



ANNUAL REPORT

2014

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 2014 was important for Kyrgyzstan and for our organization.

Kyrgyzstan is making an effort to ensure consistency of measures in the combat against corruption and promotion of good governance, to increase transparency in the work of government agencies and Transparency International Kyrgyzstan supporting these efforts by raising awareness among population and officials, participating in the state and non-state anti-corruption platforms.

This year General Prosecutor's Office, as the main anti-corruption institution in the state, initiated establishment of the Coordination Council on Counteracting corruption and Transparency International Kyrgyzstan was invited as a member to Expert Board for this Council.

We continued to operate our Development Pacts in four regions of Kyrgyzstan, supported by capacity building activities for local population and officials. Our hope still is that the demand from grassroots level can change the situation and force the officials to implement their promises.

Adylbek Sharshenbaev

Board Chairman

Corruption Perception Index 2014

On 3 December 2014, Transparency International released its most well-known product – the “Corruption Perception Index 2014”, 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 27, and was ranked as the 136th among 175 countries surveyed. The CPI 2014 is presented on a scale from 100 (very clean) to 0 (very corrupt). This year Kyrgyzstan demonstrated its best performance in the rankings of CPI since 2003 when the country was first included in the report.

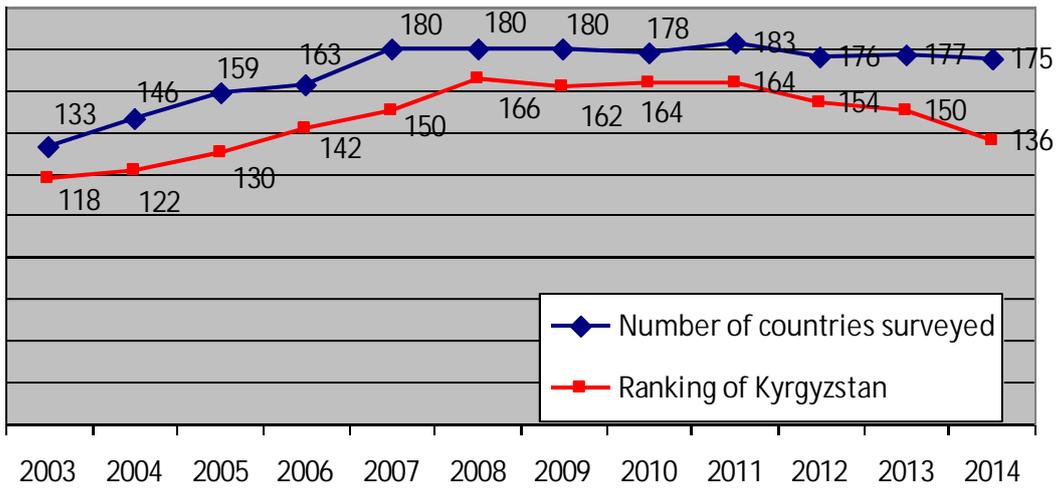
Table 1. Corruption Perception Index (CPI) 2014 Ranking and score of Kyrgyzstan

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

The last column is Kyrgyzstan’s average score on a scale from 0 (for a country perceived as overrun by corruption) to 10 (for a corruption-free country).

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.

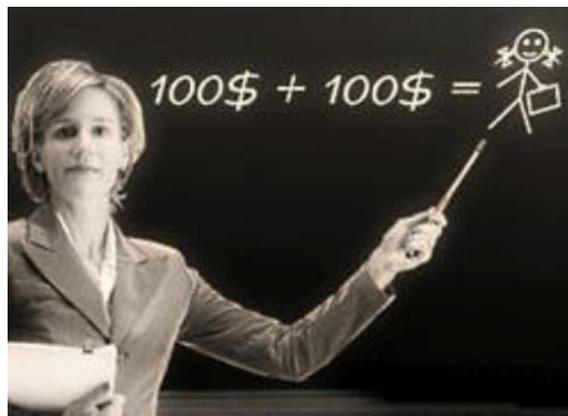


RESEARCH

Education Sphere

Transparency International - Kyrgyzstan finished a study entitled “The risk of corruption in the education system – informal payments in schools”. Given the current dissatisfaction levels among parents of school aged children, the relevance of this study cannot be underestimated.

In Kyrgyzstan access to the state education system is free, and guaranteed by both the government and the constitution. But while schooling is available, a variety of commercial relationships are increasingly becoming the norm. The cause of this – both in the official sphere and in hidden commercial dealings – is a lack of government funding for the education system. On the one hand, general education is declared as free; but on the other there is a severe lack of funding forcing schools to attempt to find alternate sources of funding, as the level of state funding is not enough to ensure proper training and teaching. The underfunding of educational institutions is made up for through parental payments. The so called “voluntary-compulsory” payments constitute a significant part of the schools income. This is indicated by the results of this study, the overall average of such payments (excluding admission fees and individual private lessons) equate to 2’200’480’164,35 KGS – 45’192’295 USD. In the capital, parents spend approximately 7,820 KGS in informal payments every year. In the regions this is 1,445 KGS.



At the same time, the current government is not in a position to track the informal school fees market. Although the Ministry for Education and Science prohibits any such payments and other charges in educational institutions, in reality these payments are a fixed part of school life. Hence, 93% of respondents (out of 100 surveyed) noted that these ‘voluntary’ contributions are present in almost every school in Bishkek. In the regional cities the presence of such payments was confirmed by 67% of parents questioned. 37.5% of respondents claimed that they were forced to make these payments, whilst 46.1% stated they felt pressured into making these payments by the parents’ committee or equivalent organisations.

Overall, this study examined a number of issues including:

- Basic staff positions which are paid for by parents
- The average amount paid by parents per child per year
- The respondents’ views on such payments
- The nature and methods of collection of these payments
- Transparency in the spending of funds accumulated through such payments
- The effects of such payments of poorer families

The estimated sum of the informal payments was one of the main objectives of this study. Assessing the scale of corruption in the education system as a whole would have been virtually

impossible given the difficulty in determining the boundaries between informal school payments and outright corruption.

In this study, informal school fees are seen currently unsecured with no mention in regulatory documents, allowing for a market-type environment becoming increasingly prevalent in the state education system. As such, they are unaffected by price-fixing, financial accounting or inspections by either the state or parents.

Above all, respondents to the study stated that the informal payments were not always voluntary. On the one hand, this practice is illegal, and the charges levied on parents are received in the name of the local community and society, but on the other hand such payments are illegal and forced. In the lifetime of the school this money becomes a necessity. For this reason, direct appeals to parents are common – by the schools’ authorities, parents’ committees and various community organizations such as the board of trustees or local schooling funds – who are asked to provide financial assistance to cater for various needs: on-going repair works, cleaning materials and cleaner’s wages; the school doctor; security for the buildings; general maintenance of school grounds etc. In addition to these parent’s committees may also collect money for other school needs: new classroom equipment; office furniture; to carry out various teaching activities and for other gifts.

From the perspective of the school and from the standpoint of the law the above is not required. However, the results of the study show that these parental fees become compulsory and a regular occurrence in schools. Those families who refuse to ‘invest’ in the school essentially place their child into the position of an outcast, excluded from the school student community. These ‘voluntary sponsorships’ of a child amount to 3,772 KGS per annum in Bishkek; 644 KGS in regional towns and cities; and 284 KGS in villages.

As well as determining the total value of informal school fees, this study sought to identify the risk of corruption and the vulnerabilities associated with it in the secondary school system. Following a survey of school principals, administrators and parents the following observations were noted:

- 1) Failure on the part of the government:
 - a. Inaction in tackling problems in schools
 - b. A lack of administrative control
- 2) Failure in funding for education
 - a. Inadequate budgets
 - b. Inefficient distribution of moneys
 - c. Lack of resources directed at improving education policy
- 3) Weak school management
 - a. Due to a centralized system with descending tiers
 - b. A lack of autonomy and experience by school administrators
- 4) The need to reduce the private cost of education
 - a. Including social indifference
 - b. And social injustice
- 5) A wide disparity in the quality of service provided by different schools
- 6) Informal payments to schools

- a. The forcing of parents to pay ‘voluntary’ contributions
- b. The unauthorized establishment of parental contributions
- c. Entrance fees levied on parents upon a child’s admission to the school
- d. An increase in pressure on the students themselves
- e. Inadequate levels of concrete content and a lack of social responsibilities on the part of the government (with regards to additional education services; higher levels of funding for schools, gymnasiums and specialized schools as well as funding for extra-curricular activities
- f. An absence of structure for community input – insufficient levels of involvement by parents and the wider community in school management
- g. The struggle over informal payments is formally demonstrated
- h. Lack of openness in schools
- i. Principals and teachers receiving additional material gifts
- j. Widespread informal payments “everyone gives so I have to”
- k. The submissiveness of different stakeholders (and the need to adopt uniform standards)
- l. A lack of transparency in spending parental resources
- 7) Rating the effectiveness of the board of trustees and parental committees

The issue of informal payments in the school system, which are not regulated, is often ignored and thus in many cases are a sign of wider problems in society. Since these informal payments are commonly accepted but are rarely discussed in public, to determine the ‘boundaries’ of such payments it will take all those interested in education reform to openly discuss and decide what can and cannot be done in the field of informal payments.

As educational institutions have strong links with other institutions a high degree of corruption extends into this field. However, one should bear in mind that such payments are often an obstacle to proper education – especially to children from poorer backgrounds, as it can prohibit them from attending their preferred schools. With regards to commercial relationships in the field of free general education one must understand that in many cases families lack the funds to pay for additional education services or to pay for the needs of the school, or to overcome other barriers to quality education. Hence, the commercialization of school education unfairly restricts opportunities for children from these families.

In today's day and age, in order to improve the education system as a whole one must work to match the standards of a modern democratic society. Namely, it is necessary to fulfill international obligations concerning education. In particular, increasing in funding for education; ensuring equal access to education, and introducing new mechanisms to improve the quality of education. However, whilst general changes are important, it requires reform of individual legislation. Specifically, in reference to the "Model Regulations for boards of trustees in the state and municipal educational institutions of the Kyrgyz Republic", developed and approved by the Ministry of Education, requires a number of amendments to enhance its effectiveness. This would improve transparency and accountability in the education system, increase the public’s ability to file complaints and in turn better official accountability among other adjustments. Moreover, it is necessary to strengthen the control of funds that have been established in schools and allow for greater involvement and awareness of the parents on budget and off-budget financing of educational institutions, again to alleviate the current lack of accountability.

Capacity building

Based on research conducted in 2012, TI Kyrgyzstan developed a plan of joint capacity building events agreed with Supreme Court in 2013 for 2014 and conducted following activities:

- Workshops on Anti-corruption legislation of the Kyrgyz Republic; Counteracting corruption in the Judiciary for courts staff in December 2014
- Workshops on Anti-corruption legislation of the Kyrgyz Republic; Counteracting corruption in the Judiciary for the staff of Constitutional Chamber of Supreme Court of the Kyrgyz Republic, Staff of the Court Department under Supreme Court of the Kyrgyz Republic and staff of the Judicial Training Centre under the Supreme Court of the Kyrgyz Republic in September of 2014
- Workshop on Basics of Anti-corruption policy in the Kyrgyz Republic for judges in March and April 2014

TI Kyrgyzstan has also presented main findings of the survey conducted in Kyrgyzstan and Key problems of corruption in the judiciary from Global Corruption Report 2007 dedicated to the Judiciary on the Prophylactic and Tackling Corruption Measures in Justice Sphere Round Table organized by Supreme Court of the Kyrgyz Republic in November 2014

Together with Law Making Study Center under Kyrgyz State Juridical Academy TI Kyrgyzstan has started series of trainings on Anti-Corruption Legal Expertise for civil servants, representatives of business and civil society in December 2014.

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 of Istanbul Anti-Corruption Action Plan. In 2014 TI-Kyrgyzstan organized shadow review of Action Plan by civil society.

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.

During this year working group identified over 500 major corruption risks in 24 state agencies and developed detailed action plans to eradicate the system of corruption.

In 2012 Kyrgyz legislation has faced several amendments reflecting attempts of Kyrgyzstan to bring Kyrgyz legislation in accordance with requirements of international conventions adopted by the Kyrgyzstan. One of amendments was introduced a new article to the Criminal Code of the Kyrgyz Republic regarding illicit enrichment. One of former judges applied to Constitutional Chamber of Supreme Court of the Kyrgyz Republic questioning constitutionality of this article.

In June 2014 TI Kyrgyzstan participated with expert opinion in hearings on constitutionality of the Article 308-1 Illicit Enrichment of the Criminal Code of Kyrgyz Republic in Constitutional Chamber of Supreme Court of the Kyrgyz Republic. As a result of hearings the Article was acknowledged as constitutional.

STRENGTHENING CIVIL SOCIETY AT THE LOCAL LEVEL

Transparency International Kyrgyzstan has launched in 2011 “Development pact: accountability tool in the hands of local communities” project. However, after the end of the project we have received a proposal to continue the project from people, local deputies and local authorities from



different regions, especially from Issyk-Kul region. TI -Kyrgyzstan has received proposals to conduct the project in Issyk-Kul region, as there were numerous complaints about the poor performance of the Issyk –Kul Development Fund where Kumtor Gold mining company annually transfer millions USD for development of the region. Every year Issyk-Kul Development Fund reports about large number of constructed social facilities - schools, kindergartens, hospitals, etc. but the quality of these facilities were terrible, with the naked eye

it was clear that they were built from old materials, and if were using new materials it was poor quality.

One of the prerequisites for Development project is the creation of the Voluntary Citizen Committee (VCC), which is consisted of a number of local activists, local deputies and TI Kyrgyzstan that allows to participate for people in the monitoring and making decision processes. In this connection TI – Kyrgyzstan carried out 33 trainings in the following districts of the Issyk-kul region:



Pact

- 1) Balykchy city
- 2) Karakol city
- 3) Ak – Terek village
- 4) Sary – Kamysh village
- 5) Chon- Tash village
- 6) Taldy – Suu village
- 7) Kara –Koo village
- 8) Kudurgu village
- 9) Kok – Moinok village
- 10) Jarkynbaev village
- 11) Tosor village
- 12) Barskoon village

- 13) Orchogor village
- 14) Kabak village
- 15) Ak-Sai village
- 16) Chyrak village
- 17) Jele – Dobo village
- 18) Kojoyar village
- 19) Ton village
- 20) Munduz village
- 21) Tort – Kul village
- 22) Kara – koo village
- 23) Eshperov village
- 24) Kok- Sai village
- 25) Jer – Ui village
- 26) Bokonbaevo village, Kun – Chygysh L/A
- 27) Kyzyl – Tuu village
- 28) Darhan village
- 29) Svetlaya polyana village
- 30) Jety – Oguz village
- 31) Ton regional center
- 32) Kachybek village
- 33) Cholpon village

During the project in the Issyk-Kul regions TI – Kyrgyzstan together with local communities, local authorities and local deputies established 45 Development Pacts dedicated on monitoring of transparency and accountability of Issyk-Kul Development Fund.

Finances

(Period: 01 January 2014 -31 December 2014)

	\$	\$
Received	20 000,00	
1. Salary		8 850,00
tax		3 805,50
2. Travel		2 344,50
3. Miscellaneous		
a) rent		3 480,00
b)Communication		1 080,00
Stationery		200,00
bank services		40,00
c) Audit		200,00
Total expenses		20 000,00
Grant Balance		0,00

ОсОО «Аудит-Прайс»

720065, Кыргызская
Республика, г. Бишкек,
Восток-5 д.2. кв.2
тел.36-50-26
тел/факс 36-50-25



«Audit-Price»

Audit Firm
Apartament 2, Building 2,
Vostok-5, Bishkek
Tel. 36-50-26
Tel/Fax 36-50-25

**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 6 from 28.01.2016 conducted an audit of the financial statements of the organization for the period from 1 January to 31 December 2014.

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, based 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 2014 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
24.02.2016

