274,992	\$274,992	\$136,963
19	Constitution Reform Process	\$221,106	\$221,106	\$37,866
20	Protection of Democratic Principles and Freedom of Speech	\$160,000	\$160,000	\$149,606
21	Media and Information Support Initiative	\$4,060,000	\$2,262,462	\$1,534,587
22	NGO & Media Legal Framework	\$896,000	\$574,006	\$35,618
	Totals	\$42,818,014	\$33,643,887	\$20,340,422