



Working politically to support economic reforms in Kyrgyzstan: lessons from an issue-based programme

Ed Laws and David Rinnert

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About the authors

Ed Laws is a Research Fellow, Politics and Governance, ODI.

David Rinnert is the FCDO Deputy Development Director and Governance Adviser Central Asia, and was the Senior Responsible Owner of the Governance in Action programme, and the S2JK project, between February 2018 and June 2022.

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Acronyms/Glossary

APZI	Investment Promotion and Protection Agency (Kyrgyz)
DFID	Department for International Development (UK)
FCDO	Foreign, Commonwealth & Development Office (UK)
FDI	foreign direct investment
FEZ	Free Economic Zone
GDP	gross domestic product
GIA	Governance in Action (FCDO)
I4ID	Institutions for Inclusive Development (Tanzania)
MP	member of parliament
PEA	political economy analysis
PERL	Partnership to Engage, Reform and Learn (Nigeria)
QSR	quarterly strategic review
S2JK	Support to the Jogorku Kenesh
SME	small or medium-sized enterprise
TWP	thinking and working politically

Executive summary

This report is a lesson-learning exercise on supporting political solutions to economic problems through issue-based programming. It is based on a detailed review of two ‘baskets’ of interventions taken forward by an adaptive, politically smart, issue-based economic-growth project in the Kyrgyz Republic: Support to the Jogorku Kenesh (S2JK).

In recent years, there has been growing emphasis on the importance of these kinds of programmes for tackling complex development challenges. While these approaches are increasingly regarded as useful for easing entrenched policy blockages, they also risk delivering disconnected, relatively small-scale initiatives, which do not amount to broader institutional reform or bigger structural changes.

Focusing on multiple issues in one sector is one general strategy for mitigating that risk. There are numerous ways to pursue this strategy, and different ways of sequencing reforms. Our assessment is that part of the strength of the S2JK programme is its ability to deploy different strategies in response to different opportunities and entry points: starting narrow and building ‘up and out’, but also taking opportunities to capitalise on broader policy-reform processes.

We demonstrate this through discussing the programme’s work to support the reform of social payments and tax, and investment policy. S2JK’s results on social payments and tax are an example of solving smaller-scale issues, creating momentum, credibility and expertise that was built on to generate potentially bigger changes, when the chance arose. While S2JK also developed governance solutions for investment reform,

the programme faced greater challenges in sustaining momentum and reaching workable solutions in this area.

We discuss four closely associated variables that help explain the different trajectories and emerging results of S2JK’s support to these two baskets of issues: clarity of the policy focus; strength and consistency of the policy demand; differing impact of political and economic turbulence; and overarching programme constraints. While aware that we cannot draw far-reaching conclusions from a small number of cases, and from results that are still emerging, we suggest that these are among the factors for future issue-based programmes to consider, as part of strategising programme design, issue selection and the structure of reform processes.

1 Introduction

This report is a lesson-learning exercise on supporting political solutions to economic problems through issue-based programming. It is based on a detailed review of two ‘baskets’ of interventions taken forward in recent years by an economic growth project in the Kyrgyz Republic: Support to the Jogorku Kenesh (S2JK).¹ This project is one component of the Governance in Action (GIA) programme funded by the UK Foreign, Commonwealth & Development Office (FCDO). The project, operating since 2016, brings together coalitions of actors from government, parliament, and the private sector. These coalitions use government and parliamentary channels to promote policy solutions to reduce constraints on inclusive growth.

Despite encountering an unusually high level of political and economic turbulence during its lifespan, the programme has performed strongly in its annual reviews – meeting, and in almost all cases exceeding, donor expectations. The team’s successes are noteworthy in themselves and provide sufficient reason to pay close attention to the steps taken to achieve them, and to the enabling factors and challenges involved. In addition, as we discuss further below, these methods are relatively unusual in Kyrgyzstan. We hope this paper provides ‘proof of concept’ that politically smart convening and brokering is a useful method for supporting economic policy change in the Kyrgyz Republic.

1.1 Context for the S2JK approach

To help grasp the rationale for the programming approach that S2JK has developed, it is useful to reflect briefly on some broader trends in development theory and practice. Over the past 15 years or so, a growing number of development practitioners and researchers have been advocating for changes in how aid is designed, implemented, and evaluated. Donors have been criticised for developing comprehensive reforms and ‘best practice’ solutions, rather than addressing specific problems, identified as such by local stakeholders (Booth, 2018). Relatedly, there has been growing discomfort with development models premised on the implementation of externally designed interventions, and increasingly vocal calls for more locally led and locally defined approaches (Wild et al., 2017). Donors have also been criticised for the tendency to default to pre-planned, inflexible and largely technical interventions. There are calls to work differently, particularly on complex governance processes where there is a great deal of uncertainty about how to make sustainable progress, and where political dynamics and interests are often the key to understanding policy blockages, rather than a lack of resources or technical know-how (Hummelbrunner and Jones, 2013; Levy, 2014; Ramalingam et al., 2014; Andrews et al., 2017).

Issue-based programmes have become increasingly popular in recent years, partly in response to these concerns. The key idea is to focus interventions on specific tangible issues or problems, around which domestic stakeholders are supported to mobilise and drive reform.

¹ Jogorku Kenesh is the unicameral Parliament of the Kyrgyz Republic.

The coalition then builds demand for change, either gaining support and building on momentum from pro-reform elements within government, or by changing power relationships and incentives within the ruling elite. Issue-based programming can be contrasted with more conventional approaches that concentrate on strengthening existing, larger-scale structures, institutions or systems from the outset, usually through technical support or financial assistance.²

However, while there is a growing number of case studies demonstrating that issue-based programmes can help unlock discrete problems, a key challenge is to make these efforts coherent and complementary, with the potential to generate broad institutional or structural changes (Williams, et al., 2021; Booth, 2018; Kelsall et al., 2021; Punton and Burge, 2018). There are risks that these approaches fail to deliver bigger changes because the issues they select are too narrow, in terms of their policy relevance, and/or are too disconnected, to amount to more than the sum of their parts.

For example, in their discussion of the FCDO-funded issue-based governance programme in Tanzania, Institutions for Inclusive Development (I4ID), Kelsall et al. (2021) note that, while the programme achieved significant policy breakthroughs and was coherent in terms of its

methods, ‘there was little to ostensibly unite the different elements in (I4ID’s) portfolio’. In an earlier case study on the Partnership to Engage, Reform and Learn (PERL) programme in Nigeria, another FCDO-funded issue-based governance programme, Punton and Burge (2018) describe the team’s uncertainty on whether to put all their ‘eggs in one sectoral basket’, i.e. to push for large-scale change through multiple interventions focused on one-sector reform, or to work through centralised systems incrementally. This was apparently a particularly pressing concern for the PERL programme and donor, as one of PERL’s ‘first generation’ predecessor programmes, the State and Local Government Programme, was reportedly thought by some to be a ‘hodge podge of 30 or 40 different things’ as the programme sought to capitalise on different opportunities (*ibid.*).³

Focusing on multiple problems in one sector is one way in which issue-based programming can try to contribute to broader institutional changes. This is the general strategy that S2JK adopted.⁴ However, there are numerous ways to follow this strategy, and different ways of sequencing reforms. Among the range of entry points and sequences, we can identify two ideal types:

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- 2 In practice, the contrast between issue-based programmes and other approaches is likely to be one of degree: many programmes will probably combine elements of issue-based programming with more conventional approaches (Williams et al., 2021).
 - 3 As one of our peer reviewers pointed out, these matters were debated during PERL’s inception period in 2016, and a broad strategy was collectively agreed to combine top-down support to core governance processes with more ‘bottom-up’ sectoral work. In addition, rather than focusing exclusively on one sectoral basket, the programme has tended to focus on two or three issues per area, depending on where there is traction from local partners and with others working in the same space. For more information, see PERL (2019).
 - 4 S2JK targets sectors where there is the best chance of government action translating into more inclusive growth. The programme has facilitated 20 multi-stakeholder coalitions to date, with particular focus on tourism, fruit and vegetables, and textiles. The team also works on regulatory issues that cut across sectors, including the social payment/tax and investment reforms analysed in this report. The Annex lists all S2JK issues.

- ‘**Top-down**’ (*from broad to narrow policy reach*). Capitalising on a potentially far-reaching, centralised or national-level policy development, proposal or plan, which could affect a wide range of sectors, and providing support at this level as an entry point for addressing a range of more specific, connected policy problems, in due course. The rationale would be that political momentum and authorisation for reform at the macro-level could be used to support coalitions to drive lasting changes at a sectoral level, which would likely be more sustainable and potentially far-reaching in light of the macro-political trajectory in the country.

- ‘**Bottom-up**’ (*from narrow to broad policy reach*). Working on narrower but closely connected policy problems affecting a more limited range of sectors and stakeholders, and trying to build momentum for bigger macro-level and institutional changes.

The rationale would be that political momentum for a specific, targeted reform at a sectoral level could be built on to support a broader coalition to push for change at a more macro-, institutional level, which would likely be more sustainable and potentially far-reaching in light of the political momentum generated through sectoral engagement and policy reform.

Our assessment is that part of the strength of the S2JK programme has been its ability to deploy different strategies in response to different opportunities and entry points: starting narrow and building ‘up and out’, but also capitalising on broader policy reform processes when opportunities have arisen. In this report, we demonstrate this through detailed discussion

of two sets of reform issues on which the programme has worked: social payments/tax, and investment policy.

1.2 Report structure

In almost all respects, the S2JK team has used the same adaptive and politically smart methods when working on social payment/tax and investment issues. We describe these methods and enabling factors in Section 2, noting the differences from more conventional donor approaches in Kyrgyzstan and beyond. In Section 3, we describe in more detail how these methods were used as part of programme support on social payments/tax and investment reform work, including the main problems they were addressing, the solutions supported by S2JK, and their potential policy reach.

In Section 4, we compare and contrast the emerging results of the social payments/tax and investment reform work. In our assessment, S2JK’s social payment/tax results provide an example in which solving smaller-scale issues created initial momentum, credibility, and expertise, which was built on to generate potential bigger changes, when the political opportunity arose. With respect to investment issues, governance solutions⁵ have also been developed successfully, despite a high degree of institutional instability in key agencies and departments. However, our conversations with the team and partners indicate that the coalitions supported by S2JK on the investment reforms have faced greater challenges in sustaining momentum and reaching workable solutions,

⁵ S2JK defines a ‘governance solution’ as any formal document (policies, laws, plans or budgets) drafted by coalitions, for which there is a documented and well-evidenced justification that it will have a positive effect on constraints to inclusive growth.

in comparison to the social payment/tax coalitions. We discuss four closely associated variables that help explain these differences:

- the clarity of the policy focus
- the type, strength and consistency of the demand for change
- the impact of political and economic turbulence
- overarching programme constraints.

We suggest that these are among the factors that future issue-based programmes should consider, as part of strategising programme design, issue selection and the structure of reform processes.

The strength of our evidence is limited by our ability to remark on only a limited set of issues, and only early or emerging programme results, drawing from the project's own reporting as well as information gleaned through interviews with partners and FCDO. But, depending on the degree of similarity in the context, programming objectives and funding modality, this may be useful in helping others to place their own bets with respect to issue selection and strategy.

2 Background to S2JK

S2JK is a five-year programme, funded by the UK Foreign, Commonwealth & Development Office (FCDO), close to completion when this report was being written. It is designed to promote inclusive development and strengthen democratic institutions in Kyrgyzstan. The country became independent in 1991. During the first half of the 1990s, the Kyrgyz economy experienced ‘a catastrophic decline’, with gross domestic product (GDP) falling by nearly 50%, one of the sharpest contractions both in Central Asia and among the other former Soviet republics (ADB, 2014). Poverty was among the highest across the post-Soviet space. Although the 2000s have seen significant growth and poverty reduction, this has been driven to a large degree by remittances, and inclusive economic development has stalled over the last few years.

When S2JK was originally conceived in 2016, it was planned as a parliamentary-strengthening programme that would support more effective accountability mechanisms, and more responsive political parties and members of parliament (MPs). It was felt at the time that inclusive growth and continued stability in Kyrgyzstan depended on a stronger, more responsive democratic system. Between 2016 and 2019, S2JK supported a total of 27 parliamentary-oversight-strengthening activities.

In 2020, Kyrgyzstan’s economy and political settlement underwent a significant shift. The country experienced a severe economic crisis linked to the Covid-19 pandemic, in tandem with political upheaval triggered by the annulment of parliamentary elections held in October. This was followed in early 2021 by the election of President Sadyr Japarov and a constitutional

review. This economic and political turbulence has contributed to an overall shrinking of pluralistic political space – notably a reduced role of parliament, greater concentration of power in the hands of the president, and increasingly personalised politics.

In order to stay relevant, S2JK had to adjust its original strategy, which was predicated on the existence of pluralistic political competition, an empowered parliament and clear direction of economic policy reform. By 2020, S2JK had already begun to pivot away from the original intended focus on political parties, parliament and MPs, towards improving the quality of economic policy and legislation, and establishing relationships with government. The political and economic instability in Kyrgyzstan, post-2020, provided further momentum for that change. Since then, the team has placed increasing emphasis on supporting coalitions to develop governance solutions to economic policy problems, and helping to inject momentum into the Business Council in Parliament as a platform for dialogue between the private sector and MPs (see Box 1).

2.1 Flexible, politically smart support to economic growth

S2JK was able to change its strategic direction because, in addition to being an issue-based programme, it was designed to take a flexible and responsive approach that would read and respond to the political trajectory in the country, and in target sectors. This emphasis on flexibility, on ‘thinking and working politically’, and on addressing specific issues, resonates with broader trends in the literature on aid effectiveness

(see Box 2), and is partly a response to the limited results of more conventional donor support on structural reforms in Kyrgyzstan over the last two decades. While there is some evidence of successful aid projects across sectors, evaluations have highlighted the shortcomings, in such a politically unstable context as Kyrgyzstan, of more ‘traditional’ development programme tools, like those geared towards direct institutional strengthening. For example, an unpublished evaluation of a former capacity-building programme funded by FCDO’s predecessor, the Department for International Development (DFID), argued that the ‘fast-changing political context in Kyrgyzstan is a fundamental obstacle to pursuing sustainable structural governance reforms’. There is also evidence that systemic corruption and vested interests have had an impact on aid projects and large-scale budget support operations (BTI, 2022).

Box 1 The Business Council: institutional strengthening in support of issue-based programming

Issue-based approaches should not discount the role of more conventional institutional mechanisms for supporting reforms, and the need to strengthen these through conventional aid assistance. In addition to assembling, advising and helping to manage issue-based coalitions, S2JK has also supported the Business Council in the

Kyrgyz Parliament, as an entry point for these groups to engage parliament. The council was established by the Speaker of the parliament in 2011 and placed under the Chamber of Commerce & Industry but never convened. It lay dormant until 2016, when S2JK encouraged the Speaker to move it into the parliament and place it under his jurisdiction. The Business Council has since proven to be a useful vehicle for work on numerous issues.

The membership of the council is balanced across small and medium-sized businesses, parliament, government, and donors. Chaired by the Speaker of the Jogorku Kenesh, the Business Council is one of the only effective mechanisms in Kyrgyzstan for the private sector to hold dialogue with policy-makers on the design of legislation and public policy. This is critically important in a context like Kyrgyzstan, which lacks formal and/or fully institutionalised mechanisms for engagement between the state and the private sector.

According to the team, S2JK’s support to the Business Council shows institutional strengthening working in harmony with the issue-based approach. This is because it provides a direct way of identifying local demand, without involving the S2JK team as an intermediary or facilitator.

Box 2 Summary of key concepts

Issue-based approaches share a number of features that are central to other development philosophies and concepts, including thinking and working politically (TWP) or ‘politically smart programming’, flexibility and adaptive management (Williams et al., 2021).

While these concepts are often conflated or used interchangeably, they are not the same. In our understanding, adaptation, flexibility, and thinking and working politically are ways of working that issue-based programmes might draw on to address particularly complex challenges, or in response to political instability.

All development programmes, whether issue-based or more conventional capacity-building or structural support programmes, arguably need flexibility to adjust resources and activities if needed (for example, in response to contextual changes).

Being adaptive goes further, building in deliberate learning and experimentation in circumstances where there is uncertainty on how best to achieve the desired programme outcome. Adaptive approaches are designed to incrementally overcome that uncertainty by testing what works and generating evidence.

Thinking and working politically (or politically smart programming) means developing a deep understanding ('thinking politically') of and proactive engagement ('working politically') with local political and power relations (Leftwich, 2011).

2.2 Identifying issues and following demand

The central feature of issue-based programming is the focus on clearly defined issues, or problems, as entry points for bigger institutional or structural reforms. While most programmes or policy-support operations focus on specific issues at some point during their programme cycle, the key difference for a programme such as S2JK is that issue selection, rather than structural reform support, is the starting point. Issue identification in S2JK is based on local demand, political entry points, and broader sectoral analysis. S2JK uses these methods to identify issues that are tangible, in the sense of being relevant to the everyday lives of citizens, and tractable, in the sense that groups of stakeholders will be motivated to work on reforming them. In the absence of suitable champions, or in the event of frequent turnovers of key contacts, the team has found that reforms are unlikely to progress far into the legislative process.

Finding issues where there is genuine traction is not always straightforward, and donor agendas and resources can create illusory windows of opportunity (Punton and Burge, 2018). S2JK has tried to avoid this by keeping ‘money off the table’. In other words, instead of providing grants or infrastructure or making large capital investments, the team focuses instead on facilitation, brokering and convening, and contracting technical assistance on demand. Several interviewees remarked that keeping money off the table is a way of ensuring the team follows genuine, pre-existing local demand, rather than creating artificial demand through the promise of disbursing funds or capital investments. This is important for a number of reasons, not least for avoiding what Andrews et al. (2012) term ‘isomorphic mimicry’. This refers to policy reforms

designed to satisfy external funders, but which fail to change things in practice because they do not align with the interests and incentives of the local actors charged with advancing the plans.⁶

Once an issue has been identified and a coalition has been assembled, the team stays neutral on the most appropriate legislative or regulatory solution. Rather than advocating for pre-designed solutions, problem-solving for S2JK involves convening local actors and supporting them to identify, and propose ways to remove, different policy blockages. These blockages usually involve some combination of divergent interests, weak formal systems and poor coordination. The focus for the programme is on active facilitation: keeping the issue-coalitions working coherently together; helping to address any points of tension or potentially fatal disagreements between members; providing technical assistance or research; and (re)-engaging as necessary with key public or private sector counterparts as the context develops and as new information or political or market dynamics come to light.

2.3 Flexible support for locally driven reform

Unlike other economic policy development programmes in the country and region, S2JK is not tied to a fixed institutional home or government counterpart, and does not have any set procedures or selection criteria for identifying

which local demand to follow. The choice about whether to work with an agency is vested in the local team, which is able to look for counterparts committed to making progress. Our discussions with other development partners suggest that most donor projects in Kyrgyzstan are not designed with this level of flexibility.

This ability to switch between potential counterparts within government, to work outside the government entirely, and to engage and build connections across parliament and government, is a key component of the successes of S2JK. In this respect, the implementer, Palladium, has also benefited from a largely hands-off stance from FCDO, in terms of day-to-day oversight.⁷ FCDO has insisted on analytical clarity, a more joined-up approach to issue selection, and a high standard of reporting. However, provided those expectations are met, the team has been given wide latitude to explore and develop ideas for issue work, and to respond to changes in the wider context, without being constrained by restrictive key performance indicators or milestones. FCDO set the team overall targets for output results, such as the number of issue-based coalitions working effectively, and the number of action plans developed. However, the results framework does not specify, for example, the areas of the economy that these plans should be focused on, or the exact steps that need to be taken to develop these plans or other coalition outputs. This allows S2JK to explore options based on political analysis,

6 One of our reviewers pointed out that, where there are low levels of political will for reform, and low responsiveness to demand, the promise of funds or capital investments can sometimes help incentive a response on the supply side, particularly in countries experiencing economic crisis or budget deficit. For recent evidence of this in the context of issue-based programming in Nigeria, see Aremu (2022).

7 The relative size of the programme within FCDO's country or regional programme may also be a factor here. S2JK had a budget of £8m over 5 years, which seems modest in relation to the number of complex issues the team has worked on. Issue-based programmes like S2JK do tend to be smaller-scale, which might allow them greater freedom to work 'under the radar' and with less donor oversight, in comparison to larger, more high-profile programmes.

as well as the less formal political intuitions of the team, and it allows local stakeholders within coalitions to be the driving force behind plans and governance solutions.

2.4 Close accompaniment throughout the policy cycle

A further, distinctive feature of S2JK's political approach is that the team works closely alongside political and parliamentary processes to support reform efforts, and stays involved right through the policy and legislative process. This close accompaniment has been necessary at times to maintain momentum behind reform efforts – particularly when those processes have been disrupted by unanticipated political turbulence or resistance. We elaborate on this observation in Section 4.

The skills, experience, and connections of the core team have been emphasised consistently, in our discussions with the programme's partners and consultants, as critical enabling factors for this way of working. To populate the team, Palladium deliberately selected local staff with long-term experience of reform advocacy campaigns and development projects, as well as strong political networks and insight. This has been important not only to take advantage of their immersion in the political scene, but also to help S2JK win the trust of public- and private-sector partners and counterparts. This trust has been important for all of S2JK's issues, but particularly so for reforms to social payments/tax and investment policy, given that this work has involved engaging with ministries, agencies and organisations that have – according to the team – traditionally been highly conservative, resistant to reform and non-transparent about their finances.

According to several development partners we spoke with, this kind of close involvement and accompaniment is unusual for aid projects working on regulatory or legislative issues in Kyrgyzstan. We were told that most programmes typically produce reports, analysis and recommendations for government, but tend not to support reforms through active facilitation, or get involved in the politics of policy change. In contrast to the issue-based philosophy, this approach assumes that technical information, perhaps in combination with financial assistance, is sufficient to generate change. It is an approach that, in Kyrgyzstan, has apparently generated a lot of donor reports without a great deal of corresponding action on the part of government or MPs.

2.5 The trajectory of issue selection in S2JK

Initially, S2JK responded to issues that were nominated by government, MPs or business. S2JK staff were also encouraged to identify potential issues via the media, politics or their own past experience and networks. With this direct approach, the programme achieved some early successes, quickly securing legislative changes and budget allocations in IT and tourism: two sectors of the economy that were felt to be important for inclusive growth. The team went on to build coalitions to address a range of regulatory issues affecting e-commerce, export promotion, trade regimes, seeds regulation and fisheries (please see the Annex for a full list). The team's politically smart method helped deliver some significant policy wins in these areas, including on issues that had experienced prolonged stagnation. This includes supporting legislation to set the legal framework for an e-commerce ecosystem,

and supporting reforms to liberalise the country's approach to air traffic regulation (S2JK, 2018, S2JK 2019, S2JK 2020)⁸.

However, FCDO was concerned the project was working on a patchwork of disconnected initiatives, which could limit the potential for broader impact or sector-wide change. With the benefit of hindsight, the team concede their initial approach to issue identification could have been more structured. In 2019, FCDO agreed with S2JK to move to a more systematic approach. Instead of working on individual issues across the economy, the team proposed working on cross-sectoral issues such as investment policy and formalisation of small or medium-sized enterprises (SMEs). The programme also introduced a more rigorous and research-led issue identification and verification process. The team was encouraged by FCDO to use more formal and structured PEA to identify champions for reform and to assess how particular issues are perceived by various factions (see Box 3).

Following these changes, social payment/tax reform and the investment climate were two of the sectors selected for issue-based work. For both these areas, a broad problem was identified, using rigorous analytical tools and direct consultation with a range of local actors. For the team's work on social payments/tax, the overarching challenge is low levels of business formalisation. The team initially worked on the narrower issue of reducing social payment contributions for textile companies,

before working to unlock the same constraints for all SMEs. This was followed by an opportunity to support reforms to the national tax code, which have the potential to further promote SME formalisation.

In the case of the work on investment, the overarching challenge is low levels of foreign and private direct investment. The team worked in parallel on issues with potentially broad policy reach⁹ that were driven by government, including support to a national-level policy strategy (investment programme) and legislation (investment law), while also working on an issue with a narrower policy focus (the structure of tax exemptions and incentives that affect investment in Free Economic Zones (FEZ)).

Section 3 describes in more detail: these issues, the main problems they were addressing, the solutions supported by S2JK, and their potential policy reach.

8 These examples and others are explored in more detail in an overview of core lessons from S2JK, Laws (2022), which was produced in parallel with this report.

9 We use the concept 'breadth of policy reach' as an approximate sense of the scale of proposed changes being introduced by S2JK coalitions, in terms of the range of regulatory or legislative issues being tackled, and/or the size of the economy that proposed changes apply to. In Tables 1 and 2 we provide estimates and proxy indicators for the potential policy reach of the issues and reforms we discuss in this report, drawn from S2JK's own data and modelling.

Box 3 The role of PEA within issue-based programming

Within issue-based programming, high-quality political economy analysis (PEA) is critical both to identify champions for reform, and to assess how various factions perceive a particular issue. S2JK built its ability to think politically by investing in staff skills, building relationships with key contacts, and conducting country-level and problem-focussed PEAs. As the team's analytical capacity has matured, they have added a wide range of tools to their PEA approach, including 'fishbone analysis'¹⁰, impact pathways, stakeholder maps, power-mapping exercises and sector analysis. Quarterly strategic reviews (QSRs) and quarterly PE updates offer regular opportunities for the project's initiatives and activities to be reassessed, recalibrated and redirected.

Other studies on issue-based programming have discussed the value of investing in formal, highly structured and analytical PEA, as opposed to lighter-touch 'everyday' political analysis (Kelsall et al., 2021). According to the S2JK team and donor, rigorous and formal analysis was important at the issue-selection stage: with fishbone analysis being particularly helpful for drilling down into manageable sub-issues. During implementation, however, the team often reverted to a lighter-touch, more 'everyday' PEA, based on media coverage, team discussions and informal information-gathering through personal relationships and contacts. This combination of rigorous upfront PEA, and lighter-touch ongoing analysis, allowed S2JK to identify champions for reform, assess how particular issues are perceived by various factions, and update key assumptions regularly.

Given the specific focus of the programme on economic policy reform, S2JK's analysis has tended to focus on identifying demand for change from national elites, power brokers and business associations, rather than more marginalised groups. Ultimately, the implementers of such programmes respond to the incentives set by their funders. It is therefore incumbent on donors to consider how to identify and balance wider societal interests with the interests of political and business leaders, when developing programmes, and results measures, for reforming economic policy.

¹⁰ Fishbone analysis is a visual technique for identifying the causes of outcomes.

3 Tax and investment: a close look at S2JK's support

Figure 1 S2KJ's work on social payments and tax



3.1 Social payments/tax

Source: Laws and Rinnert (2022), drawing on S2JK information

The rationale for selecting social payment/tax issues was mainly linked to the significant size of the shadow economy in Kyrgyzstan, and the resulting labour market and development challenges (Tilekeyev, 2021). A significant proportion of Kyrgyz SMEs work in the informal sector, or with a so-called ‘patent’ which is a one-off fee allowing them to avoid or reduce their tax burden. Companies of all sizes have an obligation to report on a monthly basis to the Social Fund, which is the executive body that oversees state policy and national social insurance and pension payments. But entrepreneurs who work under the patent regime are either exempt, or entitled to a reduced rate. As a result, many companies adopt the patent regime to avoid the administrative burden and frequent inspections involved in paying tax. They operate predominantly in the agriculture, services and textiles sectors – i.e. the target economic sectors for S2JK. In addition, companies in Kyrgyzstan are required to make ‘social tax’ payments of more

than 25% of employees' salaries to the national Social Fund. The programme saw this as one of the reasons why companies would retain their informality.

S2JK started to engage on these issues based on the idea that businesses that register formally can sell their products abroad, access finance and better support their employees, contributing to more inclusive growth, while also improving tax income for the government. In 2018/19, senior decision-makers were not interested in wider changes to the tax regime in Kyrgyzstan. However, by working through a detailed formal PEA and stakeholder mapping of the textile sector (see Box 3), S2JK identified potential buy-in for changes to Social Fund contributions for textile and garments SMEs (see Figure 1).

Following FCDO approval, the programme embarked on a range of support activities to lower the social payment burden for companies

in this sector. S2JK supported the Ministry of Economy by bringing together a coalition comprised of sector representatives, government officials and MPs, to develop legislative proposals. S2JK also commissioned technical experts to provide research into the economic impact of the proposed reduction in the social security tax rate (from 27% to 20%), and to assist with the development of amendments to related laws.

This issue was deemed to have been completed successfully in 2019 when the revised legislation was signed by the president. Building on this work with textile companies, the team then supported a coalition to develop plans to reduce the same social payment burden for all SMEs – plans which are now being processed through parliament (see Table 1).

Following these initial policy achievements, S2JK was well positioned when political changes in 2020 and 2021 created an opportunity to support more far-reaching reforms. Whereas changes to the overarching tax system were previously blocked by decision-makers with vested interests,¹¹ incoming President Japarov and his government voiced their strong support for an overhaul to increase tax income and reduce informality. S2JK, as part of a working group with a range of development partners, capitalised on this by offering support on the redesign of the tax code.

S2JK's inputs to the tax-code reform are connected to the team's previous work on social fund payments, because the reforms are partly designed to promote SME formalisation. For example, there are proposals to adjust the current rules on VAT for imports and sales, which encourages small companies to remain

informal. The aim is to simplify the system and reduce compliance costs, increase the benefits of formalised employment, and reduce the regulatory burden on SMEs. The proposed revisions passed the parliamentary approval process in late 2021 and were signed by the president in January 2022.

¹¹ There have been previous attempts by different MPs to reduce social payments, in 2016, 2017 and 2019, all of which have faced strong opposition, with draft laws eventually being rejected in parliament.

Table 1 S2JK's issues and approaches on social payment and tax reform

Specific S2JK issues selected	Main problem(s)	S2JK's approach	Main factors determining breadth of policy reach
Formalisation of SMEs – Social Fund contribution reductions for textile companies	Large informal sector dominated by informal micro and small enterprises in textiles and other sectors.	Social fund contribution for SMEs reduced, increasing incentives for SMEs to formalise their business, which will lead to economic growth and social protection of employees.	The initial preferential social fund tax contribution for textile and garment SMEs covered approximately 6% of GDP.
Formalisation of SMEs – Social Fund taxation reform	Businesses do not have incentives to grow or formalise. High social security tax of 27.25% is prohibitive for SMEs. Patent system doesn't incentivise change.		The subsequent reform to social payments for all SMEs covers approximately 41.5 % of GDP.
Tax code support	Overly complex tax system leads to high compliance costs. Patent system limits incentives for businesses to pay taxes.	As part of a group of donors, S2JK provided support to the amendment of the Kyrgyz tax code through technical assistance and coordination of donor support.	The amended tax code covers the entire tax regime for Kyrgyzstan, affecting all registered businesses as well as those who previously worked using the patent system.

Source: Laws and Rinnert (2022), drawing on S2JK data and modelling

3.2 Investment climate

Figure 2 S2KJ's work on investment reform



Source: Laws and Rinnert (2022), drawing on S2JK information

The main reason for S2JK to work on investment-climate issues was the significant decrease in investment activity and outflow of investments in recent years, and the associated risks for macroeconomic stability and inclusive development. The team reasoned that foreign direct investment (FDI) is a key variable in boosting economic growth and a powerful tool for reducing poverty.

However, the underlying problems holding back investment are manifold, and complex, and in some respects the programme took a different approach to the work on reduction of social payments. S2JK focused mostly on supporting macro-level legal and strategy processes, including the development of an investment programme and the revision of Kyrgyzstan's investment law, both of which cover a significant range of policy issues and have significant policy reach (see Figure 2). The programme team believed that this approach would enable them to build a broad coalition within government that would help drive change across sectors in future.

The team's initial analysis suggested that improving the current law on investments and by-laws in the Kyrgyz Republic would offer international investors more protection,

increasing their confidence and the attractiveness of the country for investment. It was felt that increased investment in target sectors such as textiles, agriculture and tourism would lead to higher production levels and overall quality, and more jobs in rural areas. The team saw an opportunity to bring these sector representatives into a coalition to support the development of FDI legislation of relevance to their interests, and to amplify the programme's work on these areas of the economy. S2JK supported a coalition with technical inputs on key constraints to investment, including those related to property and land rights, and helped define the strategic goals of the Agency of Investment.

Table 2 S2JK's issues and approaches on investment reform

Specific S2JK issues selected	Main problem(s)	S2JK's approach	Main factors determining breadth of policy reach
Investment programme	Absence of a unified investment strategy and lack of clarity on objectives. Weak institutional capacity and lack of coordination hinders successful investment promotion efforts.	Coalition to develop an investment programme, providing a comprehensive framework for attracting investment into Kyrgyzstan.	The underlying constraints on investment include: a heavy regulatory burden for complying with inspections, permits and licensing; inefficient tax administration practices; and poor corporate governance in local businesses. The investment programme and law both cover a significant range of policy issues, including property rights, labour rights, land ownership, tax provisions for investors and subsidies, among other issues.
Investment law	Weaknesses in the existing legislation concerning investor rights, relations with national and local governments, and return of and on investments.	Coalition to amend law with details on investment rules at municipal level, and equal legal basis for foreign and domestic investors.	
Free Economic Zones	Specific bottlenecks that hold back the performance of FEZs include lack of appropriate and predictable legislation to support investment, lack of communication among relevant government agencies, and a lack of strategic design.	Coalition to develop an economic zones strategy that will improve the business environment.	Difficult to estimate, but available data indicates the zones account for a relatively small percentage of investments and formal economic activity. For example, in 2019, FEZ Bishkek covered approximately 3.1% of investments in the country.

Source: Laws and Rinnert (2022), drawing on S2JK data and modelling

As well as contributing to national-level legal and strategy processes with potential broad policy reach, S2JK has also worked on investment at a narrower and more local level, supporting a coalition to revise the legal basis for Free Economic Zones (FEZs). These are designated geographic areas within which special tax and investment incentives are applied. Despite being set, by government, ambitious goals for promoting socioeconomic development, FEZs have made only a limited contribution to investment and growth in Kyrgyzstan (CAREC/ADB, 2018).

The accession of Kyrgyzstan to the Eurasian Economic Union in 2015 diminished their tax and trade advantages significantly. Of the country's five FEZs only two, in Bishkek and Naryn, maintain some level of operations, but both are underperforming. S2JK's analysis suggested that a lack of appropriate legislation was holding back the potential of FEZs to serve as competitive clusters of SMEs. In addition, the team identified a lack of clearly defined tax benefits, and issues with the governance, infrastructure, and administration of the zones, as factors limiting investment.

At the time of writing (June 2022) the coalitions working on the investment law and investment programme have submitted their plans for government and parliamentary approval. The coalition working on FEZ has published a concept note outlining the changes being proposed to the legal framework, which has received preliminary approval from the newly-established National Agency for Investments.

4 Initial results and emerging lessons

What can the emerging results of these two sets of interventions tell us about what does and does not work, in issue-based programming?

The initial results across S2JK's tax reform issues are promising. As noted above, the first reform activity, focused on reducing the Social Fund contribution rates for the textile and garments sector, was completed successfully in December 2019. S2JK's monitoring suggests this has been followed by an increase in business formalisation in the sector – for example, the number of workers in companies registered with the Social Fund has reportedly increased from 590 in 2019 to 1,784 in 2021. The subsequent reform activity, the graduated reductions in Social Fund contributions for all SMEs, are expected to incentivise formalisation by reducing the burden of employer insurance premiums by an average of 42 percent. The tax-code reforms supported by S2JK have the potential to amplify the impact of the programme on the broader issue of business formalisation. However, according to the programme's own assessment, more time and research is needed for the scope of that impact to become clear, given the complex range of other incentives that shape the viability of SMEs and the volume of tax revenues collected.

S2JK's social payment/tax results provide an example of how solving smaller-scale issues created initial momentum, that was built on to generate potential bigger changes, when the chance arose, through reform of the social payment system for all SMEs, then reforms to the overall tax code. This latter opportunity arose in response to a government-led initiative. This indicates that issue-based approaches can be used to respond flexibly when government is

pushing for a wide-ranging reform. At the same time, it is our assessment that the expertise, credibility, and relationships with business associations, businesses and key agencies in government and across parliament, that S2JK built through earlier work on social payments, helped position the team to make a contribution to this work.

With respect to the investment reforms, governance solutions have also been successfully developed for all three of the reform activities, despite a high degree of institutional instability in key agencies and departments.

As with the social fund and tax reforms, it is too early to know what impact these initiatives will have. But the team's modelling, commissioned towards the end of programme closure, suggest all three have the potential to increase investment levels and growth, provided they receive adequate government support. We reflect on the conditions for successful implementation in more detail in the following section and conclusion.

The coalitions developing these investment reforms have faced challenges in sustaining momentum. Their progress has been held up by ongoing national-level political and administrative changes, and different views among both S2JK's partners and across government on how best to improve the investment climate. While the team intended to use programme support on macro-level legal and strategy processes as a launch pad to bring about change across a range of more specific issues hindering investment, the breadth and complexity of underlying policy challenges, different views in the coalition on policy solutions, and ongoing changes across

government agencies have meant that the reform processes have been more challenging, and governance solutions have taken longer than expected to develop.

In the remainder of this section we discuss four closely associated variables that help explain the different trajectories and emerging results of S2JK's support to social payments/tax, and the support to investment: clarity of the policy focus; strength and consistency of the demand for change, impact of political and economic turbulence; and overarching programme constraints.

4.1 Clear policy focus

According to recent literature on social change and advocacy, technical information and evidence is rarely sufficient to change policy, but it can be used as an effective 'tipping point' when there is a clear, coherent focus and strong demand for change (Green, 2016). This resonates with S2JK's work across social payment/tax and investment: the issue-based approach seems to have worked most effectively when starting from a specific and narrow policy change in taxation for textiles companies. For example, as noted above, one of the team's key inputs that supported the initial reforms to social payments for textile companies was a technical research paper on the effects of differential tax rates on business formalisation. According to our discussions with the team and partners, the very specific focus of this initial issue, and the provision of timely, targeted research, allowed for a clear understanding among government and parliamentary counterparts about how change in this area could happen. This increased buy-in among MPs while building the credibility and expertise of S2JK to work on bigger tax issues. By demonstrating the potential benefits of reducing social payments in

one area of the economy, the team was able to build consensus in government for a potentially nationwide reform of the Social Fund payment system.

By the team's own admission, progress has been harder when working on the larger-scale policy problem of improving the overall investment climate. The structural factors hindering investment are broad, and different stakeholders within the coalitions supported by S2JK had different views on the key issues to highlight in both the investment law and the investment programme, and competing vested interests. Technical information is generally less effective as a way of overcoming these kinds of blockages, particularly when such disagreements stem principally from conflicting interests rather than gaps in information or technical understanding. Given this initial complexity, S2JK was not able to use targeted technical information to secure the same kind of early coordination victory that lent momentum to the work on social payment reform.

4.2 Strength and consistency of policy demand

Identifying and responding to local demand for change is central to S2JK's approach to issue-identification. But the type, strength and consistency of policy demand that the team was responding to differed across social payments/tax and investment. S2JK's experience is that identifying and maintaining strong, consistent demand for reform is often easiest when working on narrower policy issues that directly impact the interests of private-sector stakeholders. For example, in the case of the social payment/tax work, the initial demand for change came from the textiles business association, which was convinced that changing legislation on Social

Fund contributions would bring benefits to them and their workers. It was therefore willing to keep advocating for the reform, even in the face of initial resistance to the passage of the legislation from some MPs. These blockers were concerned that the legislative amendments benefited only the textile sector, and requested that similar tax benefits be extended to other sectors as well. S2JK responded by preparing, in advance of the second hearing of the draft law, a wider review of social payment reductions beyond the textile and garment industry, the findings of which were presented to the parliamentary fiscal committee, and by organising a series of meetings with MPs to identify new champions.

By contrast, our discussions with the S2JK team and partners indicate that it was more challenging to maintain the initial momentum and demand from local stakeholders for investment reform. In the case of the investment law and investment programme, S2JK responded to a less specific and less robust policy demand, compared to the demand for reducing social payments for textile companies. According to the team, when investment issues were being considered for development, most political stakeholders agreed on the high-level goal of improving the overall climate for investment and attracting higher levels of private investment. This created an impression of strong demand from the centre for investment reform activities, and encouraged S2JK to reason that supporting broad, high-level policy developments may provide an entry point for wider investment reform. However, it became less clear and more politically complicated to identify clear demand for specific policy solutions and for manageable reform activities on sector-specific sub-issues. There are several factors that contributed to this, in particular the vested interests within the reform coalition, mentioned above.

In addition, maintaining clear demand for reform has been difficult given the bureaucratic complexity of policy-making in this area. Rather than fitting neatly within one ministerial portfolio or level of government, policy responsibilities are split across the Ministry of Economy, the Prime Minister's Office and the Investment Promotion and Protection Agency (APZI), with often-overlapping mandates and a lack of coordination. Moreover, as we discuss in more detail below, this configuration and the distribution of responsibilities has changed several times during the lifespan of S2JK. Partly as a result of the challenges of generating consensus and coordinating policy reform across these institutional divisions, the coalitions advocating for the investment programme and investment law have at times struggled for momentum.

4.3 Reacting to political and economic turbulence

Kyrgyzstan's economy and political settlement have undergone significant shifts during the lifespan of S2JK. Both the social payment/tax and investment reforms have been affected by this turbulence, but in different ways.

The constitutional changes of recent years have resulted in a rapid turnover of key contacts at ministerial and deputy ministerial levels. For example, in the three years since S2JK started working on investment issues, the Kyrgyz Investment Agency has had three heads and three deputy heads. Each turnover has required an intensive process of re-engagement on the part of S2JK. These changes in key personnel at the top of government have naturally had a greater negative impact on the progress of reforms that rely on strong commitment from the centre, such as the investment law and investment programme, in comparison to reforms driven by

actors from outside government, such as the cuts to social payments for textiles and SMEs. The S2JK team feels that this is the most important factor explaining why the initial enthusiasm for broad investment reform at the centre has wavered overtime.

That enthusiasm from within government, as well as on the part of foreign investors, has also been impacted negatively by the nationalisation of the Kumtor gold mine.¹² In 2020, total inbound FDI shrank by over 50%, a trend that partly reflected ongoing disputes over the ownership of the mine (US Department of State, 2021). In May 2021, these disputes came to head as the Kyrgyz government took control of the mine from Centerra, a Canadian mining company that had long run the mine through a subsidiary. Perhaps unsurprisingly, this episode has had a direct negative impact on S2JK's efforts to improve FDI – efforts which were already underway as the nationalisation of the mine took place. Although a rigorous estimate of the impact is difficult to establish, 'a foreign investment-driven boom appears unlikely in a country whose leaders have now successfully effected a hostile takeover of a multibillion dollar asset' (Lillis, 2022).

S2JK seems to have maintained momentum behind the reforms to social payments/tax, with comparably less disruption. Crucially, these reforms have been driven by broad coalitions involving a wide network of supporters,

including mid-level bureaucrats in agencies such as the Social Fund, as well as private-sector actors. This seems to have insulated the coalitions from the worst effects of ministerial and institutional instability.

Moreover, while the social-payments reforms have been driven by actors outside government, the economic turbulence that followed Covid-19 has contributed to the increasing importance of tax reforms for the government. Fiscal stability in Kyrgyzstan was seriously affected by the Covid-19 pandemic, and throughout 2020 public debt rose from 51.6% to 68.0% of GDP (EBRD, 2021; BTI, 2022). As a result, the pressure to increase state revenues and overhaul the old tax system was significant when President Japarov and his new government came to power. This, together with other factors highlighted above, explains the shift in demand from government, on which S2JK has been able to capitalise.

One hypothesis emerging from findings of this paper is that, in countries like Kyrgyzstan, which currently lacks a stable political settlement focused on growth and development, a narrower issue-based approach, as we have seen with S2JK's work on social payments, might be more effective than reforms pitched at the macro or national level, and which depend on strong and consistent government leadership. This latter approach may be more effective in pro-developmental settlements, as seen elsewhere in Central Asia

¹² Kumtor is one of Kyrgyzstan's most lucrative natural assets and accounts for around 12% of GDP. The mine has been a flashpoint for decades, with President Japarov raising his political profile in 2012 on the back of calls to nationalise the mine. The government seized Kumtor following the passage of a law allowing it to impose external management for up to three months on any mining company operating under a concession agreement in Kyrgyzstan, if it was found to have violated environmental regulators or endangered the environment. On the same day the Bill was passed, a Kyrgyz court issued a \$3 billion fine to Centerra's Kyrgyz subsidiary following a suit by four private citizens, on behalf of Kyrgyzstan, seeking reparations for the mine's past environmentally damaging practices. In April 2022, it was agreed that Kyrgyzstan will take full control of the mine under an out-of-court settlement with Centerra. In exchange for receiving full ownership of the mine, the Kyrgyz state-owned enterprise, 'Kyrgyzaltyn' will give up its ownership of shares in Centerra.

and globally. Given time and resource limitations, we are unable to explore this proposition any further here, but the hypothesis builds on recent work discussed in institutional economics and political settlements theory (Kelsall et al., 2022; Dercon, 2022). We encourage other researchers, who are interested in the interplay between political context and aid effectiveness, to look for ways of testing this through comparative analysis of issue-based approaches in different contexts.

4.4 Policy design rather than implementation

Our final observation is that programme constraints are relevant for understanding the kinds of problems suitable for issue-based programmes. S2JK's focus on policy design and drafting of legislation meant that technical assistance on narrower issues, requiring inputs at the outset of the policy cycle, turned out to lead to better results. For example, on the Social Fund contributions of SMEs, the project identified a very specific policy outcome through legal amendments as an instrument to achieve the intended change. Despite some challenges around tax collection in the Kyrgyz administrative system, implementation of this policy change is relatively clear, and directly attributable to intended actions.

By contrast, on investment issues, many of the key constraints in Kyrgyzstan are related to challenges in implementation rather than policy design. For example, the heavy regulatory burden for complying with inspections, permits and licensing is less a function of the legal environment, and more directly a consequence of the incentives and capacity of enforcing agencies. Addressing directly these implementation challenges would seem to require a different programming model from S2JK's. It would likely require a longer-term donor commitment and more significant funding, and a

much wider network of champions at local levels across the country, to allow for an understanding of constraints to implementation and buy-in to resolve local blockages. The scope for S2JK to provide this kind of support is limited given its mandate, size and commitment to facilitation and convening rather than financial support.

5 Conclusions and recommendations

5.1 Conclusions

In recent years, there has been a growing emphasis on more problem-focused, issue-based, politically smart approaches to complex development challenges. These approaches are increasingly seen as useful for unlocking entrenched policy blockages. But there are also risks that they deliver disconnected, relatively small-scale initiatives, which do not amount to broader institutional reform or bigger structural changes. In the case of S2JK, with a relatively modest budget relative to the number of issues in the programme's portfolio (20 issues selected over four years, as detailed in the Annex), there was a risk of fragmentation and 'mission creep', limiting programme coherence, wider impact and relevance.

Focusing on multiple issues in one sector is a sensible strategy for mitigating this risk. There are numerous ways of pursuing such a strategy, and different ways of sequencing reforms. The evidence of the development impact of S2JK's reforms will take more time to emerge. However, on the basis of the issues discussed in this report, our view is that part of the strength of the S2JK programme has been its flexibility, and corresponding skill-set among the team, to support narrower, 'bottom-up' reform processes, as well as broader, 'top-down' initiatives, in response to different opportunities.

To summarise (see Tables 1 and 2), the team initially took more of a 'bottom-up' approach on social-payment reform, working on a narrow policy problem within one sector (social fund payments in the textile sector), which helped create conditions for the team to work on

the same constraints at a cross-sectoral level (social-fund payment reform for all SMEs). The more recent work on tax-code revision, which has the potential to amplify the initial work on SME formalisation, was in response to a government-led initiative to review the tax code comprehensively – which more closely resembles a 'top-down' way of working. On investment reform, the team has also combined 'top-down' and 'bottom-up' approaches, supporting national-level policy legislation (investment law) and strategy (investment programme), as well as policy reforms with a narrower focus (the structure of exemptions and incentives affecting FEZs).

While the team has successfully developed governance solutions for all three investment-reform activities, S2JK has faced greater challenges in sustaining momentum and reaching workable solutions here, than on social payment/tax.

We have discussed four closely associated variables that help explain in more detail the different trajectories and emerging results of S2JK's support to these two baskets of issues: clarity of policy focus; strength and consistency of policy demand; differing impact of political and economic turbulence; and overarching programme constraints.

5.2 Recommendations

In the course of producing this report, we have identified a number of lessons for improving the effectiveness of issue-based programming, relevant for different audiences.

For donors

- **Consider issue-based and politically smart, ‘bottom-up’ approaches to economic-reform programmes, where appropriate.** In contexts where inclusive growth is constrained by political blockages and where the political settlement is relatively fluid, narrower issue-based approaches to economic reform might be more effective than programmes supporting broader policy reforms from the outset. Key factors in the effectiveness of S2JK’s approach include the flexibility to select and amend issues, and to work on narrower or broader policy reforms as opportunities arise. This requires a relatively high risk appetite, open-ended results targets, and a politically smart approach to programming that allows the implementer to respond to new opportunities.
- **Unpack demand for reforms at the outset, and throughout the implementation of issue-based programmes.** Most donors consider demand in their programme design and implementation. Lessons from S2JK highlight the importance of unpacking local demand at different levels, and from different groups, through political economy and other analysis. Rigorous, ongoing PEA allowed S2JK to update assumptions on an ongoing basis, and to sequence support effectively in response to demand. A focus on narrower policy issues may help to identify and maintain strong, consistent demand for reform.
- **Spread your bets in terms of key champions.** In contexts with a high degree of political and economic turbulence, it may be sensible to develop partnerships with a wide range of government, parliamentary and non-state actors. As highlighted in the cases of the investment law and programme, reforms can get stuck if they depend on key actors or institutions that change rapidly. Having a wide

set of reform champions, including among mid-level bureaucrats in government and from outside government altogether, may better support a reform process in the event of frequent turnover in the upper echelons.

- **However, donors should incentivise implementers to involve marginalised groups, particularly in programmes focused on national elites and power brokers.** In the case of S2JK, coalitions worked mainly with business associations, government actors and MPs, i.e. national elites and power brokers. This approach was key for bringing about change, especially on the social-payments issue. But it can risk excluding marginalised groups from policy formulation. The funders of issue-based programmes should therefore try to incentivise implementers to consult with a wide spectrum of voices and interests.

For implementers

- **Develop and champion robust tools and mechanisms for issue verification and TWP.** An important success factor for S2JK was a toolkit for issue verification, which was amended and improved several times during the programme. At the same time, issue-based PEA and a project team with the right experience and networks among decision-makers was key for effective engagement on reform issues, especially where the sequencing of reform support was linked to political changes.
- **Use PEA to understand the main policy constraints and whether the programme has a suitable delivery model, appropriate mandate, and sufficient capacity to address them.** Challenges related to policy design (i.e. the main constraints on social payments and tax code issues described in this report) may be more suitable for programmes like S2JK, with a compact team, short lifespan, and commitment

to facilitation and convening rather than financial support. Challenges related to policy implementation (i.e. the principal blockages to investment described in this report) may require a programme with more emphasis on conventional capacity-building or structural support, provided there is already sufficient political buy-in for the policy itself.

For partner governments, MPs and other national stakeholders

- **Highlight to development partners entry points for support to coalitions.**

When engaging with donors working through issue-based approaches, local stakeholders interested in policy change should not only discuss the specific policy problem, evidence around it or potential solutions. They should also highlight entry points for coalition-building, and where external development programmes might be particularly well placed to facilitate discussions between different groups, as with S2JK.

Finally, we recommend that donors, implementers and national stakeholders work closely together to try to sustain and deepen the initial or emerging results of issue-based programmes. As we have seen in the case of S2JK's investment reforms, it can be difficult to predict the pace and trajectory of these activities. This means that they are unlikely to align neatly with a defined programme cycle, and ongoing reforms may have to be 'handed over' to successor programmes or other partners.

While S2JK's distinctive approach has helped to shift entrenched policy problems, these relatively unusual methods now create something of a dilemma for sustainability. As S2JK prepares for programme closure in 2022, FCDO has struggled

to identify other partners to progress the issues the team has worked on. As most economic development programmes in Kyrgyzstan follow a more traditional implementation model, they are unlikely to be able to adopt easily S2JK's politically smart convening and brokering role.

This suggests that, when designing issue-based programmes, donors and partners need to think carefully about sustainability, and may need to start this planning much earlier in the programme cycle, than for more conventional programmes. This could include identifying institutions beyond the 'usual suspects', as implementation partners to continue coalition-building after a programme closes. Colleagues from S2JK suggested that, in Kyrgyzstan, it may be possible to partner with local research institutes and think tanks on these approaches.

Planning for sustainability should also involve documenting and communicating core principles, enabling factors and challenges to other development partners and local counterparts. We hope this research, along with other lesson-learning exercises on S2JK (Laws, 2022) and other issue-based programmes (Booth, 2018; Punton and Burge, 2018; Rocha Menocal and Aston, 2021; Williams et al., 2021; Kelsall et al., 2021) will support those efforts.

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Appendix 1 Full set of issues on which S2JK has worked

Sector	Issue
Tourism	Law on open skies
	Law on apartment rent
	Tourism marketing strategy
	Support to the Department of Tourism
Fruit and vegetable / agriculture	Law on fishery
	Export promotion
	Trade regimes
	Law on agro-insurance
	Law on internal trade
	Seeds production regulation
Textile and garment	Law on seeds subsidies
	Textile and garment sector strategy
	Law on Social Fund payments for textile and garment companies
	Investment programme
	Investment law
	Free Economic Zones
	Formalisation of SMEs – Social Fund taxation reform
	Tax-code support
	Law on education
	Law on e-commerce