



## Aid for Trade Project Concept Note Template for the SPECA Region

<b>Project Title</b>	Agro-processing and Marketing for Small-scaled Producer Groups in Kyrgyzstan	
<b>Outcome</b>	Increased share of agriculture production being processed and marketed by poor producer organizations	
<b>Indicative Funding Requirements</b>	Total estimated budget:	USD 2,124,400
<b>Potential Sources of Funding</b>	European Commission and other donors: Other Resources:	USD 2,074,400 USD 50,000 (UNIDO)
<b>Expected start date</b>	May 2011	
<b>Expected Duration</b>	2 years	
<b>Implementing Organisation(s)</b>	United Nations Industrial Development Organization and the Kyrgyz Ministry of Agriculture, Water and Processing Industry	
<b>Country/Countries</b>	Kyrgyz Republic	
<b>Submitted by</b>	United Nations Industrial Development Organization	
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### 1 Background

The Kyrgyz Republic is one of the poorest countries in the Eastern and Central Asia Region with an estimated 48% of its population living below the poverty line. Most of this poverty is concentrated in rural areas where livelihoods are, directly or indirectly, dependant on the agricultural sector. This is a sector that accounts for about 40% of the GDP, including related processing and services. Given the important participation of the poor in agriculture, interventions that aim to develop the agro-industries are likely to have a higher impact on poverty. The challenge lies in the fact that the products and services offered by the poor tend to be excluded by increasingly competitive agricultural markets that require products with a certain value added, a minimum quality and a reliability of product delivery.

Given this context, the Government of the Kyrgyz Republic (GKR) has prioritized the development of the agro-processing industry with an emphasis on providing the poorer sections of the population with the skills and tools needed to participate in domestic and international agricultural markets. This line of policy is reflected in the government's 'Comprehensive Development Framework' and the 'National Strategy for Poverty Reduction', which were developed with assistance from the donor community. As the Kyrgyz economy continues to grow, there is a potential for the poorer sections of the population to supply the growing domestic market, while also enjoying a competitive advantage with respects to the Siberian market, as shown by recent market analysis conducted by USAID and SECO.

## **2 Justification**

The proposed project will design and implement a strategy that enables poor producer organizations in the Kyrgyz Republic to increase their productivity and further process and market their agricultural products. This intervention will contribute to the GKR's objective of developing the agro-industrial sector and foster the inclusion of the poor into higher-value markets. In addition, the scope of the project falls within the trade development focus areas identified in the Regional Review of Aid for Trade; namely by providing targeted support for processing and marketing in the Kyrgyz agricultural sector.

The project will provide critical advisory services, trainings and technology transfers to selected poor producer organizations in order to exploit their comparative advantages and enable them to offer those products demanded by local or international markets in a sustainable way. The project activities include the provision of managerial skills; appropriate techniques for classification, transformation and packing; and the establishment of market linkages through interactions with trader groups and financial organizations.

## **3 Expected Output(s)**

The proposed project has the following major outputs:

- Feasible productive investments are identified for target groups.
- Target groups have an increased managerial capacity, processing know-how and marketing skills.
- More efficient productive and processing technology is adopted.
- Target groups are linked to potential domestic and international buyers, in addition to financial service providers through Expos and fairs.

The sustainability of outputs relies on careful assessment of the local context. The design of the upgrading strategy for target groups considers producer constraints and market requirements identified by value-chain analysis. By designing trainings and technology transfers according to the specific requirements of producer groups, the sustainable adoption of technology and know-how is ensured. In addition, the trainers formed during project activities will be selected from government extension and training centers, such that the advisory knowledge remains within local organizations.

## **4 Proposed Approach & Strategy, including Capacity Development Response**

The project's main outcome is an increased share of agriculture production being processed and marketed by poor producer organizations. This contributes to the development objective of increasing and stabilizing income among the poorer sections of the population.

The project tackles those key bottlenecks that currently limit the participation of poor agricultural producers in higher-value markets. Project activities begin with the identification of those agricultural supply chains where targeted groups have the potential to participate as producers and/or processors by exploiting their comparative advantages. Based on the specific constraints identified, target groups will receive appropriate training in order to strengthen their managerial skills. This includes training in group governance, production management, product marketing, human resource management and financial management. It also implies providing technical skills and proper technology for product classification, transformation, packing, labeling and storing, and an ability to provide maintenance services for equipment. Another aspect of the project focuses on the dissemination of information among chain actors to ensure that trader groups and financial institutions are aware of the new productive capacity of target groups in order to facilitate new and sustainable commercial transactions between them.

The project will be implemented by UNIDO in cooperation with the Ministry of Agriculture, Water and Processing Industry (MAWRPI), which will be the main counterpart. A Project Management Committee (PMC) composed of government, donors, and UNIDO representatives will monitor overall implementation and provide overall guidance. A Project Management Unit (PMU) will be formed in order to coordinate implementation with all stakeholders and local partners and ensure activities are carried out according to the work plan. The PMU will be composed of management and technical staff and will report to the PMC on all project breakthroughs, implementation risks and measures required to respond to changing conditions.

The rationale for the involvement of donors lies on the need to provide a jumpstart to several small-scaled producer organizations with the potential to increase their participation in domestic and international agricultural markets. These organizations are currently unable to exploit their business potential due to a lack of access to quality advisory services for the improvement of their internal management and production and processing techniques. In addition, their currently low productive capacity and the lack of information that financial institutions have on the agricultural markets these organizations participate in make financing for private investments scarce. As a result, unattainable collateral requirements are imposed. By subsidizing one-time targeted interventions aimed at increasing the productive capacities of poor producer groups, the competitiveness of these groups will increase enough to insert them in to higher-value segments of the relevant supply chains. In addition, this rise in competitiveness would make them creditworthy to lenders, thus favoring access to financial services in order to fund future investments.

## 5 Annual Work Plan

PLANNED ACTIVITIES	TIMEFRAME				PLANNED BUDGET
	Q1	Q2	Q3	Q4	Amount (USD)
<b>YEAR 1</b>					
<b>Activity 1: Identification target producer organizations and development of an up-grading strategy based on feasibility studies.</b> Results: Beneficiary groups are identified, market studies are conducted and a tailor-made upgrading strategy is developed.					250,000
<b>Activity 2: Identification of key training needs and development of training curricula to attain the business potential of producer organizations.</b> Results: A training curricula is developed based on the specific needs of target organizations and the prevailing market requirements.					150,000
<b>Activity 3: Strengthen productive skills among producer groups through managerial and technical trainings</b> Results: Beneficiary groups receive trainings on managerial skills, production and processing techniques, and marketing. In addition, trainers are formed within local institutions.					600,000
<b>YEAR 2</b>					
<b>Activity 4: Increase productive capacity within organizations through the introduction of processing and marketing technology</b> Results: Producer groups have the skills and technology to improve production efficiency and deliver products required by the market					500,000
<b>Activity 5: Provision of in-the-field advisory services to target organizations during the processing and marketing stages</b> Results: Organizations are guided along the production, processing and marketing stages to ensure they are able to put new skills into practice					200,000
<b>Activity 6: Expos, fairs and workshops are organized to facilitate linkages between producers, trader groups and financial service providers</b> Results: New products/services provided by target organizations are shown to traders and financial institutions, such that new commercial interactions are encouraged or existing contractual arrangements are improved					130,000
<b>Activity 7: Independent project evaluation</b> Results: Project interventions are evaluated according to the performance management framework					50,000
<b>Sub-total (USD)</b>					<b>1,880,000</b>
<b>UNIDO Project Support Costs (13%)</b>					<b>244,400</b>
<b>Total (USD)</b>					<b>2,124,400</b>