



ANNUAL REPORT

2015

Message from the Chair

On behalf of the Board and members of Transparency International Kyrgyzstan, I would like to thank you for your interest in our work. The year 2015 was important for Kyrgyzstan and for our organization, Kyrgyzstan has entered the Eurasian Economic Union, faced economic difficulties followed by devaluation of its currency and parliamentary elections.

We are proud that our Development Pact: An accountability tool in the hands of communities Project still popular in locations where it started and local communities and authorities are keen to use its approaches to promote integrity on local level.

This year we continued to co-operate with Judicial Training Centre under the Supreme Court of the Kyrgyz Republic, Law Making Study Centre under the State Juridical Academy on anti-corruption capacity building activities for public servants, business and civil society representatives.

We are proud that the civil society organizations joined their efforts and the draft “Foreign Agents” Law was finally rejected by the Parliament in the third reading. We lived through difficult times this year due to devaluations of Som, in September and December. Despite economic problems in country, we survived and continue our work.

Adylbek Sharshenbaev

Board Chairman

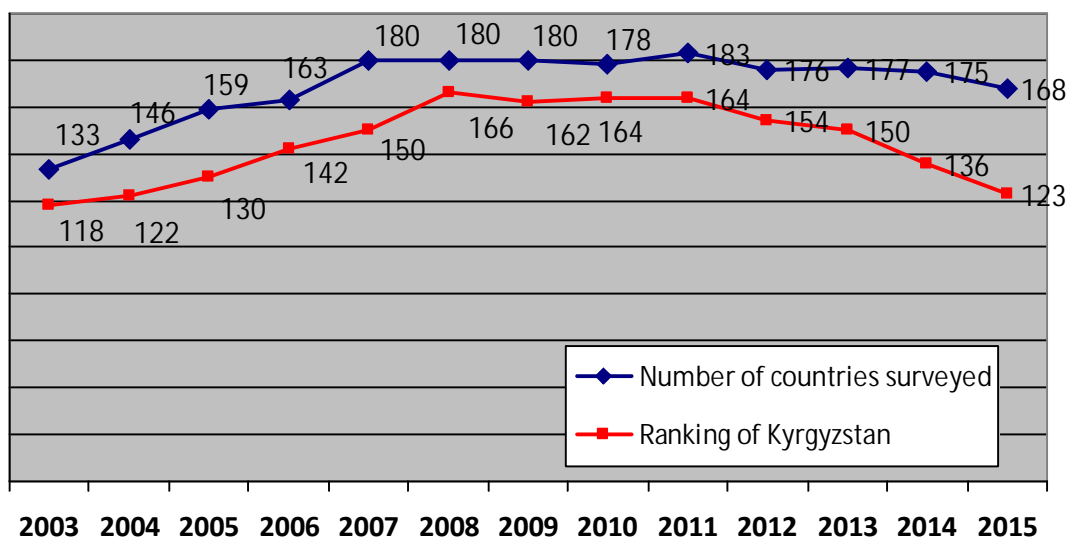
Corruption Perception Index 2015

On 27 January 2016, Transparency International released its most well-known product – the “Corruption Perception Index 2015”, which ranks countries in terms of the degree to which business people and country analysts, both residents and non-residents, perceive corruption to exist in the public and political sectors. This year Kyrgyzstan received a score of 28, and was ranked as the 123th among 168 countries surveyed. The CPI 2015 is presented on a scale from 100 (very clean) to 0 (very corrupt).

Table 1. Corruption Perception Index (CPI) 2014 Ranking and score of Kyrgyzstan

Year	Place among other countries	No of countries surveyed	Score
2003	118	133	2,1
2004	122	146	2,2
2005	130	159	2,3
2006	142	163	2,2
2007	150	180	2,1
2008	166	180	1,8
2009	162	180	1,9
2010	164	178	2,0
2011	164	183	2,1
2012	154	176	24 ¹
2013	150	177	24
2014	136	175	27
2015	123	168	28

Figure 1. Ranking of Kyrgyzstan on the CPI (Corruption Perception Index)



¹ The methodology of Index compilation changed in 2012, therefore the country’s score is not comparable with the data before 2012.

National Integrity System

The National Integrity System (NIS) assessment in the Kyrgyz Republic which consists of identifying the lacks in the legal framework and practices of the implementation and working out proposals to strengthen the National Integrity System to prevent corruption has been launched this year. The study will analyze the vulnerability to corruption in 13 pillars of the system: Parliament, Executive, Judiciary, institution of Ombudsperson, Chamber of Accounts, Central Election Commission, law enforcement institutions, political parties, anticorruption bodies, public and private sectors, civil society and mass-media. The Assessment will be followed by an advocacy campaign to implement its recommendations.

State Anticorruption Strategy

TI – Kyrgyzstan, being a part of the Working Group under the Defence Council of the Kyrgyz Republic for Monitoring the Implementation of the State Anticorruption Strategy and representing the interests of civil society, participated in majority of meetings of this group, hearing the reports of the public institutions, presenting the results of its monitoring and coming with proposals for improving anticorruption policies.

Research

Corruption in local development projects

The Community Development and Investment Agency of the Kyrgyz Republic (ARIS) channels grant financing from donor agency programs to community groups, who employ these funds to achieve key development activities. In light of the government's focus on addressing corruption in the country, ARIS planned to introduce anti-corruption measures into arrangements for implementation of projects funded by international finance institutions. A study of the risks associated with investing in local development projects was commissioned to TI-Kyrgyzstan by the Agency. The study was conducted in consultation with U4 (Norway) and summarised major corruption challenges and what anti-corruption strategies are currently employed to address those challenges, including information on complaints mechanisms.

Pilot Survey Index of Judicial Independence (IJI)

This year International Development Law Organization (IDLO) implementing Strengthening the Judiciary in the Kyrgyz Republic Program funded by USAID planned to test its questionnaire dedicated to analysis of one of the cornerstone issues of Judiciary - Judicial Independence in several countries in Eurasian region and then make it global. As IDLO and TI-Kyrgyzstan had good working relations, and TI has more than 100 national chapters around the globe Organization reached TI-Kyrgyzstan with the request to support its efforts.

The IJI is determined and based upon 30 criteria surveyed that allow a comprehensive and detailed picture of a country's judicial system. The survey includes blocks of questions related to (1) the mechanism for selection and appointment or election of judges, (2) the legal status of judges, (3) accountability of judges, (4) dismissal of judges, (5) social benefits, protection and security for judges* (6) professional development for judges and court personnel, (7) judicial

self-governing organs, (8) judicial system financing and (9) the powers of a judiciary relative to the powers of executive and legislative law making.

As countries judicial systems and mentality of population may differ several chapters were invited to take part in the survey. Finally, the pilot survey was conducted in two countries: Kyrgyzstan and Moldova. TI Moldova was involved to conduct the pilot survey in Moldova. Different groups of people were surveyed in each country: court personnel, active trial attorneys/criminal defense lawyers, in house counsel, media representatives, private individuals/representatives of households, representatives of non-governmental entities, owners or managers of larger businesses (greater than 100 employees), owners or managers of small and medium businesses (less than 100 employees), government officials, (not including law enforcement organs), representatives of law enforcement organs (prosecutors, police, representatives of penal institutions) and/or representatives of inmates.

Capacity building

TI-Kyrgyzstan has conducted following activities

- Anti-Corruption Legal Expertise trainings for civil servants, representatives of business and civil society in the Law Making Study Center under Kyrgyz State Juridical Academy in April and May 2015
- Anti-corruption legislation of the Kyrgyz Republic; Counteracting corruption in the Judiciary trainings for bailiffs in the Judicial Training Centre under the Supreme Court of the Kyrgyz Republic.

Public awareness

In co-operation with GIZ TI-Kyrgyzstan organized series of open lectures on corruption nature and anticorruption measures dedicated to the International Ant-Corruption Day in 5 universities in Bishkek and Osh, namely Bishkek Technical University, Osh State Juridical Institute, Kyrgyz National University, Diplomatic Academy under Ministry of Foreign Affairs, Kyrgyz Russian Slavic University.

During lectures students have expressed real interest to the issue of corruption. Students from Osh State Juridical Institute, Kyrgyz National University and Kyrgyz Russian Slavic University were most active. Almost in all universities teaching staff representatives have also expressed an interest and attended the lectures. In Kyrgyz National University lecture was connected to the award ceremony of essays and pictures competition among students dedicated to International Ant-Corruption Day. Total number of students registered for the lectures was 223.

Together with National Alliance of Business Associations TI-Kyrgyzstan conducted training and business play for representatives of business, civil society, media and public sector dedicated to the International Ant-Corruption Day on December 10 2105

On December 9 2015 TI-Kyrgyzstan took part in academic and research conference Modern Methods of Counteracting Corruption organized by General Prosecutors Office with presentation about importance of corruption studies.

OECD Istanbul Action Plan shadow monitoring activities

The Istanbul Anti-Corruption Action Plan is a sub-regional peer review program launched in 2003 in the framework of the OECD Anti-Corruption Network. It supports anti-corruption reforms through country reviews and continuous monitoring of implementation of recommendations, which promote the UNCAC and other international standards and best practice. This program:

- reviews the legal and institutional frameworks for fighting corruption and make recommendations
- monitors progress in implementing the recommendations

The results are discussed at regional meetings and published as country and progress reports.

TI-Kyrgyzstan has been involved to monitoring of the Action Plan since its launch in 2005 by organizing civil society meetings with the Monitoring Team. The third round of monitoring, which was amended by shadow monitoring possibility has started in 2013 and TI-Kyrgyzstan was elected as a focal point on shadow monitoring Istanbul Anti-Corruption Action Plan. In 2015 TI-Kyrgyzstan organized shadow review of Action Plan by civil society and meetings of Monitoring Team with local NGOs.

Strengthening civil voice at the local level



Local governments play a key role in delivering services and designing policies that people rely on. If local government is unaccountable or corrupt, it has a direct impact on citizens' daily lives....

More and more we see powers, responsibilities and budgets devolved from the central government down to the local level. From social welfare to commercial licensing, health and education, local governments are playing a greater role designing policies and delivering key public services.

Although decentralisation processes can help strengthen accountability by bringing government closer to the people, decentralisation can also present corruption risks since corruption is a problem at all levels of government. Local officials may have greater vested interests based on family, friendship and business ties that can influence decision-making. Wages at the local level can be low in comparison to the national level and institutions designed to hold local public officials to account are not always adequate.

It is at the local level where citizens and the public sector interact most regularly and directly – be it registering for school, attending a health clinic or applying for social housing. So when corruption occurs locally, the impact on citizens' lives can be the most damaging, with the poorest being hit the hardest.

When elections are rigged, bribes paid in order to access basic services, and public funds diverted into private hands, the public good comes second; citizens' interests are harmed and trust in those that govern us is eroded.

At the same time, opportunities for direct civil society engagement and oversight are greatest at the local level, providing an opportunity of strengthening integrity and accountability through civic oversight.

When transparency, accountability and integrity are put at the heart of local governance systems the risks of corruption are reduced. Citizens can participate in and influence policy design and implementation, and hold local officials to account for their decisions. Local government officials act effectively in the public interest and are open about their activities and take responsibility for them.

Transparency International Kyrgyzstan launched the “**DEVELOPMENT PACT: an accountability tool in the hands of the local communities**” project for creating a capacious network of civil society organizations and encouraging them to use their political voice to ensure accountability of local authorities. The project was launched in 2011 and continue successfully working during 5 years. The Instrument to do so is an approach called Development Pact (DP). DP is a public agreement containing specific time-bound development provisions between local authorities and local communities for participation in public decisions to provide innovative service delivery in land, pastures, water, employment, education, health, credit, etc. and improved infrastructure including power and roads.

WHAT IS DEVELOPMENT PACT?

The social mobilization is a new method of working with public aiming to promote and increase the role of people in the development process for municipality. Using social mobilization enables to attract people to manage local resources, to solve common problems, especially in the field of poverty reduction. During this process the new partnership standards are formed including partnership with authorities. Consequently, the social mobilization serves as implementation tool for sustainability principles in the process of local development. Moreover, the social mobilization helps to overcome social inactivity of people and to organize active cooperation with local self-governing bodies.

Thus, Development Pact representing a tool for social mobilization is a social agreement between local community, local self-governing bodies and stakeholders among administrative or political representatives aimed to meet the needs of local population and to strengthen the position of local self-governance.

KEY OBJECTIVES OF DEVELOPMENT PACT

There are following key objectives:

- to strengthen the capacity of local communities and civil society to use democratic spaces for participating in public decision-making,
- to strengthen the capacity of local authorities to demonstrate improved performance and accountability through the framework of TI’s Development Pacts
- to set higher benchmarks for the accountability and integrity of local authorities to achieve the improved delivery of public goods and services
- to establish trust to local authorities
- to focus on the problem
- to ensure external accountability and internal flexibility

The capacity strengthening of the communities includes training and support of local communities, local self-governing bodies, NGOs in the following areas:

During 5 years there were 103 Development Pacts designed and signed. Thus, in four regions of the country there were 38 localities defined:

- Issyk-Kul region included Balykchi and 16 villages of Jeti - Oguz, Ton and Issyk-Kul districts (Tort – kul ayil okmotu, B.Mambetova ayil okmotu, Ton ayil okmotu, Ak-Terek ayil okmotu, Jeti - Ogyz ayil okmotu, Orgochor ayil okmotu , Semenovka ayil okmotu);
- Osh region included 11 villages of Nookat, Kara Suu and Uzgen districts (Kenesh ayil okmotu, Kyrgyz -Ata ayil okmotu, Sawai ayil okmotu, Kyzyl -Too ayil okmotu);
- Jalal- Abad region included 5 villages of Suzak and Aksyi district (Bagish ayil okmotu, Kyzyltuu ayil okmot, Kurmanbek ayil okmotu, Kara- Alma ayil okmotu);
- Naryn region included 6 villages of Naryn and Aktala districts (Ugut ayil okmotu, Döbölü ayil okmotu, Emgek Talaa ayil okmotu)

How we selected of localities:

All villages were selected according to specific criteria:

- political will of local authorities and their willingness to interact with public, as well as to involve local communities to address local issues;
- organization and initiative level of local community;
- the villages exceeding 50% poverty level;
- commitment of local people, their willingness to express their opinions.

The first 16 out of 53 Development Pacts signed were made during initial Project phase, while the remaining 37 represent the recurrent phase (replication). Since one development pact that was successfully implemented became a good impulse for subsequent conclusion of the Pacts. In other words, people saw the effectiveness and efficiency of Development Pacts and it prompted them to solve other important in their opinion current problems in the village. If earlier these problems seemed impossible for them, now they understand they can solve more serious and more significant issues through performance of civic activity and concern.



The Development Pacts signed and implemented were aimed to improve various social areas. Thus,

- 7 Development Pacts were signed to improve water supply system (pipeline extension, water well fencing, repair of irrigation systems, reinforcement of dam);

- 3 Development Pacts were signed to address the issue of road repairs;
- 6 Development Pacts solved kindergarten issue (repair of kindergarten, construction of new kindergarten, construction of additional facilities for kindergarten, etc.);
- 9 Development Pacts solved the problems of school facilities (fencing of school territory, repair of school building, repair of the heating system in the school, heating of school canteen, etc.);
- 19 Development Pacts were signed to solve various issues of social and production infrastructure (to wire electricity, to repair bridge, to built cemetery fence, to install fence for solid waste removal units, to install fence around first aid unit, to install fence around erosive hazardous locations of mountain surface, to construct veterinary center, to purchase veterinary equipment and facilities, to set up local woodworking sawmill, to set up dairy and bakery, to construct mini soccer field, to establish Committee on domestic violence prevention, etc.);
- 9 Development Pacts were aimed to ensure transparency and accountability of local self-governance (to install information boards, to provide a set of equipment to perform awareness activities - printer, stationery)
- 50 Development Pacts were dedicated to monitoring of Issyk-kul Development Fund expenses

RESULTS OF THE ACTIVITY

Civic commitment

During implementation of initial Project phases, especially when performing public dialogues and meetings with residents of the pilot villages, it became obvious that one of the main reasons for the lack of involvement of civil society in decision-making process is social inactivity of people. The main reason why people do not believe in their ability to influence the authorities is a crisis of confidence. In addition, an active process of «society fragmentation" is going on - the inability to unite in order to protect common interests. Also it should be indicated that one of sub-reasons for this inactivity that is preserved in the mass awareness is a habit of waiting for promises of better life and misunderstanding of the fact that life improvement is a fruit of active citizens. Undoubtedly, it is impossible to solve local problems, especially under condition of limited financial capacity of municipalities and indifferent and lazy people. It depends on concern and organization of people around the issues they care, the effectiveness of institutions and civil society structures within the area of this municipality formation. During the implementation of Development Pact there was significant mainstreaming of citizens in major decision-making process when monitoring implementation of these decisions. People started to get involved in resolution of local problems, the civic responsibility had occurred.

Transparency and accountability of local authorities

The accountability, information transparency and comprehensibility of local authorities aim to establish citizens' confidence in the state system as a whole. It is customary in democratic societies to consider publicity of authorities as basic feature of good governance and effective way to prevent corruption. It is justifiably believed that publicity of government institutions affecting the quality of life of citizens in a positive way. Especially it concerns the level of local self-governance, where power is the closest to the people and provides them with basic social services. The importance of strict accountability and monitoring systems should be recognized as

well as an access to information. The work performance will be unlikely improved without access to information and proper monitoring to be performed by local authorities.

The professional principles within municipal services system are currently started to be founded in Kyrgyzstan. The complexity of the task lies in the fact that municipality staff still does not fully understand its role in development and provision of high-quality services to the local community. The services are rarely adapted to local needs and most local authorities do not encourage civic participation, do not properly prevent discrimination or do not provide an adequate accountability level. This is the core values of human rights. Many poor citizens, rural communities, women and ethnic minorities cannot exercise these rights, as most of the services are not focused on them. The most noticeable gaps are observed in the field of accountability. Very few local authorities undertake the commitment to comply with human rights; as for law enforcement, it is weak everywhere.

When implementing Development Pacts signed there were obvious outcomes - the transparency and accountability was increased in performance of local self-governing bodies, the society began to obtain relevant information required in a more accessible and open way, to participate when settling priorities, local planning and monitoring in more active way, public contributions began to compensate limited state budgets.

Changes in behavior of officials

However, when implementing Development Pacts the positive interaction between people and public officials and institutions was noted. In addition to improvement of provision of services and infrastructure, the people noted also the changes in behavior of the state officials and personnel of local authorities.

To ensure social security and access to public services, social benefits

The pilot tool has demonstrated its ability to achieve greater public confidence, as well as certain improvement in securing, timeliness and quality of public benefits and services in various sectors. The Development Pacts create visible and significant changes in terms of interaction of local people with local authorities, mutually beneficial joint efforts of the parties involved. Respectively, the mistrust gap is being reduced between civil society and government.

Positive image of local authorities

On the other hand, local authorities have also begun to recognize the benefits of publicity policy and become more proactive when involving active people to address local issues. And this in turn, is an important aspect of municipal activities. Since the main purpose of the formation of local self-government should be to extend engagement of local people to address issues of local level, to overcome earlier tradition of resolving all issues without exception by government agencies only, to eliminate actual alienation of the masses from the daily exercise of their will and interests. The local self-governance recognizes that its activities become more effective and legitimate if it involves citizens into solving issues which concern people - people express their

opinions, discontent and defend their priorities. In this case participation implies cooperation and constant position of openness and accessibility of local self-governing bodies as a whole and *ayil okmotu* particularly, it certainly established confidence of citizens in authorities, as well as created a positive image and prestige of local self-governing bodies.

Development Pact and Development Fund in Issyk-Kul region

During this Project implementation in Issyk -Kul region the representatives of "Kumtor" (gold mining company operated by Western company Centerra Gold Ink.) based on various success stories of the Development Pacts addressed to the national branch of Transparency International and discussed the ways to improve transparency and accountability of the Development Fund of Issyk- Kul region, taking into account global experience of Transparency International - Kyrgyzstan. The fact is that foreign company is acting on the territory of Kyrgyzstan, it contributes annually 1% of the gross annual income to the Social Development Fund of Issyk-Kul region being a co-founder. However, the funds of "Issyk-Kul contribution" made by "Kumtor" for social and economic development of the region are used inefficiently and are poorly publicized, local self-governing bodies do not involve citizens in the process of decision-making and select projects for funding themselves. As a result, people have complained about the fact that instead of installation of water connections to the villages, construction of kindergartens, the local self-governing bodies has constructed many sports clubs, renovated facilities for themselves, built strange monuments. For example, people in Jети-Oguz district lost money because officials bought old water pump for million soms that was broken in 2 weeks and farmers could not irrigate their land with water and lost harvest.

Considering current situation around Development Fund of Issyk-Kul region, as well as taking into account the discontent of local people in terms of Fund activities when signing Development Pact in Issyk-Kul region the focus was aimed at the projects associated with this Fund. The Development Pact is a document with certain responsibilities and terms, in this case it can serve as a good tool for monitoring of the Fund performance. In other words, people will be able to monitor the progress of their project proposals filed and request local authorities and the Fund management to provide all information needed. Moreover, to perform active monitoring the Voluntary Citizen Committees are composed of 5-10 active rural residents who participate as independent observers at the meetings of the Supervisory Board of the Fund, tender procedures held by Directorate of the Fund, when preparing project estimates, fully control repair and construction work at the project sites.

In some villages at the request of the residents or local self-governing bodies the training sessions were held twice or more - people want to get more information about the Fund, on implementation procedures and regulations for project proposals, etc., *so TI – Kyrgyzstan developed second training package (2.0) dedicated to the transparency and accountability of the Issyk-Kul Development Fund and how to use the Development Pact tool in this way*. There are no other ways for local people to obtain information about Fund – the Directorate of the Fund publishes relevant information in the newspaper, which is not available for sale, it is distributed among local authorities by subscription only; the information is incomplete at the website of the Fund that was launched recently. Therefore, Transparency International Kyrgyzstan published booklets for people containing information about Development Pacts and Development Fund of Issyk-Kul region, where project implementation phases are described in details. The books about civic participation were distributed as well.



Thus, currently a number of villages in Issyk-Kul region signed and implemented successfully *Development Pacts* that aimed at greater involvement of civic sector in monitoring and decision-making procedure of the above-mentioned Fund activities.

Development Pact tool tested as very effective to strengthen the voice of CSO and we are planning to increase both scale and scope of activities and to engage even more citizen's groups in the Kyrgyzstan in initiatives also with the use of IT, media, social networks and peer to peer learning.

Finances

(Period: 01 January 2015 -31 December 2015)

	\$	\$
Received	40 000,00	
1. Salary		10 800,00
tax		4 806,00
		15 606,00
2. Travel		3 378,91
3. Advocacy		10 984,13
4.Contractual Service		3 550,00
5. Meetings and Training		2 000,00
6. Rent and office related cost		4 000,96
7. Bank services		80,00
8. Audit		400,00
Total expenses		40 000,00
Grant Balance		0,00

ОсОО

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**PF ARC - Transparency
International Kyrgyzstan**

OPINION

of independent auditor Audit-Price LLC

Auditing firm "Audit-Price" (license № 0015 GK from July 14, 2004, issued by the State Commission for Financial Reporting Standards and Audit under the Government of the Kyrgyz Republic) under contract No 27 from 31.05.2016 conducted an audit of the financial statements of the organization for the period from 1 January to 31 December 2015.

The financial statement of the Transparency International Kyrgyzstan is made up of the balance sheets and annexes to the balance sheets.

The management of the organization is responsible for expenditure of the project funds. This responsibility includes creation and maintenance of the system of internal control over the expenditure of funds received.

Our responsibility is to express an opinion of financial statements on our audit. We conducted our audit in accordance with International Auditing Standards. These standards require us to comply with ethical requirements and plan and perform the audit to provide reasonable assurance that the expenditure of funds received was made in accordance with the provisions of the Project Agreements.

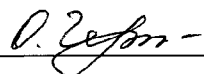
The audit was planned and conducted to ensure that the statements are free of considerable misstatement. The audit was conducted in order to confirm and reflect all aspects of the correctness and accuracy of financial reporting, and included an examination of evidence supporting the amounts and disclosures in the financial information on the financial activity, assessment of principles and methods of accounting, rules of preparation the financial statements, as well as evaluating the overall presentation of the financial statements. In our opinion, the financial

statements and the results of financial activity of organization for the period from 1 January to 31 December 2015 were used only for stated purposes and were not used for other purposes. Expenditures incurred are supported by relevant documents and properly recorded.

Appendix I, II

O. Chupreta,
Director

Certificate № 00071 issued on December 16, 2004



Bishkek
Kyrgyz Republic
16.06.2016

