



cotonea
Photo: www.klausmellenthin.com

ORGANIC COTTON PRODUCTION AND TRADE PROMOTION PROJECT

KYRGYZSTAN

Annual Report 2012

Prepared by: Shaknoza Kurbanalieva, Project Manager
Version: FINAL (English)
Last update: 15th February 2013
Approved by: Christian Steiner, Country Director



HELVETAS
Swiss Intercooperation

KYRGYZSTAN



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Table of Contents

Abbreviations	2
Note on reporting format	3
1. Summary	4
2. Introduction.....	6
3. Chronology January – December 2012	8
4. Comparison of Achieved Results versus Expected Results.....	10
5. Lessons learnt and Conclusions	28
6. Outlook	30

Appendices

Annex 1: BioFarmer Cooperative (ACSC) - Annual Report 2012 (in Russian)

Annex 2: BioService Public Fund (BS) – Annual Report 2012

Annex 3: Debriefing notes of visit from Elmer & Zweifel Textile Company and Paul Reinhart AG

Abbreviations

ATC	Advisory Training Centre
ACSC	Agricultural Commodity and Service Cooperative “Bio Farmer” (Cooperative)
AR	Annual Report
BCP	Organic Cotton Production and Trade Promotion Project (BioCotton)
Bio FFS	Farmers’ Field School for Organic Cotton
Bio RAS	Rayon advisors for organic cotton in RAS JA
BioSuisse	Organic Standard for Swiss market
BS	Bio Service Public Foundation
CTNC	Center for Training and Consulting LLC
FAO	Food and Agriculture Organization of the United Nations
FFS	Farmers’ Field School
FibL	Forschungsinstitut für biologische Landwirtschaft (Switzerland)
FLO	Fairtrade Labeling Organization
FOD	Federation on Organic Movement “Bio Kyrgyzstan”
GEF	Global Ecological Fund
GOTS	Global Organic Textile Standards
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Development Agency)
GL	Group Leader
GMO	Genetically Modified Organisms
HSI	HELVETAS Swiss Intercooperation
HACCP	Hazard Analysis and Critical Control Points
HIVOS	Dutch ‘Humanist Institute for Development Cooperation’
HYR	Half Yearly Report
ICCO	Interchurch Organization for Development Cooperation, Netherlands
ICS	Internal Control System
IFOAM	International Federation of Organic Agriculture Movements
ILO	International Labor Organization
IMO	Institute for Marketecology, Swiss certifying agency
IPM	Integrated Pest Management
IPAC	Integrated Production of Agricultural Crops
JAS	Japanese Agriculture Standard
JICA	Japan International Cooperation Agency
KR	Kyrgyz Republic
KSAP	Kyrgyz Swiss Agriculture Programme
LARC	Legal Assistance to Rural Citizens Project
LESIC	Kyrgyz Swiss Forestry Support Programme
LMDP	Local Market Development Project
MAP	Medicinal and Aromatic Plants
NOP	National Organic Program (North American Standard)
OFA	Organic Farmer’s Association
OFTCC	Organic and Fairtrade Competence Center
OD	Organizational Development
OVCD	Organic Value Chain Development Project in Tajikistan
PR	Public Relations
Prodoc	Project Document
RI	Regional inspectors
RAS JA	Rural Advisory Services Jalalabat
SAS	SugdAgroServ Joint Stock Company in Tajikistan
SECO	Swiss State Secretariat for Economic Affairs
SEP	On-Farm Water Management project
SIPPO	Swiss Import Promotion Programme
SKAL	Dutch Certifying Agency
TOR	Terms of Reference
TOT	Training of Trainers
YPO	Yearly Plan of Operations

HELVETAS Swiss Intercooperation

Note on reporting format

The BCP annual report for 2012 is designed according to the new logical framework for Phase III (2013-2016). The report comprises a summary of the expected results projected for 2012 and achieved according to the Yearly Plan of Operations. The main focus is on the development of the organic sector, with involvement of the government of Kyrgyzstan, private sector and civil society. Along the established organic value chains and business strategies the project continues rendering support to the partner organizations: Agricultural Commodity and Service Cooperative “BioFarmer” and Public Foundation “BioService”. More details on the value chains and business strategies can be found in the Annual Reports of the Agricultural Commodity and Service Cooperative “Bio Farmer” (ACSC) and the Bio Service Public Foundation (BS) which are attached to this report.

1. Summary

The Organic Cotton Production and Trade Promotion Project (BCP) of HELVETAS Swiss Intercooperation promotes the **development of organic value chains in Kyrgyzstan**. The second phase of the BioCotton Project was planned to end in December 2010. Since the main donor, Swiss State Secretariat for Economic Affairs (SECO), planned to conduct an external assessment of Phase II, the second phase was prolonged by another half year by SECO. The external evaluation took place in the first half of 2011 to extract lessons learnt and suggestions for the next phase planning. The main objective of **Phase III is designed as a consolidation and exit strategy** in the midterm perspective and institutionalizing completely the BCP approach into the local context.

Beginning of the second half of 2011 the contractual situation with the main donor was not clear and the project faced a so called **“non-phase” period**. In February 2012 the budget for the year could be clarified and activities started again. ICCO expressed their commitment for collaboration in the long term, particularly in the next phase, and for 2012 ICCO decided to support specifically the business planning process and the provision of a guarantee letter for Triodos bank. At the end of 2012 **SECO approved the consolidation phase from 2013 to 2016**.

The project activities analysed and described below for 2012 are derived from the Project Document for the consolidation phase and the **Project Objective** is:

The producer organisation ACSC and the service provider BioService operate sustainable businesses in an organic market system which is populated by an increasing number of actors from the private and public sector and is embedded in a conducive environment.

The end of 2011 was marked by various topical **discussions at national level about organic farming** in the country. The strategy of the project to attend the sector development events helped to define the role of HELVETAS Swiss Intercooperation and express its support to the organic movement in the country. For this reason in January, 2012, HELVETAS Swiss Intercooperation together with GIZ organized an **organic sector development workshop** with inputs from the international expert, Dr. Frank Eyhorn from the Organic and Fairtrade Competence Center of HELVETAS Swiss Intercooperation in Zurich. Increasing interest in organic farming among various stakeholders led to a local initiative of creating the **Federation on Organic Development “Bio Kyrgyzstan”**. In December 2012, the Federation organized a successful first **Organic Forum** with participation of various stakeholders: producers, traders, processors and retailers as well as public associations from Kyrgyzstan, Tajikistan and Kazakhstan. HELVETAS Swiss Intercooperation plans to continue its support to the sector development at national and regional level during the consolidation phase of the BioCotton project.

The main focus of the project continued to be on the **local organizations involved in organic value chain** development in 2012. Both organizations, BioFarmer and BioService, fulfilled their planned activities and **reached their planned cost coverage targets** for 2012 (BS – 85% and ACSC – 68%). The strategic goals of these partners are defined in their **business plans which were revised and updated during 2012** with the support of an ICCO consultant and a local financial expert. In March both organizations negotiated the services and fees of BioService and signed a Service Agreement for 2012. The BS services were paid by ACSC based on the actual crop sales in 2012. Both organizations submitted their narrative and financial reports based on the grant agreement in 2012.

At organizational level both organizations had to go through **important staff changes**. ACSC hired a new Chairman of the Board and a full time accountant, and BS recruited a new marketing manager beginning from June.

The production of organic crops started later than planned this year due to the late winter season. ACSC managed to produce own cotton seeds and distributed to its members at lower prices compared to local market prices. Both organizations have **revised the Internal Control System**

(ICS) for 2012 with the support of a BCP expert. ACSC gradually takes over more responsibility for the implementation and the quality management of the ICS.

By the end of 2012, after the external certification, the total **number of organic farmers was reduced** from 1'227 reported in the semester report to 1'172 (256 women = 22%), because of some farmers violating the rules of organic production. This means that the **fall out rate was of 5% which is much less compared to previous years** (10-12% in average). The farmers are organized in 64 farmer groups consisting of 10-15 members. 226 new farmers of ACSC were trained in organic farming basics and 10 field days were organized to exchange experiences with old farmers. Additionally more than 70 farmers attended special courses organized for specific crops like medicinal plants and pulses.

The BioService Public Fund obtained 8 consultancy mandates in comparison to the planned 5. Besides the ACSC mandate, Bio Service Foundation could provide services to additional **2 more cooperatives to develop organic value chains for apricots and Medicinal and Aromatic Plant (MAP)**. Additionally about 300 farmers from new cooperatives were trained in organic farming basics and got certified. BS also conducted trainings in conflict mitigation for more than 900 farmers in the south of Kyrgyzstan.

The organic cotton was harvested from 533 ha instead of 633 ha and rotation crops from 60 ha instead of 70 ha because some fields were excluded during internal and external certifications and **heavy floods occurred in May and June, destroying approximately 15% of the estimated production volume**. The other two cooperatives in Issyk-kul and Batken, involved in medicinal plant and apricot value chains, produce on more than 200 ha. These cooperatives are currently in a **conversion period towards organic farming** and marketing of their crops as organic will be possible in 2013.

Of the organic cotton produced by the ACSC, a total amount of 156 tons could be **sold to Elmer & Zweifel Textile Company, for their Cotonea brand¹**, based on the flexible pricing mechanism. Initially the company planned to buy only 100 tons but they got **additional orders from Migros, Switzerland**, that helped to sell all organic cotton produced in 2012. Rotation crops of ACSC were harvested in amount of 1'000 kg of calendula instead of planned 1'500 kg, red skirt beans 16 tons instead of 50 tons and chick peas 6,5 tons instead of 20 tons. Main reasons for not reaching the plan were climatic conditions, small volumes for export market and quality issues that didn't match with the requirements of the international buyers.

The **financial needs for the cotton harvest were covered through a trade loan from Triodos bank** based in the Netherlands, for an amount of 183,700 USD, which was paid back after shipment of the organic cotton in December. Other value chains (apricots and MAPs) do not require finances yet because the crops are not yet ready for voluminous sales at international markets.

In the second half of 2012 the inspection of the organic cotton samples **detected a contamination from genetically modified seeds (GMO)** which would potentially destroy the entire value chain. Fortunately the issue could be solved after further testing of the samples in German laboratories, which showed that the **percentage of contamination was still within the limit of below 0,9%** that is allowed according to organic rules, and the sales could proceed with certification. However, the GMO case needs to be thoroughly controlled in ICS for 2013 in order to prevent any future contamination. Also the role of the Government is important in this case and the project shall address the issue in the future with regard to **promoting a legal framework that helps control GMO** in Kyrgyzstan.

The BioCotton project plans for 2012 were approved in April during the Steering Committee meeting and **all planned activities have been fulfilled**. With a newly formed young team the project could successfully arrange visits of buyers, international consultants and other visitors and guests of project.

¹ <https://www.shop.cotonea.de/?>
HELVETAS Swiss Intercooperation

2. Introduction

In 2003, the Swiss State Secretariat for Economic Affairs (SECO) together with HELVETAS Swiss Intercooperation initiated the BCP Project (Organic Cotton Production and Trade Promotion Project) in Kyrgyzstan with the project goal:

“To promote organic farming in Central Asia and the trade organic cotton and other organic products in the international and domestic markets, allowing interested farmers to make their living.”

The major problems of farmers in the south of Kyrgyzstan such as degrading soil fertility and very low incomes of small farmers were addressed. This project was built upon the previous experiences made by Helvetas and other organizations in organic cotton production in countries like Mali, Burkina Faso, India and Tanzania and in trade promotion of cotton to Europe. Past experiences confirm that switching from conventional to organic farming can contribute both to an improvement of the economic conditions of farmers and to the betterment of serious health and environmental problems.

Organic farming was a new concept in Kyrgyzstan. The idea of organic agriculture rests on balancing economic profit and sustainable management of natural resources. It does not allow the use of mineral fertilizers, synthetic pesticides and genetically modified organisms.

In the first phase (2003–2006), the project focused its activities in raising awareness, capacity building and market research to efficiently initiate trade promotion of agro products. The project was mainly targeting to develop and support the production and commodity chain of organic cotton and its byproducts in both the domestic and international markets. BCP had obtained a purchase guarantee from a cotton retailer in Switzerland thus enabling vertical integration of organic cotton producers and sellers.

In the second Phase (2007 – 2010 and subsequently prolonged to 2011), the project reformulated its objective as following:

“With the support and facilitation of BCP, a sustainable local structure for organic farming and trade is established. It manages the supply of a sizeable volume of certified organic and fair trade cotton and other (organic) products to international and domestic markets, while actively promoting the respective value chains”.

During this second phase, BCP changed its role, from an implementing agency (in phase 1) to an advisory structure or value chain facilitation (phase 2). Gradually the local structures became the direct partners of the key stakeholders along the organic value chain. The two local organizations Bio Service Public Foundation and the Bio Farmers Public Union were established. Later on the Farmers’ Union was reorganized into the Agricultural Commodity and Service Cooperative in order to be able to sell on behalf of its members without additional taxes. Both organizations have equally strong functions and developed their business plans for the period 2012 – 2016 with break-even points to be reached in 2014.

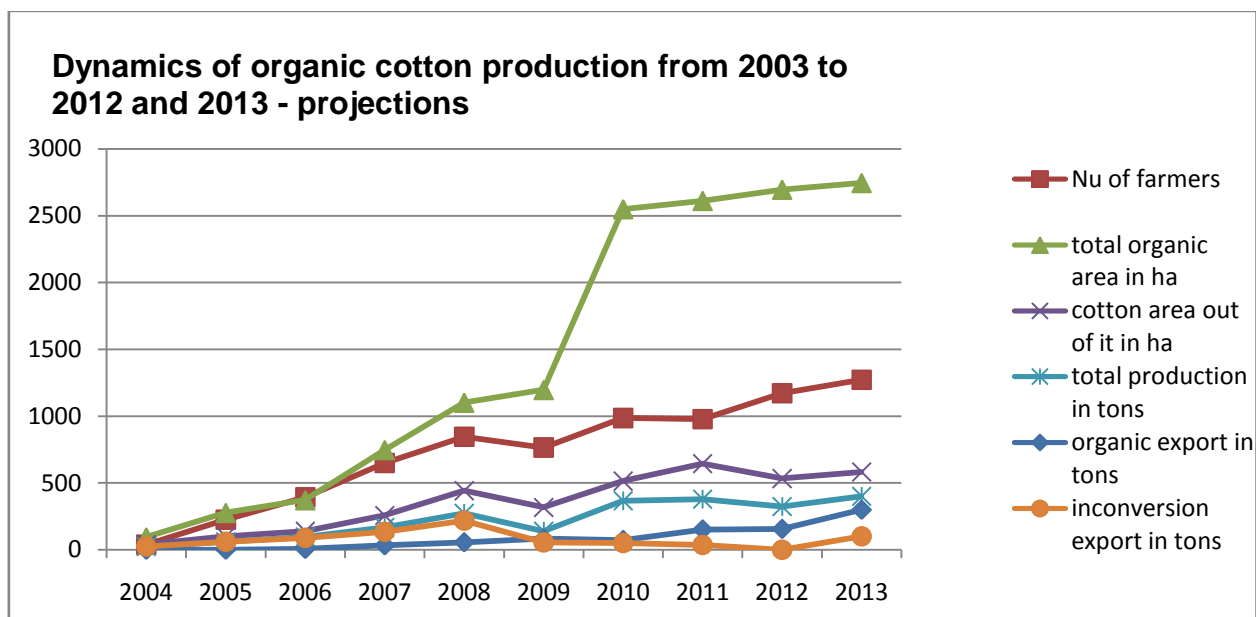
The project document for phase 3 proposes to consolidate its activities into the next phase with the following objective:

“The producer organisation ACSC and the service provider BioService operate sustainable businesses in an organic market system which is populated by an increasing number of actors from the private and public sector and is embedded in a conducive environment”

The project intervenes at two levels: it consolidates the organisational development of BS and ACSC, by supporting the further capacity and business development of these two organisations. In parallel, the project supports the emerging organic sector by attracting more players to join the movement, supporting local organic market development and contributing to a more conducive environment.

The development of organic cotton production and trade from 2004 to 2012 and with projections in 2013 for the BCP supported organisations can be seen in Table 1.

Table 1



According to the figures shown in Table 1 the number of farmers shows a substantial increase between 2004 and 2012 and they have successfully passed certifications with a total area of more than 2'600 ha. This area of organically certifiable land allows establishing additional organic value chains based on the market demand. However, up to now the project did not succeed in establishing additional value chains besides cotton. Various reasons were identified for that and one of the main lessons learnt in 2012 is the absence of a dynamic private sector along the value chain.

The fallout rate or number of excluded farmers after internal control system in average reaches 10-12% of total number of farmers. Basically the main reasons of the fallout rate are low prices and challenges of converting into organic production in the first years. In 2009 the world financial crisis and in 2010 the volatile cotton markets and skyrocketing cotton prices heavily influenced on the organic businesses. In a result the fallout rate in 2010 reached 30% and the farmers' loyalty became an issue in 2011. Since then ACSC focused more on loyalty of farmers by making frequent individual visits to the fields and rewarding active farmers. The situation was much better in 2012, when the main reasons of the fallout rate (5%) were mainly due to migration of workforce in the villages and specific violations in organic rules.

The strong increase of total organic area is observed as well due to additional lands from non-irrigated areas of farmers. The non-irrigated lands are mainly used for growing chick peas as alternative crops. Such lands strongly depend on the rainfall per year and there is always a risk during drought season.

The export of cotton shows almost complete sales of all produced volume except during the critical years when the volatile cotton markets distorted fixed contracts of ACSC (2010) and when there was a lack of capital to purchase the cotton from farmers (2011). The current financial condition of ACSC allows acting only as an agent during the sales.

3. Chronology January – December 2012

In 2012 the project focused both on organic sector development and support to partner organizations. The interest of the government in organic agriculture and new organic initiatives like the recently created Federation allowed the project to be more present at national level. At the same time, the partner organizations, BS and ACSC, still absorbed most of the capacities of BCP in 2012.

Month	Milestones
January	<ul style="list-style-type: none"> Strategic plans of local organizations are finalized including operational plans Organic sector development conducted and four groups identified, mission from OFTCC
February	<ul style="list-style-type: none"> Project budget for 2012 is approved BS and ACSC revised their business strategies with the support of BCP Backstopper Potential contacts for the sector development identified at BioFach 2 weeks of business planning workshop conducted by ICCO consultant and support continued by local financial expert
March	<ul style="list-style-type: none"> Service package to farmers prepared and communicated during information campaign Service agreement is signed between BS and ACSC Audit reports are prepared by partner organizations and submitted to Steering Board members
April	<ul style="list-style-type: none"> Contact established with Investment Fund responsibility from Zurich and due diligence is scheduled for 2013 M4P training conducted jointly with LMD project: BCP and BS attended Market system analysis discussed and inputs are integrated into the Road Map as annex to Project document, phase III Steering Committee meeting of BCP conducted and approved report of 2011 and plans for 2012
May	<ul style="list-style-type: none"> Steering Committee of BS conducted and decided to guide BS according to Business Plan indicators Coordination meeting on organic sector development moderated by BCP Harvest estimates are ready: 325t of cotton fiber, 100 t pulses, 60 t chick peas, 1,5t MAPs Marketing action plan is developed between OFTCC and BCP MOU signed with GIZ on joint support to sector development
June	<ul style="list-style-type: none"> Triodos is ready to collaborate with ACSC Elmertex agreed to continue with flexible pricing mechanism New private sector contacts established: private businesses, Agrobazar Cooperative Local market players are explored for organic products
July	<ul style="list-style-type: none"> Local financial expert is hired to support in finalization of Business plans of partner organizations BS marketing specialist is hired and coached by BCP Triodos accepted the financial statements and projections and agreed to reduce the guarantee letter value by 25% ICCO supported with guarantee letter between Triodos and ACSC Meeting with evaluators of ITC project funded by Seco to identify possible collaboration during the next phase
August	<ul style="list-style-type: none"> Feasibility study of organic and fairtrade handicraft project conducted by project assistant and volunteer BCP facilitated preparation of organic forum in Kyrgyzstan Guarantee fund meeting clarified between ACSC and BS Business planning (text part) of both local organizations revised with the support of BCP

September	<ul style="list-style-type: none"> • Triodos committee accepted the application and agreed to provide loan to ACSC • Fairtrade international invited two organic farmers to attend promotion campaign in Finland – BCP helped in preparation for travel • Mission of Frank Eyhorn to further facilitate sector development and revise ICS structure • Visit of cotton buyer and exporter jointly with professional photographer resulted in strengthening business relations • Visit of communication and funding department from Head office to organic farmers during agrotourism
October	<ul style="list-style-type: none"> • Workshop in loyalty of farmers conducted by BCP advisor • Cotton outlook published an article about HELVETAS Swiss Intercooperation organic project in Kyrgyzstan in the magazine distributed during cotton fair in Tashkent • BCP representative attended ICAC plenary meeting and moderated world café discussion • Meeting with Syngenta foundation to introduce pilot project on mobile applications in ICS
November	<ul style="list-style-type: none"> • Investigation on GMO contamination started and solved with lab analysis • Grant agreement signed with Federation on Organic Development and BS (additional mandate in organizational development of FOD) • ACSC made payment based on the Service Agreement between ACSC and BS • Strategic outline developed to support partner organizations
December	<ul style="list-style-type: none"> • Strategic planning process started and analysis finalized by end of the month • Organic forum conducted and FOD officially launched • Legal advice on BS ownership is outsourced to legal company in Bishkek • GMO impact assessment has started by local expert and funded by HELVETAS Swiss Intercooperation • Market research is finalized by M-vector and data base is prepared

4. Comparison of Achieved Results versus Expected Results

4.1 SECO Key Indicators for BioCotton Project

Key Indicators **					
	2009	2010	2011	2012 plans	2012 fact
Charter and registration of the Organic Farmers' Association	X (12/08)	X (12/08)			
Number of members of the Organic Farmers' Association	765 (24% women)	986 (23% women)	998 (22% women)	1100	1172 (22% women)
Support Unit legal form and charter defined	X (6/07)				
Support Unit registered and operational	X (12/07)				
Cost coverage Support Unit	20% (BS)	30% (BS)	BS 42% ACSC 48%	BS 52% ACSC 60%	BS 85% ACSC 68%
Volume of exported organic cotton fibre	137 t certified 60% labelled as organic*	72 t certified 59% labelled as organic* and 50t in-conversion	150 t certified as organic* and 36t as in-conversion	175 t certified as organic* and 150t as in-conversion	156 t of certified as organic and fairtrade, no in-conversion
Volume of organic rotation crops sold	14,5% of the cotton sales	0,6 tons of MAPs exported	100kg of MAPs - stored, 17tons red beans sold locally	1.5 tons of MAPs, 100 tons of beans, 60 tons of chick peas	1t of calendula, 16 t of beans (red skirt), 6,5t of chick peas on stock
Fair trade label obtained	X	Yes	Yes	Yes	Yes
Share of products sold with organic premium price with fair trade premium price	40% 40%	59% 40%	80%	-	100%***

*All of the production shall be certified (complying with the requirements for organic farming), but only the third year cotton production can be labelled as organic on the markets.

** The key indicators are based on the previous ProDoc for phase II

*** The organic cotton was sold with organic and FT premium, whereas in-conversion cotton was not sold at all.

ER 1: Diversified Production Plan and Value Addition

Sub-objective 1.1: Production support is ensured

Indicator

- min 1 rotation crop in exportable volume produced
- proven economic profitability at farm level
- comparative analysis, including rotation crops

Result

- harvested and purchased from farmers: 156 tons of organic cotton, 6.5t of chick peas and remaining sold by farmers, 20t of beans sold locally by ACSC, 0,9t of calendula sold locally by ACSC
- gross margin analysis for rotation crops are presented to farmers
- data of rotation crops is collected

Process

In the beginning of 2012, 892 farmers renewed their contracts and additionally 335 farmers were recruited newly. After the internal and external certification 1172 farmers were certified, 22% of them are female farmers.

Altogether 533 ha were left under cotton after certification and over 75 ha for rotation crops. ACSC promoted pulses (beans and chick peas) and Medicinal and Aromatic Plants (MAPs) based on market demand. The planned volume was not harvested due to floods which took away about 15% of the production. The BioFarmer cooperative could harvest the following products and quantities: 156t of organic fiber instead of planned 175t (due to the floods, see pictures below); 40 tons of chick peas were produced both in Jalalabat and Talas instead of 60 tons (dry climate hampered in the south); 52t of organic beans (red skirt) instead of planned 40t (good conditions for beans in Talas allowed to reach higher volume); 1t of organic calendula instead of planned 1,5 (due to floods and difficulties to harvest). The apricots in Batken are not in the strategic action of ACSC due to lack of capacities and market demand. BS continues to work with Batken apricot producers in the field of organic trainings and certification.



Pictures 1 and 2: Flood damages in the Jalalabat area in June 2012, taken by Lydia Pluess.

During the annual farmer information campaign and special training for rotation crops the trainers of BS and member of ACSC prepared gross margin analysis for each promoted crop. Based on the profitability of the crop during the trainings of BS the farmers were convinced to grow the promoted crops. The gross margin analysis and examples can be found in training materials of BS. However, the external factors like floods, drought season are among the main risks for the Cooperative members, for whom ACSC needs to develop a reserve fund. HELVETAS Swiss Intercooperation is currently analyzing the need for promoting more specific flood prevention and control measures in the frame of its Country Programme 2012-2016.

Comparative analysis is continued on organic cotton, which proved profitability of organic farming compared to conventional one. The analysis was presented during the Steering Committee of BCP and the government officials got interested to get such data. The data contains also other crops the farmers are growing in their field. This tool helps the farmers to better understand the benefits of organic agriculture.

Successful marketing of rotation crops will contribute substantially to the success of organic farming in Kyrgyzstan in the long term. Table 2 below shows the results of the several attempts by the project to promote the export of rotation crops, of which many failed so far due to both external and internal factors. To solve some of the internal factor a guarantee fund has been developed to bridge the gap between demand and supply. This tool helps to win the trust between the Cooperative with its farmers and Cooperative with potential buyers. In 2012 the sales of rotation crops did not take place due to not only low volume but also no commitment from the buyer in the form of a letter of intent. ACSC managed to mediate sales at local market for calendula and beans, and chick peas are stored and will be sold later in 2013. Another challenge of the producer is the definition of their unique selling position and/or comparative advantage in Kyrgyzstan. It is important for producers to develop their product with good image and provide exclusively high quality. Only this could overcome the shortcomings like high transport costs and small volumes.

Rotation crops development since 2005

Table 2

When	Promoted rotation crops	Planned production (in tons)	Harvest estimate (in tons)	Sold by local organizations (in tons)	Remarks
2005	Pulses (various beans)	7.2	1.9	0	
	Maize	13	3.9	0	
2006	White beans "Lopatka"	85	20	14	Sold on the local market as quantity was too low for Turkish buyer
2007	White beans "Lopatka"	189	20	20	Sold on the local market due to small volume for Turkish buyer; low yield due to drought season
2008	Red Beans	50	15	0	Harvest failed (drought)
	Chick peas	80	0	0	Harvest failed (drought)
	Peanuts	10	10	0	
2009	Sunflower seeds	26	25	0	
2010	Various MAPs	5.4	2.1	0.7	Exported to Switzerland with OFT prime
	Chick peas	80	6	0	Volume too low for export
	White beans (in Talas)	110	100	0	No demand for organic in-conversion beans
2011	Chick peas	20	0	0	Dry climate
	MAPs	2	0,1	0	Dry climate, stored at warehouse
	Red beans	20	17	7 (for seed material)	Farmers sold at local market
2012	Red skirt beans	40	52		16t out of it sold by ACSC, the rest by farmers
	White beans	60	60		Sold by farmers
	Chick peas	60	40	6,5	Partly sold by farmers, 6,5t stored for later sales
	Calendula	1.8	1	1	Sold locally

Sub-objective 1.2: Quality management system is integrated (HACCP, QM, GMO) including certification

Indicator

- ICS handed over to ACSC
- ICS costs reduced by 50%
- HACCP applied

Result

- New system of ICS is applied but group leaders were not involved
- The costs for certification are reduced by 50%
- HACCP certificate manual developed

Process

The efficiency of the ICS and certification system is an important issue for both organizations to reduce their costs. Up to today the ICS system was more focusing on number of visits rather than on risks management. In 2012 the cooperative decided to hand over more responsibility to farmers and reduce the number of visits. This way BS would be more involved in training of ACSC members to conduct inspections and organize external certification. At the same time both organizations would jointly share the risks and quality management throughout the production year.

As BS is acquiring more mandates from other cooperatives and organic initiatives it has to hand over the implementation of ICS to the cooperative. In order to support this system in January the mission of Mr. Frank Eyhorn from the Organic and Fairtrade Competence Center in Zurich helped to analyze the handing over process and defined steps for the next years. Afterwards both organizations with the support of a BCP expert, Mr. Abdulatib Khaldarov, developed a concept for 2012 outlining a gradual handing over of ICS to the cooperative. In the middle of the vegetation period the project conducted monitoring of the new ICS system and found out that actually group leaders were not involved who were supposed to take over certain tasks. The new system requires 1-2 years for proper capacity building and empowering the group leaders in production. This will contribute to cost reduction of ICS system and gradual handing over of ICS into ACSC. In 2013 ACSC intends to fully apply the new system and take more responsibility in ICS.

The more value is added into the product the more quality issues emerge. To date, only cotton processing was closely monitored for quality management. With new crops like pulses and MAPs it has become important to introduce also the HACCP system to ensure better quality. These crops require further processing like drying, sorting, cleaning, calibrating. In 2011 both partner organizations involved a local HACCP expert who developed procedures and trained the HACCP team. It became clear that this standard is more relevant for processors in order to ensure good quality. ACSC does not have any processing unit to comply with HACCP rules. When ACSC will establish food crop value chains like pulses or apricot for export markets then HACCP will be necessary. However, the draft manual has been developed with the support of BCP for any future processing activities of ACSC.

ER 2: Enhanced competitiveness and business strategies

Sub-objective 2.1: Competitive business strategies updated

Indicator

- Strategic plans
- Business plans and main indicators for 2012
 - Cost coverage
 - Profit
 - Equity

Result

- Strategic plans developed including YPO and Budget for 2012
- Business plans are revised and key indicators defined for 2012
 - Cost coverage: BS (85%), ACSC (68%)
 - Profit: BS (-0,238 KGS), ACSC (-1,225 KGS)
without Helvetas grant for 2012
 - Equity: BS (4,095,971 KGS), ACSC (12,731,534 KGS)

Process

The process of strategic planning was supported by BCP backstopper Mr. Markus Ehmann in January, 2012. Both organizations could revise and analyse their strategies and develop detailed plans for the year.

ACSC decided on a growth strategy: diversification – focusing on 2 more crops besides cotton, concentration strategy - increase loyalty / accountability of farmers towards the cooperative and exploiting the existing organic area more effectively. The strategic plans of ACSC were approved by the General Assembly in May including the plans and budget for 2012.

For BioService it was important to go into a strategy revision process because there were several options which needed to be analysed. At the end three main options were defined and prepared for approval of the steering board. Later in 2012 BS presented the most suitable strategy for its capacities, which is a combination of trainings and consultancies with certification and ICS. In addition the newly emerged local initiative, the Federation on Organic Movement, took most of the capacities of BS in 2012. Considering the support to the Federation, BioService could start expanding its services in the north in the field of organic sector development. More details about the outlook of BS services can be seen in the Annex II Annual Report BS PF.

The revision of the business plans for both organizations started at the end of February with the support of an ICCO consultant. Two weeks (1 week each) of intensive workshop with both organizations defined the main fields of revision and still continued with remote support till June. At the same time the project involved a local financial consultant for the BioService business planning. To date, both business plans have progressed significantly and defined their key indicators for 2012 (Tables 3 and 4). The projections in the financial plans were made till 2016 when the project is fully phasing out. According to the business plan the breakeven point of BS is planned to be reached in 2014.

In 2012 BS could achieve more consultancies that helped to reach higher cost coverage (85%) in 2012 than planned (52%). This is mainly from donor funded projects. Based on the Service Agreement with ACSC BioService received fewer funds than expected. Main reason for this is ACSC with the support of BS could actually sell only organic cotton. Other crops including in-conversion cotton were mostly sold by farmers and ACSC could not get its service fees. During the Steering

Board meeting of BS held in May it was recommended to focus more on local businesses like cooperatives and other producer organizations that can pay from businesses. Unfortunately many cooperatives in Kyrgyzstan are not yet sustainable and depend on external funds.

Business plan indicators of BioService

Table 3

Key indicators	2011 fact	2012 plan	2012 fact
Organic production initiatives	0	2	3
New consultancy or training mandates	5	5	8
Mandates (in mio kgs)			
ACSC	1,0	2,2	1,062
SEP 3 and 4	0,132+0,104		
ACTED	1,07		
JICA	0,075		
GIZ	0,45	0,9 +1	0,664+1,2
Agrotourism	0,1	0,07	0,042
TASK	0,13	4,2	4,19
USAID		1	1,057
HELVETAS			0,376
ICCO			0,269
AGAKHAN			0,119
APSU			0,025
OTHER (GIZ AF, MAP)	0,3		
TOTAL	3,45	9,6	9,249
Expenditures of BS in mio	7,65	11,4	11,549
Gross margin (without donor contribution)	-0,2	-0,26	-0,238
Net operational result	-4,4	-1,7	-2,299
% Cost coverage by service provision	42	52	85
Capital by 31.12.2012 in mio	1,987	2,25	1,685

Business plan indicators of ACSC

Table 4

Key indicators	2011 fact	2012 plan	2012 fact
Number of farmers	977	1146	1172
Turnover (in mio KGS)	28, 638	41, 271	26,131,737
Gross margin (without donor contribution)	-581,523	-162,482	-1,274,972
Net result in mio	5,604	3,762	1,225,028
% cost coverage (commission and membership fees)	0,48%	62%	68%
Capital 31.12.2012	12,842	14,605	12,731,534
Fairtrade fund in mio	0, 802	1,343	137,987

According to business plan indicators for 2012 ACSC did not reach the expected result in terms of overall turnover (decrease by almost 30%). This is mainly due to lack of sales of in-conversion cotton. In the past in-conversion cotton used to be sold as conventional to Reinhart company. But in 2012 in order to purchase the cotton from farmers ACSC did not have enough capital and due to lack of sales contracts it was not possible to obtain additional credit from Triodos. In a result the cotton was sold locally by farmers. In 2013 ACSC management plans to mediate local sales in order to deduct the fees of ACSC from the farmers. On the other hand ACSC has a major risk of natural disasters which cannot be fully managed. If the projected volume can be produced and sold as in the business plan then the Cooperative comes very fast to breakeven point. On the other hand ACSC needs to have solid capital in order to resist critical business environment like volatile markets and also shall be able to purchase the raw material from farmers.

Sub-objective 2.2: Profitability of the organization is increased through partnerships with private sector

Indicator

- Sales contracts - 2
- Cost covering price structure
- Service agreements signed
- ACSC pays BS according to agreement
- MOU with partners signed (at least 1)

Result

- 2 sales contracts signed for organic products (one international, one local)
- Flexible pricing scheme is applied for cotton, guarantee fund is used for rotation crops
- Service Agreement concluded
- ACSC made payment for the services based on the actual sales
- Contacts established with new partners (Agrobazaar, ResponsAbility)

Process

Good negotiation is a key to success in business. ACSC mandated BS to sell all organic products promoted for this year including the in-conversion cotton fibre. BS attended BioFach exhibition this year together with a BCP delegation and strengthened existing buyer relations. Additionally during fairs and exhibitions in the country BS took active role and disseminated information about organic farmers and their products. Unfortunately BS lacked human resources in the field of marketing and could not follow up with all contacts during the sales of organic products.

The flexible pricing scheme from last year served both parties: the buyer and the seller. The CEO of the Elmer and Zweifel textile company agreed to go on with the same scheme also in 2012. ACSC has agreed on a formula for 2012 and could source 90% of the planned volume from the farmers. The buyer noted that the agreed formula can serve both parties in the long term (See debriefing minutes in the Annex III). For rotation crops both organizations jointly with BCP could not find a committed international buyer in 2012. The beans were sold locally and guarantee fund was used. ACSC found a local buyer who agreed to buy beans but the agreed price was not anymore valid due to volatility of bean prices during the season. In order to keep to the agreement between the buyer and seller ACSC had to sell at the agreed price. And the missing part of the payment was filled by guarantee fund which has amounted to more than 200,000 KGS for 16.5 tons of beans. In a result ACSC could keep the trust of farmers towards the cooperative and did not lose their motivation to grow this variety of beans again in the next year.

In March BS and ACSC successfully signed a Service Agreement for 2012. Lengthy negotiations and discussions between the two organizations took place without interference of the project. This way it got clear that partner organizations developed an ownership and realized importance of such Agreement. According to the agreement the payment was done based on the actual sales of organic products, particularly the organic cotton. The payment was not done fully because not all products of crop 2012 were sold with organic prime. In the future the Service Agreement will be concluded separately for trainings and marketing activities.

From November 2011 the project started actively exploring public and private partnerships in the organic sector. Various workshops and meetings organized by the project helped to identify new actors already involved or potentially interested in organic businesses in the country. During the organic forum conducted on 5-6th December by Federation of Organic Movement, the project HELVETAS Swiss Intercooperation

members could establish several contacts with government representatives and local small private businesses. Follow up and thematic discussion with identified private sector will be done in the beginning of 2013. Additionally the project established a contact with Agrobazar cooperative which is involved in trade relations with Russian market players. This contact could assist ACSC in exploring the Russian market demand for organic products. Also the Center of Contracting founded by a former LMD project team member as a local agency is focusing on CIS markets. This can also help ACSC to explore and maybe create an organic demand in Russian markets.

In the field of finance new Investment Fund ResponsAbility from Switzerland got interested to provide a harvest loan to ACSC. The contact is established and due diligence of financial situation of ACSC will be conducted in 2013. At the same time ACSC has developed a long -term cooperation with Triodos and therefore offers to other banks to work with rotation crops and not with cotton.

ER 3: Marketing and Local Market Development

Sub-objective 3.1: Local market development and access of organic products to local market is piloted / explored

Indicator

- Local market analysis report study produced
- Number of people reached through PR campaign
- Organic products sold with prime on local market

Result

- Report on market research is finalized and distributed to partners
- BS actively promoted organic agriculture in the country and more than 1000 people were involved
- New actors are identified for access to local market

Process

In order to assess the profitability of organic products the project planned to explore both local and regional markets. This provides additional market opportunities for producers and support services in the local market. Terms of reference have been prepared by the project and a consultancy contract was outsourced to a professional company, M-Vector in the second half of the year. The report was finalized end of December and distributed to partner organizations. The company prepared a data base of potential clients in Europe and briefly described in the report about local and regional market potential. Basically the main recommendations of the research company were to focus more on high quality raw products for European market rather than packed and finished products that need to be of very high quality.

The possibility of selling finished products in Europe could be done by involvement of the foreign investor in Kyrgyz products who would know consumer preferences in Europe. For this reason since 2011 the project started to focus on establishing public private partnerships at local and international level. At the same time it is very important to identify the comparative advantage or unique selling proposition of Kyrgyz products when focusing on regional and international markets. Due to high transport and production costs the products might not have competitive advantage even though they are organic certified. Additionally high quality and strong promotion activities are necessary in order to shape the good image. BioService has been very active in lobbying and awareness creation among the local population. During the organic forum on 5-6th December, 2012, BS took the role of organizing exhibition and sales of organic products. During the promotion events more than 1'000 people were involved and almost 7-10% of people in Kyrgyzstan got aware about organic agriculture. BS became known not only among producers but also donors and government representatives.

This year ACSC was focusing on increasing farmers' loyalty. Involving the farmer groups in small income generation activities will contribute to the group empowerment. The project of JICA "One village – one product" offered the ACSC to supply with products from farmers and enter the local market. The project planned to open a shop in Bishkek but it didn't take place yet. BCP will follow up in 2013. At the same time BCP explored organic handicrafts value chain among organic female farmers. The value chain actors were identified, particularly local and international sales points, market players. The concept will be further developed in 2013 with better involvement of the cooperative and its members, specifically female farmers. During the organic forum and other fairs in Bishkek, BS and ACSC tried to sell the organic products to local consumers. They have added only 10% as organic prime due to low purchasing power. Some products were sold very fast, like canned products and dried plums. In the future BS could use this list from the market basis for future promotion of crops among producers.

Sub-objective 3.2: Improved international marketing + local/ regional

Indicator

- Marketing strategy of BS (document)
- Feasibility study of walnuts, MAPs and apricots

Result

- Action plan on marketing developed
- BS acquired USAID support for apricots in Batken, GIZ support for MAPs in the north, FT standards for walnuts obtained

Process

The marketing function is a core activity in an organic value chain. In order to fill this gap the project invested major resources in the marketing capacities of BS. At the same time OFTCC provided substantial support in marketing by linking to potential buyers and making first contacts abroad on behalf of the producer organization. The project has developed an exit strategy in the Project Document for Phase III focusing mainly on the marketing functions. It got obvious that private sector involvement could solve the issue rather than building local capacities. Nevertheless, some basic understanding of marketing and promotion is necessary to producers. As the first step towards the exit strategy OFTCC and BCP developed an action plan on marketing in February. Later on BCP moderated marketing meeting between BS and ACSC. Unfortunately BS did not succeed in hiring a permanent staff member as marketing manager and the whole team (BS, ACSC and BCP) was jointly discussing marketing related issues. On the other hand the project started to search for trade agents (organizations, individual persons) who would be willing to do sales of organic products on a commission basis. This is one of the options described in the project document for phase III.

Project experience since 2004 has shown that in the organic world markets the farmers in Kyrgyzstan shall focus on niche products or have very strong competitive advantage. For this reason it is necessary to conduct feasibility assessment for all potential products. An apricot assessment in Batken is mandated to BioService from USAID project. The consultant, Mr Atilla Ertem from Turkey, visited Batken apricot farmers and conducted training on apricot production and processing. He has developed a guidance manual which was distributed to farmers. And BS got a mandate from GIZ to develop a MAP value chain in IssykKul. Altogether 48 farmers were certified by IMO in 2012 and it will continue also in 2013.

In the beginning of 2012 BS was linked by ICCO to the Dutch company called FairMatchSupport (FMS) in order to develop walnut fairtrade value chain. The feasibility study was conducted by Agrolead with the support of ICCO and BioService helped FMS to collect data on production costs of walnuts in Jalalabat. This is required at Fairtrade International to define minimum price. In December the standards for Fairtrade walnut in Kyrgyzstan were approved and further development of the Fairtrade walnut value chain will continue in 2013.

ER 4: Strengthened capacities of producer organisation

Sub-objective 4.1: ACSC

Indicator

- Audited financial statements
- Funds are managed and reported on time and correct
- Loyalty of members strengthened
=>delivery rate,
=>payment of credit
- Report on share-holder system study
- HRD plans + implementation
- Administrative processes defined, operational manual developed

Result

- Audit report for 2011 submitted
- New accountant is hired for 100%
- Organic farmers delivered 90% of organic cotton, credit for seeds and advance payment is outstanding
- Report on loyalty of farmers including shareholding system
- HRD plan is implemented
- Administrative and operational manuals updated

Process

With the new manager stepping in, the organizational structure of ACSC was changed. There are now 6 permanent staff members managing the Executive Board of ACSC. As a consequence, in the first half of 2012 the staff management of ACSC remarkably improved. Each staff member got updated TORs and signed their contracts for 2012. The accountant position was increased from a 40% part time basis to a full timebasis and ACSC recruited a new accountant. At the same time 1C accounting system was installed within ACSC and the new accountant was trained.

Financial reports to donors and Triodos were prepared only in March due to lack of capacities within ACSC at the beginning of the year. Later on the audit inspection reported several bookkeeping errors in the accounting system of ACSC done in 2011. By mid of May all errors were corrected within the given period and shared with donors. The project continues to build capacities of ACSC in the field of financial management as a core function. With the support of the local financial expert who helped to make order in the financial plan of ACSC Triodos accepted and agreed to provide a loan for the harvest in 2012. The local financial expert trained the ACSC staff in cash flow management including correlations of each sheets in the financial plan of the business planning. The ACSC team took more ownership into their business plan and could match their strategies with figures.

The loyalty of farmers or accountability remains as an important issue in the ACSC management. In the first half of 2012 the measures to increase loyalty were rewarding active farmers, visiting farmers more often, supporting during disasters and keeping closer communication flow. In the second half of 2012 the BCP advisor conducted a survey among farmers and results were concluded during the workshop with ACSC team. In a summary it got clear that ACSC has to work closer with each farmer and help him or her in product planning and improved communication flow. On the other hand farmers were open to be shareholders of their cooperative. In the beginning of 2013 ACSC will

check the shareholding system with local legislation and will define the structure to strengthen the accountability of the members.

Another possibility to win the trust of farmers and keep them loyal was to buy all their organic products. In 2012 ACSC managed to sell all organic cotton with a delivery rate of 90% because Elmer and Zweifel Company could find additional sales channel. Organic chick peas were delivered by 50% because the local market price increased. Around 6.5 tons of chick peas are stored in the warehouse to supply the local market with any possible prime on top. The bean buyer, Marap in Samarkand refused to buy this year due to full stock still from last year and ACSC had to sell it at the local market (delivery rate was 30%). Organic calendula was delivered by 90% and was ready to be shipped to Switzerland. Unfortunately the lab analysis showed that calendula samples contain DDT (harmful pesticide) which is forbidden not only in organic products. Intensive use of chemicals (burials of chemical residues) during the Soviet times continues to block the growth of medicinal plants in organic way. BS suggests making a mapping of all relevant sites where chemical residues were buried in order to exclude them from organic production. At the same time the project shall involve the government to address the issue.

From the human resource management ACSC staff members could attend various events and training to upgrade their capacities. One of the highlights at international level was the participation at a conference in Izmir where a presentation was made about BioFarmer Cooperative experiences. The Human Resource Development (HRD) plan of ACSC was developed and implemented throughout the year. The administrative manual has been updated and internal regulations are in place. In 2013 it is foreseen to exchange experiences with the OVCD project in Tajikistan in order to strengthen the cooperation between the two projects.

In January 2012 ACSC became a board member of the Fairtrade Network of Asian Producers (NAP) during the general assembly conducted in Chennai, India. ACSC continues to exchange information and follow up on further developments of NAP which mostly raises the issue at producer level. The Federation on Organic Movement could have a similar role to protect organic producers in Kyrgyzstan.

Sub-objective 4.2: BioService Public Foundation

Indicator

- HRD on acquisition
- Marketing implemented

Result

- BS members obtained trainings, diversified competences
- Marketing function is spread among BS team members

Process

BioService is the only service provider which is specialized in organic farming in the country. For the last 2 years BioService positioned itself mostly towards donor organizations. Several proposals have been submitted by BioService and three of them were supported in 2012. According to the SECO evaluation this strategy will be sustainable only in the short term. For the long term perspective the organization shall acquire mandates from the value chain operators like producers, processors, retailers. For today only ACSC is the main client as producer organization which gets services in training, certification and marketing. Additional two cooperatives, Alysh Dan in Batken and Reina Kench in Issykkul joined organic farming in 2012 with the support of GIZ. Winning new projects and supporting additional value chains with other cooperatives BioService could reach reduction of external certification fees of IMO Switzerland in 2012. This helps both parties the cooperatives and BS to establish smooth and cost effective relations with certifying body. Besides this value chain related mandates BS also got mandate from TASK project and conducted trainings on conflict mitigation for more than 900 farmers. More details on mandates please see in Annex II, Annual Report BS for 2012.

In order to stay active in the market, the organization shall have a pool of experts or freelancers. At the same time the core staff shall be regularly upgraded. For today BioService staff members are competent in organic farming, ICS and organic standards, including HALAL, irrigation techniques, conflict mitigation and small scale processing activities like bakery and jam making. Based on emerging new organic initiatives in the country BS shall diversify its services in other types of organic farming.

As the SECO evaluation highlighted, the marketing department of BioService needs to be strengthened. And beginning of the year the marketing officer resigned and BioService had difficulties to fill the gap in a short period of time. Therefore only in June it was possible to hire the suitable candidate from Bishkek but due to difficult living conditions in Jalalabat she resigned in 2 months. BS has involved each team member to take over marketing related activities. For both organizations it got clear that by hiring a marketing person the issue will not be solved. They decided to build existing internal capacities and jointly fulfil the marketing function within the team. For the project it has proved once more to explore more involvement of the private sector and trade agents to take over marketing of organic products.

ER 5: Conducive Environment

Sub-objective 5.1: National organic sector stakeholders platform initiated / piloted

Indicator

- Minimum 2 platform events
- Action plan 4 of working groups developed
- Regular contribution / participation in development of organic sector at national level

Result

- Organic sector development workshop conducted
- 4 groups identified and got inputs for action plans, as a result the group members created a Federation on Organic Movement
- National Action Plan development started

Process

The project started working in organic sector development already in 2011 by organizing workshops with various stakeholders. In January 2012 a national workshop on organic sector development was organized by Helvetas and GIZ. The aim of the workshop was to consolidate various actions moving towards the promotion of organic agriculture and the identification of potential stakeholders who would act as drivers. As a result four working groups were identified: production organization, local market development, lobbying at national level and private sector involvement. Later on, all four groups joined the Federation on Organic Movement as members and / or founders.

At the same time organic agriculture became an increasingly discussed topic at national level in 2012. The Ministry of Agriculture drafted a law on organic agriculture which was circulated among all other ministries. Additionally a concept for organic farming with a mid-term perspective was also developed and shared with other government agencies. Several working groups were formed at national level to develop an agricultural strategy. Their main focus in the strategy is to promote organic farming in the country.

By end of 2012 the Ministry of Agriculture invited the Executive Director of IFOAM to help them to develop a strategy document by consolidating all ongoing initiatives (concepts, laws, papers, etc). This gave a push to develop a National Action Plan (NAP) which will serve as a strategic document for organic agriculture. There is a working group assigned by the Ministry of Agriculture to develop a NAP with the support of the IFOAM Expert. In the meantime BS obtained an additional mandate from Helvetas to support in organizational development of the Federation and also share their knowledge about organic agriculture. In 2013 the BioCotton project will focus on not only two partner organizations but also other organic initiatives in order to contribute to a conducive organic environment in Kyrgyzstan.

Sub-objective 5.2: Regional network is initiated

Indicator

- Concept for regional network
- Platform established
- 1 F2F event conducted
- Broad range of stakeholders (FLO, IFOAM, SIPPO)

Result

- Concept for regional network developed and shared with all members
- Federation on organic development emerged
- Preparations for organic forum on-going
- FLO, SIPPO, IFOAM are in contact

Process

After the Organic and Fairtrade conference in November 2011, Helvetas took over the facilitation role of the regional network. The participants from Afghanistan, Uzbekistan, Tajikistan, Pakistan, Iran and Kyrgyzstan initiated to form a regional platform in order to have joint marketing, planned production and joint certification activities in organic and fairtrade context. As a starting point Helvetas developed a concept which was called Regional Silk Road Network concept. The concept has not been further promoted due to newly founded national Federation initiative which took most of the ideas of the concept.

The donors like GIZ, ICCO and Helvetas supported the local initiative, Federation, and contributed to organize organic forum in December, 5-6th "Organic agriculture movement and green economy potential in the Kyrgyz Republic". During the event the Federation could officially be launched and could further develop their strategy towards organic movement in Kyrgyzstan. ICCO invited a consultant from the Netherlands to support in development of a strategic plan of the Federation. The final version of the strategy will be presented in the beginning of 2013.

During the visit to BioFach Germany in the beginning of 2012, the project has established contacts to IFOAM, SIPPO and FLO International. These were the first steps to develop the organic sector. Later IFOAM got involved in helping the Federation to define their strategy and as mentioned earlier to develop NAP. SIPPO is ready to support the producer organizations and follow up is needed in 2013. FLO International is willing to strengthen their presence in Central Asia. The follow up with all organizations will be continued in 2013.

4.2 Project management

Project structure and finance management

After prolongation of the project Phase II till July 2011 the decision for a continuation was unfortunately still not made by the main donor. Therefore, until basically the end of 2012 the project faced a sort of “non-phase” period. With support from head office the project document for the next phase was drafted and submitted to SECO and go approved in the last quarter of 2012 for the period from 2013 to 2016.

In 2012 the objectives of the project were set already in accordance with new Phase III objectives and following the recommendations of the SECO evaluation (conducted in June, 2011). Basically the project continued providing support to partner organizations to develop their business strategies and help them to reach sustainability. At the same time the project started to focus on organic sector development with involvement of private sector, government and civil society and developing a clear exit strategy by 2016. The project exit strategy and road map were annexed to Project Document for the third phase.

Human resource management

The project is managed by a local project manager, supported by an Agronomist (40%), a Technical Advisor (50%) and a Backstopper from Zurich (till March 2012). Additionally there are support staff members in the field office: project assistant and driver. In the first half of 2012 the project structure changed because a new assistant translator and new Technical Advisor were hired. The former assistant translator resigned due to family reasons from July onwards. And the new Advisor was hired for LMD and BCP projects starting from June and based in Bishkek. The process of handing over of both BCP positions was completed by the end of June.

The project structure with new team members is responsible for project cycle management and continues provision of support to partner organizations. The core value chain functions of the project will be fully handed over to BS and ACSC. Still coaching and capacity building functions remain important in the project exit strategy.

Project Steering

Starting from the end of 2011 the Project Document for the consolidation Phase III was developed. The project organized stakeholder workshops in order to see potential new partners for the future and shaped the strategies for the next phase.

A BCP Steering Committee meeting was conducted in April 2012 and reports of the previous year and plans for 2012 were approved. The grant agreements with partner organizations were signed for 2,5mio for each in total. Financial reports and narrative reports are submitted and financial plan from the business plans will be updated in the beginning of 2013.

After involving the local financial consultant both managers and their respective teams could understand the concept of business planning better and took more ownership into it. The grant is usually covering operational costs and the calculation of cost coverage is different for both organizations. ACSC could reach almost 70% of cost coverage based on their commission from the sales. If in-conversion cotton would also have been sold then ACSC could have reached the break-even point. But the main challenge for the ACSC is during the harvest season when cash is important to secure the volumes.

BS reached 85% due to various mandates received from other donors. In a long term perspective it is important for BS to cooperate with local organizations like ACSC who can afford payment for services from their businesses. This was also one of the points raised by SECO evaluation in 2011.

In terms of contractual relations BS and ACSC are developing relatively well. Both organizations managed to sign the Service Agreement without major interference of the project. The fees of BS were paid based on the actual sales of organic products.

For the consolidation phase the project developed an exit strategy, which gradually hands over the core functions of the value chain to partner organizations and other key value chain operators.

4.3 Gender and Social Equity

Gender refers to social differences between men and women, which are learned, changeable over time and vary widely within and across cultures. Gender is also a socio-economic variable for analysing roles, responsibilities, constraints, opportunities, and needs of men and women in a given context.

Gender and Social Equity is a transversal theme in Helvetas Kyrgyzstan. A workshop on transversal themes including gender was conducted for all projects. It was concluded that there is a need to build capacities in gender even though many projects were required by donors to integrate gender issues. In order to mainstream the topic all projects will consider the transversal themes in yearly operational plans and strategies, and a specific concept note is currently being developed according to the overall policy and strategy of HELVETAS Swiss Intercooperation.

BCP partner organizations, BS and ACSC continue including gender activities in their yearly plan of operations. BS has still strong female trainers in organic farming, irrigation, conflict management, agrotourism. The training and marketing department of BS is headed by female staff members. In ACSC number of female farmers is always indicated in the database.

In order to increase involvement of women in organic farming the cooperative started signing the production contract with those who work in the field. Mainly it was with women. Also Fairtrade certification requires women empowerment in decision making positions in ACSC. The council and auditing committee of ACSC have 2 female members out of 10 persons. Additionally ACSC is planning to empower women groups by involving them in handicrafts projects which was further explored by project in the second half of 2012. During the general assembly of ACSC some active female farmers were rewarded.

5. Lessons learnt and Conclusions

This chapter describes the main lessons learnt and conclusions with regard to the SECO evaluation findings conducted in June, 2011 and the main expected results of project for 2012.

The evaluation was conducted as part of a joint consultancy mandate with the other organic cotton projects of Helvetas, Burkina Faso and Mali, West Africa. The recommendations listed below were already addressed by specific measures in 2011 and continued in 2012 with new objectives. The respective measures are integrated in the project proposal for the consolidation phase.

Evaluation findings for Kyrgyzstan	Measures undertaken in 2012
Bring in additional management capacity to BioFarmer	A new manager was hired and fully integrated in the team. Staff has clear roles and responsibilities and internal procedures are in place
Develop clear strategy and business plans	ACSC developed a business strategy for 2012 and plans were fulfilled. Business plan is being revised based on the new strategic goals, contains risks analysis, realistic financial plan and was accepted by Triodos. BS developed several strategic options and integrated them into the Business plan with several scenarios.
Build up working capital, manage cash flow	Both partner organizations got consultancy support for cash flow management (ICCO consultant and local expert). The working capital in partner organizations is still an issue. The project is exploring collaboration with private investors and financial institutions.
Improve portfolio management	ACSC production planning is done based on the market demand . GMO traceability shall be integrated into ICS.
Marketing function is weak	BS hired a new marketing officer with direct coaching from BCP and OFTCC. As it did not work out project decided to focus on private sector involvement. The Service Agreement is signed between ACSC and BS with clear indicators and results on marketing
Recommendations at programme level:	
Explore possibilities for more private sector approach	Private sector involvement was strengthened in project plans for 2012. Project has to compile convincing data for private sector in order to convince them to invest.
Sector view dimension needed	Project plans for 2012 are focused not only on two local organizations but also into the wide range of stakeholders (government, civil society and private sector). Federation became close partner of project. MOA invited IFOAM expert. Parliament cooperates with project on impact assessment of GMO law.
Sustainability: more time needed due to drawbacks caused by external factors	Business plans of partner organizations revised with realistic scenario. ACSC manager has entrepreneurial background and needs competent team around him. The project developed an exit strategy in the project proposal for consolidation phase.
Effectiveness	
Institutional and economic viability of producer organisations: Low capture rate due to lack of pre-finance	Flexible pricing mechanism allowed the ACSC to compete in the local market and collect the required volume also in 2012. Face to face meeting with buyer has strengthened the trade relations.

Below the achievements and challenges are analysed on the basis of each expected result of project activity.

Lessons learnt	Conclusions
Diversified production plan and value addition	
Production is planned based on market demand. The natural disasters which occurred in the first half of the year have brought severe damage into the fields and reduced the estimated volume by 15%.	ACSC needs to develop a reserve fund and take preventive measures in the areas having frequent floods
The loyalty of farmers depends on internal and external factors. ACSC capacity is not sufficient to keep their 1000 members loyal and cooperative	New organizational set up is being explored. It is a shareholder system which will also increase membership feeling of farmers and accountability (loyalty)
GMO contamination became an issue for organic cotton in 2012 and was solved after testing in German laboratories.	ICS management shall integrate GMO traceability in order to prevent any contamination. Project shall be more involved at national level to establish rules and regulations to control GMO.
Enhanced competitiveness and business strategies	
Lack of working capital in partner organizations does not allow being competitive in the market.	New partnerships with private investors are explored. Flexible pricing served both buyer and seller and allowed to secure volumes.
Business plans are revised and new strategies are set. Risks analysis as part of the business plan shall be developed in order to take preventive measures.	Both business plans contain risk analysis and were updated during the analysis process in December.
Marketing and local market development	
Building marketing capacities within BS remains as a key challenge. The private sector is not yet interested to invest in organic business.	The project provided direct coaching to marketing department of BS. Project exit strategy includes the marketing as core function . Other service providers are explored for marketing of organic products.
As a safety net for new value chains the project suggested so called guarantee fund supported by donors. Such mechanism would make a push to start a new business and establish additional value chains.	The guarantee fund was used in 2012 for beans which were sold at local market and farmers remained motivated to grow organic pulses also next year.
Access to local market requires public awareness increase and collaboration with existing businesses	Synergies are explored with JICA on one village one product project. BS actively promoted organic and supported Federation to organize a public event (organic forum and exhibition).
Strengthened capacities of producer organization	
ACSC revised internal procedures and roles of team members are clearly distributed. Project continues to build capacities by direct coaching and supports with external consultants. It is difficult for ACSC to focus on production and policy dialogue at the same time.	Service agreements or outsourcing specific functions shall become essential for ACSC in order to be able to pursue their mission to provide services from the farmer to the market.
BS acquires more and more mandates from donors, cooperatives. Different mandates allow BS to develop different strategic options which need prioritization	BS strategy focuses more on trainings / consultancies and certification. Based on the emerging needs from organic initiatives BS shall make cost – benefit analysis for each service they provide.
Conducive environment	
The current interest in organic at national level is the ideal moment to support the development of an organic sector.	ICCO, GIZ jointly with Helvetas supported organic sector development. Any support to promote organic shall be coordinated with each other in order to have common strategy
Federation on organic development has emerged on its own. It consists of various stakeholders and is legally registered.	All emerging initiatives shall be thoroughly analysed for sustainability and used as a network for national organic sector development
The newly developed organic law might become a hurdle to develop markets if the regulations are too strict. The right approach at the right time is a key to success.	Organic sector development workshop opened the doors for all sectors in the country. ICCO supported the IFOAM expert to develop a national action plan / common policy on organic at national level.
Several deputies at Kyrgyz Parliament have developed a law about GMO ban in Kyrgyzstan. The impact assessment has been funded by Helvetas in order to support further lobbying of the law.	Helvetas and other supporting agencies of the organic movement shall focus on rules and regulations, on facilities (laboratories) in the country in order to provide favourable conditions for organic farmers.

6. Outlook

This chapter describes the challenges of project for 2013 based on each expected result and an assessment of the main risks involved.

General

- The project proposal for consolidation phase is developed and approved. According to decision note of SECO the third phase is funded under one umbrella for all three countries (Kyrgyzstan, Burkina Faso and Mali). However, the contracts are still not signed at the redaction of this report.
 - ➔ After clear indication the project shall define its main partners for 2013 and develop a strategy how to cooperate with each of them. At the same time the project shall go beyond its two close partners in order to explore public private partnerships.

Opportunities based on the expected results

- The **value addition to organic products** will increase profitability. To date, organic and fairtrade certificates have been obtained. Additionally HACCP standards will improve the quality management procedures. Proper GMO traceability and prevention will protect the organic farming.
 - ➔ Fairtrade certificate alone for in-conversion cotton fiber is difficult to market. This way ACSC will have to find another value demanded by the market for its organic products. Based on the experience in the past it got clear that fairtrade in combination with organic status has more chances at the market. For food products HACCP certificate is an option for value addition. The ACSC needs to have a centralised workshop / premise for primary processing in order to meet basic HACCP requirements. In order to protect organic farming from GMO contamination a thorough traceability system shall be integrated into ICS. Additionally accredited laboratories shall be able to define and quantify the level of contamination.
- Pricing mechanism for rotation crops will be updated based on the flexible scheme. This helps ACSC to **secure required volume** and act as agent in front of a buyer.
 - ➔ The buyers usually opt for fixing the contracts and the flexible pricing requires more transparency and trust between the buyer and seller. With flexible pricing the producer organization can secure and guarantee volumes. For this ACSC needs enough capital to purchase the raw material and manage the cash flow.
- Triodos **loan shall be obtained in order to manage the cash flow** during the harvest season. The loan would cover only 60% of the contract value and therefore pre-finance from the buyers shall be requested.
 - ➔ The loan is provided if the sales contracts are concluded with buyers. This requires early start of negotiations with buyers about volumes and prices and proper financial management from the ACSC side.
- Business plans of partner organizations are revised and shall be a **guiding document for their business strategies**.

- ➔ The partner organizations shall develop the ownership to their business plans and react to the changing business environment. The strong management capacity is one of the main aspects to accelerate the process of acting according to business plan indicators.
- **Marketing capacities of BS need further support** from project in order to fully take over the marketing function and serve the Cooperative. It got clear that both organizations shall go through basics of marketing together with their team. Additionally the project will look for other trade agents who can take over marketing function.
 - ➔ New mandates obtained by BioService shall be more with producer organizations or trade companies. This way BS can pave its future as the professional service provider in organic businesses.
- In order to **increase loyalty of farmers** towards ACSC the communication flow shall be strengthened. Additionally the organizational set up shall be revised for the shareholder system.
 - ➔ Loyalty and membership feeling within the producer organization is important aspects to increase accountability and responsibility of farmers. In a result the ACSC can become strong and competitive organization that provides services from the farmer to the market.
- In order to keep the overview of the organic sector development the project will **support the Federation on Organic Movement** and will build relations at national level.
 - ➔ Helvetas is very supportive to expand organic agriculture within the country. Other donors like GIZ, ICCO are also contributing to this development. In order to consider the sustainability it is important to direct the funds to local and reliable organizations that are competent to further promote organic.