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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE EVALUATION

of Decision No 1025/2013/EU

of the

**European Parliament and of the Council of 22 October 2013 providing macro-financial
assistance to the Kyrgyz Republic**

{SWD(2019) 446 final}

The Kyrgyz economy faced pronounced economic difficulties in the wake of the global economic crisis of 2008 and the inter-ethnic violence of 2010. In response, the European Commission, among other major international donors, announced the mobilisation of EUR 118 million of assistance through various instruments, as well as a EUR 30 million Macro Financial Assistance (MFA) operation. The MFA was disbursed in full, in two instalments, over the period June 2015 and April 2016. It aimed to support the country address its balance of payments problem as well as implement economic and structural reforms to stabilise its economy and enhance the sustainability of its external position.

The purpose of the ex-post evaluation of MFA is to assess the relevance, efficiency, effectiveness, coherence, and EU value added of the EU intervention. It also explores the social impact of MFA and its effect on Kyrgyzstan's public debt sustainability and sets out to draw lessons. The ex-post evaluation has been conducted by an external contractor and draws on evidence gathered through a variety of quantitative and qualitative research techniques, including desk research, interviews and a focus group discussion with a wide range of stakeholders, as well as a validation workshop with stakeholders closely involved in the design and implementation of the programme.

The evaluation finds that the design of the MFA operation, both in terms of financing envelope and focus of reforms, was **relevant** to Kyrgyzstan's economic challenges and **coherent** with EU priorities. MFA disbursements accounted for around 0.3% of Kyrgyzstan's GDP in 2015 and 2016 respectively, and though delayed, were still relevant at the time.

The **EU's added value** was most apparent in reinforcing the promotion of structural reforms in several priority areas, including public finance management, financial sector, trade policy and investment, and business environment. MFA reforms were closely aligned to and **coherent** with other EU support programmes (including budget support programmes) and those set by other donors, including the IMF and the WB. This reinforced the rationale for adjustment measures and provided local authorities with an impetus to reform swiftly in targeted sectors.

More broadly, the evaluation finds that MFA was **effective** in contributing to the stabilisation of the Kyrgyz economy, particularly when combined with the IMF's support programme, which it complemented. Due to its grant component and loans bearing long maturity and very low interest rates, MFA contributed to improving Kyrgyzstan's **public debt sustainability**. More broadly, the impact of EU's MFA and the IMF assistance could be seen through their positive impact in supporting economic recovery.

Beyond contributing to economic stabilisation, the EU MFA served important **political objectives** in the Kyrgyzstan, whilst serving as a signal of EU support to democratic reforms in Central Asia. Furthermore, though the operation did not specifically target **social reform**, evidence gathered from interviews suggests that the MFA provided the EU with (added) leverage to prevent the enactment of contested legislations, notably the 'anti-LGBTI' and 'foreign agents', which were ultimately not pursued for adoption in parliament.

The evaluation confirms that the MFA operation was implemented **efficiently** and in close coordination with the Kyrgyz's authorities, the IMF and the World Bank. The Kyrgyz authorities were swift and effective in the implementation of the conditionality, fulfilling all conditions, without the need for waivers.

Overall therefore, the evaluation finds evidence that the EU MFA to Kyrgyzstan was relevant, coherent, effective and efficiently implemented. Nevertheless, the operation was characterised

by an exceptionally long timetable throughout the process, which may have hampered the EU added value and the visibility surrounding the operation. In this context, with the aim to improve the visibility and public understanding of MFA more generally, the Commission started in mid-2014 to publish on the website of DG ECFIN the Memorandum of Understanding that lays down the reform measure related to the operations. The issues of MFA timelines and MFA operational visibility will be further examined in a MFA meta-evaluation planned to commence in 2020.

Nevertheless, the external evaluation confirms that despite the delays, the MFA was still relevant in 2015-2016 as disbursements coincided with important debt repayment obligations and with difficulties faced due to the unfolding Russian economic crisis.

Looking ahead, the Commission will seek to put into practice the lessons learned, and further consider the identified limitations in the upcoming MFA meta-evaluation planned for 2020.