

Document of
The World Bank

Report No: ICR2394

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-40150 TF-53554)

ON A

CREDIT IN THE AMOUNT OF SDR 5.5 MILLION
(US\$8.1 MILLION EQUIVALENT)

AND A

GRANT FROM THE JAPAN POLICY AND HUMAN RESOURCES DEVELOPMENT FUND
(PHRD) IN THE AMOUNT OF US\$ 4.75 MILLION

TO THE

KYRGYZ REPUBLIC

FOR AN

AGRIBUSINESS AND MARKETING PROJECT

June 26, 2013

Sustainable Development Department
Central Asia Country Unit
Europe and Central Asia Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective 18 July 2013)

Currency Unit = Kyrgyz Som
1.00 Kyrgyz Soms = US0.02
US\$ 1.00 = 49 Kyrgyz Soms

FISCAL YEAR
January 1 – December 31

Abbreviations and Acronyms

ABCC	Agribusiness Competitiveness Center
CERMA	Center for Enterprise Restructuring and Management Assistance, Georgia
CLMU	Credit Line Management Unit
EA	Environmental Assessment
FTTC	Food Technology Training Center
GDP	Gross domestic product
GTZ	German Technical Cooperation, Deutsche Gesellschaft für Internationale Zusammenarbeit
HAACP	Hazard analysis and critical control points
ICR	Implementation and Completion Report
IDA	International Development Agency
IMS	Information and Marketing Service
ISDS	Integrated Safeguards Data Sheet
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
KSTU	Kyrgyz State Technical University
MAWRPI	Ministry of Agriculture, Water Resources, and Processing Industry
MCAU	Market Conditions Analysis Unit
MDS	Market Development Service
MEDT	Ministry of Economic Development, Industry, and Trade
M&E	Monitoring and evaluation
MEES	Ministry of Ecology and Emergency Situations
PAD	Project Appraisal Document
PDO	Project development objective
PHRD	Policy and Human Resources Development, the World Bank
RFPII	Second Rural Finance Project
TOR	Terms of reference
USAID	United States Agency for International Development

Vice President:	Philippe Le Houérou
Country Director:	Saroj Kumar Jha
Sector Manager:	Dina Umali-Deininger
Project Team Leader	Talaibek Torokulovich Koshmatov
ICR Team Leader	Sandra Broka

KYRGYZ
Agribusiness and Marketing Project

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A. Basic Information			
Country:	Kyrgyz Republic	Project Name:	Agribusiness & Marketing Project
Project ID:	P049724	L/C/TF Number(s):	IDA-40150,TF-53554
ICR Date:	06/26/2013	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	KYRGYZ REPUBLIC
Original Total Commitment:	XDR 5.50M	Disbursed Amount:	XDR 5.50M
Revised Amount:	XDR 5.50M		
Environmental Category: B			
Implementing Agencies:			
Ministry of Finance			
Ministry of Agriculture and Melioration			
Ministry of Economy			
Cofinanciers and Other External Partners:			
Government of Japan PHRD			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	11/06/2003	Effectiveness:	05/02/2005	05/02/2005
Appraisal:	09/27/2004	Restructuring(s):		07/17/2009 01/28/2011 12/20/2011 05/26/2012 11/20/2012 02/19/2013
Approval:	12/14/2004	Mid-term Review:	03/30/2009	04/13/2009
		Closing:	12/31/2010	03/31/2013

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory

Overall Bank Performance:	Moderately Satisfactory	Overall Borrower Performance:	Moderately Satisfactory
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C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Agro-industry	15	15
Agro-industry, marketing, and trade	70	70
Banking	10	10
Central government administration	5	5
Theme Code (as % of total Bank financing)		
Export development and competitiveness	17	50
Other financial and private sector development	33	20
Rural markets	33	15
Rural policies and institutions	17	15

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Philippe H. Le Houerou	Shigeo Katsu
Country Director:	Saroj Kumar Jha	Dennis N. de Tray
Sector Manager:	Dina Umali-Deiningger	Joseph R. Goldberg
Project Team Leader:	Talaibek Torokulovich Koshmatov	Edward C. Cook
ICR Team Leader:	Sandra Broka	
ICR Primary Author:	Asa Margareta G. Hoglund Giertz	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The direct project development objectives was to expand the level of activity of processing, marketing, and trade enterprises downstream of the farmgate, to increase the number and economic importance of producer organizations, and to improve the functioning of markets and trade linkages between producers, and primary and secondary level trade organizations. The Project will work directly with private enterprises and producer and other commercial organizations to improve the competitiveness of Kyrgyz

products. The ultimate objective of these efforts will be to increase the amount of value added to Kyrgyz agro-food commodities, to increase sales of those commodities both domestically and abroad, and to improve the operation of domestic agricultural markets.

Revised Project Development Objectives (as approved by original approving authority)

To assist the Borrower in increasing and enhancing the business activities of the Beneficiary agribusinesses supporting the Borrower's economic growth.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Increased share of agricultural production being processed			
Value quantitative or Qualitative)	12%	17%	Dropped	13.8% in 2009 11.1% in 2012
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	This indicator was dropped at restructuring in 2009. It was not achieved by then.			
Indicator 2:	Minimum repayment rate by borrowers to PFIs			
Value quantitative or Qualitative)	95%	95%	Dropped	100%
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	Although this indicator was dropped at restructuring, it was exceeded by the end of the project.			
Indicator 3:	Increased institutional lending to agro-industry clients			
Value quantitative or Qualitative)	KGS 177.8 mil	15%	Dropped	1,444%
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2012
Comments (incl. % achievement)	This indicator was dropped at restructuring. Nevertheless, it was significantly overachieved. Based on the NBKR data, total lending to agriculture reached 6,128 mil in 2012.			
Indicator 4:	Increase in sales of agribusinesses supported by the project			
Value quantitative or Qualitative)	0	N/a	+25%	+114%
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	Indicator exceeded. This indicator was originally an IOI, upgraded to a PDO-level indicator at the 2009 restructuring.			
Indicator 5:	Increase in profit of agribusinesses supported by the project			
Value quantitative or Qualitative)	0	N/a	+20%	+107%
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	Indicator exceeded. This indicator was originally an IOI, upgraded to a PDO-level indicator at the 2009 restructuring.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Increase in sales of enterprises and organizations supported by the project			
Value (quantitative or Qualitative)	Enterprise data	+25%	N/a	+114%
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	Indicator exceeded. This indicator was upgraded to a PDO indicator at the restructuring in 2009.			
Indicator 2:	Increase in profit of enterprises and organizations supported by the project			
Value (quantitative or Qualitative)	Enterprise data	+20%	N/a	+107%
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	Indicator exceeded. This indicator was upgraded to a PDO indicator at the restructuring in 2009.			
Indicator 3:	Number of loans to Project beneficiaries			
Value (quantitative or Qualitative)	0	50	N/a	109
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	The indicator was exceeded. 82 subloans directly from the C/L and 27 subloans from reflows were provided.			
Indicator 4:	Number of PFIs participating in the project			
Value (quantitative or Qualitative)	2	3	N/a	5
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	This indicator was fully achieved. 5 PFIs participated in the project.			
Indicator 5:	Number of loan officers trained			
Value (quantitative or Qualitative)	0	150	N/a	883
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	This indicator was exceeded. In total, 883 training spots were provided to loan officers under the Project: 380 in Investment Lending and Leasing, 337 in Structured Finance, 166 in Environmental Training.			
Indicator 6:	Volume (in US\$) of trade deals facilitated			
Value (quantitative or Qualitative)	0	N/a	2 million	17.5 million
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments	This indicator was overachieved with the Project facilitating trade deals beyond			

(incl. % achievement)	expectations. The indicator was added at project restructuring in July 2009.			
Indicator 7:	Number of agribusinesses receiving assistance from ABCC			
Value (quantitative or Qualitative)	0	N/a	40	42
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	The indicator was achieved. The indicator was added at project restructuring in July 2009			
Indicator 8:	Number of key business environments identified and tackled			
Value (quantitative or Qualitative)	0	N/a	3	3
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	Two VAT calculations on agricultural produce issues (for exports to Kazakhstan and Russia) tackled; the issue on illegal payments in key selected transit corridors being monitored. The indicator was added at project restructuring in July 2009			
Indicator 9:	Number of public service staff trained			
Value (quantitative or Qualitative)	0	N/a	50	1,70
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	This indicator was overachieved, with public service staff trained through a series of seminars and workshops organized by ABCC. The indicator was added at project restructuring in July 2009.			
Indicator 10:	Total volume of investments attracted to beneficiary agribusinesses			
Value (quantitative or Qualitative)	0	N/a	US\$ 10 million	US\$16.6 million
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	The final value exceeds the target. The indicator was added during July 2009 restructuring.			
Indicator 11:	Number of grants to producer organizations/cooperatives			
Value (quantitative or Qualitative)	0	N/a	50	58
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	The final value exceeds the target. The indicator was added during July 2009 restructuring.			
Indicator 12:	Number of market analysis reports prepared and disseminated			
Value (quantitative or Qualitative)	0	N/a	20	52
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	The final value exceeds the target. The indicator was added during July 2009 restructuring.			
Indicator 13:	Volume of Bank support - Line of Credit			
Value (quantitative)	0	N/a	US\$ 5 million	US\$ 5.03 million

or Qualitative)				
Date achieved	11/16/2004	06/30/2010	07/17/2009	03/30/2013
Comments (incl. % achievement)	The indicator was fully achieved. The indicator was added during July 2009 restructuring.			

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/10/2005	Satisfactory	Satisfactory	0.00
2	12/05/2005	Satisfactory	Satisfactory	0.25
3	03/27/2006	Satisfactory	Satisfactory	0.33
4	06/30/2006	Satisfactory	Satisfactory	0.53
5	06/27/2007	Satisfactory	Satisfactory	2.00
6	05/30/2008	Satisfactory	Satisfactory	3.81
7	12/19/2008	Satisfactory	Satisfactory	4.47
8	06/09/2009	Satisfactory	Satisfactory	4.54
9	11/13/2009	Satisfactory	Satisfactory	4.66
10	05/27/2010	Satisfactory	Satisfactory	5.06
11	01/03/2011	Satisfactory	Moderately Satisfactory	5.25
12	08/15/2011	Moderately Satisfactory	Moderately Satisfactory	5.59
13	12/03/2011	Moderately Satisfactory	Moderately Satisfactory	5.81
14	06/26/2012	Satisfactory	Satisfactory	7.41
15	08/26/2012	Satisfactory	Satisfactory	7.70
16	02/25/2013	Moderately Satisfactory	Moderately Satisfactory	7.79
17	03/31/2013	Satisfactory	Satisfactory	8.38

H. Restructuring

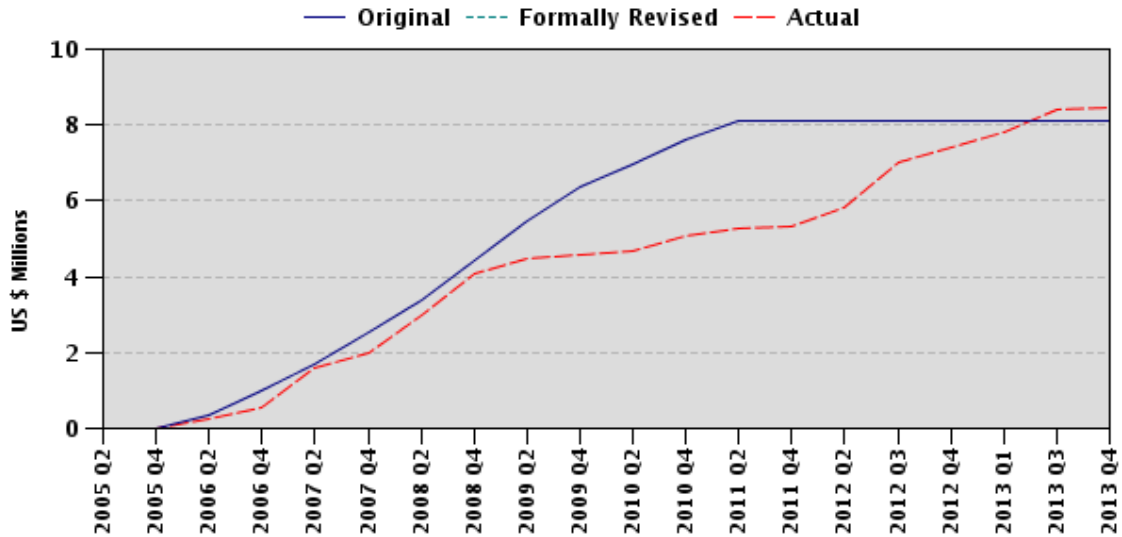
Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
07/17/2009	Y	S	S	4.66	Restructuring to streamline PDO and to support agricultural production in response to the food price crisis. Revision of the PDO, the results framework, and the relocation of funds to a Matching Investment Grants Program under Component 2.
01/28/2011		S	MS	5.25	Correction of disbursement categories and reallocation of funds.
12/20/2011		MS	MS	5.81	Project extension (6 months) to complete the construction of the FTTC and to fully disburse the Matching Investment Grants Program.
05/26/2012		MS	MS	6.98	Project extension (5 months) to

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
					complete the construction of the FTTC.
11/20/2012		S	S	7.79	Project extension (3 months) to complete the construction of the FTTC.
02/19/2013		S	S	7.79	Reallocation of funds between disbursement categories to complete the financing of the FTTC.

If PDO and/or Key Outcome Targets were formally revised (approved by the original approving body) enter ratings below:

	Outcome Ratings
Against Original PDO/Targets	Satisfactory
Against Formally Revised PDO/Targets	Satisfactory
Overall (weighted) rating	Satisfactory

I. Disbursement Profile



1. Project Context, Development Objectives, and Design

1.1 Context at Appraisal

(a) *General Economy*

1. **When project preparations started in 2003, the Kyrgyz Republic was recovering from a massive economic decline.** Immediately after independence, output fell 50 percent, accompanied by a decrease in tax revenues and the loss of support from Moscow, which resulted in a spike in poverty. Beginning in the mid-1990s, gross domestic product (GDP) started to grow again and had, by the time of project preparation, been increasing at a fairly stable rate of about 5 percent a year. However, structural problems and bottlenecks in the economy impeded economic performance and poverty reduction, including high levels of public expenditure and public debt, low tax revenues (below 20 percent of GDP), slow progress with economic reforms (in particular, privatization and strengthening of the banking sector), poor governance, and high levels of corruption. The Project Appraisal Document (PAD) pointed out the need for more private sector–led growth to decrease the reliance on public employment and to increase tax revenues. This required improvements in the business and investment climate, reform of the banking sector, and expansion of exports of goods and services, which were also a focus of the government’s National Poverty Reduction Strategy and the Bank’s Country Assistance Strategy.

(b) *Agricultural and Food Sector Performance*

2. At the time of project appraisal, agriculture accounted for roughly 35 percent of GDP and more than 40 percent of GDP including agro-food processing and logistics. The sector employed more than 50 percent of the country’s working population. While the economic rebound since the mid-1990s was due in part to strong agricultural growth, this was largely because of an increase in subsistence farming as a result of the outflow of labor from other sectors and thus was not seen as an option for sustainable growth. Agricultural growth rates fell from more than 10 percent annually in 1996 to 3.3 percent in 2002 and 3.9 percent in 2003. Although the poverty rate was falling steadily, poverty remained high in rural areas, at 55 percent.¹

3. Sustained growth in the agribusiness sector was challenged by low value added, weak supply chain linkages, low business management capacity, and poor marketing skills. The domestic agro-processing sector consisted largely of Soviet-legacy state-owned enterprises, characterized by ample unutilized production capacity, outdated processing equipment, and poor management and marketing skills; however, Kyrgyz jams and pickles had a positive image and were in high demand in the former Soviet Union countries. A new group of agro-food processors with diversified production was emerging. Although some of them were relatively large, most were small and underinvested, lacked adequate marketing skills and appropriate financial management systems, and did not meet food safety standards. Their technologies were outdated, and personnel were operating with technical knowledge that was no longer suitable to the changing market conditions. Lack of trust and contract enforcement led to interruptions along the supply chains. At the same time, there was a gap in terms of agro-business consultancy capacity in Kyrgyzstan, which left the agro-food processing sector with few opportunities to improve technology and marketing. As a result, agricultural value added was limited in the Kyrgyz Republic, and less than 15 percent of agricultural produce by value went into agro-food processing. The domestic food market was increasingly captured by foreign food producers, especially from Kazakhstan and Turkey, and Kyrgyz agro-food production was facing increasingly fierce competition from China and Europe in the traditional export markets of the Commonwealth of Independent States. The weak supply

¹ The poverty rate fell from 68 percent in 2000 to 55 percent in 2004, according to the National Statistics Committee.

chains, together with restrictive commercial transit policies, led to a decline in agro-food exports, from US\$120 million in 1995 to about US\$60 million in 2001.

(c) *Banking Sector and Lending to Agriculture*

1. **The Kyrgyz banking sector had, in the years prior to appraisal, become more robust in both size and capacity.** However, only about 5 percent of total lending by commercial banks went for agriculture, agro-processing, and storage activities. An exception was the Kyrgyz Agricultural Finance Corporation, a non-bank financial institution that had, at the time, 91 percent of its total portfolio in primary agriculture and 8 percent in agro-processing. The key reasons for the limited lending to agriculture and rural sectors were systemic throughout the banking sector: chronic lack of long-term resources along with inadequate skills to appraise long-term agricultural loans. Lack of acceptable collateral in rural areas was another reason, as commercial banks were reluctant to accept rural land as collateral, preferring real estate in larger urban areas. Finally, lending to agriculture was perceived as very risky and tools, such as crop insurance, were not in place to mitigate such risks. Besides production risk, which was a major concern, commercial banks mentioned poor readiness of borrowers to take loans, especially weak management capacity and lack of business planning, marketing, sales, and other skills.

2. **At the time of project design and appraisal, the Kyrgyz Republic had been under the same political leadership since gaining independence in 1991.** There was, at the time, little indication of the domestic and global events that would affect implementation of the project, namely, the revolution of spring 2005, the global food price crisis (2007–08), the global financial crisis (2008–09), and the revolution and civil conflict of 2010.

1.2 Original Project Development Objectives (PDO) and Key Indicators

3. **The direct PDO of the Agribusiness and Marketing Project as defined in the PAD was “to expand the level of activity of processing, marketing, and trade enterprises downstream of the farmgate, to increase the number and economic importance of producer organizations, and to improve the functioning of markets and trade linkages between producers and primary- and secondary-level trade organizations.”** The loan agreement stated the same objective similarly phrased: “to assist the borrower in: (i) expanding the level of activity of processing, marketing, and trade enterprises downstream of the farmgate; (ii) increasing the number and economic importance of producer organizations; and (iii) improving the functioning of markets and trade linkages between producers and primary- and secondary-level trade organizations.” The ultimate objective was to increase the amount of value added to Kyrgyz agro-food commodities, to increase the sale of those commodities both domestically and abroad, and to improve the operation of domestic agricultural markets.

4. **The key outcome indicators were the following:**

- Increase the share of agricultural production being processed
- Increase the role of producer organizations in agricultural marketing
- Improve the repayment performance of loans extended (repayment rate)
- Increase institutional lending to agro-industry clients.

1.3 Revised PDO (as Approved by Original Approving Authority) and Key Indicators and Reasons or Justification

5. **After working under the original objective for the first two years, it became apparent that the objective included areas outside the scope of the project and that measuring progress quantitatively was complicated.** Therefore, in order to make the PDO more streamlined and quantifiable, the PDO was restructured in July 2009. The revised PDO was “to assist the Borrower in increasing and enhancing the business activities of the Beneficiary agribusinesses supporting the Borrower’s economic growth.” The revised PDO excluded the objectives that were not supported by the project (for example, increasing the number of producer organizations) and dropped the unrealistic target of increasing the share of processed products in agricultural output. The latter would not have been possible due to the small size of the project relative to total agricultural output in the country.

6. **The key outcome indicators were revised as follows:**

- Increase the sales of agribusinesses supported by the project (in percentages)

- Increase the profits of agribusinesses supported by the project (in percentages).

1.4 Main Beneficiaries

7. **The main beneficiaries were agro-food processors, who received consultancy services provided by technical, marketing, and financial management specialists.** This group also gained access to the credit line under the project. Adding the grant component allowed producer organizations and cooperatives to receive matching grants in addition to loans. An extensive capacity-building program was also offered to producer cooperatives. Producers benefited from the value chain development pilot. The participating financial institutions received training to strengthen their capacity to provide investment lending in agriculture and to offer new financial products tailored to the agriculture sector. Eventually, food industry staff and students will benefit from the Food Technology Training Center (FTTC) set up under the project. Finally, the Ministry of Agriculture, Water Resources, and Processing Industry (MAWRPI) benefited from the analytical products offered by the Market Conditions Analysis Unit (MCAU), which was housed in the ministry and helped it to stay abreast of the latest developments in the foods market. Indirect beneficiaries were agricultural producers supplying agro-food processors involved in the project.

1.5 Original Components

8. **Component 1: Market Development Component (US\$6.74 million) was intended to address constraints in commodity supply chains through interventions in both the private and public sectors.** Through its four subcomponents, Component 1 sought to build the business capacity of participants in agricultural marketing chains and provide them with the foundation to work together more effectively.

- (i) **The *supply chain management* subcomponent sought to build the capacity of private sector participants in the marketing of Kyrgyz agri-food products.** The project established an *Agribusiness Competitiveness Center (ABCC)* to provide clients—that is, beneficiaries—with co-paid technical assistance through contracting with international business consulting firms and teaming these with local consultants. The intention of the center was to build consultancy capacity for the agro-processing sector that would be sustained beyond the implementation of the Project. The ABCC also collected feedback from the private sector concerning limitations on competitiveness and efficiency. A *Market Development Service (MDS)* was established within the ABCC and tasked with identifying obstacles for businesses and facilitating market development.

- (ii) **The *export promotion* subcomponent was intended to support targeted interventions through a trade linkage contractor.** The contractor was to link domestic sellers of Kyrgyz agricultural and food commodities with foreign buyers.
- (iii) **The *public sector investment* subcomponent sought to finance public sector investments and public-private partnerships that would address infrastructural and technological bottlenecks for supply chain development.** Any proposal was to be tied to a business need identified in the supply chain work.
- (iv) **The *public sector capacity-building* subcomponent sought to give the supervisory board of the ABCC an important role in addressing public sector issues constraining the development of the private agro-processing sector.** These issues included strengthening the public sector's ability to carry out functions appropriate for a market system, building appropriate public-private linkages in the agro-food sector of the economy, and identifying regulatory constraints to competitiveness of Kyrgyz commodities.

9. **Component 2: Access to Credit Component (US\$7.87 million) sought to (a) address key constraints associated with access to capital by Kyrgyz enterprises in the agri-food sector and (b) expand lending to the agriculture and food-processing sector by the formal banking sector through introduction of risk-mitigating tools for commercial banks.** *Technical assistance to the commercial banking sector* sought to strengthen the capacity of the participating financial institutions to lend to the agricultural and rural sectors. This training was a prerequisite for participating in the investment credit facility under the project and focused on investment lending to agricultural production and processing and structured finance for agriculture such as contract farming. An *Investment Credit Facility* sought to provide access to investment capital for the emerging producer organizations and private businesses involved in processing and marketing agricultural commodities. International Development Agency (IDA) funds were on-lent through participating financial institutions, which were selected on the basis of specific eligibility criteria and were responsible for identifying prospective sub-borrowers. The *Structured Finance Facility* was designed to test innovative financing schemes for the Kyrgyz Republic. It had two main products: (a) transaction finance working capital loans to agro-processing companies and (b) seasonal working capital loans for contract farming arrangements. The expectation was that the training and piloting of deals with the participating financial institutions would catalyze future development of structured finance in the Kyrgyz Republic.

10. **The *Credit Line Management Unit (CLMU)*, formerly the project management unit of the Second Rural Finance Project (RFP II), was to be responsible for implementing Component 2.** The CLMU liaised with the commercial banking sector, was responsible for financial management and disbursement functions for the project, and carried out other day-to-day administrative tasks.

11. **Component 3: Project Monitoring and Advisory Office (US\$0.10 million) was to be established in the MAWRPI on the basis of the project preparation unit.** It consisted of three staff: a director, a liaison officer, and an assistant, and its functions included (a) acting as the liaison between the MAWRPI and the MEDT with respect to the project's activities; (b) implementing the public sector capacity-building subcomponent on the basis of decisions of the supervisory board of the ABCC; (c) acting as liaison for the flow of information between the

MAWRPI and the ABCC; and (d) acting as liaison between the MAWRPI and the CLMU in respect of the project monitoring data reflected in the Financial Monitoring Reports.

1.6 Revised Components

12. **When the PDO was revised, a *Farmer Cooperative Matching Grants Program* was added to Component 2.** The purpose was to enhance the PDOs by supporting farmer cooperatives in improving their participation in the sector. Eligible investments were productive assets such as machinery, processing equipment, and storage facilities. Such investments were expected to enable more effective participation of farmer cooperatives in value chain arrangements and to strengthen agricultural supply chains. The matching grants constituted a maximum of 30 percent per beneficiary (cooperative) of the total funding (subloan plus the matching grant) extended to it. The matching grants subcomponent was implemented by the participating financial institutions according to the Farmer Cooperative Matching Grants Program Agreement and Guidelines and administered by the CLMU under the Ministry of Finance. In order to enhance the ability of cooperatives to access the funds, the project provided a complementary capacity-building program for cooperatives. No other revisions were made to the components.

1.7 Other Significant Changes

13. **An important change under the project was to replace the Project Monitoring and Advisory Office with the *Market Conditions Analysis Unit (MCAU)*.** The changing needs of the ministry were better served by the terms of reference (TOR) of the MCAU, which were to gather price information and analyze markets. The information was, to a certain extent, used to support policy-making decisions in the ministry and the work of the ABCC.

14. **The idea of hiring a trade linkage contractor under Component 1 was eventually abandoned.** The trade linkage contractors were to be hired in nearby large cities in Russia. Their role was to inform ABCC on gaps in supply on the markets in these cities so that ABCC could organize suppliers and send trucks with this produce to the markets. However, the activity was dropped because it was not operational in practice. By the time the trucks reached the cities, other suppliers had already filled the identified gaps.

15. **The project was extended four times.** The original closing date of December 31, 2010, was extended to December 31, 2011, then to June 30, 2012, to November 30, 2012, and finally to March 31, 2013. Due to the delays stemming from external circumstances (see Section 2.2 of this ICR), some of the project activities took longer to implement. The primary reason for the last two extensions was to complete establishment of the Food Technology Training Center.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design, and Quality at Entry

16. **Extensive background analysis ensured soundness of the project design.** The background analysis was extensive and detailed, covering a complex set of issues, including the macroeconomic context and exchange rate advantages that influenced trade and the availability of credit in the country. The PAD drew from market analyses carried out by the U.S. Agency for International Development (USAID) and Swiss Economic and Cooperation Office (SECO) to identify some of the Kyrgyz Republic's competitive advantages. The market approach of existing agribusinesses (which was reactive rather than proactive in developing markets, developing

products, and establishing trade linkages) and the many bottlenecks for marketability of Kyrgyz agro-food products were also discussed. The analysis was partially quantitative and thus gave a robust economic background to the circumstances in which the project was developed.

17. **Lessons learned from other projects were incorporated, which strengthened the project design.** Previous experience of working with traditional project implementation units in the Kyrgyz Republic as well as with alternative arrangements under projects in other countries (for example, the Mozambique Enterprise Development Project and private sector development projects in Georgia, Moldova, and Slovenia) was drawn on in designing the institutional structure for project implementation. Thus the technical assistance component of the project was implemented by an autonomous, legally registered organization (the ABCC), which was to be spun off into an independent private consulting company at the end of the project. This was an innovative approach for the country.

18. **A social assessment was conducted to understand the views of private stakeholders, including producers, processors, marketers, warehousemen, and transporters.** The main issues that arose were the lack of trust among market participants and the weak negotiating power of many producers. The project design addressed these issues through activities aiming to improve communication among market participants, facilitate contracts, and support the interests of producer organizations.

19. **The risks assessed and highlighted in the PAD were weak institutional capacity, the existing business environment, commercial risk, political risk, the risk to the use of public funds when borrowing for technical assistance, risks when picking winners, and project complexity.** All of these were thoroughly discussed in the project design and especially the institutional set-up (i.e. the autonomy of ABCC) and some of the activities (such as the screening process for selecting participating beneficiaries) were means to mitigate these risks.

20. **The project design was coherent and addressed the problems identified.** The project's *objectives* directly targeted identified problems in the sector. As discussed in Section 1.1 of this ICR, there was a clear need to increase economic activity in response to market demand and to develop linkages and functioning supply chains throughout the agro-processing sector. The *components* were in line with the objectives of the project. Component 1 directly supported the PDO through technical assistance, market facilitation, and analytical work. Component 2 addressed the existing credit constraints in the sector and thus supported agro-processing investments that would contribute to the objectives. Component 3 liaised between the project and the MAWRPI, to ensure that they were working toward the same objectives, which strengthened government ownership of the project. Due to the high concentration of agribusiness in the south of the country, the original design foresaw a regional ABCC office there, but left the *geographic coverage* to be determined by beneficiary demand.

21. **Project implementation arrangements ensured professional independence and a focus on successful implementation.** At first glance, the project design and its implementation arrangements (two implementing units and a unit to maintain linkages with the MAWRPI) were highly complex. The ABCC was set up as an autonomous, legally registered organization with a supervisory board, led by the Ministry of Economic Development, Industry, and Trade (MEDT) and consisting of representatives of both the public and private sectors. The access to credit component was implemented by the CLMU under the Ministry of Finance. The MCAU, which was set up in the MAWRPI, ensured the linkages between the project and the ministry. At the same time, all implementing units provided regular progress updates to all three ministries.

22. **This approach had three elements.** First, it addressed the existing issues of the agribusiness sector in a comprehensive way. The subject of agribusiness spanned the mandates of more than one ministry. It was deemed at the time of appraisal that agribusiness development was closer to the MEDT than the MAWRPI. However, the latter also had a stake in the project (especially because the responsibility for agro-processing development was periodically shifted between the two ministries). Second, it used the existing implementation capacities, as the CLMU already had prior successful experience in implementing credit lines under Bank-financed projects. Finally, it mitigated the risks that might have followed from having a single project implementation unit. For successful implementation of the market development component, it was imperative to have intensive interaction with private businesses that often shy away from close contacts with government entities for fear of interference. Therefore, the ABCC was positioned as a nongovernmental entity providing a voice for the private agribusiness sector at the government level. This proved to be the right approach. Also, placing the CLMU under the line ministry was a risk because the ministry might have exerted pressure and possibly intervened in the lending process. Therefore, it was placed under the Ministry of Finance based on the positive experience of past projects.

23. **The project had full government support.** The government was fully committed to the concept and design of the project. Revitalizing the agro-processing industry, increasing the share of processed products, achieving growth in value added, and contributing to economic growth were in line with the government's priorities in this area. The team preparing the project had observed an interest in and support for the project, which was continued under the subsequent government. Establishment of the ABCC by a government resolution and the provision of adequate office space for it are evidence to support this view.

24. **The original PDO was overly ambitious, which required a project restructuring.** The original PDO was too complex and broad. The PDO-level indicators included the "increased share of agricultural production being processed." The ICR mission was not sure whether this indicator referred to the entire sector or to the beneficiary companies. It would have been very difficult to demonstrate the project's impact upon sectorwide performance, given the small size of the project compared to the agribusiness sector; for this reason, the ICR focuses on the project's effects on beneficiary companies. However, more clarity on this issue in the PAD would have been useful.

2.2 Implementation

25. **The project was approved in December 2004 and became effective in May 2005. Throughout implementation, several major events occurred domestically and globally, which had important impacts on project implementation and results:**

- (i) **The March 2005 (Tulip) Revolution disrupted overall economic activities and on the Government's decision making process for 6 months.** In March 2005, shortly after the project was approved by the board and before it became effective, the Tulip Revolution broke out, and the government of Askar Akayev, which had been in place since independence in 1991, was replaced. This had an impact on all activities in the country, and the economy shrank 0.18 percent compared with growth of more than 7 percent in 2004.² This delayed project implementation from the start: the full launch of the project, planned for spring 2005, was delayed until the fall. Perhaps even more important, this uncertain work environment, both

² World Bank, World Development Indicators, accessed in March 2013.

for the private sector and for the project, lasted much longer than expected. Decisions were stalled or slow, and the start-up phase of the project (which included establishing the ABCC offices in Bishkek and Osh, developing core business activities, and developing partnerships with participating financial institutions for the credit line component) took longer than originally foreseen.

- (ii) **The Global Food Price Crisis (2007–08) led to increased focus of the project on producer organizations and eventually to a restructuring of the Project.** The Kyrgyz Republic was seriously affected by the global food price crisis of 2007–08.³ This shifted the focus of the government from increasing value added and generating employment in the agro-food sector to ensuring food security. This shift also had significant consequences for the project, as food security issues directly affect the agribusiness sector. While continuing with the project activities, the project also supported the government’s food security agenda: (a) the Farmer Cooperative Matching Grant Program was used to support improvements in agricultural productivity. Cooperatives were the intended beneficiaries of the project, and this program was fully in line with the government’s National Cooperatives Development Program; (b) a Food Security Unit in the MEDT was financed, given responsibility for analyzing commodity price movements for policy making, and in place for about a year (August 2008–August 2009); and (c) the MCAU was assigned to monitor food security indicators, which were developed by the ABCC and approved by the government.
- (iii) **Global Financial Crisis of 2008–09 increased overall risk aversion among both creditors and borrowers and resulted in implementation delays for the Project.** The credit line disbursed well during the first years of project implementation, but the financial crisis significantly slowed disbursement. Because of the drop in demand and uncertainties in output markets, producers were unwilling to borrow for investment and production. Similar to central banks in many other countries, the National Bank of the Kyrgyz Republic imposed more stringent reserve requirements, which had a direct impact on the profits of banks and increased their risk aversion. In this context, lending to agriculture was again considered too risky. Further, partially as a result of the financial crisis, the BTA Bank terminated its participation under the project. Since BTA Bank managed the largest share of the credit line,⁴ this meant that almost half of the credit line was returned to the Ministry of Finance instead of being revolved back into new loans to the agribusiness sector, as originally designed. Nevertheless, the credit line at the end of the project was fully disbursed to 81 borrowers (including 11 cooperatives). Another 27 sub-loans were financed from reflows.
- (iv) **The 2010 political turmoil caused a temporary stall in the economy as well as in Government decision-making which caused further implementation delays for the Project.** Political turmoil in April 2010 resulted in another change in

³ Based on data from various donors, average food inflation, which peaked at 48.2 percent (annual) in June 2008, was the highest in Europe and Central Asia, with bakery and cereal products experiencing a 109 percent price increase in the same period. In the first quarter of 2008, 20 percent of households or approximately 1 million people were severely food insecure, and food expenditure reached 74 percent of total consumption expenditure in early 2008 among severely food-insecure households.

⁴ Nevertheless, the BTA Bank’s contribution to project implementation was significant. It issued 42 subloans (39 percent of the total number of subloans under the project), including 30 from the direct credit line and 12 from reflows.

regime followed by ethnic clashes in southern Kyrgyz Republic in June 2010. This, once again, interrupted project implementation. Overall, the economy shrank again (-0.47 percent compared with 2009),⁵ and the assets of parts of the business community in the south (Osh and Jalal-Abad) were destroyed in the conflict. The events were followed by a period of economic and political uncertainty. Several project beneficiaries, especially in the south, terminated their participation in the project (some had lost their property in the clashes). The financial sector was reluctant to lend and invest, and processors were reluctant to produce due to uncertainties in output markets. The decision-making process in public agencies stalled, which slowed down decisions in the project.

26. **In addition, several factors internal to the project affected implementation.**

- (i) **The public investment funding, use of which had not been precisely defined at appraisal, led to several extensions of the closing date.** The project allocated US\$1 million for investment in infrastructure with a significant public benefit, which would remove a major bottleneck for agribusiness sector development. The main challenge was to identify financially viable public-private partnership investments or public goods investments. To advance this activity, the project engaged external experts, but several proposals proved not to be feasible. Finally, in 2009, the borrower submitted a proposal to set up of a Food Technology Training Center under the Kyrgyz State Technical University (KSTU). This investment was expected to increase the availability of qualified food technologists for the food-processing sector, which struggled with inadequate skills. The scarcity of qualified food technologists was raised repeatedly during implementation of the technical assistance packages.
- (ii) **Engaging international technical assistance in setting up the ABCC allowed the project to recover some of the lost start-up time.** This became particularly important given the project start-up delays due to the political situation. With the help of a resident international consultant and CERMA (a Georgian private sector support organization that contributed to the ABCC's design), the ABCC initiated its business activities within the first year.
- (iii) **The decision to “pick the winners” in selecting the companies for technical assistance allowed the project to achieve impressive results on the ground.** The companies that received technical assistance under the project were selected through a three-stage process. After an expression of interest, the companies underwent a rapid process to assess the capability of the company to benefit from the project. Key factors such as the commitment of management, ability to raise funding, effective decision-making processes and others separated the winners from the losers in the client selection process.
- (iv) **The setting up of the Central Agency for Development, Investments and Innovation (CADII) added an extra layer to the approval process and essentially shifted decision-making away from Ministries in 2009-2010.** Importantly, this had implications for the restructuring in that while approved by

⁵ World Bank, World Development Indicators, accessed in March 2013.

the Bank in the summer of 2009, it was not counter signed until the summer of 2010.

27. **Despite these challenges, the majority of activities progressed surprisingly well, and were implemented as planned and beyond within the adjusted implementation period.** For more details on outcomes and results, see section 3.2 of this ICR.

2.3 Monitoring and Evaluation (M&E) Design, Implementation, and Utilization

28. **As noted in section 1.3, the original PDO was broad and difficult to quantify, and the results indicators did not fully capture the different areas of the PDO; however, restructuring the PDO strengthened the objectives and the results framework.** For example, the results indicators under the original PDO covered impacts among producers and processors but failed to capture other activities along the supply chain and the functioning of markets, areas that were included in the PDO. In addition, the indicators in the monitoring framework did not fully mirror the results framework. The results framework had, for example, indicators on (a) repayment rates to participating financial institutions (PDO indicator) and (b) number of public service staff trained (Component 3 indicator), neither of which was included in the monitoring framework. Also, while the credit line and the support to the financial sector under Component 2 very much supported the PDO, the results framework focused mainly on the quantity of lending and on repayment, rather than on the impact of increased lending to the agro-food processing sector. Hence, there was a disconnect between the indicators relating to Component 2 and the PDO. When the PDO was revised, most of the original indicators were replaced, and the results framework was significantly strengthened as a result. The PDO indicators were decreased to two that directly measured the project's contribution to the PDO (increase in sales and profit of agribusiness supported under the project); in addition, 10 indicators of intermediate results measured the output of activities that supported the PDO indicators.

29. **For the most part, information was collected according to the monitoring framework and recorded in the Implementation Status and Results Reports (ISRs).** Several surveys were also conducted, asking respondents to rate the level of accuracy of the survey results in order to determine their robustness. The evaluation of the market linkage activity was based on the amounts stated in the contracts between suppliers and traders, thus giving precise amounts of impact. An important exception is that the absolute changes in sales and profits among the beneficiaries, especially under the credit line was not monitored properly and both baseline data and end of project results had to be collected at the time of the writing of the ICR. Another flaw is that the reporting of results only included the impacts of the technical assistance work of the ABCC, not the impacts on agribusinesses supported under other activities, including the credit line. Thus the reporting did not capture all outcomes of the project that contributed to the PDO. The results framework was not part of the client's regular program and will not be used after the project closes.

30. **In order to strengthen the monitoring of individual activities, the World Bank requested additional M&E indicators outside those defined in the PAD and recommended that the ABCC hire a consultant for this purpose.** Thus the Market Development Service set up its own framework for monitoring the impacts of the activities under the subcomponents and making better use of the information in other project activities. A similar request was made to the CLMU due to the volatility of the financial markets, and the CLMU therefore collected monthly information from the participating financial institutions on their balance sheets, income statements, loan portfolio breakdown, nonperforming loans, and liquidity ratio. Finally, the World Bank requested a final impact survey to support the information for the ICR.

2.4 Safeguards and Fiduciary Compliance

(a) Safeguards

31. **The project, which included small subprojects with no significant adverse environmental impacts expected, was classified as Environmental Category B with the Environmental Assessment Policy (OP/BP/GP 4.01) triggered.** An Environmental Assessment (EA) for the project was prepared, translated into Russian, and disclosed in the Kyrgyz Republic, with feedback incorporated. The EA noted possible environmental impacts through the financing of agro-processing industries, but the overall effect of the subprojects was considered positive. Since the purchase of pesticides was not intended under this project, it was considered that no significant pest management issues had to be raised, although the use of pesticides by the sub-borrowers could not be precluded. It was also presumed that some of the industries under the former socialist regime, which created significant environmental problems, would be refurbished to operate more efficiently and without the major environmental contamination of the past.

32. **Because no public land transactions took place under the project and because no land would be expropriated for the investments under the credit scheme, no social safeguard policy was triggered under the Project.** Anticipated environmental issues under the project were related to private investments under the credit line and investments in the rehabilitation of public infrastructure. For private investments, the subproject beneficiaries were responsible for mitigating any environmental effects; however, the Ministry of Ecology and Emergency Situations (MEES) together with the CLMU, were to ensure that these mitigation measures were implemented properly. The PAD also prescribed an assigned staff member or consultant with an environmental background in the CLMU to ensure that the participating financial institutions complied with environmental safeguards requirements. Finally, an important activity under the credit line component was to train participating financial institutions to screen the environmental compliance of subprojects. An EA for the project was disclosed in the Kyrgyz Republic, and feedback was incorporated. The restructuring of the project did not change the environmental category of the project or trigger any additional safeguards policies.

33. **Throughout implementation, safeguards were complied with and environmental impacts were mitigated. The environmental training of the participating financial institutions was initiated at an early stage of the project (December 2006) and included 11 loan officers in the first round.** An environmental training manual was eventually developed, and, as of end-2011, 166 staff from the participating financial institutions were trained. An environmental specialist was contracted by the CLMU to support the institutions in their screening of subprojects. Although no social safeguard was triggered, a social safeguards specialist joined the World Bank team for the midterm review. He confirmed that no negative social impacts were of concern under the project. At the time of the midterm review, the two safeguards specialists submitted recommendations to the CLMU for how to monitor safeguards compliance under the credit line. By the following mission in September–October 2011, these recommendations had been implemented. There were no significant deviations or waivers of safeguards under the project, and overall safeguards compliance was rated as satisfactory in the ISRs throughout the project.

(b)

Procurement

34. **A country procurement assessment carried out in 2002 concluded that the Kyrgyz Republic was a high-risk country with regard to public procurement and that the general institutional environment was not yet conducive to transparent, economic, and efficient procurement.** Procurement for the project was therefore assigned to the ABCC, and a full-time procurement officer was hired for this task. TOR and technical specifications were developed by the ABCC, the CLMU, participating financial institutions, and the government. The consultants hired for the initial capacity strengthening and training of the ABCC took an active part in drafting the TOR for the early round of procurement of technical assistance packages.

35. **The General Procurement Notice for the project was published in December 2004.** The procurement plan was updated once a year, and the approved procurement plans were published on Bank external website. According to the Bank requirements, the contracts that were not subject to prior Bank review were subject to ex post review on a sample basis. Four procurement ex post reviews were conducted for the project, and the recommendations provided by the Bank were partially implemented by the following ex post review mission. The project was included in the Kyrgyz Republic Country Portfolio Fiduciary Review, and as part of this exercise, the goods delivered and works constructed were inspected by qualified engineers during the period from the end of September to early October 2008.

(c) *Financial Management*

36. **Since the CLMU was built on the project management unit of the World Bank–financed Second Rural Finance Project (RFPII), a financial management capacity assessment confirmed that the CLMU had adequate capacity to manage disbursements, operate special accounts, and prepare Financial Monitoring Reports for parts of the project financed by both the IDA and the World Bank (Policy and Human Resources Development, PHRD).** A financial management manual developed by the board guided the financial management processes under the project. Because of its status as an independently operated government-owned legal entity, the ABCC needed to have its own financial management system in place.

37. **The financial management arrangements at the CLMU, including accounting, reporting, budgeting, and staff, were adequate and acceptable to the Bank throughout project implementation.** The financial management manual was in place, and the CLMU's system of internal controls was considered capable of providing timely information and reporting on the projects. Regular audits were made by the participating financial institutions to ensure compliance with World Bank requirements, and from 2009 onward the CLMU collected monthly financial data from the participating financial institutions to monitor their stability (see section 2.3 of this ICR). The only issue that arose during project implementation was that submission of the audit report was delayed for FY2011. This delay applied to all World Bank projects that year because the Bank disqualified two local auditing companies and changed the accepted methods for selecting audit companies. These changes resulted in a prolonged procurement process for audit services that year.

2.5 Postcompletion Operation/Next Phase

38. **There is no dedicated World Bank–financed operation building on the project at this point.** However, some issues are still unresolved in the agriculture processing sector, value chain development, and marketing of agriculture products, as a project of this size could not resolve all of the problems, despite making a positive contribution. Therefore, the new CPS will include a joint IDA-IFC study on agribusiness sector, to review the results achieved in the sector to date, and identify the remaining gaps and proposed actions to address them. The commercial

arm of the ABCC (that is, the MDS) ceased to exist in the form it had under the project, which meant letting go many of its staff (the remaining part now functions as a project implementation unit for another World Bank project).⁶ The technical skills of the local consultants working under the project will remain in the country, as some of the consultants continue as independent consultants or full-time employees with some of the processing companies involved under the project. Further, since the launching of the Project, the agro-business consulting sector has emerged and comprises today numerous consultancy companies. However, the size of ABCC together with the substantial TA provided under the Project resulted in ABCC dominating the market and other consultancy firms in the country expressed fear about being outcompeted by the ABCC for various contracts. Thus, dissolving the MDS created a more level playing field for the private sector, and the fact that the ABCC did not remain in the form it had under the project should not be seen as negative.

39. **The participating financial institutions reported that the overall experience of working with agro-food processors was positive and that the training provided new insight into how to evaluate agro-processing investment proposals more completely.** Discussions with the participating financial institutions also revealed a general interest in continuing to lend to agro-food processors.

40. **The main public investment under the project was the FTTC, created under the auspices of the KSTU.** The training will be demand driven and funded in part by the private sector through fees. Other expected sources of funding for the center are KSTU and other donors, such as GIZ⁷ and the European Union TEMPUS program. The training programs provided by the FTTC are expected to improve the capacity and knowledge of the country's food technologists and, through this, to enable the agribusiness sector to meet the increasing consumer demand for high-quality and safe food products. The FTTC is considered to be very important for upgrading the food-processing sector in the country. Moreover, interest in cooperating with the FTTC has been expressed by the Tomsk University of Russia and food technologists from Tajikistan.

41. **The MCAU was dissolved as of June 30, 2012.** It was not intended to become part of the MAWRPI's regular program.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design, and Implementation

42. **The development objectives, design, and implementation remained highly relevant at the time of project closing.** According to the Interim Strategy Note (ISN) FY2012–13,⁸ Kyrgyz economic policies were guided by reliance on the private sector for growth in a liberal trade environment. Based on the government's priorities, the ISN FY2012–13 identified economic stabilization for economic recovery, reconstruction, and growth as one of its three pillars and agriculture sector development as a key activity in support of these pillars. After the political turmoil in 2010, the newly elected coalition government developed a Plan of Action for 2011 that included financial and private sector development and food security, among other priorities. Specific for the food sector was a commitment to address constraints on the

⁶ Discussions have recently started on rebuilding the ABCC's commercial operations, as the other project will end in a few years.

⁷ Formerly GTZ.

⁸ After the political turmoil of 2010, the Bank worked in the Kyrgyz Republic based on an Interim Strategy Note for FY2012–13.

importation of food, domestic production, and competition in the food sector. The National Development Strategy for 2013–17 continues to support these objectives.

43. **The full Country Partnership Strategy for FY2014–17 is currently under preparation and has established the state’s relationship with the private sector as one of the pillars for the World Bank’s engagement in the future.** It acknowledges that the Kyrgyz economy is constrained by a narrow base of production and excessive reliance on mining. Agriculture has excellent prospects, although better policies are needed to strengthen competitiveness. Encouraging greater private sector participation is needed—for example, strengthening farmers’ organizations and developing small and medium-size agricultural enterprises.

44. **The project objectives, design, and results framework (both original and revised) continue to be in line with the strategic areas mentioned in the above-referenced documents.** Implementation of the project further supported these objectives. (For more details, see sections 2.2, 2.3, and 3.2 in this ICR.)

3.2 Achievement of Project Development Objectives

45. **The original and revised PDOs should weigh fairly equally when evaluating the project results** (see sections 1.2 and 1.3 for more details on key indicators). The PDO was formally revised in 2009 (see section 1.3 in this ICR), and at that point, 47.2 percent of total project funds had been disbursed.⁹ Although key indicators were revised at the same time as the PDOs, the PDOs are overlapping, and two intermediate outcome indicators were converted into key indicators; results therefore apply to both PDOs. In assessing the achievement of the PDOs, the underlying assumption is that the intended objectives were meant to be achieved at the level of project beneficiaries, not the entire sector.

46. **The original PDO was as follows:** “to expand the level of activity of processing, marketing, and trade enterprises downstream of the farmgate, to increase the number and economic importance of producer organizations, and to improve the functioning of markets and trade linkages between producers and primary- and secondary-level trade organizations.”

47. **The objective to “expand the level of activity of processing, marketing, and trade enterprises downstream of the farmgate” was achieved under the project.** The achievement of this part of the original PDO was originally measured by an outcome indicator: *increase in share of agricultural production being processed* from the base level of 12 percent to the target of 17 percent. However, this indicator was found to be inappropriate because it went beyond the scope, scale, and capacity of the project. A project of this size could not have changed the share of the entire agro-processing industry so dramatically. Clearly, the indicator was faulty and therefore was dropped. It is not considered for the assessment.

48. **Instead, in line with the intent stated in paragraph 48, it is assumed that this statement applies to the companies benefiting from the project activities.** Since the increases in production were not measured in the project beneficiary companies, the *increase in sales* indicator is used as a proxy to measure achievement of this objective. An inflation-adjusted increase in sales of 114 percent in the companies assisted assumes that both the level of activity and the level of production of companies increased, contributing to the increased share of

⁹ The disbursements, based on the source, were as follows: IDA, 55 percent; PHRD, 49 percent; Government of the Kyrgyz Republic, 70 percent.

processing at the national level. The results are described in detail in paragraphs 60–66. Moreover, the increased level of activity also resulted (a) from the credit line component, which provided 109 subloans to agribusiness companies, and (b) through the Market Development Service, the commercial arm of the ABCC under the project. The service coverage was much larger than the 42 beneficiaries of the technical assistance or the 109 beneficiaries of the credit line. During the project period, the MDS assisted almost 2,000 clients with identifying sales opportunities, business linkages, suppliers, and suitable equipment. These are not included in the figures reflecting increased sales and profits but would still have contributed to the expansion in the level of activities in the sector.

49. **The objective to “increase the number and economic importance of producer organizations” was achieved under the project.** For the purposes of the ICR, this was measured through the *increase in value of sales of producer organizations*. This indicator was not part of the formal monitoring framework and was not included under the revised PDO. Nevertheless, the project’s activities with regard to strengthening cooperatives did ultimately contribute positively to this part of the original PDO, even though many activities were implemented mainly after the PDO was restructured. The investments made by cooperatives using the credit line and support from matching grants, the training received by cooperatives (overall, 259 cooperatives received training under the project), and the value chain pilot activities all strengthened the economic importance of producer organizations. The results are detailed in paragraphs 56, 65, and 67 of this section.

50. **The objective to “improve the functioning of markets and trade linkages between producers and primary- and secondary-level trade organizations” was achieved under the project.** Although no key indicator specifically measured this objective, the project significantly improved the functioning of markets for the individual processors and producers who participated directly in project activities. The Market Development Service made key contributions to establishing trade linkages. The MDS facilitated the trading and promotion of Kyrgyz agricultural products both domestically and abroad, which led to an exponential increase in the number, volume, and amount of contracts on the domestic and export markets. From 2006 to 2012, the MDS facilitated 142 contracts ensuring sales and marketing of client products, with a total volume of 55,000 tons of produce valued at US\$17.5 million, of which 89 percent was exported to markets such as Bulgaria, Kazakhstan, Moldova, the Russian Federation, and Turkey. This can be compared with the 12 contracts valued at US\$101,000 that were in place in 2006.¹⁰

51. **The MDS also provided consulting and informational support to more than 1,971 clients (agribusinesses and private entrepreneurs) on a wide range of subjects, including marketing and promotion of products, legal issues, sourcing of raw materials, and procurement of productive assets.** The MDS provided assistance to domestic farmers and cooperatives in establishing trade relations on the supply of agricultural products to several countries, including Bulgaria, Kazakhstan, Moldova, Romania, Russia, Turkey, and others. The main types of products include potato, bulb onion, carrot, cabbage, bean, pepper, tomato, cucumber, sweet cherry, apricot, peach, and Uzgen rice.

52. **Further, the value chain concept piloted under the project supported the linkages to markets.** The project supported access to markets for two commodities (beans and potatoes); the value chain support pilot linked 130 organized producers in the Naryn, Issyk-Kul, and Talas oblasts to new export markets. Linkages with the foreign markets resulted in bean exports

¹⁰ Exchange rate as of end of the year.

according to the following: 124 tons to Bulgaria, 198 tons to Russia, 20 tons to Romania, 110 tons to Moldova, and 60 tons to Kazakhstan. The value chain activity for potatoes was only in place during the last year of project implementation, and only one contract was signed for the export of potatoes to Kazakhstan. Nevertheless, this contract gave farmers a price of KGS 6.5 per kilogram compared with KGS 4.5 per kilogram on the local market.

53. **The Information and Marketing Service (IMS), another activity under the project, also supported the creation of market linkages.** With IMS assistance, the ABCC clients could submit enquiries and obtain information on producers of goods and services by region and subsector of the economy, obtain live data on retail and wholesale prices for agricultural products in the regions, find information on available proposals and requests in the market, and use the database and analytical materials and news. The IMS created and regularly updated a database that includes information on agricultural producers and farmer cooperatives, agribusiness companies, processing companies, analytical information, suppliers of agricultural and food equipment, financial and credit institutions, consulting companies, and international donor organizations, among others. Since the ABCC website (www.agromarket.kg) was launched in 2009 to the end of the project, 50,527 visitors and 36,725 unique visitors were registered, and 97,766 pages were reviewed.

54. **The two remaining PDO-level indicators—“minimum repayment rate to participating financial institutions of 95 percent” and “increased institutional lending to agro-industry clients”—were fully achieved.** There were no problem loans under the project, and timely repayment stood at almost 100 percent. The second indicator was also fully achieved. Financial sector lending to agriculture increased multiple times instead of the required 15%. The agricultural portfolio of commercial banks was KGS 105.6 million at the end of 2004 and KGS 6,040 million at the end of 2012. Primary processing was KGS 72.2 million at the end of 2004 and KGS 88.1 million at the end of 2012, which is a 22 percent increase.¹¹ As for the participating PFIs, their combined portfolio from 2005 to 2011 from 1,656 million KGS in 2005 to 4,076 million KGS in 2011, or with 25.1% in real prices¹².

55. **The revised PDO “to assist the Borrower in increasing and enhancing the business activities of the Beneficiary agribusinesses supporting the Borrower’s economic growth” was achieved under the project.** This was measured through:

- Increase in sales of agribusinesses supported by the project (in percentages)
- Increase in profits of agribusinesses supported by the project (in percentages).

56. **The project successfully supported Kyrgyz agro-processing companies in efforts to enhance their business activities and increase their profits and sales.** A total of 42 companies received co-financed consultancy services and 108 companies received credit under the Project. Based on a sample of 86 companies (i.e. 57% of total participating companies), these activities resulted in profits increasing by 107 percent (adjusted for inflation) and sales increasing by 114 percent (adjusted for inflation) in different years in different enterprises according to when the TA and investment activities took place.¹³ The results per activity can be broken down as follows:

¹¹ Data from the publications of the National Bank of the Kyrgyz Republic.

¹² Three out of five PFIs participated in 2005 and four out of five in 2011.

¹³ According to the ABCC reporting table per subcomponent from May 2012, TA1, 20 companies; TA2, 25 companies, of which 8 participated under TA1 (17 new); and TA2 extension, 18 companies (5 new).

	No of companies	Change in Profit	Change in Sales
TA Package 1	3	138%	99%
TA Package 2	7	229%	152%
Credit Line	72/71	96%	112%
TOTAL	83/82	107%	114%

57. **Expertise in food production technology obtained under the project helped companies to improve their operational efficiency, expand their production lines, enhance the quality of their products, and develop new products and markets:**

- (i) **Organized visits to agricultural fairs abroad (in China, Germany, Kazakhstan, and Turkey) allowed processors to acquire modern equipment at prices that were significantly lower than would otherwise have been possible.** For example, one company saved more than US\$200,000 when purchasing new equipment. After modernization of their equipment, five client enterprises reportedly improved the quality of their products and the competitiveness of their products on the market.
- (ii) **Project activities improved operational efficiency and brought cost savings to client enterprises.** For instance, with the project’s help, one company bought new equipment that reduced the time to produce tomato sauce by 33 percent. This investment is saving the company about US\$5,000 equivalent annually in electricity costs.
- (iii) **New equipment and improved practices among the processors as a result of the technical assistance also had an impact on the quality and safety of products, resulting in more competitive products and enhanced access to markets.** For example, laboratory equipment that analyzed the quality of milk for a short period of time (10 parameters for 2 minutes) was purchased for two dairies and resulted in an increase in the fat content of purchased milk from 3.2 percent to 3.6–3.8 percent. With project support, a water-bottling company was HACCP (hazard analysis and critical control points) certified and obtained an FSSC 22000 certificate, becoming the first company in Central Asia to receive this certification, thus strengthening its competitiveness and ability to access new markets.
- (iv) **Improving the quality of products improved sales.** Activities focusing on decreasing the return of products from retailers due to production defects resulted in a 10 percent reduction in volume of returns and 10–15 percent in the number of defective products.
- (v) **With the support of technical assistance under the project, 67 new types of products were introduced in client enterprises.** For example, with support from the ABCC, one company that used to produce only honey and bee products started producing apricot and plum marshmallow sticks as well as apple juice of direct extraction with support from the ABCC.

58. **Marketing consultants helped companies to rebrand their products and find new markets, both domestically and abroad.** Labels were redesigned for more than 30 types of products, increasing the recognizability of company products and therefore sales. Support was provided to introduce products in supermarkets of Bishkek City, which led to increased sales and profits for the companies involved. Also in Bishkek City, the project helped a company to set up a marketing department and to train staff in marketing, which extended the company’s regular market territory and increased sales. Five companies found new markets for their products in 18 cities or markets. Client enterprises were assisted to increase the sales of their products to export

markets (Kazakhstan, Russia) for a total amount of KGS 15 million, of which about half were from new products introduced with the support of ABCC consultants.

59. **Financial management support improved the financial basis for management decision making, which had an impact on profits.** The technical assistance activity also helped to introduce the “1-C Accounting” automated accounting system in several companies. This allowed management of the enterprises to obtain easy access to financial information and improved their ability to make timely managerial decisions. It also helped them to save time in preparing reports and to reduce operational expenses.

60. **The ABCC also helped beneficiaries to develop business plans, which had significant results for their operations.** Business plans to attract investments in the total amount of US\$4.9 million were developed for two enterprises; the business plan for one company resulted in a contract, signed with a German buyer, to produce natural fruit juice for €200,000. The business plan for another company was developed for an investment in equipment to produce natural apple juice in five-liter packages; 35,000 liters of apple juice have been produced and sold since November 2011.

61. **The investments made under the credit line further contributed to enhanced sales and profits.** In all, 82 borrowers received sub-loans under the credit line in the total amount of US\$5.1 million, and an additional 27 sub-loans in the total amount of US\$1.73 million were financed by the participating financial institutions from reflows. Total investments generated through the credit line amounted to about US\$16.6 million. In addition, 58 matching grants for a total of US\$800,060 were provided to cooperatives to co-finance investments in agricultural machinery and other productive assets. This allowed agro-food processors to make investments that increased their productivity and modernized their processes. For example, two cooperatives acquired a modern harvester ("Dominator 130"), which allowed them to reduce harvest losses by 10 percent. A significant reduction in harvesting time allowed cooperatives to provide harvesting services to local farmers. The project also financed the start-up of a dairy company. Credit was provided for the construction of a small dairy plant, which allowed the purchase of modern equipment and, over time, expansion of the product line. Current capacity of the plant is 10,000 liters of milk per day, and sales are three times higher than last year. This dairy now sells its products not only domestically, but also in Kazakhstan.

62. **Information from the Kyrgyz Investment and Credit Bank on sales among the borrowers indicates a general increase in sales in the time period following the investments.** In the impact survey at the end of the project, 32 percent of the respondents saw an increase in their production output, 41 percent saw an increase in profit, 37 percent saw an increase in total sales, and 47 percent saw an increase in market share compared to before the investments¹⁴.

63. **The training of loan officers in participating financial institutions (altogether 869 training spots under three different themes) broadened the base of eligible borrowers and thereby increased their ability to invest in their businesses.** Similarly, the training of cooperatives (with 192 cooperatives participating) strengthened their management skills and allowed them to apply for financing under the project. According to the cooperatives with which the ICR mission met, this resulted in a more business-oriented approach to their activities and strengthened their confidence in initiating new, entrepreneurial activities.

¹⁴ The exact timeframe was not given in the survey.

64. In addition, the results for achievement of the first PDO (improvement in market linkage activities), described in paragraphs 54–57 of this section, contributed toward achievement of the revised PDO.

65. Summarizing the assessment, the achievement of the project development objectives before the PDO revision is rated as “satisfactory” (score of 5) with a weight of 0.47 and after the PDO revision is rated as “satisfactory” (score of 5) with a weight of 0.53.¹⁵

3.3 Efficiency

66. The economic internal rate of return (ERR) to the project is estimated to be 221 percent and the net present value (NPV) US\$ 12,738,571. The financial analysis shows an internal rate of return of 203 percent with a NPV of US\$ 18,952,112. The rates of returns and NPVs were based on the change in profits over one year generated from (a) the TA packages under Component 1 and (b) the investments made with support from the Credit Line under Component 2, and (c) the value of the contracts facilitated by the Contract Facilitation under Component 1. For the TA packages, profit data was available from about ¼ of the beneficiaries; for the Credit Line, information was available from 70 percent of the total beneficiaries. No assumptions on changes in profits have been made for the remaining beneficiaries. For the Credit Line, the investment is assumed to continue to generate certain profit (10% of the original increase in profit) over six additional years after the original increase was registered¹⁶. Other benefits of the Project stem from the public sector work of the Project (infrastructure and capacity enhancement), the introduction of regulatory and policy changes, work by the MDS, and the capacity building of participating financial institutions. However, these have not been possible to quantify within the scope of the ICR. The project is assumed to have generated positive environmental and social externalities, but these have not been estimated the quantitative analysis. The PAD did not calculate an ERR or NPV, so the above figures cannot be compared with the expected returns to the Project.

3. Justification of Overall Outcome Rating

Rating: Satisfactory

67. Given the relevance of the project and the results that the project achieved, the overall project rating is considered satisfactory. With very few exceptions, set targets were achieved or overachieved and the activities and investments under the Project are expected to continue to generate positive results for the beneficiaries under the Project. Also, despite only partial data on monetary benefits from the Project and despite negative external events (discussed in section 2.2), the Project shows high EIRR and NPV.

3.5 Overarching Themes, Other Outcomes, and Impacts

(a) *Poverty Impacts, Gender Aspects, and Social Development*

68. **The project facilitated and strengthened collaboration within the agribusiness sector.** An important finding of the social assessment done during project preparation was the lack of trust between participants in the sector. The project worked to address this by facilitating

¹⁵ $5 \times 0.47 + 5 \times 0.53 = 5$ (that is, 5 = satisfactory).

¹⁶ The investments are, thus, assumed to generate benefits over a total of seven years, which is the average amortization rate.

contractual agreements (for example, it helped agribusinesses to sign and deliver on supply contracts as well as to develop relationships between agro-processors and farmers to support the building of value chains), but also by strengthening the role of cooperatives in the Kyrgyz Republic. The final survey under the project found that the training of cooperatives was important for the latter; the number of members increased for 30 percent of the cooperatives that participated in the training, and more than 50 percent of the cooperatives had been approached by potential new members.

69. **The technical assistance provided to beneficiaries (agribusinesses) trickled, in some cases, down to farmers.** From meetings during the ICR mission, it was clear that some of the beneficiaries under the technical assistance packages worked closely with their suppliers (farmers) to improve the quality of their products, implying capacity building and improved market orientation among farmers. However, not all processors who participated in the project went to such lengths; some adopted a more traditional approach, simply looking for a new supplier in case of deficiencies in input quality instead of helping current suppliers to improve the quality of the raw materials.

70. **Although targeting women was not a formal objective, the project benefited many women.** Under the value chain development activity, many of the farmers with whom the extension agents worked were women. However, because it was not part of the project's objective, there was no formal monitoring of gender aspects under the project.

(b) *Institutional Change/Strengthening*

71. **The ABCC organized a range of policy seminars and roundtables for public officials on issues that constituted obstacles to the agribusiness policy environment.** For example, given the government's concern with food prices, the ABCC organized a series of events at various levels of government (including the prime minister's office) to discuss the cost of transportation of Kyrgyz agricultural products to domestic and export markets, including costs related to illegal payments on the roads.¹⁷ This information was also presented, for further decision making, to the Ministry of Interior of Kazakhstan. Another example is the explanatory work carried out to promote the concept of value chain development. Value Chain Development Guidelines, prepared under the value chain pilot activity, were presented to the minister of agriculture, heads of relevant units of the Ministry of Agriculture and Ministry of Economic Regulation, representatives of international projects, and value chain stakeholders.

72. **The other important institution that will remain in place after the project is the Food Technology Training Center, established at the KSTU under the public infrastructure development subcomponent.** The project supported the refurbishment and equipping of the facility, training of staff, development of training curricula, start-up marketing and promotion activities for the FTTC services, as well as appropriate governance through establishment of a supervisory board consisting of public and private sector representatives. Establishment of the FTTC will improve the capacity and knowledge of the country's food technologists and enable the agribusiness sector to meet the increasing consumer demand for high-quality and safe food products. The FTTC will offer training on state-of-art equipment, laboratory testing services, opportunities to develop new products on its demonstration lines, and a range of other services. Given the long-standing complaints about the scarcity of high-quality

¹⁷ During the project, the ABCC conducted a series of "road trips," accompanying actual sellers and exporters to monitor the situation with illegal and legal payments on roads. The routes included Bishkek to Osh, Bishkek to Astana (Kazakhstan), and Bishkek to select cities of southern Siberia in Russia.

food technologists, it is very important that the FTTC was set up at the university, as this will help to improve the education of future food technologists. This is the only such training facility in the Kyrgyz Republic; if operated successfully,¹⁸ the FTTC will become a key institution for sector development.

73. **According to the PAD, the strategy behind establishing the ABCC was to create industry-specific skills and capacity within the Kyrgyz Republic, to collaborate effectively with foreign technical assistance providers, and to take over leadership of technical assistance functions in the area of business development by the end of the project.** While the ABCC at the end of the project had the capacity to provide consultancy services to agribusiness and processing companies, the limited willingness and capacity of potential clients to pay the full cost of these services did not allow the ABCC to become fully independent financially and to sustain the team of experts who were assembled and trained over the course of the project. However, the local expertise nurtured under the project has been integrated into the industry. For example, the ICR mission learned that, having seen the quality of local consultants under the project, several of the beneficiaries were interested in paying the full cost of consultants, while at least one hired the local consultant from the ABCC as its production manager. In other cases, former client companies hired some technologists as permanent employees.

74. **Although two ministry units (MCAU and MEDT's Food Security Unit) were established under the project, they were only temporary, and their impact was not significant.** Their role was to add to the ministries' capacity, and their roles became particularly important during the food price crisis. In total, the MCAU produced 52 reports, some of them requested by the ministry and beyond the TOR. Although the mission heard of occasions when the reports of the MCAU contributed to the decision-making process in the MAWRPI, it was difficult to get a clear sense of how many of the analyses, roundtables, and so forth prepared and organized under the project contributed to significant policy changes or were communicated to a broader audience outside the ministry.

75. **Finally, the capacity strengthening of the participating financial institutions will be an important legacy of the project.** The project provided training to almost 900 training spots (some of the representatives attended training in more than one subject). The lending staff of the participating financial institutions received a broader understanding of lending products used globally to support agribusinesses, and this knowledge has been transferred in the Kyrgyz Republic. The participating financial institutions reported that they benefited from the training provided under the project and that this improved their ability to appraise agribusiness sector borrowers in the future. "Ayil Bank", for example, at this time widely uses methods of

¹⁸ The FTTC is expected to generate a large portion of its income through the sale of its services to the private sector. A marketing survey was supported by the project to assess the interest of potential clients in the services of the FTTC and their willingness to pay for services. The survey, conducted by the FTTC consultants, revealed a strong interest among processing companies. All enterprises underscored the importance of the training for their personnel and have indicated that they need training in the following areas: (a) processing technologies, 100 percent; (b) laboratory testing methods, 85 percent; (c) hygiene and sanitation, 79 percent; (d) quality standards, 75 percent; (e) marketing and sales, 66 percent; (f) financial management, 32 percent; and (g) other topics, 35 percent. In terms of duration of the training courses, 85 percent of respondents preferred three to five days, with a possibility of attending longer-term courses during off-season periods. As to the frequency of training, 76 percent of enterprises were willing to be trained once a year, while 75 percent were intending to train their staff whenever a new product is introduced. Management of 49 enterprises (72 percent) indicated that the FTTC could be helpful in testing and introducing new products. Similarly, 43 enterprises (63 percent) said they were planning to use the FTTC laboratory services for testing and research. From the financial perspective, the potential clients were willing to pay between KGS 500 (35 percent of respondents) and KGS 2,000 (24 percent) per day of training. Within this range, 31 percent were willing to pay KGS 1,000 (US\$1 = KGS 47).

investment lending and leasing that they learned about during the seminar in their everyday business. As a result of the knowledge gained, they also created a special subdivision dealing with leasing, which has allowed it to achieve a leading position in the country's leasing market. Another PFI developed and implemented a new loan product, as the training had given it a strong impetus to increase its customer base. Furthermore, the training encouraged the bank to exercise more flexibility towards customers in its lending policies. Strengthening the capacity of PFI staff also had an impact on the dissemination of knowledge in the banking sector, given the staff movements among the country's banks. This knowledge enables the PFIs to participate in other donor credit lines. The PFIs also reported that, as a result of the training provided, they have continued applying environmental risk assessment when evaluating loan requests outside the project portfolio.

(c) Other Unintended Outcomes and Impacts (Positive or Negative)

76. **The project strengthened the entrepreneurial spirit among beneficiaries.** A positive outcome of the project that beneficiaries of the consultancy services brought up on multiple occasions during the ICR mission was their improved confidence and ability to put ideas into practice. Beneficiaries reported that before the project they were inclined to do business according to how they had always done it, but now they had many ideas that they wanted to put into practice over the next few years. They also felt confident in their ability to do so, either with the help of paid consultants or by themselves.

77. **The environmental skills acquired under the project became an asset for the participating financial institutions outside of the project.** According to the CLMU and one of the financial institutions with which the team met during the ICR mission, the environmental training has allowed the participating financial institutions to take part in other international projects.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

78. **An impact survey was conducted during August–October 2012, which covered 200 beneficiaries under the project: 103 beneficiaries under the market development component and 97 beneficiaries under the access to credit component.** These included processing companies, cooperatives, consultants, and financial institutions. The results of the survey are referred to throughout this ICR and in annex 5.

79. **A project closing conference was organized during the ICR mission that allowed a broad range of project participants to hold presentations or offer comments.** Overall beneficiaries had a positive view of the project activities and expressed a desire for services under the project to continue. There was a call for expanding the base of agro-business consultants in the country, especially in light of the limited availability of highly skilled professionals, and there was positive feedback in this regard on the FTTC.

4. Assessment of Risk to Development Outcome

Rating: Moderate

80. **As always with projects that have large technical assistance components, there is a risk that the investments made in human capacity will not be maintained.** This is partly because of the risk that staff in the participating companies or institutions will move to other positions or countries and that the Kyrgyz Republic and its agro-food industry will not benefit from their skills. An outflow of skilled human capacity could adversely affect the development outcomes achieved. However, this risk is considered low, at least in the private sector, as the

positive contributions of the project have helped its many beneficiaries to achieve new targets and motivated them to continue working. The capital investments made under the project are unlikely to disappear. Therefore, it is assessed that no project-related factors pose a risk to the development outcomes.

81. **Instead, the main risks involve factors beyond the control of the main beneficiaries.** An important risk is domestic and international food and trade policies. Experience from the past years has shown that important export and import markets close easily at times of volatile food prices (as happened during the 2008 food price crisis when Kazakhstan, which is the Kyrgyz Republic's main supplier of grain for human consumption, terminated its grain exports). This is not within the control of the Kyrgyz Republic. Such a situation could affect both exports and the availability of inputs, which would have an impact on the PDOs. While this general risk should be kept in mind, the exact impact of the 2008 food price crisis on the project's beneficiaries is not known. Therefore, it is difficult to assess the extent of risk this poses in the future.

82. **During the ICR mission, one of the main concerns expressed by the technical advisers and some of the beneficiaries was the poor quality of raw materials.** This remains a challenge for the success of the companies involved.

83. **Finally, there is a risk that support for the FTTC will not be maintained or that the resources necessary to operate the center successfully will not be provided.** Given the reported need for skilled human capital in the Kyrgyz agro-food industry, this could adversely affect the development outcomes. However, the KSTU has been extremely supportive during the FTTC establishment process, and it is fairly safe to assume that this strong support will continue in the future.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) *Bank Performance in Ensuring Quality at Entry*

Rating: Moderately Satisfactory

84. **As discussed in section 2.1, the strategic relevance of the project was clear, and preparation of the project was thorough, taking into account various aspects that could influence implementation of the project and achievement of the objectives.** Based on rigorous background analysis and lessons learned from other projects, the PAD discusses in detail the reasoning behind the approach to addressing the problems of the private agro-food sector, the technical, financial, and economic context in the country and the sector, institutional aspects and implementation arrangements (including monitoring and evaluation), risk assessments, and so forth. Due to the nature of core beneficiaries and the objective of the project, poverty and gender aspects were not covered in the preparatory documentation. Nor was the impact on employment, although this is central in the country context and the government's strategy. However, development of the agribusiness sector through capacity building and provision of financing were expected to result in higher demand for inputs and raw materials, which was to generate employment in the farming sector. The Bank's performance is assessed as moderately satisfactory mainly due to the original too-broad PDO and the limited results and monitoring frameworks, as discussed in sections 2.1 and 2.3.

(b) *Quality of Supervision*

Rating: Moderately Satisfactory

85. **Overall, the quality of supervision was high.** Regular supervisory missions were conducted throughout project implementation, with more frequent missions in 2006 (three in that year) to speed up implementation after the domestic unrest that occurred soon after the project was implemented in 2005 and in 2010 to ensure proper implementation of remaining project activities. To these ends, action plans were regularly agreed upon during project implementation. The team identified the shortcomings in the original PDO and its indicators and restructured the project to set realistic and measurable targets. A rural finance specialist was part of the team from the beginning of the project and later took over as the task team leader. Similarly, also at a second shift in leadership, the new task team leader came from within the core project team, which ensured a smooth handover with minimum disruption to Bank supervision. Further into implementation, the team was also staffed with an agro-business specialist and a value chain and cooperative development specialist. The environmental safeguards specialist participated regularly in missions beginning with the mid-term review. In addition, a social safeguards specialist joined the team for the mid-term review, although no social safeguards were triggered. Project audits were performed on a regular basis as well as audits of the participating financial institutions, ensuring compliance with financial management requirements.

86. **However, it took a very long time to agree on and implement the first-tier restructuring in summer 2009 and gaps in the client's results monitoring slipped.** As mentioned in the Restructuring Paper, the need to reformulate the PDOs and simplify the outcome indicators first appeared during the extended period between project board approval and the start of project implementation (due to delayed ratification and the revolution of March 2005). During that time, other agencies, most notably GIZ and Reiffesen, scaled up their involvement in cooperatives, making it redundant for the project to pursue the objective of “increasing the number and economic importance of producer organizations.” This objective was left to the GIZ. However, it took almost four years to agree with the government on changes to the PDO and outcome indicators. Further, as discussed in section 2.3 of this ICR, there were gaps in the client's monitoring of changes in sales and profit among the clients and the team should have followed up on this better and ensured that adequate data was collected for these two indicators. The supervision rating is therefore regarded as Moderately Satisfactory rather than Satisfactory.

(c) Justification of Rating for Overall Bank Performance

Rating: Moderately Satisfactory

87. **The overall rating of Bank performance is considered moderately satisfactory.** The fact that the original PDO was too broad to be attributed to the project influenced the rating of an otherwise well-designed project. Similarly, revising the PDO was a lengthy process, and insufficient data was collected for monitoring of two key indicators. Overall Bank performance is therefore considered Moderately Satisfactory.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Satisfactory

88. **The government of the Kyrgyz Republic showed a strong commitment to the project during the design phase and made the institutional arrangements necessary to implement Components 1 and 2 successfully.** The government also saw the project as an effective tool with which to address problems in the agro-food sector that arose with the food price crisis and

used the project's capacity as political priorities shifted. The operational cost of the FTTC, which is currently under construction, is expected to be financed partially by the government via the budget of the KSTU. If operated according to plan, the center will add significant value to agro-food education in the Kyrgyz Republic and constitute a positive contribution of the government. The delays with ratification of the project in 2005 were related to political events and considered a force majeure. The main concern with the Government's role in the implementation of the Project is the delays caused by CADII, which in particular delayed the counter signing of the first restructuring for one year.

(b) Implementing Agency and Unit Performance

Rating: Moderately Satisfactory

89. **As noted in other sections, the performance of the implementing agencies (the MEDT, the Ministry of Finance, and the MAWRPI) and units (the ABCC and the CLMU) was high.** The units, in particular, performed in line with and beyond their TOR. The ABCC was proactive in initiating activities that were not originally planned and addressed problems that arose in its work with beneficiaries. Both the MIS and the FTTC are results of this. Other initiatives from the ABCC included an attempt to develop a common Kyrgyz label and packaging for food products to communicate that products are of a certain quality and a feasibility study of the export potential for sea-buckthorn. At project design, one of the foreseen roles of the ABCC was to communicate the needs and challenges of the private sector to the public sector and to identify solutions to obstacles for private sector development. In retrospect, the ABCC managed this role very well, contributing to the successful outcomes of the project.

90. **The CLMU under the Ministry of Finance also carried out its functions satisfactorily and provided important support to participating financial institutions in implementation of the credit line.** For instance, it conducted a monitoring visit to every sub-borrower and checked the loan file for completeness. The training was well organized, which is attested to by the high number of trainees reached. It also approached the TOR with creativity that further contributed to the achievement of the development objectives. For instance, the CLMU organized a special training session for senior management of participating financial institutions on the new financial products in agriculture, realizing that, without their understanding and buy-in, senior management would not allow loan officers to pilot these new products. The overall experience of the financial institutions in working with the CLMU was positive.

91. **The MEDT, the Ministry of Finance, and the MAWRPI all carried out their responsibilities according to the Loan Agreement.** As noted, delays in the decision-making process affected the project's implementation, but these were mainly due to events beyond the control of the implementing agencies. The main concern, which affects the rating, is the lack of data collection throughout the project over sales and profits of the clients.

(c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Satisfactory

92. Despite delays in decisions making and gaps in monitoring data, **the overall borrower performance can be considered moderately satisfactory due to the high commitment from the implementing agencies and units, without which the project would not have achieved such positive results.**

6. Lessons Learned

93. **A high level of commitment is required both from the World Bank team and from the client to implement complex projects successfully.** The mission documentation reflects a high level of support from the World Bank team in project implementation and a high level of activity on the part of the ABCC and the CLMU, which contributed to the originally planned project activities as well as new initiatives. Individual consultants also formed a close relationship with the processing companies, which resulted in mutual trust and commitment. Given the complexity of the project, it is doubtful that implementation would have been equally successful in the absence of such highly committed teams.

94. **The project design allowed for trial and error in piloting ideas and activities, which was another factor in success of the project.** For instance, the project design envisaged trade linkage contractors—that is, individuals and companies working in other cities (markets)—who would inform the ABCC of sales opportunities. This concept proved operationally difficult to implement. The funding was reallocated to a matching-grant program for cooperatives, allowing 22 cooperatives to acquire productive assets. Another example was the attempt to develop exports of sea-buckthorn to Germany. The Raiffeisen Fund Kyrgyzstan wanted to avail finance to farmers' cooperatives for picking and processing the berries, and the ABCC conducted an analysis of the market potential of this sector. Although the analysis found that there was significant market potential for developing this value chain, both the World Bank and the State Agency of Environment and Forestry were concerned about the environmental impacts of the harvesting methods, and the project was abandoned. Instead, the project supported the pilot value chains. Nevertheless, international experience shows that this type of initial government support for uncertain sectors has played an important role in some of the most successful efforts to develop the agriculture sector and that success in certain sectors has been matched by failure in others.¹⁹

95. **The flexibility of the design also ensured the demand-driven nature of the activities.** To mitigate for the limited capacity in the country to implement such advanced and somewhat innovative activities, the project components were described in detail in the PAD, and detailed steps were given for project implementation (6.5 pages only in the main text). Yet the design also allowed the ABCC the flexibility to develop its approach to supporting agribusinesses and facilitating market linkages, to ensure that the services provided under the project were demand driven and addressed the needs of individual beneficiaries.

96. **Picking the winners allowed the project to achieve its full potential in terms of the achieved results.** A rigorous process of early selection, with tough key questions (including whether management of the company is fully committed, whether the decision-making process is streamlined, and whether the company is able to secure a loan or other funding, if needed) allowed the project to pick future winners for participation in the technical assistance packages. While some companies were adversely affected by the political or external economic events, the majority of companies participating under the project achieved very good results.

97. **The individual design of each service package, according to the needs of the client, was crucial for the good results of the project.** Each service package was designed by the consultants and committed to by the company. Detailed action plans that spelled out every activity and provided a timeline were drawn up and agreed with management of the client companies. The combination of technical assistance services (financial management, technical,

¹⁹ World Bank, *Growing Africa: Unlocking the Potential of Agribusiness* (Washington: World Bank, 2013).

and marketing services) was essential to achieving sustainable results. Many beneficiaries pointed out in the ICR meetings that single-service packages (for example, only marketing advice) would not have been as useful. Also, the longer duration of technical assistance packages (depending on the scope of work, the assistance was for up to 18 months) allowed the project to demonstrate the quality of the consultancy services and gradually overcome the donor fatigue that some beneficiaries were facing.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

7.1 Borrower/Implementing Agencies

101. Comments were received from all implementing agencies: Ministry of Economy, Ministry of Finance, and Ministry of Agriculture and Melioration. The full report, including lessons learned for each component, is attached in Annex 7.

7.2 Cofinanciers

102. Comments were received from the Embassy of Japan in the Kyrgyz Republic and attached in Annex 8.

7.3 Other Partners and Stakeholders

(e.g., NGOs/private sector/civil society)

103. Comments were received from a beneficiary company and a training provider under Component 1, and a participating financial institution under Component 2. Comments have been attached in Annex 8.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Component 1	6.74	6.05	89.8%
Component 2	5.97	6.77	113.4%
Component 3	0.097	0.145	149.5%
Total Baseline Cost	12.8	12.97	101.2%
Physical and Price Contingencies	0.17	0.00	0.00
Total Project Costs	12.98	12.97	99.9%
Front-end fee PPF	0.00	0.00	.00
Front-end fee IBRD	0.00	0.00	.00
Total Financing Required	12.98	12.97	99.9%

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		0.13	0.21	161.5%
International Development Association (IDA)		8.10	8.09	99.9%
Foreign Multilateral Institutions (unidentified)		4.75	4.67	98.3%
Total		12.98	12.97%	

Annex 2. Outputs by Component

Component 1: Market Development²⁰

A. Enterprise Development Sub-component:

Technical Assistance to Agribusinesses Implementation

The main objectives and tasks of the sub-component included support to agro-processing enterprises through provision of technical assistance to ensure competitiveness of their products in the foreign and domestic markets. Enterprises of the food and processing industry of the country received technical assistance in terms of advice on a wide range of issues, organizing their participation in international exhibitions and workshops, and training of the personnel.

Assistance to the client enterprises was provided by CA-17 International (France), an international consulting company with a wealth of international experience as well as a team of local consultants (17 experts) established by the ACC within the project and representing professional specialists in the appropriate areas. Technical assistance was provided in the areas of industry management, finance, marketing and introduction of international quality standards (HACCP, ISO).

In order to implement the technical assistance, detailed action plans were developed for each client enterprise. These action plans focused on the above-mentioned areas. As a result of the technical assistance program, the following was expected:

- (1) Increase in the value added of food product processing in the selected client enterprises, in particular, increase in the product quality, reduction of production costs, increase in the volume of sales, improvement of managerial knowledge and skills of the personnel;
- (2) Strengthening capacity of the domestic market consulting services.

Main results:

The first technical assistance package to the processing entities was implemented in 2008-2009. Within the first TA package, Action Plans were implemented in the following **20 selected enterprises**:

№	Name of the Enterprise	Location	Area of activity
1	OSKO Ltd	Bishkek	Fruit and vegetable processing / drying fruits and berries
2	Ak Bata Ltd	Bishkek	Mineral water
3	Saamal Ltd	Bishkek	Bakery
4	SAM Ltd	Bishkek	Fruit and vegetable processing
5	Dessert Ltd	Chui oblast	Fruit and vegetable processing
6	Reach Stem Ltd	Chui oblast	Fruit and vegetable processing
7	Oregon Ltd	Issyk Kul oblast	Fruit and vegetable processing
8	Ilfat Ltd	Issyk Kul oblast	Fruit and vegetable processing
9	Ak Jalga Ltd	Issyk Kul oblast	Milk processing
10	Arashan Ltd	Talas oblast	Milk processing
11	Agroelita Company	Osh oblast	Fruit and vegetable processing
12	Rahmonberdi Ltd	Osh oblast	Fruit and vegetable processing
13	AUM Close corporation	Osh oblast	Fruit and vegetable processing
14	Agroplast Company	Batken oblast	Fruit and vegetable processing
15	AN MASTO Ltd	Jalal Abad oblast	Fruit and vegetable processing

²⁰ The information was prepared by ABCC.

16	Doma Ata Company	Jalal Abad oblast	Vegetable oil production
17	Baimyrzaev private company	Jalal Abad oblast	Fruit and vegetable processing / drying fruits and berries
18	Umambekov private entrepreneur	Issyk Kul oblast	Milk processing
19	Jelden Ata Ltd	Issyk Kul oblast	Fruit and vegetable processing
20	Kaiymov private entrepreneur	Naryn oblast	Milk processing

Implementation of the **first package of the technical assistance** in client enterprises allowed achieving the following results:

- 43 new types of products in the client enterprises were introduced;
- “1C-Accounting” software was installed and supported in 6 enterprises (Oregon Ltd, Agroelita Company, Ilfat Ltd, Agriplast Ltd, Arashan Public Corporation, Jelden Ata Ltd);
- Business plans to attract investments in the total amount of US\$4.9 million were developed for two enterprises (Doma Ata Ltd Company and Agriplast Company);
- Laboratory equipment that allows conducting rapid analysis of milk quality (10 parameters in 2 minutes) was purchased for two dairies. As a result, the companies were able to “increase” the fat content in the purchased milk from 3.2 percent to 3.6-3.8 percent;
- As a result of equipment modernization quality of the products was improved in 5 companies (Agriplast Company, Agroelita Company, Reach Stem Ltd, Oregon Ltd, AUM Close corporation). For instance, in one company, the production time of tomato sauce was reduced by 33 percent. In total KGS 234,000 were saved due to electricity savings, the quality of the product was improved, and competitiveness of this products in the market was increased;
- Activities were performed in order to introduce products in the supermarkets of Bishkek city which allowed to increase the volume of sales and profit of companies;
- Client enterprises were assisted to increase the sale of their products to export markets (Kazakhstan, Russia) for total amount of KGS 15 million; including about half of the products of the new type introduced by the ABCC consultants in the companies;
- Activities related to returns from the retail chain due to production defects were undertaken; the volume of such returns was reduced by 10%. The level of defects was reduced by 10-15 percent;
- Restyling of the label design was performed for 30 types of products;
- During the period of implementation of the first TA package, ISO 9001 and ISO 22000 quality management systems were introduced in Ak Bata entity. It involved development and introduction of 23 documented procedures, 22 instructions, 7 schedules, 73 recording forms, 1 specification and, practically, development of the guidelines on quality and safety of the drinking water were completed.

Implementation of the **second TA package** was launched in April 2010 and included 8 companies from the first TA package and 17 new enterprises.

The political events of April and June 2010 had substantial adverse effect on the activity of most companies, some of them requested extension of the technical assistance to assist during the whole production season in summer and autumn of 2011. Within the second TA package action plans have been implemented in **25 enterprises** (data as of December 2011):

№	Name of the Enterprise, Location	Type of Activity
1.	Emiliya Ltd (Talas oblast)	Milk processing
2.	Tuuganbaev Private entrepreneur (Talas oblast)	Milk processing

3.	Shumkar Public corporation (Issyk Kul oblast)	Production and processing of chicken
4.	Baerkos Ltd (Jalal Abad oblast)	Fruit and vegetable processing
5.	Kelechek Public corporation (Osh oblast)	Fruit and vegetable processing
6.	Alai Kut Ltd (Jala Abad oblast)	Fruit and vegetable processing
7.	Bai Sut Ltd (Osh oblast)	Milk processing
8.	Kyrgyzstan Public corporation (Osh oblast)	Fruit and vegetable processing
9.	Arbet and K (Batket oblast)	Fruit and vegetable processing
10.	Uuz Ak Ltd (Issyk Kul oblast)	Milk processing
11.	Baiogliiev Private entrepreneur (Osh oblast)	Capers processing
12.	Samigulina Private entrepreneur (Issyk Kul oblast)	Production of honey and bee products
13.	Ak Bata Ltd (Bishkek city)	Production of drinking water
14.	Dessert Public corporation (Chui oblast)	Fruit and vegetable processing
15.	OSKO Ltd (Chui oblast)	Fruit and vegetable processing
16.	Agroplast Company (Batken oblast)	Fruit and vegetable processing
17.	Doma Ata Company (Jalal Abad oblast)	Production of vegetable oil
18.	Saamal Ltd (Bishkek city)	Bakery products
19.	Baimyrzaev Private entrepreneur (Jalal Abad oblast)	Fruit and vegetable processing
20.	Jelden Ata Ltd (Issyk Kul oblast)	Fruit and vegetable processing
21.	Shoro Close Corporation (Bishkek city)	Production of mineral water and national drinks
22.	Talas Sut Close Corporation (Talas oblast)	Milk processing
23.	Ejigei Ltd (Talas oblast)	Milk processing
24.	Osh Nan Ltd (Osh city)	Milk processing
25.	Dan JSC (Batken oblast)	Production of flour-grinding products

As a result of implementation of the **second TA package**, the following main results were achieved (as of December 2011):

- Ak Bata Ltd completed introduction of the ISO 9001 quality management system (QMS) and FSSC 22000 (ISO 22000 + PAS 220) food security system, which started in 2008. The company was audited by the accredited international company, Det Norske Veritas (DNV), and successfully certified by FSSC 22000 for production of water and ISO 9001 at the same time. The company is one of the first companies in Central Asia which received this certificate corresponding to the internal food security standards. From the time of certification the company sets its hopes on opening new opportunities for export of its products to the external markets;
- 24 new types of products have been introduced in the client enterprises;
- Talas Sut saved more than US\$200,000 in purchasing of new complex technological equipment;
- A Marketing Department was set up and trained within Shumkar Ltd office in Bishkek city, and the territory of Shumkar Ltd product sale was extended;
- Diversification of the activity was undertaken at Simagulina private enterprise, which used to produce only honey and bee products before cooperation with ABCC. With assistance of a technology consultant, the company started producing apricot and plum marshmallow sticks as well as apple juice of the direct extraction;
- Rebranding of the trade marks was done for several client enterprises, and increased the recognizability of the company products and, as a result, the volume of products sale;

- With support of Kumtor Operating Company, Jelden Ata Ltd purchased technological equipment for more than US\$400,000. With assistance of ABCC all purchased equipment was installed, and production of fruit puree in aseptic bags of 200 kg initiated;
- Business plan of Agriplast Company was developed and contract for supply of the processing line to produce natural fruit juice of the direct extraction for EUR200,000 was signed with German company, Food Systems;
- Business plan of Kyrgyzstan Ltd for production of natural apple juice in 5-liter package, «Bag-in-box», for EUR 98,500 was developed. In October – November 2011 this equipment was installed at the company and 35,000 liters of apple juice had been produced and sold by June 2012;
- “1-C Accounting” automated accounting system was introduced in several companies. This helped the management of the enterprises, to get quick access to financial information, which improved the timeliness of managerial decisions. It also made it possible to save time for preparation of different reports and reduce operational expenses.

The second package of the technical assistance was extended to June 30, 2012. In accordance with the requests received from client enterprises, the second TA assistance package (including the contract with CA-17 and financing for the local consultants services) was extended until June 30, 2012. Quick scanning and diagnosis for selection of additional enterprises for the period of technical assistance extension, including trips to regions, was undertaken. During the extension period, technical assistance was provided to 18 companies, 5 of which are new clients, which did not participate in the project previously.

Capacity Building of Local Consultants

Activities were conducted by ABCC on professional development of local consultants. Thus, 17 trainings and workshops on performing diagnosis of entities, financial management, marketing, food products security, consulting skills etc. were conducted during the implementation of two TA packages. Using the processing facility of ABCC client enterprises, three practical training sessions with participation of international experts on food processing were conducted for specialists of food products technology. 20 technologists and 10 company directors were trained.

ABCC also performed activities related to providing technical and informational support to processing companies to allow them to participate in international exhibitions and fairs, assisting in establishing business contacts with potential partners as well as conducting activities on improvement of the business environment. With ABCC assistance client enterprises have participated in the following international exhibitions:

- «Mersin 3-d Agricultural exhibition» in Mersin city, Turkey.
- Central Asia Fruit and Vegetable Forum «KAZAGROFOOD».
- International exhibition «Canton Fair» in Guangzhou city, China, was organized repeatedly 2008-2010. This exhibition enabled most of the companies to purchase equipment at the manufacturers' prices, resulting in savings and raising awareness of innovations in the area of food production.
- The “Green Week 2009” international exhibition in Berlin, Germany during January 15-26, 2009. As a result of participation in this exhibition one company signed a contract with a German company on supply of their products to Germany.

ABCC, along with the Kyrgyz Republic Ministry of Economic Regulation and the State Tax Service under the Kyrgyz Republic Government, conducted a workshop on issues related to introduction of the new version of the Kyrgyz Republic Tax Code. This practical training was conducted with participation of an independent tax consultant as well as representatives of tax services of Bishkek city and oblast branches. Such workshops for management and accountants of ABCC client enterprises were conducted in Osh and Bishkek cities.

The main objectives of the workshops included explanation of the new version of the KR Tax Code, discussing problems faced by companies in adopting the Tax Code's new version and search for ways to solve them.

Activity on defining of damages caused to ABCC client enterprises as a result of April 7-8, 2010 events was conducted. Informational assistance in preparation and submission of documents to the State Commission on assessment of damages caused by events of April 7-8, 2010 was provided.

Round table on "Problems with export of milk products and ways to solve them" with participation of public bodies, processing entities and the Russian Federation Embassy in the Kyrgyz Republic was organized. As a result of this activity, a Resolution of the round table specifying problems and necessary activities to solve them by appropriate parties was adopted.

At ABCC request, the Ministry of Economic Regulation provided explanations on issues related to application of income tax and VAT breaks by agro-processing companies. Explanations were distributed among ABCC client enterprises.

Along with the Kyrgyz State Technical University named after Razakov (KSTU), a Round table on "Improvement in training of the professional personnel of the food and processing industry" was organized on April 26, 2012. Within this event, the establishment of the Food Technology Training Center (FTTC) was discussed, including a visit to the site of the new center where refurbishment works are taking place. The key issue of the event was organizing discussions with food industry companies with regard to identification of problems and needs in order to more effectively train the staff of the country's food industry.

Establishment of the Food Technology Training Center

During the implementation of the project, ABCC together with international consultants identified a number of problems in the agricultural processing sector where the critical shortage of highly qualified personnel is among the principal ones. In order to strengthen the capacity of the agricultural processing sector and effectively develop the public infrastructure to solve the identified problems, ABCC together with KSTU, following the Memorandum of 2010 initiated proposal to establish a Food Technology Training Center (FTTC) for training and requalification of agro-processing specialists. The FTTC was constructed in the final months of implementation and a reason for the last extensions of the Project. The FTTC will be equipped with modern technologies of food processing and provide an opportunity to strengthen the capacity of processing company staff in the country, KSTU teaching staff and students.

B. Market Development Sub-component:

The Market Development Service (MDS) of ABCC have strengthened the export capacity of the domestic producers of agricultural products by providing informational and consulting support and promoting their products in foreign and domestic markets.

MDS provided support to Kyrgyz entrepreneurs of the agribusiness sector (cooperatives, farmers, agroexporters and private entrepreneurs) in concluding 142 trade contracts for 54,000 tons of fresh agricultural products in the total amount of US\$ 17.5 million. 89 percent of the contracts were for export.

MDS also provided consulting and informational support to more than 1,971 clients (agribusinesses and private entrepreneurs) on a wide range of subjects, including marketing and products promoting, legal issues, sourcing of raw materials and procurement of productive assets. The MDS provided assistance to domestic farmers and cooperatives in establishing trade relations on supply of agricultural products to several countries, including Russian Federation, Republic of Kazakhstan, Bulgaria, Turkey, Moldova, Romania etc. The main types of products includes potato, bulb onion, carrot, cabbage, bean, pepper, tomato, cucumber, sweet cherry, apricot, peach, Uzgen rice and others.

Key MDS indicators for 2006-2012:

Indicators of interim results	Assessment criteria	Target (years)							Total
		2006	2007	2008	2009	2010	2011	2012 As of April	
Component 1									
Provision of responsive services on sale and marketing of clients products in foreign and domestic markets									
1) Number of contracts facilitated by MDS	Number of contracts	12	19	19	25	22	21	24	142
Export		3	8	8	23	17	14	17	90
Domestic market		9	11	11	2	5	7	7	52
2) Volume of contracts supported by MDS	Tons	767	1,794	2,095	5,309	28,142.7	14,159	2,622	54,888.7
Export		393	724	507	5,185	27,937.7	12,919	1,592	49,258
Domestic market		374	1,070	1,588	124	205	1,240	1,030	5,631
3) Volume of trade deals supported by MDS	US\$(exchange rate as of year-end)	100,568.5	607,541.7	801,524.4	5,892,214.9	5,876,441.2	3,068,826.68	1,105,488	17,452,605.6
Export		18,087.9	273,920.6	336,077.2	5,795,583.9	5,750,217.2	2,859,422	769,987	15,803,295.9
Domestic market		82,480.6	333,621.2	465,447.2	96,631	126,223.9	209,404.68	335,501.1	1,649,309.7
Component 2									
Provision of consulting and informational services to agribusiness sector									
Number of agribusinesses who have received MDS support	Number of clients	73	237	321	472	482	311	75	1,971

Value Chain Development

With the start in 2009, activities on development of pilot projects on building value chains (VC) on potato and bean were undertaken. Naryn and Issyk Kul Oblasts were selected as pilot regions for Potato Value Chain and Talas Oblast was selected as the pilot region for Bean VC. Of the selected nine groups, six were agricultural cooperatives and 3 were groups of mutual assistance. A total of 130 people were involved in the pilot project. Agrolead and RAS offices of Chui-Talas and Naryn were selected as the consulting and training companies (CTC) for implementation of the pilot projects. Technical support by CTCs started in April 2011 and was completed in November 2011. Ten comprehensive practical workshops, starting from soil analysis, to the marketing of agricultural products were provided.

Results of the project:

- 130 producers of agricultural products, agro-food exporters were trained on issues related to compliance with agricultural production technology.
- Nine demonstration fields were organized.
- Experiments on use of mineral and organic fertilizers, biological and chemical products were conducted.
- Soil analysis was conducted and recommendations on soil improvement were provided.
- Yields increased by 20-30 percent.
- Contracts on supply of agricultural products to foreign markets (Russia, Kazakhstan, Bulgaria, Turkey, Romania, Moldova) were prepared;
- Bean value chains (sale) were organized to following foreign markets:
 - 124 tons to Bulgaria;
 - 198 tons to Russian Federation,
 - 20 tons to Romania;
 - 110 tons to the Republic of Moldova;
 - 60 tons to the Republic of Kazakhstan.

Guideline on VC Development was developed and published. Presentation of the “Guideline on building VCs” was organized, with participation of the Minister of Agriculture, heads of relevant units of the Ministry of Agriculture and Ministry of Economic Regulation, representatives of international projects, social organizations, partners and direct participants of VCs. Informational lists on the potato value chain in Issyk Kul and Kochkorka and bean value chain in Talas were developed and disseminated, including a chart describing the relations between the various participants of the value chain.

Cooperatives Support Program

Activities on implementation of the Farmer Cooperatives Support Program were implemented from 2009. The aim of the program was to combine efforts on development of the rural cooperatives system, which is focused on improvement of economic activity in the areas of production, processing and sale of agricultural products. Activities on strengthening the capacity of farmer cooperatives by conducting a series of training sessions listed below were undertaken within the Cooperatives Support Program:

- Effective management and business planning

- Marketing of agricultural products
- Training of cooperatives accountants
- Financial management
- Effective conducting of business negotiations.

A total of 192 cooperatives (including 76 cooperatives during 2009 – 2010 and 116 cooperatives in 2011) were trained under the program as part of their possible participation in a Matching Grant Program designed for Farmer Cooperatives under the project's Credit Line component. As of today, 58 agricultural cooperatives have been financed under the grant program for cooperatives in the total amount of US\$800,060.

Other trainings to 67 cooperatives were provided in 2011. In general, 259 farmer cooperatives from all country regions have been trained. ABCC continued to support farmer cooperatives to enable them to get financial assistance within the grant line and to provide training for additional cooperatives, particularly, together with Raiffaisen Kyrgyzstan foundation.

Strengthening Public Sector Capacity

ABCC initiated, developed and submitted the following main documents and proposals to the interested ministries and departments and the Government of the Kyrgyz Republic:

- Prepared an informational film (video reporting) on problems related to the domestic trade of agricultural products on the Osh-Bishkek -border with the Republic of Kazakhstan route;
- Developed a draft Concept on improvement of the Kyrgyz Republic agricultural and industrial sector public management system (reforms of the KR Ministry of Agriculture);
- Prepared a draft State program on development of the cooperative movement in the Kyrgyz Republic and Action Plan on its implementation;
- Development of the the Kyrgyz Republic Food Security Law, which was subsequently adopted;
- Initiated and conducted on regular basis the National Competition “Best exporter of the year”;
- Carried out development of drafts of agricultural clusters of the following products:
 - ✓ Potato, bean;
 - ✓ Vegetables and fruits;
 - ✓ Mineral and table water.

The developed drafts were submitted to the KR MA for the further submission to the KR Government.

- Participated in elaboration of the strategy on development of the food and processing industry for 2011-2015.
- Conducted a sociological survey on “View of agricultural producers, processing specialists, exporters and carriers in regard to KR entering into Customs Union”.
- Prepared and published an analytical article on “Development of Leasing in Kyrgyzstan”.

During its activity ABCC prepared and published following printed materials:

- 1) A book “Conditions and order of shifting agricultural products through customs at the borders of 5 countries: the Kyrgyz Republic, Republic of Kazakhstan, Republic of Tajikistan, Republic of Uzbekistan and Russian Federation». The book is a practical guideline on legal aspects of agricultural products trade, and was disseminated to the

domestic private and public sectors and in CIS countries (Russia, Kazakhstan). This book was published with the financial support of USAID Trade Liberalization and Customs Reform project.

- 2) Report on “Examining the real barriers restraining promotion of goods and trade development in the region» (with financial support of OSCE).
- 3) Brochures:
 - Legal forms of conducting business
 - Agreement as a basis for relations between parties
 - Authorization-based system and the order of moving agricultural products through the customs of the Kyrgyz Republic
- 4) A reference book “Bean production and export in the Kyrgyz Republic”
- 5) Informational and reference brochure “Guidelines on moving of agricultural products through the customs”.

Within this sub-component the ABCC also conducted a number of large events with the aim to obtain a platform for dialogue between the public and private sectors in order to discuss problems which prevent development of the agribusiness sector, in particular, in the area of taxation, promotion of domestic products in the export markets, obtaining permissions and licenses.

In addition, ABCC assisted the agribusiness sector in search of potential partners by organizing events. For instance, the International Agribusiness Forum on “Expanding regional trade of agricultural products and food items and means of their production” was organized on April 10, 2009. The aim of conducting the Agribusiness Forum was to set up direct business contacts between producers and buyers of agricultural products, food items and processing industry products of the Kyrgyz Republic, CIS countries and far-abroad countries. Domestic producers participated in an exhibition, where they were able to present a wide range of agricultural products. As a result of the Forum, 10 contracts and letters of intents were signed.

The Kyrgyz – Kazakh Agribusiness Forum on “Regional cooperation in the area of agricultural products and food item trade” was conducted in Kordai village of the Kazakh Republic Jambyl oblast on October 29, 2010. Objectives of the Kyrgyz – Kazakh Agribusiness Forum included: development of stable trade in agricultural products and food items and expanding agroexport capacity of the Kyrgyz Republic; setting up mutually beneficial business contacts between vendors and buyers of the agricultural products; reviewing issues related to access regime, elimination of administrative barriers while moving agricultural products through the Kyrgyz – Kazakh border. As a result, 29 contracts of intent were signed between the entrepreneurs of the two countries on supply of agricultural products to the Republic of Kazakhstan.

In general, 22 large events (round tables, workshops and conferences) were organized under this activity, dealing with problems of political, legal and normative nature that prevent improvements in the competitiveness of the Kyrgyz agricultural sector goods. These were submitted to the interested ministries and government agencies for their review. The total number of participants at the conducted events amounted to 1,550.

In addition, the ABCC regularly assisted the interested ministries with preparation of analytical information and other materials on the situation in the agricultural sector and food industry, participation in sessions and meetings, submission of proposals and

recommendations on all issues related to development of the Kyrgyz Republic agribusiness sector.

Informational and Marketing Service (IMS):

The official web-site of ABCC, www.agromarket.kg was launched in 2009. Informational and Marketing Service (IMS) was established as a structure of ABCC. IMS collected, arranged and analyzed information on and for the agricultural sector of the economy. With IMS assistance, the ABCC clients could submit enquiries and obtain information on producers of goods and services by region and sub-sector of economy, live data on retail and wholesale prices for agricultural products in the regions, information on available proposals and requests in the market, use database and analytical materials and news.

IMS created and regularly updates a data base, which includes information on agricultural producers and farmer cooperatives, agribusiness companies, processing companies, analytical information, suppliers of agricultural and food equipment, financial and credit institutions, consulting companies, international donor organizations etc. Regular weekly update of information on retail and wholesale prices on food products in Bishkek and Osh cities is done by the ABCC on its website.

50,527 visitors and 36,725 unique visitors have been registered and 97,766 pages were reviewed on the ABCC website for period 2010 – May 2012.

A pilot program on dissemination of weather forecasts to farmers was conducted for period May – November 2011 through SMS. 20 clients (farmers), of which 10 from Chui Oblast and 10 from Osh Oblast, participated. The service was provided free of charge. Monitoring of accuracy of the provided forecast was carried out, and, based on the assessment done by the clients, the accuracy of the provided forecast was 80 percent. Weather forecasts were provided daily, for 3 days in advance compared with official sources, which provide this information only for the next day. Many requests were received to continue with this service, including several farmers who were prepared to pay for it.

ABCC regularly conducted promotional activities through mass media, publications and reporting in informational agencies, printing houses, on radio and TV informing of the conducted events and providing comments and analytical articles on urgent issues of the Kyrgyz Republic agricultural sector development.

Component 2: Access to Credit

Credit Line Implementation Progress. The implementation of the Credit Line for agribusiness investments was fully completed. It should be noted that as a result of US\$/SDR exchange rate fluctuations, the original US\$5 million of the Credit Line as of end June 2012 had become US\$5.11 million, all of which will be disbursed by that date. Total investments mobilized into the agribusiness sector amount to approx. US\$16.6 million equivalent, including the required co-financing by Participating Financial Institutions (minimum 20 percent for all sub-loans after December 31, 2006) and beneficiaries (minimum 20 percent).

A total of 109 sub-loans have been financed under the project from the Credit Line and from the reflows in the total amount of US\$6.83 million equivalent, including:

- (i) 82 sub-loans in the total amount of US\$5.1 million directly from the Credit Line;
- (ii) including, 12 sub-loans in the US\$0.497 million have been provided to cooperatives in support of the cooperative matching grant program (eligible cooperatives receive a matching grant for their investment in productive assets for agricultural production and processing, and the credit-line co-finances the grants).
- (iii) 27 sub-loans in the total amount of US\$1.73 million equivalent have been financed from reflows, which accumulate in the PFIs from repayments on principal amounts by the sub-borrowers and are used for repayment of the subsidiary loan in accordance with an agreed schedule to the Ministry of Finance, or revolved into new sub-loans using the same procedures and criteria.

The Table below provides a snap-shot of the PFI activities (as of June 2012):

	Number of loans		Amount disbursed from CL, US\$ mln.	Share of PFIs in total disbursements from CL	Amount disbursed from RF, US\$ mln. equivalent	Total disbursement CL+RF, US\$ mln.
	Credit line (CL)	Reflows (RF)				
BTA Bank*	30	12	1.91	37.45%	0.48	2.39
Aiylbank	37	10	1.24	24.31%	0.40	1.64
KICB	8	4	1.42	27.84%	0.80	2.22
Bank Kyrgyzstan	5	1	0.33	6.47%	0.05	0.38
Bai-Tushum	2	-	0.20	3.92%	-	0.20
Total	82	27	5.10	100.00%	1.73	6.83

* BTA Bank has repaid the withdrawn amounts to the MOF already due to developments internally in the bank.

Disbursements from the Credit Line, including for sub-loans to agribusinesses and cooperatives:

	Sub-loans to agribusinesses from the Credit Line		Sub-loans to cooperatives from the Credit Line		Total Sub-loans	
	Number	Total amount, US\$ equiv.	Number	Total amount, US\$ equiv.	Number	Total amount, US\$ equiv.
BTA bank	30	1,916,714			30	1,916,714
Aiylbank	27	946,109	10	293,755	37	1,239,864
KICB	8	1,415,000			8	1,415,000
AKB Kyrgyzstan	5	327,066			5	327,066
Bai Tushum	-	-	2	203,032	2	203,032
Total	70	4,604,890	12	427,787	82	5,101,676

Sub-loan Portfolio Characteristics:

(1) Lending by Type of Investment:

	Number of Sub-loans	As % of total number
Equipment	48	58.54
Facility refurbishment and construction	14	17.07
Transport	14	17.07
Warehouses and storage	3	3.66
Procurement of raw materials	3	3.66
	82	100.0

(2) Lending by Sub-sector of Economy

Sub-sector	Number	As % of total disbursements
Meat, poultry and fish processing	14	17.1
Fruit and vegetable processing	17	20.7
Flour and bakery products	11	13.4
Dairy processing	4	4.9
Cotton and wool processing	5	6.1
Purchase of refrigerators and trading equipment	9	11.0
Other	22	26.8
Total	82	100

(3) Lending by Oblasts:

Oblasts	Total amount of sub-loans	Including, total amount to cooperatives	Total	As a % of the total disbursed	Number of sub-loans	As a % of total number
Chui	2,940,037	446,159	3,386,196	66.4	51	62.3
Osh	504,395	11,789	516,185	10.1	5	6.1
Jalal-abad	507,179	8,796	515,975	10.1	8	9.7
Issyk-kul	497,178		497,178	9.8	12	14.7
Naryn	127,059		127,059	2.5	2	2.4
Talas	12,505	30,042	42,548	0.8	2	2.4
Batken	16,534		16,534	0.3	2	2.4
Total	4,604,890	496,786	5,032,678	100.0	82	100.0

Farmer Cooperative Matching Grant Program. The program allowed eligible cooperatives that (i) had participated in the specialized training provided by ABCC (or obtained equivalent training elsewhere), and (ii) required investments in productive assets

for agricultural production and small-scale processing, and (iii) met other criteria established in the Operational Guidelines for the matching grant program, to obtain a portion of necessary financing to procure the asset on a conditional grant basis. PFIs appraise such requests for grant financing, to ensure the cooperatives were financially viable, and filled in any financing gap (between the total amount of the sub-project and the grant financing) from their own credit line resources. The grant could be obtained in an amount of up to 30 percent of the loan amount²¹. It should be noted that the grant represents the last 30 percent of the provided financing – the loan portion (70 percent) had to be repaid in full and on time in order for the 30 percent to become a grant. In case of non-repayment of the loan portion, the entire matching grant amount becomes a loan, repayable with interest.

58 grants were provided by PFIs in the amount of US\$800,060 (i.e. 100 percent of the total allocation for the matching grant program). The grants predominantly financed agricultural machinery - 17 and the remaining 5 grants finance reconstruction and construction of facilities, equipment and other purposes. Discussions with the PFIs revealed that the interest in these grants, thus the pipeline, was strong. The Table below summarizes the implementation of the matching grant program as of the date of June 2012:

Oblast	Number of grants provided	Total amount of grants disbursed, US\$	As a % of total disbursements
Batken	2	9,666	1.2
Chui	17	387,646	48.5
Jalal-abad	9	72,735	9.1
Issyk-kul	9	108,087	13.5
Naryn	5	38,597	4.8
Osh	10	85,557	10.7
Talas	6	97,772	12.2
Total	58	800,060	100.0

Training of PFIs under ABMP. Training was carried out with PFIs under the project, and the original targets have been far exceeded. The project provided training to the staff of the PFIs in three subjects: *Investment Lending and Leasing in Agriculture*, *Structured Finance Products in Agriculture*, and *Environmental Training*. At the project outset, it was envisaged that about 150 banking sector staff would receive training in Investment Lending and Leasing, Structured Finance Products, and Environmental issues related to project

²¹ For example, if a cooperative wanted to purchase a tractor, they have to invest 10 percent of own funds (as borrower's contribution). Of the remaining 90 percent, up to 30 percent could be obtained as matching grant, and the remaining 70 percent was provided by the PFI as a loan from own resources or from the ABMP credit line.

financing. The training was initiated by international consultants who delivered the first set of the training courses and in parallel trained the local consultants who subsequently fully took over the training activities. This allowed for a very efficient training of a large number of financial intermediary staff under the project. As a result, 883 bank staff were trained under the project, including: 380 staff trained in Investment Lending and Leasing in Agriculture, 337 staff in Structured Finance, and 166 PFI staff in Environmental Training.

Component 3: Monitoring and Advisory

The Market Conditions Analysis Unit (MCAU) collected and provided price information and market analysis on key food items to the Ministry of Agriculture (MOA). It also provided information in response to ad-hoc requests from the Ministry of Agriculture and Melioration.

Annex 3. Economic and Financial Analysis

The economic internal rate of return (ERR) to the project is estimated to be 221 percent and the net present value (NPV) US\$ 12,738,571. The financial analysis shows an internal rate of return of 203 percent with a NPV of US\$ 18,952,112.

The PAD expected economic benefits of the Project through two channels: (i) direct interaction with clients of the ABCC; and (ii) assistance to other private sector actors, improvement in the functioning of markets, and enhanced public sector capacity. The second channel of benefits comprised the public sector work of the Project (infrastructure and capacity enhancement), introduction of regulatory and policy changes, work of the MDS, provision of credit under the two credit lines, and capacity building of participating financial institutions, which in turn would avail more credit to the agri-food sector. Because of the demand-driven nature of the investments and TA activities, ERR or NPV were not calculated at project appraisal, which makes it difficult to evaluate if the Project reached the expected ERR.

Nevertheless, the assumptions of the PAD remain valid in general also after implementation. Economic impact stemmed from the TA packages, the Credit Line, the Value Chain activity, the contract facilitation, public sector interventions and public goods provision such as regulatory improvements and the MIS. Because of the difficulties in measuring the economic impact of several of these activities, the difficulty to prove attributability to the Project, and the delay in the results of some (like the FTTC), **the economic impact analysis focuses on three activities:**

- (i) the TA packages;
- (ii) the Credit Line; and
- (iii) the contract facilitation.

The economic analysis leaves out the impacts on many of the beneficiaries, since it only takes into account the actual available data on monetary impacts. It also does not make any assumptions on continued benefits from the TA packages, nor possible spill-over effects on other companies. Further, the analysis does not make any assumptions on the benefits from the FTTC, from the price data bases, social impacts, or externalities. The results from the economic analysis are therefore likely to be lower than actual.

Inflation and Exchange Rates

While Kyrgyzstan had limited inflation at the time of the design of the Project, inflation picked up during Project implementation, in particular during the food price crisis. The following inflation rate was recorded throughout the implementation period:

	2006	2007	2008	2009	2010	2011	2012
KG Consumer Price Index	5.56%	10.18 %	24.52%	6.9%	7.97%	16.5%	2.18%
Value decrease	0.94	0.90	0.75	0.93	0.92	0.84	0.98

Inflation rates have been adjusted for according to the comparing years, starting with the year following the initiation of the TA packages, since profit and sales have been estimated as of the end of the year. I.e. for the first TA package, inflation has been adjusted for from 2007 and onwards, and for the second TA package, from 2009 and onwards. Data has been available for 2011 or 2012 and inflation has been adjusted for accordingly.

Exchange rates are annual average exchange rates calculated from the exchange rate set by the National Bank of the Kyrgyz Republic. Exchange rates for the period 2013-2016 have been assumed equal to the 2012 exchange rate. Using the average exchange rate was opted out since the 2012 US\$ value to the KGS is the highest for the relevant period and the result of a continuous increase since 2008. Also, predicting the future exchange (and, thus, assuming that the US\$ would increase further to the KGS) was deemed too risky.

	2005	2006	2007	2008	2009	2010	2011	2012	2013-2018
Exchange rate (KGS/US\$)	41.02	40.13	37.27	36.60	42.92	45.99	46.14	47.00	47.00

Project benefits:

Despite significant effort, including a beneficiary survey, it was not possible to obtain annual data on profits within the scope of this assignment. Therefore, the benefits of both the TA packages and the credit line reflect only the profit for a certain period and not for all project years, and are therefore likely to be significantly underestimated. It can be noted that for both the TA Component and the Credit Line Component, profit figures are taken from the books of the companies and are not recall figures.

The impacts of the TA packages compare the profits the baseline year (2009 or 2011) with the profit of 2011 or 2012, depending on the company. Data on profits were provided by 11 companies and profits have been adjusted for inflation. As can be seen in the aggregate revenues for the TA packages, business activities in 2011 were influenced by the domestic conflict. (Data for 2012 has, however, not been possible to obtain.)

The data obtained for the impact of the Credit Line is only for 6 months (measured as the profit 6 months after the credit was granted and compared with the profit 6 months prior to the loan), and not the full project implementation period, and is thus likely to be even further underestimated. The inflation rate applied reflects that of the rate the year that the credit was granted. It is then assumed that the investment made will benefit the project for another six years, with an annual 10 percent of the initial profit in real terms. Thus, total impacts from the investments are expected to last for seven years, which is the average amortization period.

The Trade Facilitation Activity was regularly monitored and runs therefore over the full project implementation period. Because of the difficulties that the producers and processors had to sell their products and the fact that many of them had large stocks of unsold quantities, it is assumed that the Contract Facilitation Activity can be attributed 70 percent of the value of these contracts.

Over the course of the Project, the data we have is the following:

	Y1 (2005)	Y2 (2006)	Y3 (2007)	Y4 (2008)	Y5 (2009)	Y6 (2010)	Y7 (2011)	Y8 (2012)	Y9 (2013)
TA Packages	0	0	0	0	no data	no data	-634767	113154	no data
Contract Facilitation	0	100569	607542	801524	5892215	5876441	3068827	1105488	
Credit Line	0	0	12054525	no data	no data	4228	1205332	12186379	0
TOTAL	0	100569	12662067	801524	5892215	5880670	3639391	13405021	0

Note: Profits under the TA activities and the credit line have been adjusted for inflation.

To obtain economic prices, a standard conversion rate (SCR) of 0.8 is applied on the revenues generated by the contract facilitation. While a share of these revenues came from foreign contracts, these contracts were also subject to taxes, customs duties, and other fees, and so the conversion rate is applicable also in these cases.

Project costs:

The costs of the Project were as follows:

	Y1 (2005)	Y2 (2006)	Y3 (2007)	Y4 (2008)	Y5 (2009)	Y6 (2010)	Y7 (2011)	Y8 (2012)	Y9 (2013)
Costs (US\$)	278,377	1,324,858	1,421,849	1,549,598	227,861	620,009	609,475	2,033,235	661,540

Without Project

The without project scenario is developed based on interviews with project beneficiaries:

Increase in profit without the TA Packages: All beneficiaries of the TA activities confirmed the importance of the Project for the results they were seeing. While beneficiaries were based on screening procedures that helped select companies for which activities had high probability to succeed, none of the beneficiaries that the ICR team talked to was of the opinion that this could have been achieved without the project. Also, beneficiaries had limited in-house capacity to improve processing and marketing, and thus would have had to cover costs for consultants. It is therefore assumed that the beneficiaries would have made about 25 percent without the Project (i.e. that about 75 percent of the change in profit was due to the Project).

Increase in profit without the Credit Line: Several beneficiaries that the ICR mission spoke to mentioned that they were already applying for credit when the PFI that they were in contact with recommended the ABMP Credit Line. It is therefore likely that some of these investments would have been made also without the Project. Nevertheless, the PFIs would have been more risk averse and the interest rates would have been higher, making profit smaller for the beneficiaries. It can also be assumed that not all beneficiaries would have been granted credit by the PFIs without the credit lines. The without project profit initial increase is therefore set to 40 percent of the with project increase, and with the investment generating 15 percent the following four years as in the with project scenario.

The contracts generated without the contract facilitation: As discussed in the PAD, contracts and trade deals were a challenge for the agro-processing industry and the MDS had an important role in linking producers and processors to buyers both in and outside Kyrgyzstan. The ICR describes the difference in domestic and foreign prices for a potatoes farmer for example (see paragraph 3.2.) Also, as discussed above, in many cases these producers had large amounts of unsold goods that they could not find a market for, and the Contract Facilitation Activity was thus crucial. Similarly, the Contract Facilitation assumingly led to fewer middlemen in the supply chains. Therefore, the without project impact is set to 30 percent of the with project value of these contracts.

Summary table for without project:

WOP

TA Packages	25%
Credit Line	40%
Contract Facilitation	40%

Externalities:

Negative externalities of the project can be regarded as minimal. The most likely risk of negative externalities under the Project was that related to negative environmental impacts, in particular from increased production and potential waste related to reconstruction of production facilities, etc. However, environmental impacts of the project seem to have been virtually non-existing (see section 2.X of the ICR). Instead, the Project seems to have generated multiple positive externalities, as confirmed in meetings with beneficiaries and in the survey. Positive social externalities include the increased trust among actors in the sector, increased confidence and entrepreneurial spirit among beneficiaries, the trickling down of quality awareness to farmers and other input suppliers, etc. The PAD also foresaw that other firms would copy business models from beneficiaries under the TA component and through this generate benefits, and the ICR mission found scattered evidence that this did indeed take place. Positive environmental externalities include reduced waste in production and throughout the supply chain, and increased energy efficiency with new production equipment. However, these externalities are difficult to measure and are therefore not included in the economic analysis.

Net Flows, NPV and FIRR based on Basic Revenues

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total project benefits	0	70398	13831671	561067	4124550	4118100	2954470	13342116	0					
Total project costs	855530	1670589	1675366	2263947	916880	1456631	1611964	2364355	661540					
Net Flow	-855530	-1600191	12156305	-1702880	3207670	2661469	1342506	10977761	-661540					
NPV		\$13,501,837.19												
FIRR		194%												

Net Flows, NPV and FIRR, Assuming Multi-Annual Revenues from Credit Line Investments

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TA							-634767	113154						
Contract Facil.	0	70398	425279	561067	4124550	4113509	2148179	773842						
Credit Line	0	0	13406392	1365237	1164000	1091026	2524477	13518577	2308968	1246006	1246006	1246006	1245557	1245512
Total benefits	0	70398	13831671	1926304	5288550	5204535	4037889	14405573	2308968	1246006	1246006	1246006	1245557	1245512
Total costs	855530	1670589	1675366	2263947	916880	1456631	1611964	2364355	661540	0	0	0	0	0
Net Flow	-855530	-1600191	12156305	-337643	4371670	3747904	2425925	12041218	1647428	1246006	1246006	1246006	1245557	1245512
NPV		\$18,952,112												
FIRR		203%												

Economic Analysis, 2005 year prices, NPV and FIRR, Assuming Multi-Annual Revenues from Credit Line Investments

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TA							-767224	298333						
Contract Facil.	53186	288610	287382	1966876	1805314	787261	277417							
Credit Line	11384149	1159302	988420	925076	1581093	6485449	1461150	558527	558527	558527	558527	558527	558280	558255
Total benefits	0	53186	11672758	1446684	2955296	2730391	1601131	7061199	1461150	558527	558527	558527	558280	558255
Total costs	684424	1262147	1136963	1159606	437233	639278	590750	847604	210359	0	0	0	0	0
Net Flow	-684424	-1208961	10535796	287078	2518063	2091112	1010381	6213595	1250791	558527	558527	558527	558280	558255
NPV		\$12,738,571												
FIRR		221%												

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Edward C. Cook	Senior Agriculture Economist	SASDA	TTL
Sandra Broka	Senior Rural Finance Specialist	ECSS1	Senior Rural Finance Specialist
Talaibek Torokulovich Koshmatov	Senior Rural Development Specialist	ECSS1	Senior Rural Development Specialist
Juergen Venema	Junior Professional Associate	ECSSD	Agribusiness Specialist
Nana Adeishvili	SME Development Specialist	Consultant	SME Development Specialist
Marc Sadler	Agribusiness and Marketing Specialist	Consultant	Agribusiness and Marketing Specialist
Stan Peabody	Lead Social Scientist	ECSSD	Lead Social Scientist
Hannah Koilpillai	Senior Financial Officer	LOAG1	Senior Financial Officer
Andrina Ambrose	Senior Financial Officer	LOAG1	Senior Financial Officer
John Ogallo	Financial Management Specialist	ECSPS	Financial Management Specialist
Naushad Khan	Procurement Advisor	ECSPS	Procurement Advisor
Nurbek Kurmanaliev	Procurement Assistant	ECCKG	Procurement Assistant
Valencia Copeland	Team Assistant	ECSSD	Team Assistant
Irina Sarchenko	Team Assistant	ECCKG	Team Assistant
Supervision/ICR			
Galina Alagardova	Financial Management Specialist	ECSO3	Financial Management Specialist
Sandra Broka	Senior Rural Finance Specialist	ECSAR	TTL; Senior Rural Finance Specialist
Zhigang Chen	Consultant	ECSAR	Agribusiness Specialist
Irina Goncharova	Procurement Specialist	ECSO2	Procurement Specialist
Talaibek Torokulovich Koshmatov	Senior Rural Development Specialist	ECSAR	TTL; Senior Rural Development Specialist
Eustacius Betubiza	Rural Development Specialist	ECSS1	TTL; Lead Rural Development Specialist
Kazim Rahim	Agribusiness Specialist	FAO	Agribusiness Specialist
Nurbek Kurmanaliev	Procurement Specialist	ECSO2	Procurement Specialist
Arcadie Capcelea	Environmental Specialist	ECSEN	Environmental Specialist
Amy Evans	Environmental Specialist	AES	Environmental Specialist
Cesar Niculescu	Environmental Specialist	ECSEN	Environmental Specialist
Martin Lenihan	Social Scientist	LCSSO	Social Development Specialist
Aly Rahim	Social Scientist	ECSSO	Social Development Specialist
John Otieno Ogallo	Sr Financial Management Specialist	ECSO3	Sr Financial Management Specialist
Aliya Kim	Financial Management Analyst	ECSO3	Financial Management Analyst

Ewa Sierzynska	Junior Professional Associate	ECSSD	Credit Line Specialist
Hu Song	Consultant	ECSS1	Value Chain Specialist
Valencia Copeland	Team Assistant	ECSSD	Team Assistant
Asel Kuzaeva	Team Assistant	ECCKG	Team Assistant

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY01		31.06
FY02		53.36
FY03		81.93
FY04		169.26
FY05		103.39
Total:		439.00
Supervision/ICR		
FY05		53.58
FY06		112.11
FY07		112.14
FY08		113.43
FY09		140.03
FY10		91.09
FY11		71.77
FY12		99.85
FY13		28.00
Total:		822.00

Annex 5. Beneficiary Survey Results

A beneficiary survey was commissioned under the Project and was carried out in August-September 2012. The purpose of the survey was to ensure sufficient data and other information to complete the ICR. The survey methodology was a combination of qualitative and quantitative approach. To accommodate for the different groups of beneficiaries, seven different questionnaires were developed. While the final report of the survey is over sixty pages, for the purpose of this ICR, this annex includes the survey's coverage, a summary of the results, and recommendations from the beneficiaries.

Coverage

The survey covered seven target groups of beneficiaries of the "Market Development" and "Access to Credit" components. In total, **200 respondents** were surveyed, including 97 (48.5 percent) beneficiaries of "Access to Credit" component, and 103 (51.5 percent) beneficiaries of "Market Development" Component. The survey was held throughout the country.

The survey of the "Access to Credit" beneficiaries covered **five Participating Financing Institutions (PFIs), 56 enterprises** of all ownership forms from seven oblasts of the country, which obtained loans, **16 cooperatives** from seven oblasts of the country, which received grants, and **32 employees of PFIs** who were trained on three topics, from six oblasts of the country.

The survey of the "Market Development" covered **13 enterprises** supported by ABCC; **83 cooperatives** from seven oblasts of the country that were trained by ABCC; **5 consultants** that were involved in the Project and **2 participants of VAC** from the Naryn and Talas oblasts.

Summary of Results

Achievement of tasks under "Access to Credit" Component is represented by the following data: actual ratio of timely repayment of sub-loans was 100 percent against 95 percent planned; actual number of loans issued to agricultural producers, processors and agribusiness was 82 (as of July 16, 2012) against 50 planned; actual number of PFIs was 6 against minimum 3 PFIs planned; actual number of trained credit officers was 883 against 150 people anticipated. The only indicator for which data was less than anticipated, was increase of share of agricultural loans in overall PFIs portfolio. It was assumed that PFIs will increase their credit portfolio for agricultural loans by 15% but actual increase was 1.31%.

Trainings for PFIs personnel were conducted in the following areas: Investment Crediting and Leasing (380 people), Structural Financing (337 people), Environmental Project Assessment (166). 47 percent of surveyed PFIs employees appraised the level of training as "5", 41 percent - put "4" mark (5-grade scale). 65 percent of respondents consider that knowledge gained in the course of trainings was highly valuable (25 percent) and valuable (40 percent). Over half of respondents (56 percent) highly appraised the practical orientation of the training, 75 percent of PFIs employees put knowledge into practice.

Overwhelming majority of sub-borrowers (78 percent), who were issued credits under "Access to Credit" Component and took part in the survey, believe that an amount of credit fully met the needs of their business project. 61 percent of respondents consider that sub-loan extended (and grants for cooperatives) facilitated increase of production output; 47 percent of respondents noted its impact on better profits, 46 percent of surveyed mentioned increase in sales of products. Further, 63 percent of surveyed companies plan to borrow loans at PFIs under common commercial conditions. According to respondents, one of the main recommendations was (for PFIs) to simplify and speed-up the procedures of applications consideration and processing (33 percent), and 34 percent think that this Component had no deficiencies.

According to survey results, credit or grant amount was relevant to beneficiaries' business needs in 78% of answers. The respondents noted the following impact of the Project on their business:

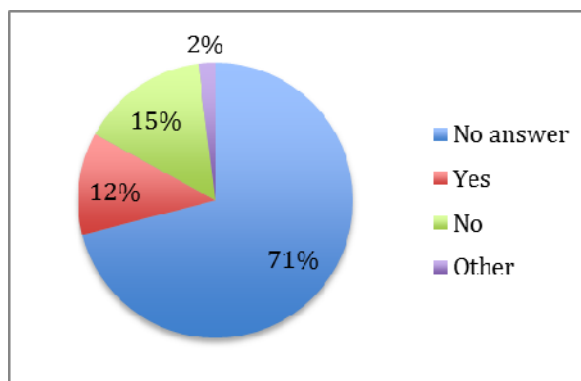
- 61% of respondents believe that sub-loan received (and grants for cooperatives) contributed to increase of production output;
- 47% of respondents noted its impact on rise in profit;

- 46% of respondents mentioned increase in sales of products;
- 32% increased market coverage by getting credit (grant);
- 27% of respondents mentioned rise in number of contracts signed;
- 24% of respondents increased transactions value;
- 22% were able to introduce new types of products because of credits (grants);
- 17% of respondents introduced new products quality standards;
- 10% of respondents increased amounts of attracted investments;
- 5% of respondents gained an increase of return on investments.

Table 1: Credit Line beneficiaries’ answers to “What were the advantages of the Project?”

Project’s advantages	Number of answers, in %
Low % and long crediting period	34%
Project’s specialists are well educated. They helped to do customs clearance for our machinery	14%
Gained a lot of knowledge	13%
Extension of grants and benefits	11%
Project gave a sense of confidence	9%
We have got new machinery	7%
No advantages of the project	5%
Project helped in many aspects	4%
Project helped to increase profit	2%
Do not know	2%

Figure 1: Would you take credit if grants were not extended?



The most useful for respondents was marketing consultations, followed by financial management consultations. Production management consultations were fairly useful. As a result of trainings held one third of respondents (by **38.5 percent**) increased production output, profit, and sales of products increased at 30.8%. Rise in assets, capital stock, total amount of attracted investments, and amount of own contribution was observed at 15.4 percent respondents. The large majority of ABCC client enterprises (**77 percent**) were satisfied with the cooperation.

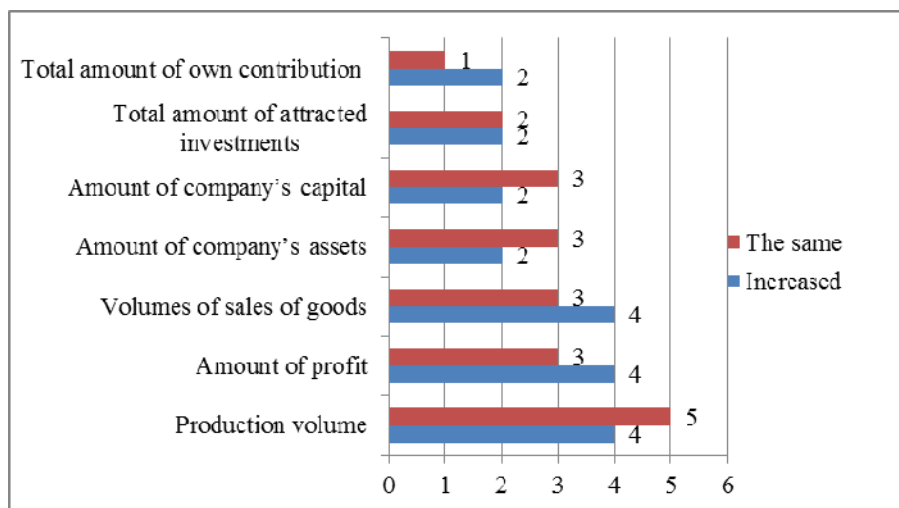
Within “Market Development” subcomponent trainings were held for cooperatives in the following areas: efficient management of cooperatives and record management; marketing of agricultural products and business planning, training of accountants of cooperatives, financial management, and efficient business negotiations. The cooperatives highly appraised trainings held. The most of respondents evaluated training quality as “excellent” and “good” under 5-grade scale that demonstrates relevance of selected topics to the needs of cooperatives. 92.8 percent of cooperatives participated in the survey were satisfied with cooperation with ABCC. Despite the fact that respondents highly assessed usefulness of training, as well as the fact that the trainings were provided free-of-charge, 57.8 percent are not ready to pay for training in future. Within “Market Development” Component 26 local consultants were prepared. Within this Research five of them were surveyed; they work in different fields. It is interesting to note that regardless different assessments of the quality of training events attended by ABCC consultants, this Project had yet a positive impact on their activity. Practically all of respondents improved their level of proficiency, 40% of respondents increased the number of clients, 60 percent of respondents had gained a better image and all consultants increased services fee.

Table 2. Quality level of consultations according to beneficiaries

	Fairly Good	Good	Excellent
Production Management	42%	50%	8%
Financial Management	21%	42%	37%
Marketing		74%	26%

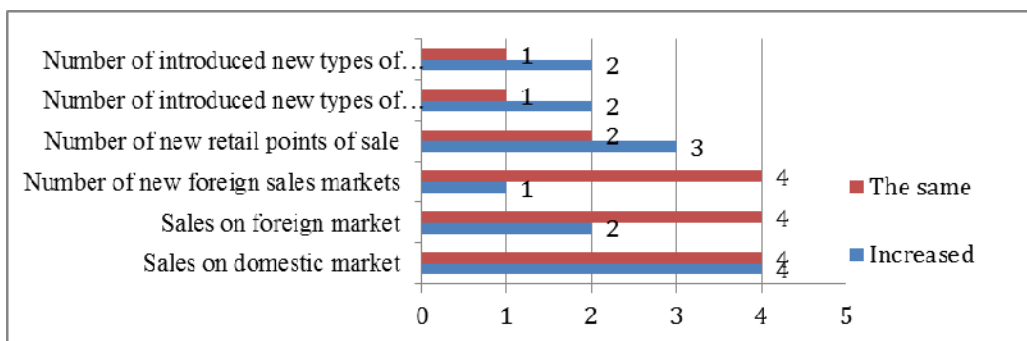
In general, Technical Assistance to enterprises led to specific changes. Five respondents increased production output and profit. Four respondents increased the level of sales of goods. Rise in assets, capital, and total amount of attracted investments took place at three respondents (Figure 2).

Figure 2: Change in financial indicators



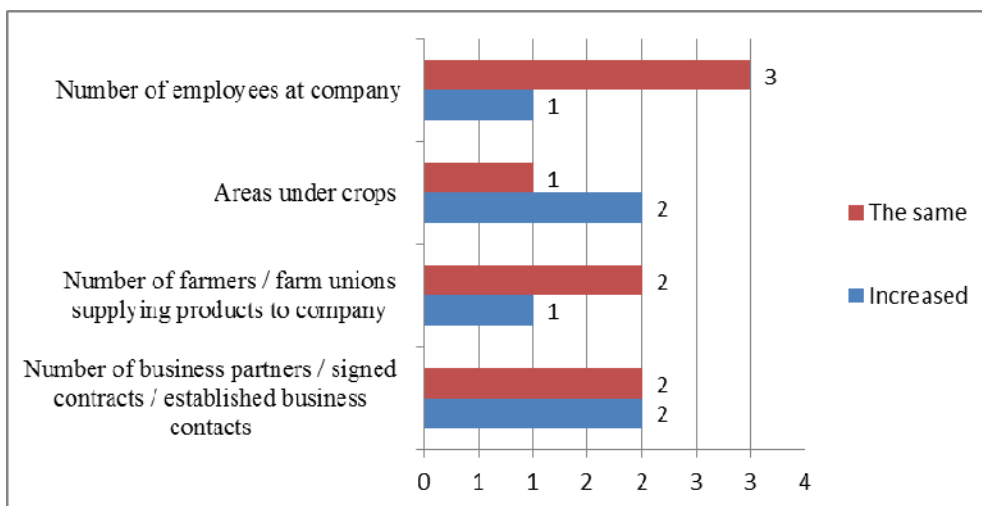
The TA also resulted in introduction of new products and in accessing new markets and increasing sales (Figure 3).

Figure 3: Introduction of new products and change in sales



Other changes also took place in the enterprises as a result of the ABCC activities:

Figure 4: Changes in scope of enterprises

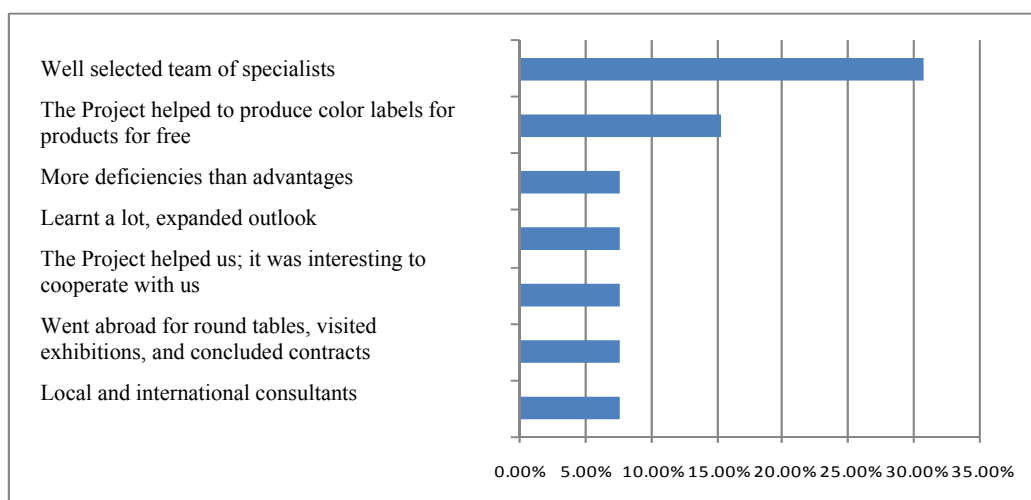


Eight of the surveyed companies participated in exhibitions under the Project and reported the following results:

- Purchase of new equipment and signed contracts for purchase of equipment
- Improved quality for inputs and outputs
- Improvement in design, labeling, food safety, and production processes

The survey showed that the majority of the respondents (77 percent) are satisfied with the positive changes on their enterprises and therefore, they plan to cooperate with the Project in future; 8 percent of respondents are not satisfied with cooperation with ABCC, 15 percent respondents did not answer.

Figure 5: Assessment of Project's advantages by respondents



The survey also asked the ABCC consultants if they saw their capacity strengthening as a result of cooperation with ABCC. 20 percent of respondents of total number of surveyed consultants improved their skills. 40 percent of respondents expanded knowledge in the area of specialization. 40 percent of respondents increased number of clients. 60 percent of respondents improved image and 100 percent of consultants were able to increase their service fee by increasing added value for consumers.

Comparative analysis of tasks set and their implementation by the pilot project “Development of Value-Added Cost of Agricultural Products and Implementation of Pilot Projects on Development of Production and Sales Chains” is given in Table 3:

Table 3: Comparison of tasks set and their implementation

Tasks	Expected Results	Actual Result
Determination of VAC participants concerned	No less than 100 participants in VAC: - farmers, cooperatives; - processing enterprises; - trade and procuring companies, traders.	Determined 130 VAC participants concerned: - farmers, cooperatives; - processing enterprises; - trade and procuring companies, traders.
Development of action plan on interaction of VAC participants	Development of action plan. VAC participants work under the plan.	Action plan developed. Training program adopted.
Performance of trainings about VAC concept	No less than 100 participants in VAC	81 participants
Performance of trainings to improve agricultural technologies actions	Participants improved agricultural technologies knowledge and skills.	108 VAC participants passed 10 complex trainings on agricultural technologies; 9 demonstration fields organized; trials held to use mineral and organic fertilizers, biological and chemical preparations; analysis of soil carried out and respective recommendations made.
	Increase of crop productivity by 20%.	Increase of crop productivity by 20–25%.
Implementation of pilot projects on VAC	Increase of profit of VAC participants by 15%.	Crop productivity of bean increased by 30%, potato – by 15%.
	Conclusion of contracts on supply of agricultural	Six contracts for bean and five contracts for potato concluded.

	products.	
Products entry to new markets (supermarkets, foreign markets, etc.)	Entry of VAC participants to new markets.	3 cooperatives
	Increase of products quantity on new markets.	514 tons - bean 1000 tons – potato

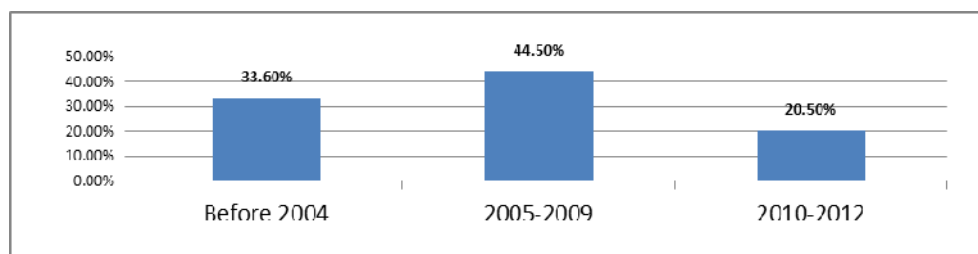
Survey of VAC participants caused difficulties for interviewers. Respondents constantly confused about training received, program in which they participated. To the question what Technical Assistance got participants of pilot VAC project respondents could name only three types of aid out of seven proposed to them: training, practical training, search for partners. This help was highly appraised – “4” and “5” mark (5-grade score).

To assess the Project’s impact on activity of pilot project participants the respondents were asked about practical implementation of Technical Assistance received. All respondents (under 100% scale) stated that owing to aid rendered under the Project the production quantity increased and managerial skills of respondents improved.

Following the questionnaire it was found out that cooperatives/groups of respondents are functioning. To some extent, it may be a positive effect of the Project as members of cooperatives and farm groups in the period of Project implementation were involved into joint activity. The reality is that lack of activity in a cooperative leads to the condition of a “dormant cooperative” or its liquidation.

The achievement of training can be readiness of 50 percent of respondents to pay for training. Ten-complex training program was built in a way that farmers should pay for training; the amount would be insignificant and adequate. The approach based on paid training increases responsibility of trainees, their interest in the results of training.

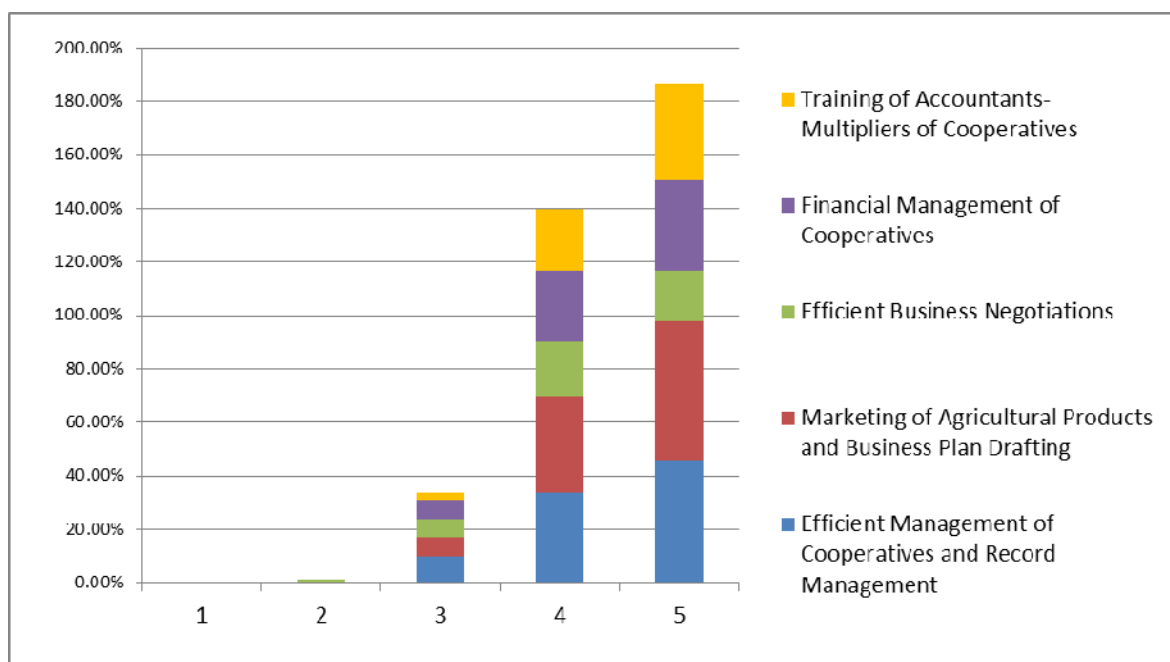
Figure 6: Percentage of the number of formed cooperatives depending on the year of establishment



At the moment of the survey 86.7 percent of cooperatives were functional, 2.4 percent of cooperatives stopped its activity, and 10.9 percent did not respond. Survey of respondents showed that local population is strongly interested in joining to a cooperative. 56.6 percent of respondents (members of cooperatives) marked demand for joining to cooperative, whereas an offer to join a cooperative received only 30.1 percent of respondents (participants of self-help groups), who have not become members of a cooperative yet.

Participant impression of the training provided to cooperatives under the Project and the relevance of the training topics is provided in Figure 7.

Figure 7: Assessment of trainings



The absolute majority of respondents (100 percent) answered that they put in practice the knowledge gained; knowledge of record management, accounting and managerial skills was improved (45.8 percent). Respondents mentioned the good organization of trainings (38.7 percent). Trainings became a forum for sharing of experience (13.3 percent).

Further, ABCC's satisfaction rate in this regard was 92.8 percent among the participating cooperatives. Nevertheless, the following concerns about the training were also raised:

- More practical lessons were needed
- Trainer poorly explained topics
- Time of training concurred with seasonal works
- Inadequate time was allocated for trainings
- Language used in training impeded participation (both Russian and Kyrgyz depending on beneficiary)

Despite the high satisfaction rate with the training, only 14 percent would be willing to pay for training in future.

Recommendations from beneficiaries

Recommendations for the Access to Credit Component

Below are given recommendations by beneficiaries who got loans under "Access to Credit" Component.

Credit:

- Extension of loans for agricultural producers with low interest rates and for longer periods
- Bank officers should be friendly

Training:

- Conduct trainings in the nearest cities
- We are ready to participate in all ABCC trainings
- Training on accounting
- Include more practical knowledge in trainings

General:

- Reduce number of documents for getting a credit
- Organize congress of cooperatives
- More similar projects

- Give more time for collection of documents
- Extend grant aid

PFI employees participating in training under the Project had the following recommendations:

- Conduct more trainings, especially on topic “Investment Crediting and Leasing”; other pressing topics should be also selected
- Give more time for solution of practical exercises
- The project is perfect. We recommend to introduce it at the government level
- Trainings on topic “Agribusiness and Marketing” should be held more often
- To hire more qualified translators on the workshop topics

Recommendations for the Market Development Component

To assess relevance of the Project to the needs of enterprises and impact of Technical Assistance respondents were asked to give recommendations for future similar projects. According to opinion of respondents (enterprises) they need not only consulting services, but financial support with the view to purchase equipment.

In most cases enterprises continue to feel need in the Project’s services, in particular, three respondents mentioned assistance with purchase of equipment and two respondents – an opportunity to visit international exhibitions. Practical trainings for enterprises are also pressing; training on new technologies and training of competent personnel; possibility for privileged crediting, leasing; introduction of the system of quality standards.

Inputs from cooperatives:

Members of cooperatives and self-help groups provided the following recommendations for future projects:

- Conduct these trainings in autumn or winter, not in high season, at accessible locations or in the nearest towns
- Make selection of advanced cooperatives to share experience
- More similar projects to work with cooperatives, anticipating shared problem solution
- More topics on marketing; conduct training on receiving grants and consultations on new accounting technologies
- Free training, opening of training centers, technical support, conduct trainings in Kyrgyz
- More practical lessons, while trainings should be arranged at the good quality level
- Extend long-term credits with low interest rates

Inputs from Market Development Consultants

The consultants working with the Market Development Sub-component had the following recommendations.

- Development of VAC requires active interest and engagement by participants of supplies /VAC. It is necessary to conduct a purposeful work with cooperatives and farm groups to enlarge their farms, which would allow ensuring required quantity and standards of growing of agricultural products.
- Facilitation of VAC organizational process, financial and technical support is necessary. Consultation support, training and support of VAC participants are required. It is essential to provide assistance by donor community for this purpose.
- The Japanese experience in “One Village – One Product” Project can be used at VAC organization, which can also help to ensure quantity of products, their uniformity.
- To receive more added value it is necessary to strive for exporting processed products, rather than raw materials. When creating VAC it is important to identify a VAC initiator, which will become a “driver” for VAC development and incur a portion of financial costs on product promotion along supply chain, development of sustainable supplies, etc.

- Sustainable development of agricultural market requires operation of marketing centers, which can be founded in the form of secondary cooperatives. Additional effect of these marketing centers would be an impact on cooperatives of the first level and facilitation of their development.
- For the purpose of sustainable development of cooperatives as independent economic entities it is necessary that cooperative principles would become a daily practice and serve as the basis of cooperative's activity. Thereto, it is essential to continue training related to creation and functioning of cooperatives.
- It is necessary to work purposefully on enlargement of cooperatives and shaping their specialization through re-structure of their activity into provision of services. Creation and development of secondary cooperatives also resolves the issue of enlargement of cooperatives, thus, the basis to strengthen capacity of cooperatives by themselves is created. This process requires intensive advisory support.
- There is a critical mass of cooperatives in the country. That is why the matter of practicability of regular training of cooperative community on the basis of training centers or higher educational institutions emerges.

Annex 6. Stakeholder Workshop Report and Results

A Closing Seminar of the ABMP took place on May 22, 2012 with participation of the Deputy Minister of Finance, Deputy Minister of Agriculture and Melioration, representatives of the Ministry of Economy and Anti-monopoly Policy, Embassy of Japan, beneficiaries – ABCC clients and credit line borrowers, PFIs, implementing units and a wide range of other agencies and organizations. Following the presentation of the project results by the implementing units an interesting discussion ensued with a number of beneficiaries of the ABCC and the credit line sharing their experiences. Overall, the stakeholders acknowledged positive achievements of the project. In addition, the seminar discussed remaining challenges for establishment of conducive business environment in the Kyrgyz agri-food sector. A number of agribusiness sector representatives mentioned the importance of the FTTC for the strengthening of the technical capacity of the agro-processing sector.

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ЭКОНОМИКА
МИНИСТРЛИГИ



МИНИСТЕРСТВО
ЭКОНОМИКИ
КЫРГЫЗСКОЙ РЕСПУБЛИКИ

MINISTRY OF ECONOMY OF THE KYRGYZ REPUBLIC

720002, Кыргыз Республикасы,
Бишкек ш., Чүй проспекти, 106
тел.: +996(312)62-05-90, факс: +996(312)66-18-37;
бирдиктүү номери: +996(312)62-05-35
веб-сайт: www.mineconom.kg
email: mail@mineconom.kg
Бик: 129052, ИНН: 01104200710102

720002, Кыргызская Республика
г. Бишкек, проспект Чуй, 106
тел.: +996 (312)62-05-90, факс: +996 (312)66-18-37;
единый: +996(312)62-05-35
веб-сайт: www.mineconom.kg
e-mail: mail@mineconom.kg
Бик: 129052, ИНН: 01104200710102

№ 10-1/6025 « 15 » 06 20 13 г.
На № _____ « _____ » _____ 20 _____ г.

Главе офиса Всемирного банка
в Кыргызской Республике
г-ну Александру Кремеру

Уважаемый г-н Кремер!

Настоящим, Министерство экономики на Ваше письмо №2013-7-2 от 17 июня 2013 года относительно Отчета о Завершении и Результатах Проекта «Агробизнес и Маркетинг» сообщает следующее.

Считаем, что Проект «Агробизнес и Маркетинг» реализован успешно, цели и задачи Проекта полностью выполнены. Предложений и замечаний по тексту Отчета о Завершении и Результатах Проекта не имеем.

Надеемся на дальнейшее плодотворное сотрудничество.

С уважением,
Заместитель министра

С. Муканбетов

MINISTRY OF ECONOMY OF THE KYRGYZ REPUBLIC

720002, Kyrgyz Republic
Bishkek, Chui ave. 106
Telephone: +996 (312) 62-05-90
Fax: +996 (312) 66-18-37
e-mail: mail@mineconom.kg
www.mineconom.kg

Country Manager
The World Bank Country Office
In the Kyrgyz Republic
Mr. Alexander Kremer

Dear Mr. Kremer,

In response to your letter #2013-7-2 as of June 17, 2013 regarding the Implementation Completion and Results Report for “Agribusiness & Marketing Project”, the Ministry of Finance of the Kyrgyz Republic informs you that we consider the “Agribusiness & Marketing Project” to have been effectively implemented with Project objectives have all been achieved. The Ministry does not have any suggestions or comments on the Implementation Completion and Results Report.

Looking forward to continued collaboration in the future.

Sincerely,

Deputy Minister
S.Mukhanbetov



MINISTRY OF FINANCE OF THE KYRGYZ REPUBLIC

720040, Кыргыз Республикасы
Бишкек ш., Эркиндик бульвары, 58
ОКПО 00036529 ИНН 00802199610179
Биринчи Май район МСИ 004
э/с 1230040005725389
ө/с 202201131 БИК 123004
Телефон: +996 (312) 66-05-04
Факс: +996 (312) 66-16-45
Телекс: 245-156 NUR KG

58 Erkindik Boulevard, Bishkek
Kyrgyz Republic. 720040
Telephone: +996 (312) 66-05-04
Fax: +996 (312) 66-16-45
Telex: 245-156 NUR KG

720040, Кыргызская Республика
г. Бишкек, бульвар Эркиндик, 58
ОКПО 00036529 ИНН 00802199610179
ГНИ Перв.р-на 004р/с 1230040005725389
л/с 202201131 БИК 123004
Телефон: +996 (312) 66-05-04
Факс: +996 (312) 66-16-45
Телекс: 245-156 NUR KG

20.06.13 № 16-2-2/6181

на № _____

Представительство Всемирного Банка
в Кыргызской Республике

Настоящим Министерство финансов Кыргызской Республики, в связи с завершением реализации Проекта «Агробизнес и маркетинг» сообщает Вам что не имеет замечаний и предложений по Отчету о завершении, реализации и результатах проекта.

Пользуясь случаем, Министерство финансов Кыргызской Республики выражает благодарность Всемирному Банку за оказанную помощь стране и надеется на продолжение плодотворного сотрудничества.

Заместитель министра

М.Байгончочков

MINISTRY OF FINANCE OF THE KYRGYZ REPUBLIC

58 Erkindik Boulevard, Bishkek
Kyrgyz Republic, 720040
Telephone: +996 (312) 66-05-04
Fax: +996 (312) 66-16-45
Telex: 245-156 NUR KG
20.06.13 #16-2-2/6181

The World Bank Country Office
In the Kyrgyz Republic

Please be informed that in view of completion of implementation of the “Agribusiness & Marketing Project”, the Ministry of Finance of the Kyrgyz Republic does not have any suggestions or comments on the Implementation Completion and Results Report.

The Ministry of Finance of the Kyrgyz Republic takes the opportunity to express gratitude to the World Bank for the support to the country and is looking forward to continuous effective cooperation in the future.

Sincerely,

M. Baigonchokov
Deputy Minister of Finance



MINISTRY OF AGRICULTURE OF THE KYRGYZ REPUBLIC

720040, Бишкек ш.,
Киев к/ч., 96 «А»,
тел: (+996 312) 623-616;
факс: (+996 312) 623-632

96 «А» Kievskaya str.
Bishkek city, 720040
Tel.: (+996 312) 623-616,
Fax (+996 312) 623-632

720040, г. Бишкек.
ул. Киевская, 96 «А».
тел. (+996 312) 623-616.
факс (+996 312) 623-632

«21» 06 2013 г. № 01-4/1906

**Г-ну Александру Кремеру,
Главе Офиса Всемирного Банка
в Кыргызской Республике**

Уважаемый г-н Кремер,

На Ваше письмо №2013-7-2 от 17 июня 2013 года относительно Отчета о Завершении и Результатах Проекта (ОЗРП) «Агробизнес и Маркетинг» (АБМП) сообщаем следующее.

Мы считаем, что Проект АБМП реализован успешно, цели и задачи Проекта полностью выполнены. Предложений и замечаний по тексту ОЗРП не имеем.

Надеемся на дальнейшее плодотворное сотрудничество.

С уважением,

Заместитель министра

Д.Кенжебаев

Unofficial Translation

MINISTRY OF AGRICULTURE OF THE KYRGYZ REPUBLIC

96 "A" Kievskaya str.
Bishkek city, 720040
Telephone: +996 (312) 623-616
Fax: +996 (312) 623-632

21.06.2013 # 01-4/1906

Mr. Alexander Kremer
Country Manager
The World Bank Country Office
In the Kyrgyz Republic

Dear Mr. Kremer,

In response to your letter #2013-7-2 as of June 17, 2013 regarding the Implementation Completion and Results Report for "Agribusiness & Marketing Project", please be informed that the Ministry of Agriculture of the Kyrgyz Republic considers the "Agribusiness & Marketing Project" to have been effectively implemented with Project objectives have all been achieved. The Ministry does not have any suggestions or comments on the Implementation Completion and Results Report.

Looking forward to continued collaboration in the future.

Sincerely,

Deputy Minister
D. Kenzhebaev

**FINAL EVALUATION OF THE AGRIBUSINESS AND
MARKETING PROJECT IMPLEMENTATION ON BEHALF
OF THE GOVERNMENT OF THE KYRGYZ REPUBLIC**

**PROJECT COMPLETION
REPORT**

Bishkek – 2013

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1.3.1. Lessons Learned and Recommendations

INTRODUCTION. GENERAL INFORMATION ON THE AGRIBUSINESS AND MARKETING PROJECT

World Bank Credit Amount, № 4015-KG	US\$8.100 million
PHRD Grant amount (Government of Japan), grant № TF 053554:	US\$4.750 million
KG Government counterpart financing	US\$0.125 million
Date of Agreements Signing:	February 3, 2005
Date of ratification of the Agreements:	By Decree of the KR President №109 dated April 18, 2005
Date of Effectiveness:	May 2, 2005
Date of Project Closure:	March 31, 2013
Executive agencies:	Ministry of Economy of the KR, Ministry of Finance of the KR, Ministry of Agriculture and Melioration of the KR
Implementing agencies:	Credit Line Management Unit (CLMU) under the MoF of the KR, Agribusiness Competitiveness Center (ABCC), Market Conditions Analysis Unit (MCAU) under the MoAM of the KR

The Project goals envisage support to the Borrower in the following areas:

- *Enhanced operations of processing and trading enterprises involved in the commodity chain, the downstream link of which is a commodity producer;*
- *An increased number and an increased economic significance of commodity producers' organizations;*
- *Improved operations of markets and trade links among commodity producers and trading organizations of primary and secondary levels.*

The Project included the following three key components:

Component A – *Market Development*

Component B – *Access to Credit*

Component C – *Market Conditions Analysis Unit*

1. AGRIBUSINESS AND MARKETING PROJECT SUMMARY

1.1. COMPONENT A: Market Development

The «Market Development» Component was implemented by the Agribusiness Competitiveness Center (ABCC). This Component pursued the following objectives:

- *Removing constraints to improved commodity chain performance.*
- *Enhancing functional capabilities of the parties engaged in agricultural product marketing chains for more efficient interaction with each other.*

To achieve these objectives the following activities have been implemented under two key sub-components:

- *Enterprise Development;*
- *Market Development.*

1.1.1. Enterprise Development Sub-component

The key goals and objectives of the "Enterprise Development" Sub-Component were to support to agricultural processing enterprises by providing technical assistance to enhance competitiveness of their products in domestic and external markets.

The expected outputs of the "Enterprise Development" Sub-Component included:

- *Increased value added of domestic products of the food processing sector in selected enterprises-clients, in particular, the improved quality of decreased costs of products produced, the increased volume of sales, improvement management knowledge and skills of their staff;*
- *Enhancing capacity of the domestic market of advisory services.*

Direct beneficiaries of the "Enterprise Development" Sub-Component were:

- *44 enterprises of the agri-industrial sector;*
- *26 local consultants;*

The "Enterprise Development" Sub-Component consisted of the two blocks:

- *Technical assistance to processing enterprises;*
- *Capacity building for local consultants.*

Technical Assistance to Processing Enterprises

Technical assistance to processing enterprises included the development of detailed action plans with activities aimed at improving production, finance management, marketing and adoption of international quality standards. Technical assistance envisaged a mandatory agreement and involvement of enterprise managers in enterprise reforms, as well as a mandatory contribution of the enterprise at a level (initially) of at least 3% of the technical assistance cost. Later on the enterprises' contribution was increased to 10%.

Implementation of activities under the technical assistance (TA) to processing enterprises was started in early 2008. Initially four packages of TA have been envisaged. Due to the fact that the activities related to enterprise development took considerable time, two TA packages have been implemented. In the processing implementing the first TA package, it became clear, that it would be impossible to provide assistance to enterprises within the timelines as envisaged by the TA package. Based on the request by the client enterprises the TA was extended to complete all activities in full.

Profound changes in the country in the 90-s of the last century led to an acute deficit of qualified staff for enterprises, especially that of technologists, which had a negative impact on the quality of produce; under the new conditions enterprises had to procure raw materials and sell their products independently. Lack of knowledge and experience in financial analysis and business plan development constrained opportunities for growth of enterprises and attraction of investment. Therefore the TA was designed in such a way as to provide a key support to enterprises in the form of advisory services and training and was aimed at capacity building of enterprise leaders, managers and specialists.

In addition to direct support under the TA packages in the form of advisory services and training, the beneficiaries have been also provided with other types of support. As the output of the TA should have been an increased volume of production, sales, profit, the client enterprises have been supported through study-tours, opportunities to share experiences, participation in exhibitions, round tables, workshops. All this created opportunities for enterprises' growth.

Advisory services (as one of the areas of technical assistance to enterprises) have been provided in several areas. Processing enterprises appreciated the most the advisory services in *production management*, thus, confirming the experts' opinion that enterprises face a huge deficit of specialists-technologists and marketing specialists.

On the whole, the technical assistance provided to the enterprises entailed some positive developments: increased output and profits, growth in sales, assets, capital and the total amount of attracted investments.

The following changes can be considered as a result of the Project's impact on client enterprises: the increased number of workers at the enterprise, improved links with farmers supplying raw materials, a growing number of business partners. The trends demonstrated by these developments emphasize the importance of professional advisory services for enterprises.

This is proved by the fact that the benefits obtained by the enterprises as a result of business advisory services provided under the project motivated enterprises to increase their share of co-financing to 10% of the cost of provided services.

Besides, as a positive consequence of their participation in the project, the enterprises noted their participation in exhibitions, procurement of new equipment, improved quality of raw materials supplied to enterprises, and as a result - improved quality of their products.

It should be noted that the improved quality of products of the Subcomponent beneficiaries was related to the improved quality of the external appearance (labeling and packing), adoption of food safety standards, improved production processes. Without the Project this would be hardly possible as many Kyrgyz enterprises are still in the development phase and can hardly survive in competition with enterprises from more developed economies as capital investments in enterprise upgrading and human capital are not affordable for many young companies.

Capacity Development for Local Consultants and Staff of Client Enterprises of the ABCC

To provide technical assistance to enterprises the ABCC engaged local and international consultants. *The Database* on local consultants (about 200 people) was established with the following areas of specialization "agricultural product processing technology", "human resources management", "financial management", "sales and marketing", "business management", "law", "quality standards".

One of the key achievements was introduction with the support of the ABCC of ISO 9001 Quality Management System (QMS) and Food Safety System FSSC 22000 (ISO 22000 + PAS 220) at "Ak-Bata" Ltd. which was started in 2008. This was the first experience in the post-Soviet space. The CJSC "Shoro" continues adopting quality standards.

The key problem identified by many agricultural processing enterprises during TA implementation was lack of qualified and technically competence personnel. This problem is especially challenging when looking for technical and lab staff. In this connection, to enhance personnel capacity of the food processing industry and effectively develop public infrastructure, the ABCC in cooperation with the Kyrgyz State Technical University named after initiated a proposal to establish some training and practice center to train and re-train specialists in the area of agricultural processing.

This center was decided to be established under the Sub-Component "Public Sector Investment", which was aimed at identifying and taking adjustment measures to eliminate bottlenecks in relation to public goods in the process of project implementation.

1.1.2. Market Development Sub-component

The «Market Development» Sub-component was implemented by an ABCC division – the Market Development Service (MDS) and pursued the following objectives:

- *Promoting products of agricultural producers to domestic and external markets;*
- *Developing the value chain of agricultural products and implementation of pilot projects for development of production and sales chains;*

- *Implementation of a program to provide support to farmers' cooperatives.*

The «Market Development» Sub-component started to be implemented in 2006; its goal was to enhance competitiveness of Kyrgyz agricultural produces and promote their products in domestic and international markets by enhancing their export capacity.

These goals have been met by pursuing the following objectives:

- *Providing advisory and information support to the agribusiness sector;*
- *Monitoring demand and supply of agricultural products in domestic and external markets;*
- *Development of value chain of agricultural products and implementation of pilot projects for development of production and sales chains. The participants included 6 cooperatives and 3 self-help groups (126 farmers); implementation of the farmers' cooperatives support program, direct beneficiaries totaled 269 agricultural cooperatives;*
- *Review of administrative and other barriers impeding development of trade with agricultural products in domestic and foreign markets;*
- *Providing 'response' services on sales, marketing of clients' products in domestic and foreign markets and advisory and information support to the agri-business sector.*

During 2006-2012 the MDS provided direct assistance to Kyrgyz agribusiness entrepreneurs (cooperatives, farmers, agri-exporters and private entrepreneurs) in concluding **142** trade deals in the volume of more than **54 thousand tons** of fresh agricultural products for the total amount of **US\$17.45 million**.

The MDS provided advisory and informational support to more than **1,971** agribusiness entities in the following areas:

- *Consultations on marketing and promotion of products;*
- *Legal support;*
- *Services in finding resources for procurement of raw materials and production assets.*

With the support by the MDS local farmers and cooperatives were able to supply agricultural products (potatoes, onions, carrots, cabbage, beans, bell peppers, tomatoes, cucumbers, cherries, apricots, peaches, Uzgen rice) to the Russian Federation, Kazakhstan, Bulgaria, Turkey, Moldova, Romania.

Monitoring of Demand and Supply of Agricultural Products in Domestic and Foreign Markets

To achieve its objectives the MDS implemented the following work:

- *Collection and analysis of data on supply and routes of commodity chains in the domestic market and when selling products of Kyrgyz agricultural producers in external markets;*
- *Monitoring of demand and supply in the market for certain types of products (meat and meat products, milk and dairy products, fruit and vegetables, grain and beans, fried fruit, etc.), changes in consumers' demand and problems of agricultural products import/export.*

During 2006-2012 the MDS conducted **63** marketing studies.

Farmers' Cooperative Support Program

The goals of the Farmers' Cooperative Support Program included:

- *Joining efforts for development of a system of rural cooperatives;*
- *Improved economic activities in the area of production, processing and sales of agricultural products.*

The Program objective was to enhance the capacity of cooperatives by:

- *Providing continuous advisory and information support;*
- *Providing training;*
- *Organizing study tours to share experience;*
- *Support in participating in exhibitions and fairs;*
- *Organizing meetings with potential consumers;*
- *Supporting development of the value added chain.*

To achieve the program objectives a series of trainings for farmers' cooperatives was conducted. Training participants were members from the Union of Cooperatives of Kyrgyzstan (UCK) and cooperatives – clients of the DGRV Project "Development of Raifaisen Cooperatives in Kyrgyzstan"; later all cooperatives operating in the agribusiness sector were invited to participate in trainings.

Training topics

- *Effective management in cooperatives and records management.*
- *Marketing of agricultural products and business planning.*
- *Training for cooperatives' accountants.*
- *Financial management.*
- *Effective business negotiations.*

The trainings covered 269 representatives from farmers' cooperatives, of which 16 accountants were trained in cooperatives' accounting, 50 managers – in financial management and effective negotiations, as well as 250 managers – for participation in the grant program. The participation in the training program was a mandatory condition to have access to the grant support program provided through the CLMU. As a result of the training Effective Management of Cooperatives and Records Management, 60% of cooperatives developed business plans to obtain a loan, 30% of training participants developed action plans for the next 1-3 years and 58 cooperatives out of those trained obtained loans. Following the training Marketing of Agricultural Products, cooperatives concluded 28 contracts for supply of agricultural products by training participants. A comparative analysis of the expected and achieved results indicates that the number of trained cooperative members, the number of developed business plans, the number of signed contracts exceeded the targets planned by the farmers' cooperatives support program two and more times. On the whole the training program covered **3,015** members of cooperatives.

1.1.3. Public Sector Capacity Building Sub-component

Key goals and objectives of this Sub-Component:

- *Enhancing functional capabilities of the public sector to perform its functions in the market economy.*
- *Establishing links between the public and private sectors in the agri-industrial sector.*
- *Submit problems of political and regulatory nature preventing the improvement of competitiveness of Kyrgyz goods to the KR Government for consideration.*
- *Coverage of agri-business problems, activities of the Agribusiness Competitiveness Center in mass media of the Kyrgyz Republic.*

Under the Public Sector Capacity Building Sub-Component the ABCC initiated, drafted and submitted for consideration by relevant ministries and agencies, the Government of the Kyrgyz Republic the following key documents and proposals:

- *An information video was produced – a video report on problems of domestic sales of agricultural products along the route Osh – Bishkek – the border with the Republic of Kazakhstan;*
- *A draft Concept on improvement of public management of the agricultural and industrial complex of the Kyrgyz Republic (reform of the MoAM of the KR);*
- *A draft National Program for development of Cooperative Movement in the Kyrgyz Republic and the Implementation Action Plan;*
- *The Law of the KR "On Food Security" was drafted and adopted;*
- *The National Competition "The Best Exporter of the Year" was initiated and conducted;*
- *Efforts were taken to develop agri-cluster projects for the following products:*
 - *Potatoes, beans;*
 - *Vegetables and fruit;*
 - *Mineral and drinking water.*

The developed projects have been submitted to the MoAM of the KR for further submission to the KR Government for consideration.

- *Participation in drafting the Strategy for Development of the Food Processing Industry for 2011-2015.*

- *Conducting a social poll on the topic "Opinion of Agricultural Producers, Processors, Exporter and Carriers on Accession to the Customs Union by the KR".*

The following publications have been prepared and published as information and reference manuals for agri-business entities:

- *The book "Conditions and Procedure for Movement of Agricultural Products Across Customs Borders of Five Countries: the Kyrgyz Republic, the Republic of Kazakhstan, the Republic of Tajikistan, the Republic of Uzbekistan and the Russian Federation".*
- *Report "Studying Real Barriers Constraining the Promotion of Goods and Trade Development in the Region" (with the financial support from the OSCE).*
- *Brochures:*
 - *"Legal Forms of Doing Business";*
 - *"A Contract as a Basis of Relationship";*
 - *"The System of Permits and the Procedure for Movement of to Move Agricultural Products Across the Customs Border of the KR".*
- *Reference book "Production and Exports of Beans in the Kyrgyz Republic".*
- *Brochure "Guidelines on Movement of Agricultural Products Across the Customs Border" (updated).*

FTTC "Technologist"

The most important and far-reaching output of the "Public Sector Investment" Sub-Component was construction of the Food Technology Training Center "Technologist" under the Kyrgyz State Technical University named after Razzakov.

The key goal of the FTTC "Technologist" is to implement educational, innovative and other activities aimed at development of food and processing industries.

This center is expected to make an important contribution to development of the food processing industry of the republic, as training of qualified personnel in the foods sector in line with international levels required continuous development at the national level independently of the work of international consultants.

Educational services for food and processing enterprises:

- *Courses for specialists skills upgrading;*
- *Training for blue-collar jobs;*
- *Finance and accounting, "Accounting 1S".*

Educational services for students of vocational institutions:

- *Theoretical and practical workshops;*
- *All types of production-based internship courses;*
- *Scientific and research work.*

Technical services:

- *Technical support in addressing production issues;*
- *Technical support in creating new products;*
- *Lab tests;*

Organization of events:

- *Customized seminars at enterprises;*
- *Thematic seminars and conferences;*
- *Organization of study-tours to advanced national and foreign enterprises;*
- *Organization of trips to international exhibitions and fairs.*

Resources of the FTTC "Technologist"

The FTTC "Technologist" has:

- **3 training and production workshops:**
 - *A meat processing workshop;*
 - *A milk processing workshop;*

- *A bakery and confectionary workshop;*
- **3 laboratories:**
 - *chemical;*
 - *microbiological;*
 - *sensor.*
- **2 training rooms.**
- **Mediateque (media library).**

Faculty of the FTTC "Technologist"

- *Professors of the Kyrgyz State Technical University named after Razzakov*
- *Local independent consultants*
- *International consultants (as needed)*

1.1.4. Lessons Learned and Recommendations

- The evaluation of the «Market Development» Component indicated that the expected outputs have been generally achieved, the Project beneficiaries have received substantial technical support, which enabled them to increase output, sales, enter new markets, conclude contracts and find partners.
- The evaluation of the Project *outcomes and impact* in relation to the «Market Development» component indicated that in future similar projects it would be advisable to link agricultural commodity producers with processing enterprises to achieve more tangible results.
- The approach to TA for enterprises developed under the Enterprise Development Complement shall be recommended for multiplication.
- The experience showed that enterprises are ready to pay for technical assistance, if it matches the enterprises needs.
- It is necessary to continue supporting the development of the training system to prepare qualified specialists, technologists, including through the TPC "Technologist".
- There is a need to support the development of leasing services for agri-processing enterprises.
- Development of the value chain requires active commitment and participation from suppliers/value chain. It is necessary to conduct targeted work with cooperative and farmers' groups to enlarge bundle together their farms, thus enabling to provide for required volumes and standards of agricultural products.
- There is a need to facilitate the process of organization of the value chain, to provide financial and technical support. There is a need for advisory support, training and assistance to value chain participants. This will required support from the donor community.
- When organizing the value chain, one can use the experience of Japan under the Project "One Village – One Product", which can help to ensure the necessary volume of produce and its standardization.
- To obtain a higher added value, they should try to export not raw products, but processed ones. When establishing the value chain, it is important to identify the leader of the value chain, who will become a driving force for development of the value chain and can take over some financial costs to promote a product along the supply chain, to contribute to sustainable supplies, etc.
- Sustainable agricultural market development requires functional information and marketing centers and electronic agricultural exchanges to trade commodities and processed agricultural products.
- To ensure sustainable development of cooperatives as independent economic entities, it is necessary to make cooperative principles a daily routine and a foundation for cooperatives' operations. This requires continuous training related to establishment and operations of cooperatives.
- Efforts should be targeted on enlargement of cooperatives and formation of their specialization by re-profiling their operations towards services. The establishment and development of secondary cooperatives will address the issue of cooperatives consolidation, while providing a

basis for capacity building of cooperatives through the cooperative members. This process requires active advisory support.

- There is already a critical mass of cooperatives in the country. Therefore the issue is to provide regular training for the cooperatives community on the basis of training centers or higher educational institutions.

1.2. COMPONENT B: ACCESS TO CREDIT

The Component “Access to Credit” has been implemented by the Credit Line Management Unit (CLMU) under the Ministry of Finance of the Kyrgyz Republic.

The key objective of the Component:

An increased number and enhanced economic importance of commodity producers’ organizations.

To achieve the objectives under the Component “Access to Credit” the following three sub-components have been implemented:

- *Allocation of sub-loans to representatives from the agribusiness sector of the KR;*
- *Allocation of matching grants to cooperatives;*
- *Training for staff of participating financial institutions (PFIs);*

The successful achievement of the objectives under the Component “Access to Loans” is characterized by the following data:

- *The actual timely repayment rate for sub-loans was 100% against targeted 95%;*
- *The actual number of loans allocated to agricultural producers, processing entities and agribusiness was 82 loans against the target of 50 loans;*
- *The actual number of PFIs was 5 as compared to the targeted minimum of 3 PFIs;*
- *The actual number of trained credit officers was 883 as compared to the targeted number of 150 people.*

The sub-component on grants has not been envisaged initially by the Project design. In 2011 a decision was made to introduce the Cooperative Matching Grant Program (CMGP).

Especially important is that the received credits or grants have had a significant impact on business of beneficiaries: *growth in the production volume; increased profits; growth in sales; increased coverage of the market as a result of the received credit (grant); growth in the number of signed contracts; increased amounts of deals; introduction of new types of products.*

A certain part of the Component beneficiaries were able to introduce new product quality standards.

The expected effect from the component “Access to Credits” were the following developments:

- *Increased opportunities and willingness of commercial banks to provide loans to agricultural producers and processing entities;*
- *Increased investment in the agricultural sector.*

As a result of implementation of the Project, in total US\$16.6 million was attracted in the agricultural sector (the total amount of sub-projects, including the Borrower’s contributions and co-financing of PFIs), while the credit and grant line totaled US\$5.9 million.

1.2.1 Training for PFIs Staff Sub-Component

Initially it was planned to conduct trainings in three areas: *“Investment Lending and Leasing”;* *“Structured Financing”;* *“Environmental Assessment of Projects”*. Trainings have been conducted in Bishkek, Osh and Cholpon-Ata cities.

Competitively selected international consulting company RIAS (Rabobank, the Netherlands) and a group of local consultants were engaged to provide investment lending training to banks. The *Training Guidelines* has been developed, on which the training has been conducted. After the contract with the RIAS has been completed, the training has been conducted by local consultants, who acquired all required skills when working with the RIAS based on *“trainer-to-trainer”* principle. Local consultants

have also provided practical support to loan officers directly in banks in various regions both on investment lending and on structured financing. The International Finance Corporation (IFC) Project has been engaged to provide leasing training. Later on both programs have been combined. In total the Investment Lending and Leasing training covered **380 people**. In the process of investment lending training wider knowledge on credit products in international practice was introduced to bank staff. For example, currently the OJSC “Aiyl Bank” widely uses investment lending and leasing methods **thanks to the acquired knowledge, as a special division on leasing has been established**.

“Structured Financing” Training

As for structured financing the contract was signed with an international company - Trade Risk Consulting (Singapore) and two local consultants. The international consultants drafted *The Training Guidelines*. After the contract with the international company Trade Risk Consulting was completed, local consultants continued conducting the training. In total **337 people** have been trained. Thanks to the conducted workshops, one of PFIs developed and adopted a new credit product. This training has been a strong impetus for growth in the clients’ base. Besides, the acquired knowledge provided a vision of conducting a more flexible policy in relation to customers.

“Environmental Assessment” Training

Under the Project a leading expert on environmental assessment in Kyrgyzstan E. J. Shukurov conducted training workshops “Environmental Assessments”, who drafted the reference materials and *the Training Guidelines*, besides, environmental workshops were conducted by expert Kutmanova D. A. Thanks to the acquired knowledge PFIs staff are capable to conduct project environmental assessments and a comprehensive analysis (due diligence) of a sub-project independently. **166 people have been trained** on these topics.

According to the PFIs staff, who attended the training, the majority of them consider the ideas and contents of the trainings as clear and comprehensible; they were able to obtain new knowledge and skills, which are very valuable for the work with borrowers. Also PFIs officers noted a very practical nature of the training, which resulted in acquiring practical work skills. PFIs staff capacity building has also produced an indirect impact on knowledge dissemination in the banking sector, taking into account human resources turnover. The acquired knowledge also enables PFIs to participate in other donor-supported lines.

1.2.2. Sub-Loans to Agribusinesses Sub-Component

The Project Appraisal Document envisaged that this Sub-Component would provide access to the funds for investment lending and structured financing. Investment loans have been allocated as planned. The second type of funds have been planned to have two products: (i) financing of working capital for processing enterprises, including warehouse management and commodity insurance, (ii) loans for seasonal working capital for advance payments under contract-based farming. The only discrepancy in practice as compared to the project implementation schedule was that such a product as *lending secured by inventory (commodities in the warehouse)* has not been used due to lack of legal frameworks in Kyrgyzstan for this. Thus, such products as investment loans, loans for seasonal working capital and contract-based farming have been implemented successfully.

Sub-loans have been allocated through the following PFIs: *OJSC «Aiyl Bank»; OJSC «Commercial Bank Kyrgyzstan»; CJSC «BTA Bank»; CJSC “KICB”; CJSC MFC “Bai-Tushum and Partners”;*

The main credit line has financed 82 sub-loans for the total amount of US\$ 5.1 million. The average size of a sub-loan was: US\$62,100, while the average sub-loan maturity was 3.5 years or 42 months. For comparison: the average weighted loan maturity in the banking sector in 2011, according to the NBKR, was equal to 27.6 months. It should be noted that the sub-loan **repayment rate** was **100%**.

The project has had a positive effect on beneficiaries of the Component, which is demonstrated by the following actual findings of the borrowers’ business review. It indicated that 61% borrowers increased their output volumes; they had an opportunity to increase profits and sell more products, cover a large market share.

1.2.3. Farmer Cooperative Matching Grant Sub-Component

In June of 2011 the Ministry of Finance of the KR initiated a draft Law of the KR “On Amendments to the Agreement on Development Loan between the Kyrgyz Republic and the International Development Association on the Agribusiness and Marketing Project”. During WB missions representatives from ministries and agencies of the KR and the WB noted the need to amend the project objectives and design. The key goal of the changes – to introduce *the Farmer Cooperative Matching Grant Program* and reallocate the Project funds (in the amount of US\$800 thousand) from the Market Development Component (Export Support Sub-Component) to the Access to Credit Component to launch the Matching Grant Program. The rationale was that in recent time one could observe an upward trend in development of cooperatives as an individual market economy institute and that when extending sub-loans to agricultural processing entities, a pressing need for soft financing for agricultural cooperatives was identified. The matching grant arrangement was financed by transferring a part of undisbursed funds and co-financing investments in warehouse facilities, agricultural machinery and processing equipment.

The participating financing institutions under the PPGC were: *OJSC «Aiyl Bank»*; *CJSC MFC “Bai-Tushum and Partners”*; *OJSC “CB Kyrgyzstan”*.

Matching grants were extended as co-financing for sub-loans and/or leasing loans invested in production assets (agricultural machinery and equipment, primary processing equipment, warehouses). Matching grants amounted to 30% of the total amount of sub-loans and leasing loans approved by PFIs. Should a beneficiary fail to comply with the conditions specified in a sub-loan or a leasing loan agreement, the beneficiary was obliged to return the total amount of the matching grant. The maximum grant amount was US\$50 thousand per beneficiary.

1.2.4. Lessons Learned and Recommendations

- The Component’s goals have been achieved successfully. As a result the number of loans was exceeded 1.6 times compared to the plan, thus a larger number of agribusiness representatives had access to financial resources. The actual number of PFIs staff trained is 5.6 more than the target indicator, as a result the banks’ capacity was enhanced significantly. Thus, the number of participating financial institutions has increased almost 2 times, thus creating more opportunities for the agricultural sector to have access to financing and create a competitive environment in this financial market segment.
- The positive experience of PPGC implementation shall be extended to future projects, as it enabled cooperatives to achieve a qualitatively new level thanks to the 30% grant financing, thus encouraging beneficiaries to observe financial discipline and targeted use of funds, while providing soft resources.
- While implementing the credit line, the PFIs noted the floating interest rate for the credit line as a deficiency. However, using fixed rate in future similar projects may pose a risk to the KR Government, as in case of a decreased inflation rate the foreign exchange risks will be a burden on the country's budget.
- The PFIs also noted complicated tendering procedures. However, it is recommended not to depart from requirements to bidders to present a full package of documents to increase transparency in the business environment in Kyrgyzstan. Nonetheless, if it is possible to simplify the procedures without jeopardizing transparency, future similar projects will only gain from it.
- Some of the planned risk mitigation arrangements for agricultural lending, such as the use of warehouse pledges, have not been used to the lack of legal frameworks. In this connection, for future projects with similar goals it will be advisable to plan drafting or improvement of legal regulation of financial services, which can promote the development of the agrarian sector of Kyrgyzstan.

1.3. COMPONENT C: MARKET CONDITIONS ANALYSIS UNIT

The Component "Market Conditions Analysis Unit" (MCAU) was implemented by a unit with the same name established under the Ministry of Agriculture and Melioration of the KR.

The key goals and objectives of the Component are:

- I. *Play the role of a connecting link between the Ministry of Economy of the Kyrgyz Republic and the Ministry of Agriculture and Melioration of the Kyrgyz Republic in the area of project activities;*
- II. *Participate in implementation of the sub-component on public sector capacity building based on the decisions of the Steering Council of the ABCC;*
- III. *Perform the role of a connecting link between the Ministry of Agriculture and Melioration of the Kyrgyz Republic and the CLMU on project monitoring data reflected in the Financial Monitoring Reports (FMRs).*

In addition to the above mentioned functions, the MCAU specialists performed the following tasks:

- *Regular monitoring of wholesale and retail prices for 33 types of agricultural products – both raw materials and processed products in all markets of Bishkek and Osh cities. The findings of such monitoring and the review were also prepared in the form of analytical notes, which were sent to the MoAM, MoE, ABCC and posted in the ABCC web-site.*
- *Regular monitoring of wholesale and retail prices for agricultural products (raw materials and processed products) in the markets of Central Asian countries. The findings of such monitoring and the review were also prepared in the form of analytical notes, which were sent to the MoAM, MoE, ABCC and posted in the ABCC web-site.*
- *As instructed by the MoAM and the MoE, preparation of analytical notes on one or other areas of the country's agrarian sector development.*

1.3.1. Lessons Learned and Recommendations

- The evaluation of the "Market Conditions Analysis Unit" Component indicated that the expected outputs have been mainly achieved, the beneficiaries of this Project component (the MoAM, MoE, etc.) have obtained a significant support enabling them to use the received data when developing national documents.
- The evaluation of the *outcomes and impacts* of the Project under the "Market Conditions Analysis Unit" Component showed that in future it is advisable for similar projects to implement similar components aimed at informational and analytical support to all government agencies involved in the process of development of the agrarian sector of Kyrgyz economy.

Annex 8. Comments of Co-financiers and Other Partners/Stakeholders

Email dated June 26, 2013:

Dear Mr. Talaibek Koshmatov,

Was a great pleasure to meet you. Thank you very much for your thorough presentation yesterday.

Please kindly find the comments of Embassy of Japan to the report on Agribusiness and Marketing Project as follows:

Embassy of Japan in the Kyrgyz Republic acknowledges significance of the target components of this project not only in light of sustainable social-economic development of Kyrgyzstan but also of maintenance of political stability of the country.

Regarding Market Development Component, EoJ welcome concrete achievements through this program, including introduction of international standards like ISO9001 and trade contracts. Further to ensure sustainability of the impact of this project and effective use of assets gained through this project, including the equipment provided to FTTC in KSTU, EoJ propose the WB to consider taking necessary means to follow-up utilization process of equipments by the organizations concerned, and if necessary, consider further dispatch of specialists, so that as many agribusiness stake-holders as possible could participate in training course and make use of those equipments and assets in near future.

Regarding implementation of Credit Line for agribusiness investments, EoJ appreciate measures taken by WB to tackle the problem of insufficient capital flow in agribusiness sector and call for the WB to provide PFIs with thorough assistance for sound realization of further repayment process by borrowers.

With best regards,

Takuma Maeda
Embassy of Japan in the Kyrgyz Republic



Оржемиль

Исх. № _____
Дата: 20 июня 2013 г.

Настоящим, ОсОО «Оржемиль» рассмотрев представленный отчет по завершению и результатам проекта Агробизнес и Маркетинг замечаний и предложений не имеет. Хотелось бы сообщить, что проект оказал нам значительную техническую помощь в развитии предприятия. Благодаря усилиям проекта компания смогла провести работу по модернизации линии переработки молока и выйти на новые рынки. Благодарим Центр Конкурентоспособности Агробизнеса за оказанное содействие и надеемся на дальнейшее плодотворное сотрудничество.

С уважением,

Исполнительный Директор
ОсОО «Оржемиль»



Т. Усманов

Orzhemil

Kyrgyz Republic, Osh

Navoi str. 11a

Tel.: +996 3222 4-40-50

Fax: +996 3222 4-40-50

June 20, 2013

Please be informed that the Limited Liability Company “Orzhemil” has reviewed the Implementation Completion and Results Report for the “Agribusiness & Marketing Project” and has no suggestions or comments on it. We would like to mention that the project provided substantial technical assistance to us and contributed to the company’s development. Within the framework of the project the company was able to modernize the milk processing line and to enter new markets.

We would like to express gratitude to the Center for Agribusiness Competitiveness for its support, and we are looking forward to effective collaboration in the future.

Sincerely,

Executive Director

LLC “Orzhemil”

T.Usmanov

Исх № 20/13
от 20.06.2013 г.

АГРОЛИД
Общественное объединение

**Главе офиса Всемирного Банка
Кыргызской Республики
Господину Александру Кремеру**

ОО «АгроЛид», рассмотрев «Отчет о завершении и результатах проекта «Агробизнес и Маркетинг», реализованный Центром Конкурентоспособности Агробизнеса замечаний и предложений не имеет.

В рамках проекта «Агробизнес и Маркетинг» ОО "АгроЛид" была проведена работа по развитию пилотного проекта по построению цепочки добавленной стоимости (ЦДС) по продукту "картофель". В рамках пилотного проекта было проведено десять комплексных практических семинаров, начиная с анализа почвы и заканчивая маркетингом сельхозпродукции, оказано содействие фермерам, вовлеченным в проект, в приобретении семенного материала и удобрений, результатом данной работы явилось повышение урожайности фермеров до 20%-30% и содействие в экспорте продукции в Казахстан и Россию.

ОО «АгроЛид» выражает благодарность Проекту «Агробизнес и Маркетинг», реализованному Центром Конкурентоспособности Агробизнеса, и Всемирному Банку за вклад в развитие сельского хозяйства Кыргызстана и желает дальнейшего развития деятельности в секторе сельского хозяйства. Со своей стороны ОО «АгроЛид» всегда рад оказать техническую поддержку на национальном и региональном уровнях, и надеется на дальнейшее плодотворное сотрудничество.

/ С уважением,

Гульназ Касеева

Председатель Правления

Общественного Объединения «АгроЛид»



www.agrolead.org

Ref # 20/13
As of 20.06.2013

AGROLEAD
Public association
www.agrolead.org
Country Manager

The World Bank Country Office
In the Kyrgyz Republic
Mr. Alexander Kremer

Dear Mr. Kremer,

Please be informed that the Public association (PA) “AgroLead” has reviewed the Implementation Completion and Results Report for the “Agribusiness & Marketing Project”, implemented by the Center for Agribusiness Competitiveness, and has no suggestions or comments on it.

Within the framework of the “Agribusiness & Marketing Project”, PA “AgroLead” prepared a pilot project aimed at developing the value chain for the product “potatoes”. Within the term of the pilot project, ten comprehensive hands-on workshops were organized, starting with soil analysis and including the marketing of agricultural products. Farmers, involved in the project, were offered assistance with purchasing seed grains and fertilizers, as a result of which, agricultural productivity was increased up to 20-30%. Further assistance with exporting the products to Kazakhstan and Russia was provided.

PA “AgroLead expresses gratitude to the “Agribusiness & Marketing Project” implemented by the Center for Agribusiness Competitiveness and to the World Bank for their contribution to the development of agriculture in the Kyrgyz Republic and is looking forward to expanding activities in the agricultural sector. PA “AgroLead is at all times available to provide technical assistance on the national and regional levels and is hoping for continuous effective collaboration in the future.

Sincerely,

Gulnaz Kaseeva
Chairman of the Board
Public Association “AgroLead”

BAI TUSHUM and PARTNERS

Closed joint-stock company

Microfinance bank

Kyrgyz Republic, 720001
Bishkek, Umetalieva str. 76
Tel.: +996 (312) 90 04 64
www.baitushum.kg

Ref # 10-2/797
As of June 20, 2013

Dear partners,

CJSC Microfinance Bank “Bai-Tushum and Partners” has been collaborating with the Department managing the credit line for the “Agribusiness & Marketing Project” (AMP) from 2011 till 2012. Within the framework of the project between the Bank and the Ministry of Finance, a Subsidiary Loan Agreement with a grant component was entered into, providing for financing of agricultural producers and co-operative farms.

Within the term of the agreement, eight co-operative farms received financing in the amount of 18.9 million Som under the AMP project. Two of the eight co-operative farms received financing from the parent company MCA Finance Fund “Bai Tushum”. Through this leasing program, agricultural co-operative farms were able to purchase agricultural equipment: new harvester threshers; tractors; detachable equipment and breeding stock.

It should be also mentioned that in addition to providing project financing, the AMP project offered training to the Bank staff on investment and structural financing, environmental assessment of projects. That expanded the knowledge of staff on agricultural projects financing. We are confident that the acquired knowledge will be applied in the future while assessing other Bank projects upon the completion of the AMP implementation.

Taking the above mentioned into consideration, CJSC Microfinance Bank “Bai-Tushum and Partners” expresses gratitude to the “Agribusiness & Marketing Project” for effective collaboration and does not have any suggestions or comments on the Implementation Completion and Results Report of the AMP project.

Sincerely,

General Manager
CJSC Microfinance Bank “Bai-Tushum and Partners”
Shamshieva G.Z.

Annex 9. List of Supporting Documents

1. Project Appraisal Document, November 2004
2. Social Assessment for Development of the Agribusiness and Marketing Project, Kyrgyz Republic, March 2004
3. Development Credit Agreement (Agribusiness and Marketing Project) between Kyrgyz Republic and International Development Association, Credit No 4015-KG and Grant No TF053554, dated February 3, 2005
4. Amendment to the DCA, dated September 9, 2009 (counter-signed on July 1, 2010)
5. Letter-Agreement on the Japanese Grant for Co-financing of the Agribusiness and Marketing Project – Grant No TF053554, dated February 3, 2004
6. Memorandum of Understanding between the Government of the Kyrgyz Republic and the International Development Association regarding the establishment and operation of An Agribusiness Competitiveness Center (ABCC) in Kyrgyz Republic (2004)
7. Environmental Impact Assessment, 2004
8. Guidelines for Identification, Assessment and Mitigation of Environmental Impacts of Sub-Projects, February 2004
9. Kyrgyz Republic Agribusiness and Marketing Project – Mid-term Review Mission Aide Memoire – March 23 – April 3, 2009
10. Aide Memoires of implementation support missions during 2005 – 2013
11. Implementation Status and Results (ISR) Reports, 2005 – 2013
12. Value Chain Development Guideline, ABCC, Bishkek, May 2011
13. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, Cr. 4015-KG, July 8, 2009
14. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, Cr. 4015-KG, December 16, 2010
15. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, PHRD TF053554, December 16, 2010
16. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, Cr. 4015-KG and PHRD TF053554, December 20, 2011
17. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, Cr. 4015-KG and PHRD TF053554, May 26, 2012
18. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, Cr. 4015-KG and PHRD TF053554, November 21, 2012
19. Restructuring Paper on a Proposed Project Restructuring of the Agribusiness and Marketing Project, Cr. 4015-KG and PHRD TF053554, February 19, 2013
20. ABCC and CLMU Progress Reports
21. Various Reports on agribusiness sector development-related subjects prepared by ABCC and other local consultants
22. Borrower's Completion Report



KYRGYZ REPUBLIC

- SELECTED CITIES AND TOWNS
- ⊙ OBLAST CAPITALS
- ⊕ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- OBLAST BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

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