



LOCAL MARKET DEVELOPMENT PROJECT

KYRGYZSTAN

Half Yearly Report 2014

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Abbreviations

AFIE	Association of Food Industry Enterprises, Kyrgyzstan (Formerly AFVPE – Association of Fruit and Vegetable Processing Enterprises)
AMFO	Association of Micro-Finance Organisations
ASP	Advisory Service Provider (a project partner that trains farmers and facilitates marketing of their products)
DCED	Donor Committee on Enterprise Development
FED	Fair Economic Development (One of the ICCO departments)
GIZ	German International Development Agency
GSE	Gender and Social Equity
GFRAS	Global Forum for Rural Advisory Services
F&V	Fruit and Vegetable
HACCP	Hazard Analyses and Critical Control Point
HSI	Helvetas Swiss Intercooperation
ICCO	Inter-Church Cooperation Organization (Dutch)
IPM	Integrated Production Management
KG	Kyrgyzstan
KGS	Kyrgyz Som (national currency)
LMDP	Local Market Development Project
M&E	Monitoring and Evaluation
M4P	Markets for the Poor
MFI	Micro-Finance Institution
COKI (TAIC)	Training, Advisory and Innovation Centre
TES Centre	Training and Extension Services Centre
TJ	Tajikistan
ToR	Terms of Reference

1. Introduction

The target group has not changed in the phase 3. The project is still aimed at helping poor farmers in the countryside to increase their income. But to help them a complex and comprehensive approach has to be applied to touch the key value chain actors that could be the driving force for the necessary changes. We consider the relationships among these key value chain actors to identify gaps and weak points that hinder growth of the sector. It is vital to bring the project to a new level of efficiency and outreach. The project budget has been decreased as phase 3 is a consolidation and out-phasing phase. Despite of out-phasing the task has become even more challenging due to the mandate of introducing the DCED standard and the M4P approach. We want to have a wider outreach and a more systemic approach. This is all in line with the DCED and M4P approaches put into the centre of the project strategy for the last phase. In the phase document the following nine interventions are outlined for 2013-2015.

These are the nine interventions:

1. Increasing the Number of Farmers Who Improve Production Methods
2. Increasing the Number of Farmers Selling Product to Processors and traders and increasing the Overall Volume of Product Sold to them
3. Facilitating the Supply of Seed to Produce Crops that are in Demand
4. Facilitating the Involvement of Export Trading Companies, while integrating the use of Trade Agents
5. Facilitating Foreign Importers to Import Produce
6. Supporting Processors to Improve their Performance
7. Facilitating Partners to Apply Good Practices
8. Attracting Capital to the Value Chain
9. Creating Mechanisms for Establishing a More Conducive Policy Environment for the Value Chain

All the interventions are analysed and detailed in Section 3.

The LMD project is functioning in two countries: Kyrgyzstan and Tajikistan. In the current phase there are separate budgets and separate project teams. At the same time, both project teams are fully integrated in the Advisory Board and Steering Board, which conduct regular joint meetings for sharing knowledge and experience. These Steering and Advisory Board meetings take place every three months. Thus during the year there are two Steering Boards (every six months, in KG and in TJ in turn) and two Advisory Boards (also every six months, in KG and TJ in turn). In 2014 there have already been one Advisory Board meeting (March, Bishkek) and one Steering Board meeting (May, Bishkek). The next Advisory Board will take place on August 28 again in Bishkek right after the mid-term review mission of Peter Schmidt and Andre Vording. The next Steering Board is supposed to be in Dushanbe in November. The Steering Board normally includes:

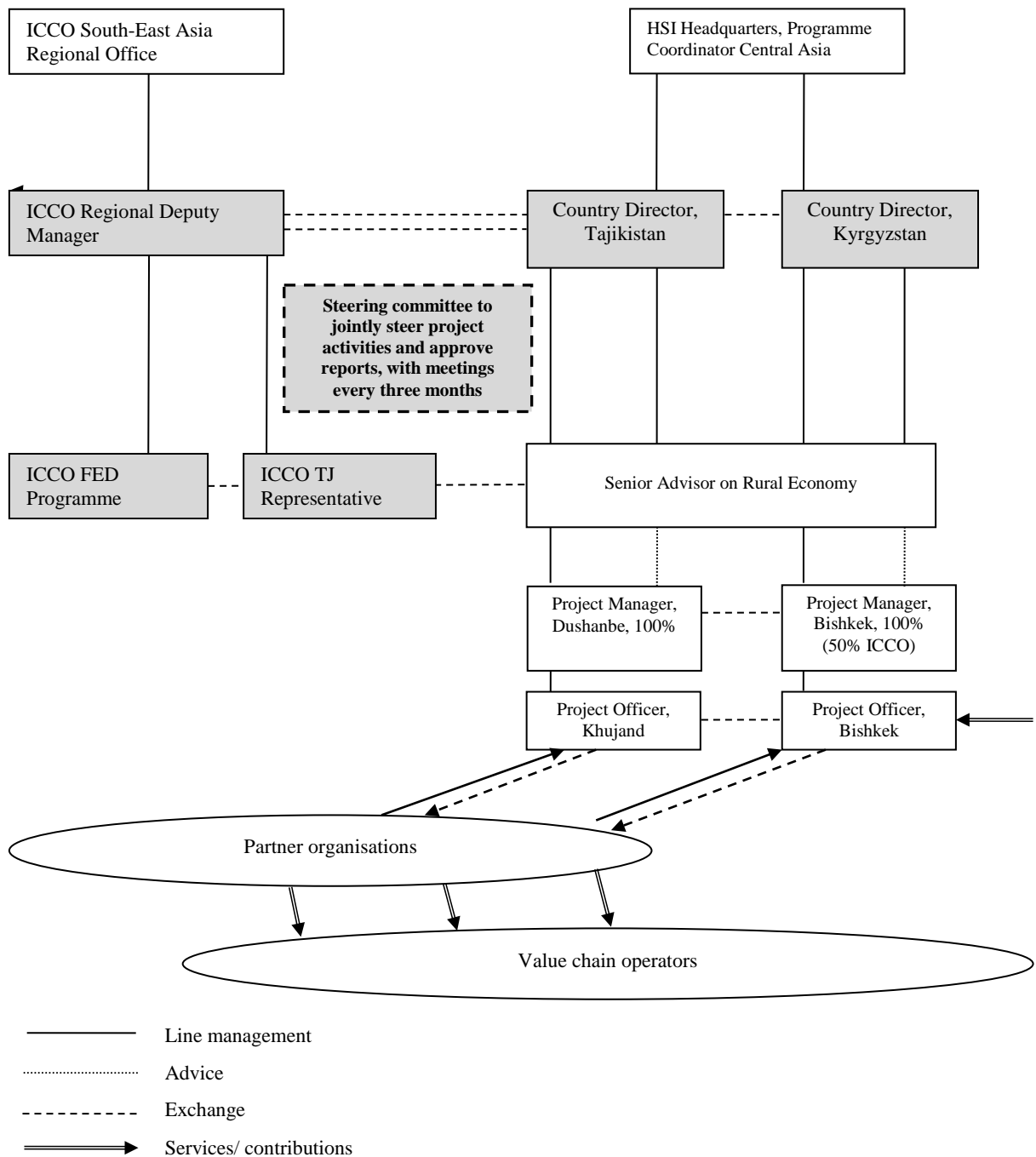
1. Country directors: Markus Ischer (KG, since August 2014) and Gulnora Gaibova (TJ, acting since March 2014)
2. LMD project managers: Meerbek Erdoolatov (KG, since August 2012) and Jamilya Yusupova (TJ, since 2006)
3. LMD project officers: Samat Toigonbaev (KG, since February 2013) and Masuda Saidova (resigning from August 15)
4. Senior Advisor on Rural Economy: Elisabeth Katz (TJ and KG, since December 2013)
5. ICCO South East Asia Deputy Regional Manager: Muratbek Ismailov
6. ICCO FED program officer: Adilet Maimekov
7. ICCO representative in TJ: Umed Kasymov

Normally the country directors and the ICCO deputy regional manager do not join the Advisory Board meetings. All the main joint planning and approval decisions are normally taken by the Steering Board. The Advisory Board discusses more specific issues related to implementation of the projects.

In KG in 2013 an approval committee was initiated for reviewing and approving project proposals

from the LMDP partners. This was done for better transparency and quality of decisions. The committee consists of five members: two ICCO representatives, two HSI representatives and the fifth is Meerbek Erdoolatov, the LMDP manager in KG. Any project proposal is first processed by the project team to assess if it meets the project goals and requirements, then a summary is made in English and together with all the relevant documents distributed among the committee members. Project proposals do not necessarily have to be approved by the committee. Proposals may be suspended due to some issues to be clarified or even rejected due to discrepancy with the project standards and targets. The committee meets on an “as needed” basis.

Project organizational chart



2. Chronology: January – July 2014

Month	Milestones
January	<ul style="list-style-type: none"> The LMD 2013 annual report was completed. The study on procurement methods of processing enterprises by Alexey Lavrinenko was completed. The planning meeting with the project partners was conducted in Osh. The DCED related documents were completed and sent to TY Makararavy for the preview DCED audit. The study on Associations and Unions by M-Vector was completed.
February	<ul style="list-style-type: none"> Negotiating and signing contracts with the project partners. The DCED preview audit was conducted. The work with Jochem Schneeman from Fair & Sustainable on value chains. We co-financed the exhibition on agro-inputs in Osh organised by Zher Azygy Association.
March	<ul style="list-style-type: none"> The regular Advisory Board was conducted in Bishkek office. M-Vector completed the export study that was launched in December 2013. PM and PO participated in the DCED Global Seminar held in Bangkok on March 24-26. Based on the last year's questionnaire for farmers we elaborated a simplified version for 2014 without questions on yield and income (they will be collected during sample survey in the second part of 2014).
April	<ul style="list-style-type: none"> We discussed, approved and launched the project on training of new (young) field consultants by all our partners except Agrolead. We supported rebranding of the Taste of the Sun brand owned by AFIE (plus update of the technical information on the label for AFIE members using the brand).
May	<ul style="list-style-type: none"> The regular LMD Steering Board was conducted in Bishkek office. Participation in planning meetings o partners with current and potential buyers.
June	<ul style="list-style-type: none"> The project on market linkages was launched with involvement of 5 project partners: RAS Batken, RAS Jalalabat, TES-Center, COKI and RAS Chui-Talas (new one). The working meeting with the project partners was conducted where the results chain on service providers was elaborated and other issues were discussed. Partners' semester reports were collected. We negotiated, reviewed and approved the proposal of AFIE to co-finance participation of several local exporters (processors) at the Agro World Food exhibition in Almaty on November 5-7. Participation in the regular agricultural platform in the office of GIZ facilitated by TES-Center.
July	<ul style="list-style-type: none"> We supported the conference on cooperation movement by the Union of Cooperatives. We launched the project on HACCP (elaboration of HACCP manual and HACCP implementation plan) for 4 local processing enterprises and on two product groups: jams and juices.

3. Implementation of interventions

The analyses of implementation of interventions, which is the main part of the half yearly report, falls naturally under three headings:

I. Results of the new initiatives specified by the Phase III Project Document:

- Result 1: Increasing the Number of Farmers Who Improve Production Methods
- Result 2: Increasing the Number of Farmers Selling Product to Processors and Increasing the Overall Volume of Product Sold to Processors
- Result 3: Facilitating the Supply of Seed to Produce Crops that are in Demand
- Result 4: Facilitating the Involvement of Export Trading Companies, while integrating the use of Trade Agents
- Result 5: Facilitating Foreign Importers to Import Produce
- Result 6: Supporting Processors to Improve their Performance
- Result 7: Facilitating Partners to Apply Good Practices
- Result 8: Attracting Capital to the Value Chain
- Result 9: Creating Mechanisms for Establishing a More Conducive Policy Environment for the Value Chain

II. Results of several key on-going project activities from Phase II:

- Result 10: Development of Savings Funds by Farmer Groups
- Result 11: Development of Provision of Services to VCO on Payable Basis

III. Internal Results (monitoring initiatives to increase LMDP delivery capabilities)

- Result 12: Aligning LMDP M&E Systems with DCED Standards
- Result 13: Full Monitoring and Analysis of Gender and Social Equity (GSE) Issues

The progress realized in achieving the above results is discussed in turn in the following.

Result 1: Increasing the Number of Farmers Who Improve Production Methods

Item	2014 Targets	By 07/2014	Percent, %	Comments
Continuing farmers from 2013*	1837	1374	74%	463 farmers from 2013 have either dropped out (Agrolead's farmers in Talas) or graduated.
Newcomers by 7/2014		30		It was agreed not to take on new farmers in 2014 due to the budget decrease (with some exceptions)
Total farmers supported by 7/2014	1837	1404	76%	
Number of IPM farmers	1404	1164	83%	It is expected that all the LMD farmers are trained according to the IPM approach with exceptions for early vegetables (mostly in Aravan rayon).
Number of women (at least 40%)	734	679	92%	

*1837 is the number of farmers that was recruited in 2013.

Subsidiary table for Result 1: Number of farmers who improve production methods, per ASP

	Agrolead	RAS Batken	RAS Jalalabat	Mehr-Shavkat	TES-Centre	COKI	Total
Continuing farmers from 2013	360	206	187	186	300	135	1374
Newcomers by 7/2014	30*						30
Total farmers supported in 2014	390	206	187	186	300	135	1404
Number of IPM farmers	390	206	187	10	300	71	1164
Percentage of IPM farmers	100%	100%	100%	5%	100%	53%	83%
Number of women	198	119	68	91	151	52	679
Percentage of women – at least 40%	51%	58%	36%	49%	50%	38%	48%

*Agrolead asked to let them add 30 new farmers in Chui region growing beans as they have agreed to work with a Turkish buyer that needs beans in bulk and is ready to supply with good seeds.

At the last planning workshop in Dushanbe facilitated by Andre Vording from ICCO it was agreed that we do not recruit new farmers in 2014 but continue working mostly with the 2013 farmers. The main reason was the reduced budget for training farmers in 2014. In 2015 there will be no training budget at all. Therefore it would probably not be pretty adequate to compare the 2013 and the 2014 data in absolute figures. All the project partners are supposed to train their farmers on IPM approach. Mehr-Shavkat does not do it for all their farmers as they mostly grow early vegetables. Obviously IPM training needs to be subsidized as the result is not always that tangible. The produce quality and the yield are also affected by the quality of the farmers' work, inputs and climate conditions. Also it is important that farmers are then able to safely sell their produce at good price otherwise they lose the motivation to improve their performance. In 2014 we conclude our training support and therefore we plan to get together in autumn with the ASPs to discuss the challenges and perspectives of the IPM training to make lessons learnt and consolidate this experience for further dissemination through various sources.

Result 2: Increasing the Number of Farmers Selling Product to Processors and traders and increasing the Overall Volume of Product Sold to them

Kyrgyzstan: No. of Farmers Planning to Sell to Processors & Quantity Planned to be sold in 2013

ASP's Connecting Farmers with Buyers		Achieved in 2013				Expected in 2014				
		Total number of farmers	No. of farmers having contracts with processors	Quantity sold to processors under contracts, T	Quantity sold to processors under contracts per farmer, T	Total number of farmers	No. of farmers that have contracts with processors	Percentage of farmers having contracts	Quantity planned to be sold to processors under contracts, T	Quantity planned to be sold to processors under contracts per farmer, T
1	Agrolead (a)	1,000	500	2278	4.5	390	390	100%	2300	5.90
3	RAS Batken	510	306	2000	6.5	206	75	36%	272	3.62
4	RAS Jalalabat	287	203	1030	5.1	187	187	100%	124	0.66
5	Mehr-Shavkat	569	569	1234	2.2	186	186	100%	940	5.05
6	TES-Centre	600	600	675	1.1	300	300	100%	800	2.66
8	COKI	806	780	2581	3.3	135	135	100%	2465	18.2
TOTAL:		3772	2958	9798	3.3	1404	1273	90%	6921	5.43

The data is provided by the partners by July 2014. It is expected that although the absolute volume of contracted produce will be less than in 2013 the per farmer indicator might grow by 64% (from 3.3 to 5.43 tons per farmer). The actual picture will be known in the second part of the year. Some agreements between farmers and buyers are still expected to happen before or during the harvest time. Generally the average supply volume per farmer should grow as these are mostly the second year farmers.

Result 3: Facilitating the Supply of Seed to Produce Crops that are in Demand

The main goal in this intervention is to improve access to quality seeds. In the case of the LMDP we do it through our project partners (ASPs). Along with training farmers and helping those on market access ASPs also provide actual information and links on demanded and quality seeds (also other agro-inputs). Some ASPs even supply their farmers with seeds. For instance, TES-Center supplies their potato farmers with potato seeds from Nukok seed potato cooperative (in the South) that in turn imports it from the Netherlands or Germany depending on the breed. The same is done by Agrolead in the North (also seed potato). Apart from this LMDP is ready to support any other kinds of activities that contribute to improvement of access to quality seeds. Particularly we supported the Agro Expo exhibition conducted in Osh by Zher Azygy Association in February 2014. Most of the main seed and other input suppliers participated in that event and local farmers and seed wholesalers had a chance to see the new varieties and make necessary contacts. More than 3000 brochures were handed over during the exhibition. 5 companies out 35 that participated in the event managed to make contracts for over 7 million KGS in total. There were companies from Finland, South Korea, Spain, Italy and other countries. The exhibition was accompanied with round tables where input suppliers were presenting their products and also various issues were discussed. The audience was presented by farmers, representatives of parliament, ministry of agriculture and other relevant stakeholders. The exhibition was well promoted in the mass media.



In the end of 2013 Zher Azygy conducted a study on agro-input supply market (initiated and financed by LMDP). As a result of the study the report with all contacts of the interested input suppliers was provided. The study showed that many input suppliers are interested in cooperating

with ASPs and others who can help them increase their sales. Out of 6 current ASPs we work with only 3 have direct contracts with input suppliers (TES-Center with local Nukok cooperative, Agrolead with Rizwaan from Netherlands and RAS Jalalabat. We consider continuing to work with current ASPs on facilitating access to quality inputs for 2015 and plan to contract them on this already in the coming autumn as the seed season particularly partly already starts after the harvest is collected.

Result 4: Facilitating the Involvement of Export Trading Companies, while integrating the use of Trade Agents (a)

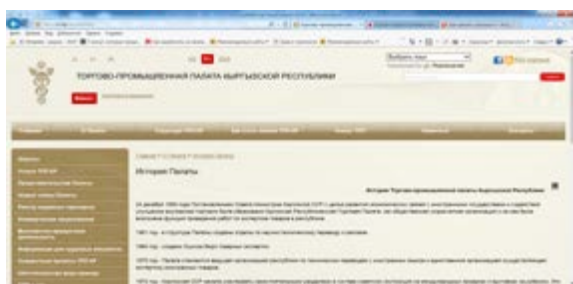
In general the export activity in KG is quite developed and it consists of numerous intermediaries, processors and a few trading companies. The obstacles are well known and some of them are not possible to be resolved at present time. For instance it is corruption at the moment of land border crossing to Kazakhstan (main F&V trade partner). Or another issue is high risks when exporting to fresh markets in Kazakhstan and Russia. The prices on external fresh markets often fluctuate and cannot be always predictable. Therefore often the exporters might suffer losses due to these price fluctuations that are usually caused by oversupply of particular F&V at definite period of time. All this certainly does not work for stability of the trade channels. Another issue that hinders export development is high cost of goods (high raw material cost) and limited capacity of local exporters to procure, store and supply quality goods on regular basis. This issue is in turn caused by expensive turnover capital, high number of small scale farmers that do not have good economy on scale and lack of trust because of market fluctuations.

In 2014 we have already approved to support AFIE on participation of a couple of interested processors (AFIE members) in Almaty World Food exhibition in November 2014. Last year some of our exporters went to the exhibition in Novosibirsk in Russia and since that they have been successfully developing the established trade links (Fruberg Ltd., Erfrut Ltd and other). This time the interested processors proposed to visit Kazakhstan. We will co-finance the event (exhibition area, registration fee) whereas the participants will cover their transportation, lodging and meals themselves.

Another initiative that is under discussion is the export.kg portal. It is supposed to be owned and administrated by the Chamber of Commerce which is a public organization under the supervision of the KG government. The idea is to create a one-stop-shop for export promotion and development (also for attraction of investors and potential buyers). So far there is no such a common portal where anyone could find all the relevant information on export from KG to Kazakhstan, Russia and other countries. We see that this portal (in the form of reports, studies, news and official statistics) should contain the following information:

- Current export statistical data: what and where is exported from KG. What is imported by target countries?
- What are the export opportunities abroad? What is demanded and where we can be competitive?
- What logistics opportunities are available for export? Contacts, routes etc.
- What markets can be potentially interesting for KG exporters?
- What sanitary and other requirements have to be taken into account in target countries.
- Information on customs clearance and other border regulations.
- Information about export opportunities in KG for potential buyers and investors. Contacts of current exporters and other relevant stakeholders one could apply to.

There are many other ideas that could be implemented in the framework of this portal initiative. The current state of art is that we wait until the Chamber of Commerce final decision to launch this project as it is part of their work with another donor (USAID) on update of all their business processes. The export.kg portal would be a part of their updated Chamber's web-site. It is expected to activate this work in September as some Chamber's key people were on long-term business trips this summer.



Result 5: Facilitating Foreign Importers to Import Produce

This intervention is interlinked with the previous one. That is why the initiative on export.kg portal is meant to work for the sake of this intervention as well. Export.kg should contain the contact list of all the actual exporters with necessary details. Also this portal should very well introduce the country and its opportunities so potential investors or buyers could adequately judge the possibility of establishing business here (legislature, taxation, other context related data).

In the previous years the project was organizing and facilitating F2F workshops with potential buyers from abroad. This year we also keep in mind the same event. Probably we will organize something like this in autumn. We were considering conducting such a F2F in the first part of the year but then we decided to suspend it as the same initiative was already undertaken by Hilfswerk International (Austrian development agency) through our main partner on such events – AFIE (the same beneficiaries). The option is to conduct the F2F meeting together with the annual conference of processors that is normally held in November-December.

Since the beginning of 2014 we have been discussing the possibility of establishing trade connection with Mongolia with Chamber of Commerce, Union of Cooperatives and AFIE. There is an option to either go there or invite potential Mongolian importers to KG. Mongolia seems to be very interested in comparatively healthier products from KG as an alternative to Chinese ones. We will activate efforts in this direction in September.

Result 6: Supporting Processors to Improve their Performance

In 2014 we have already approved and launched a project on HACCP introduction to 4 local processing enterprises. As a result of this initiative two manuals on HACCP introduction for jams and juices will be elaborated. These manuals will be owned by AFIE and be open to all the AFIE members. HACCP is a food safety standard and is part of ISO 22 000 standard. Starting from February 2015 all the food companies will be obliged to meet the HACCP standard to be able to sell on the territory of the Customs Union which KG is likely to enter soon (in 2015). Therefore meeting the HACCP standard is becoming very actual especially for exporting processing enterprises. The budget is around 11 000 euro. The duration is 6 months. Additionally we supported AFIE to have a person until end of 2014 to work on all the relevant HACCP information to be collected, systemized, allocated and updated on the web-site of AFIE (1400 euro).

In the beginning of 2014 we finalized the study on procurement methods by 20 processing enterprises (mostly members of AFIE). The report describing the current state of art in raw material procurement and last trends was provided to AFIE for further internal discussion and assessment.

Annually we support the conference of processors (again mostly members of AFIE) where the last achievements and other urgent issues are presented and discussed. This conference is open for all the F&V sector stakeholders: government officials, consultants, suppliers, traders etc. Last year GIZ was co-financing this event. We expect that we will again jointly conduct it this year as well. The average total budget of this conference is 5000 euro. It is normally around 40-50 participants.

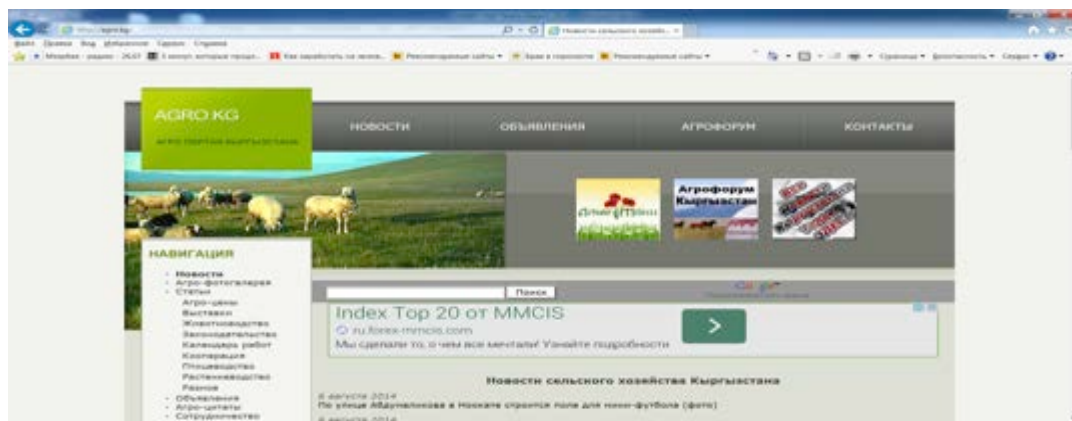
Besides it we have supported this year the rebranding of the Taste of the Sun trade mark which belongs to AFIE but is used by interested AFIE members. It is not just renewing the brand to make it more modern and attractive but also updating what technical information has to be disposed on packages and jars, how. The technical requirements of the Customs Union have been taken into account as well. Thus, all the etiquettes with this brand by all relevant AFIE members have been updated. To the left it is the older version of the brand. The provided grant amount is 3900 euro.



Result 7: Facilitating Partners to Apply Good Practices

In the framework of our project we facilitate and support two platforms: 1) regular agro-platform where donors, ASPs, government and others participate; 2) the processors' conference mentioned in Result 6. The agro-platform is held once two months. The conference is annual. The next 2 agro-platforms will be held in September and November in Helvetas office. These are two good platforms where we discuss latest news, know-how and other relevant information. Both events were originally initiated with the active support of the LMD project.

Apart from this we have approved and launched a work on development and update of the existing agro.kg web-site. We see this web-site as another one-stop-shop (as well as export.kg) but this time in the field of agriculture. The target group here is advanced farmers (who use Internet), consultants and specialists, government, public organisations and donors working in this sphere.



Our aim is that all the agricultural news, innovations and good practices will be disposed on this portal. It is more useful to have one public source rather than various donors or the government will be promoting their own web-sites. Another strong side is that this portal is already sustainable but it can become even more profitable. Potentially any business related to agriculture will be interested to dispose its advertisement here. These could be sellers of agricultural equipment and machinery, input suppliers (fertilizers, seeds, pesticides etc.), veterinary medicals. At the moment there is an agricultural forum and the announcement board available on this web-site. At the forum people discuss issues and challenges of their agricultural activity. Also interested ones dispose announcements on buy and sale of animals, F&E, land etc. So, we have supported agro.kg for about 2900 euro for one year. This is basically the salary and some minor costs of the person who would be establishing links with all the relevant stakeholders in agricultural sector, collecting information, visiting relevant events and promoting the portal.

Under this intervention in 2014 we have also supported an initiative of our partners to train and attract new consultants (preferably younger ones) to work for them mostly at the village level where these ASPs are not present yet. The total budget for 5 involved ASPs (except Agrolead) made around 33500 euro. We hope that they will manage to identify new people for consulting and facilitation work aimed at more efficient and sustainable activity. We expect that by end of 2014 new people will be incorporated into their activity and start bringing value.

Result 8: Attracting Capital to the Value Chain

Value Chain Finance plays different role for different VC actors. For instance, lack of turnover capital is much more crucial for processors who procure from farmers than for the farmers themselves. Taking into account that on average LMD farmers have around 0.5 ha per person it does not require a lot of money to process such a plot. But financial conditions are the same and therefore they are less attractive for processors or traders. Just for comparison, in the neighbouring Kazakhstan the banks accept the goods as collateral which is not practiced in KG. On the one hand the KG banking system has become stable enough in the last 7-10 years. On the other hand the level of innovative approaches is still not that high. The interest rates are comparatively high and reach up to 40% (which is now officially the allowed maximum). One of the issues is the level of financial education of both of the people who use the available financial instruments and those who provide these services. That is why we are negotiating in 2014 to support AMFO to facilitate training on financial literacy for LMD farmers through our ASPs and also for the workers of MFIs who are the members of AMFO. The ToR is finalized by the project team and the proposal is now expected from AMFO. At the Bishkek Financial Forum in spring 2014 we found out about the activities of other

donors on financial literacy. Particularly we got interested and later negotiated with IFC on the set of tools on financial literacy designed for MFIs. IFC is about to complete their work in August and then they present it to the members of AMFO. They would like them to pay for this product. The starting price is 12000 USD for the package. We will see how these negotiations develop and once the product will be at AMFO's disposal we will consider contracting them to do this work based on this set of tools. Moreover the consultants who developed this package will come in September to deliver a series of ToT training F2F. If approved we plan to involve our ASPs' workers to this training.

Result 9: Creating Mechanisms for Establishing a More Conducive Policy Environment for the Value Chain

AFIE has been already supported by the LMD project for many years and has demonstrated good results. This year we again gave them the mandate to represent interests of F&V processing sector at policy level. They are actively collaborating with both the government and the parliament. The total grant amount for this makes 8800 euro for the whole 2014. This is less than required for them to fully function, therefore they cooperate with other donors like Hilfswerk International, British Expertise, GIZ.

Besides AFIE we are considering other relevant stake holders to collaborate with. These are Union of Cooperatives and Chamber of Commerce. We have supported a conference on development of cooperatives that took place on July 26. The government and the parliament officials were invited to this event to discuss and attract their attention to the problem of cooperation movement development. The Ministry of Agriculture also admits that cooperation is crucial for KG where too many small scale farmers are (more than 300 000). As a result of the conference a special commission on government level was initiated that would be monitoring and advising on further development of cooperative system in Kyrgyzstan.



With the Chamber of Commerce we have not yet worked enough but are looking forward to collaborate in case common interests will be identified.

II. Results of several key continuing project activities from Phase II:

A number of key LMDP activities started during Phase II or even Phase I have not been mentioned among the nine monitored results above, but they are on-going, and their development is important to overall project success.

Result 10: Development of Savings Funds by Farmer Groups

		# of farmers in 2014	Amount of saving funds as of June 14, KGS	Savings per farmer, KGS	# of farmers in 2013	Amount of savings, KGS	Savings per farmer, KGS
1	Agrolead	390	121 680	312	1000	96 800	210
2	RAS Batken*	206	4 875	23	510	480 300	1 679
3	RAS Jalal-Abad	187	94 170	503	287	124 600	944
4	Mehr-Shavkat	186	385 000	2 069	569	1 156 900	2 033
5	TES-Centre	300	150 000	500	600	790 000	1 317
6	COKI	135	26 100	194	806	281 100	810
TOTAL		1 404	781 825	557	3 832	2 929 700	1 194

*Only two farmer groups have saving funds. All the rest of farmers have been newly recruited.

The 2014 data on saving funds is estimated and is expected to grow by the end of the year as at the moment most farmers have used the saving funds for buying inputs or just for personal purposes. We expect the per farmer savings rate to be at least at the last year's level or higher as most of the current farmers are "old" ones and were recruited in 2013. The full analyses of the saving funds development will be available in the 2014 annual report when all the actual data on this will be at our disposal.

Result 11: Development of Provision of Services to VCO on Payable Basis

Partners	Expected by the end of 2014							2013			
	Payment from Farmers, KGS	Payment from Processors & Traders, KGS	Payment from input suppliers, KGS	Payment from MFIs, KGS	Total Payments, KGS	Total Budget, KGS	% of Financial Self-Sufficiency	Total Payments, KGS	Total Budget, KGS	% of Financial Self-Sufficiency	
1	Agrolead	46 800	170 000	119 200	-	336 000	690 380	49%	650 700	1 567 636	42%
2	RAS Batken	15 000				15 000	310 800	5%	414 000	739 285	56%
3	RAS Jalalabat	56 100	85 900	14 000	45 000	201 000	343 375	58%	99 000	584 956	17%
4	Mehr-Shavkat	15 000	30 000	60 000	22 000	127 000	279 360	45%	205 000	695 180	29%
5	TES-Centre	80 000	100 000	-	-	180 000	481 000	37%	50 000	946 100	5%
6	COKI	20 400	73 400	20 000	-	113 800	322 006	35%	110 000	1 556 403	7%
TOTAL:		233 300	459 300	213 200	67 000	972 800	2 426 921	40%	1 528 700	6 190 760	25%

Here we talk about income that ASPs manage to generate from their facilitation and training services. The expected 2014 data is given in comparison to the actual data in 2013. The level of self-sufficiency has grown from 25% to 40%. 4 partners out of 6 seem to demonstrate significant growth in this regard. In absolute figures RAS Jalalabat expects to double the gross income from providing services, from 99 000 to 201 000 KGS. TES Center plans to triple such an income from 50 000 to 180 000 KGS. COKI is on the same level despite of dramatic decrease in grant provision. RAS Batken has had a change in management in the beginning of 2014 and therefore submitted very moderate figures in comparison to 2013. 15 000 KGS against 414 000 KGS in 2013. On the one hand the self-sufficiency level is improving. On the other hand the absolute total payments are

expected to decrease from 1 528 700 KGS in 2013 to 972 800 KGS in 2014. Generally this means that the partners are having less total budget to function. First of all it affects the personnel that is often paid on deal basis not on a monthly salary basis. This was one of the side reasons we supported another two initiatives with the same partners in 2014: market linkages for non-LMD farmers and training of new consultants. Basically the situation is the same as last year. ASPs have to keep diversifying their activities and sources of income based on the available personnel qualifications, business opportunities in the region and strategic development plans of the organisations. Certainly the work with donors is still crucial for them with different dependence level.

III. Internal Results

These are results that do not directly affect project beneficiaries, but increase internal project capabilities to provide effective interventions.

Result 12: Aligning LMDP M&E Systems with the DCED Standard

The very first try to implement the DCED standard in the LMD project was done in 2008. That time the project M&E system was not really compliant with the requirements of the DCED standard. However, after that the system was not really improved for an unknown reason. Thus, when planning the current phase 3 in KG it was outlined that the project M&E system has to be adapted according to the DCED standard. So, practically it was started almost from zero in the beginning of 2013. Although there had always been some M&E system in the project many necessary elements (e.g. like detailed results chains, measurement plan, intervention strategies etc.) were absent. On the challenges is to introduce new approaches on M&E to the partners the project has been working with since the beginning of the project. Nevertheless, in February 2014 we had the preview DCED audit done by TY Makararavy from Cambodia (representing CARDNO consulting agency). Each DCED criteria was assessed based on 3 colours: red (not compliant at all), yellow (needs to be improved) and green (fully compliant). Most of the criteria were green and yellow except 1 or 2. The audit revealed that one of the issues in our M&E system is poor documentation of the logic and rules of the M&E activities. For instance, every intervention strategy has to be formulated and written down although in general it is clear what it is about. Or all the “business models” in the results chain have to be explicitly described in written form in terms of how they work and why. At the moment we are developing all the missing documents required by the standard. Another recommendation from the auditor was to redesign the existing results chains (done based on intervention logic) into per partner based ones. We find it pretty logical to have in one results chain all the activities related to this particular partner. It helps both us and the partners better understand the whole picture.

One of the issues to consider is how far we should or can go in trying to be compliant with the DCED standard. For instance, the Standard requires to measure changes at every level of the results chain as much as possible and makes sense. This is done for the sake of monitoring of whether the process goes as expected and if not to identify where the obstacle is. Sometimes it may become too complicated to track the changes that much. We still have to complete the M&E system establishment to see how much we are already and can be compliant with the Standard and whether it makes sense to invest additional resources (both financial and human) in maintaining such an M&E system. We have preliminarily planned to go through the full DCED audit in February-March 2015. The budget is available and it depends only on our commitment whether to go for it or not.

One of the issues identified in 2013 already before the preview audit was the reliability of the data collected by our partners from the farmers. Having analysed the 2013 performance of partners on data collection we concluded that we should release the partners from collecting too complicated information as this requires investment of enough financial and human resources. We decided to leave them the set of simple questions that will not be an issue to collect from farmers. More complicated questions like income level, yield progress and other we now want to collect through sample survey and probably by attracting independent party to avoid bias and neglect when collecting such important but sensitive information. Thus unlike last year when there were problems with the speed of uploading of the information from the questionnaires (Agrolead was mandated to process all the questionnaires) we decided to let the partners upload information to the database on their own. At the same time all the hard copies of the questionnaires should be scanned and saved electronically so later on one could make a random check on data conformity. For this we need to finalize ToR for the database IT engineers (who lastly worked on this) and let them adapt it to our needs.

Result 13: Full Monitoring and Analysis of Gender and Social Equity (GSE) Issues

According to the GSE policy that is the part of every project managed by Helvetas we have to track the five following GSE criterions (developed internally during the GSE training in 2013 delivered by Jane Carter).

1. **Number of women.**
2. **Farmers of age below 25.**
3. **Farmers living 40 km far from rayon centre.**
4. **Farmers living in frequent disaster-prone-areas (recent earthquake, flood etc.).**
5. **Farmers living in families consisting of more than 5 members dependent on one person's care.**

For the first time we reported on these 5 indicators in 2013 annual report. But that time we lacked information on indicators 3, 4 and 5. In 2014 we adapted our regular farmer questionnaire and added the missing questions. This questionnaire has been already filled and the partners are now waiting for us to complete development of the interface (access) of the farmers' database so they could upload the collected information there. The full picture on these 5 indicators will be provided in the 2014 annual report.

4. Outlook

Along with the main objectives of the current year we also have one important task. It is to fully use and make advantage of the funds available in 2014 plus the underspent money from 2013 in the amount of around 60 000 euro. 125 000 euro out of 150 000 euro of 2014 budget has been already committed. In total we have about 85 000 euro that is still available to further implement the 9 interventions. Below the table shows which activities are available to be supported by the LMD project. An important milestone in the second part of the year would be completion of the project M&E system according to the DCED standard. This will allow us judge how good it is now and how much more we will be ready to invest to maintain it as it is. Also we will be able to know how far compliant we are with the DCED standard requirements.

It will be also important to have the mid-term review by Peter Schmidt and Andre Vording (ICCO) to jointly discuss, analyse and agree on further LMD development and performance both in KG and TJ, 2015 is expected to be the last year of phase 3 in KG. On the one hand it is not likely that we will be able to introduce dramatic changes to the project logic and approaches. On the other hand it is important to phase out in a right way in order to make sure the project partners have learnt the necessary lessons and are on the right track. Also it is meaningful to keep the good relationship with them and other stakeholders and make sure that all the accumulated useful experience, knowledge and practices will be shared, spread and widely disseminated among the relevant stakeholders.

Month	Milestones
August	<ul style="list-style-type: none"> To finalize the LMD 2014 Half Yearly report To finalize the project proposal on financial literacy with AMFO and start it as soon as approved. To prepare and participate in the Mid-Term review mission by Andre Vording and Peter Schmidt. To organize LMD visits for the new Country Director in the South.
September	<ul style="list-style-type: none"> To finalize the questionnaire for the sample survey (to complete the required data for the farmers' database). To finalize the ToR for the database interface development (to let ASPs to upload the data from the basic questionnaire directly to the database). To contract researchers (independent) to conduct the sample survey among the LMD farmers. To conduct the regular agricultural platform (some donors, partners and other stakeholders) in Helvetas office.
October	<ul style="list-style-type: none"> To finalize the ToR and contract current ASPs for 2015 (focus not on training of farmers but on facilitation of market linkages, agri-inputs supply and other). To negotiate and co-finance the workshop on advisory services (linked to GFRAS initiative) if approved. To negotiate and contract an agency to develop promotion materials for the LMD project (video and presentation materials).
November	<ul style="list-style-type: none"> To participate in the World Agrofood exhibition in Almaty on November 5-7 together with the selected AFIE members. To co-finance and participate in the annual conference of processors organized by AFIE (AFIE will be contracted). To collect and discuss the annual reports from project partners (to fulfil all the project financial obligations).
December	<ul style="list-style-type: none"> LMDP 2014 annual report elaboration.

Annex 1: KG LMD 2014 budget (without underspent money from 2013).

Part Name	2014		
	Costs	Helvetas	ICCO
DIRECT PROJECT COSTS			
1. Support of farmers	30200	9060	21140
1.1 Increasing the number of IPM farmers (Intervention 1)			
1.2 Increasing the number of farmers selling to processors (Intervention 2)			
2. Development of processing companies	30000	9000	21000
2.1 Support processors to improve their performance (Intervention 6)			
3. Information, methodological support	20000	0	20000
3.1 Attracting capital to the value chain (Intervention 8)			
3.2 Creating mechanisms for establishing a more conducive policy environment for the value chain (Intervention 9)			
4. Development of Agro-input supply	19800	5940	13860
4.1 Facilitate the supply of seeds to produce crops that are in demand (Intervention 3)			
5. Business skills development	20000	6000	14000
5.1 Facilitate partners to apply good practices (Intervention 7)			
6. Market development	30000	9000	21000
6.1 Facilitate the involvement of export trading companies (Intervention 4)			
6.2 Facilitate foreign importers to import produce (Intervention 5)			
Total direct project costs	150,000	39,000	111,000
PROJECT OPERATIONAL COSTS			
External consultants (DCED, Study,etc)	20000	10000	10000
Mid-Term Review, Impact Study, Planning of the next phase	15000	7500	7500
Personnel			
National Staff Training Costs (M4P, other)	8000	3000	5000
Project Staff Travelling & Representation Costs	15000	6000	9000
Project supervision and support team	7500	3750	3750
National staff salary	27000	27000	0
Project Advisor	45000	45000	0
Office rent and running costs	7500	3750	3750
Total project operational costs	145,000	106,000	39,000
Grand total	295,000	145,000	150,000