

ASIAN DEVELOPMENT BANK

JFPR: KGZ 38098

GRANT ASSISTANCE

(Financed by the Japan Fund for Poverty Reduction)

TO THE

KYRGYZ REPUBLIC

FOR

RURAL LIVELIHOOD DEVELOPMENT

December 2004

CURRENCY EQUIVALENTS

(as of 12 November 2004)

Currency Unit	–	som (Som)
Som1.00	=	\$0.0241
\$1.00	=	Som41.5250

ABBREVIATIONS

AADP	–	Agriculture Area Development Project
ADB	–	Asian Development Bank
ARIS	–	Agentstvo Razvitiya I Investirivaniya Soobschestv (Community Development and Investment Agency)
DFID	–	Department for International Development
M&E	–	monitoring and evaluation
MIS	–	management information system
MOF	–	Ministry of Finance
NGO	–	nongovernment organization
PRP	–	Poverty Reduction Programme (UNDP)
SLLPC	–	Sustainable Livelihoods for Livestock Producing Communities (DFID)
TA	–	technical assistance
UNDP	–	United Nations Development Programme
VIP	–	Village Investment Project (World Bank)

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

This report was prepared by J. Whittle, Agriculture, Environment, and Natural Resources Division, East and Central Asia Department.

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

JFPR Grant Proposal

I. Basic Data	
Name of Proposed Activity	Rural Livelihood Development
Country	Kyrgyz Republic
Grant Amount Requested	\$1,000,000
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

II. Grant Development Objective(s) and Expected Key Performance Indicators

<p>Grant Development Objectives:</p> <p>The goal is to improve the livelihoods of poor households in Chui and Osh regions. The purpose is to increase productivity and diversification of economic activities. The project design is detailed in the project framework at Appendix 1.</p>
<p>Expected Key Performance Indicators</p> <ul style="list-style-type: none"> • Poverty incidence reduced by 15% in selected villages • Real income levels of direct beneficiary households increased by an average of 20% • 75% of beneficiary households improve productivity of existing farm and nonfarm activities • 50% of beneficiary households have diversified income sources and/or improved asset base

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category	Amount of Grant Allocated in \$	Percentage of Expenditures
1. Equipment and Supplies	26,800	2.7
2. Training and Workshops	298,160	29.8
3. Consulting Services	106,800	10.7
4. Project Management	128,400	12.8
5. Other Project Costs (microfinance funds)	400,000	40.0
6. Contingencies	39,840	4.0
TOTAL	1,000,000	
Incremental Cost	50,000	

JAPAN FUND FOR POVERTY REDUCTION

JFPR Grant Proposal Background Information

A. Other Data	
Date of Submission of Application	25 August 2004
Project Officer	John Whittle, Principal Project Economist
Project Officer's Division, E-mail, Phone	ECAE jwhittle@adb.org (632) 632-6966
Other Staff Who Will Need Access to Edit/Review the Report	Lourdes Adriano, Poverty Reduction Specialist
Sector	Agriculture and Natural Resources
Theme	Sustainable Economic Growth
Was JFPR Seed Money used to Prepare this grant proposal?	Yes [X] No []
Have SRC comments been reflected in the proposal?	Yes [X] No []
Name of Associated ADB Financed Operation(s)	Loan 1726-KGZ: Agriculture Area Development Project (AADP)
Executing Agency	Community Development and Investment Agency (Agentstvo Razvitiya I Investirvaniya Soobshchestv [ARIS]) Ms. Elmira Ibraimova Executive Director 501 Office 164A Chui Avenue Bishkek, 720001 Kyrgyz Republic Elmira@vip.ktnet.kg Ph (996-312) 611306 Fax: (996-31`2) 611801
Grant Implementing Agencies	The Project will be implemented through local nongovernment organizations (NGOs) to be recruited through a tender process.

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables/Outcomes, and Implementation Timetable¹

Component A	
Component Name	Expansion and Diversification of Livelihood Activities
Cost (\$)	809,360
Component Description	This component will focus on improving and expanding economic livelihood opportunities on small private farms and household plots. It will address problems related to poor farming practices; low productivity; access to inputs, particularly microcredit; and related marketing activities. Attention will be given mainly to building on the strengths of farmers, initially with respect to existing crops and livestock production, and gradually expanding and diversifying

¹ See Appendix 1 for detailed project framework.

	<p>inputs, farming practices, and technology to improve productivity. Local NGOs, and partnerships with other projects will be the principal means for developing these opportunities. A key output will be the provision of microcredit through existing or new microcredit agencies. A microcredit specialist will investigate the feasibility of achieving this output before deciding on the most appropriate means for improving access to microcredit.</p>
<p>Monitorable Deliverables/Outputs</p>	<p>1. Expansion of economic livelihood opportunities</p> <p>1.1 Improved farm practices</p> <ul style="list-style-type: none"> • Increased crop diversification • Improved crop and livestock integration • Increased livestock and milk production per household • Adoption of new farming technology <p>1.2 Project partnerships established</p> <ul style="list-style-type: none"> • Network of local NGOS active in Chui and Osh established (NGO centers) • Network of self-help groups in targeted villages established • Local NGOs establish and maintain links with villages, districts, and region administrations • External funding partners in Chui and Osh cooperate to minimize overlap, ensure efficient use of resources through common activities, and increase operational outreach • Strong links are established and maintained with the AADP and technical assistance project in Chui Oblast Administration for efficient and effective exchange of knowledge, information, advice, and support <p>1.3 Microcredit schemes operational and viable</p> <ul style="list-style-type: none"> • Beneficiary households sustain credit access through community group and individual borrowing
<p>Implementation of Major Activities: Number of months for grant activities</p>	<p>Activities</p> <p>1. Expansion of economic livelihood opportunities</p> <p>1.1 Improve farm practices</p> <ul style="list-style-type: none"> • Demonstrate crop and livestock technologies • Conduct training on appropriate farm and livestock technologies and practices • Conduct training on building creditworthiness and accessing formal financial services • Evaluate training and modify program accordingly <p>1.2 Establish project partnerships</p> <ul style="list-style-type: none"> • Participate in external funding forums • External funding partners and other relevant agencies share cost, subcontract training, and give technical advice • Establish formal links with AADP in Chui Oblast Administration for activities in common villages • Develop mechanisms for cooperation with local government administrations <p>1.3 Make microcredit schemes operational and viable</p> <ul style="list-style-type: none"> • Assess the availability and accessibility to financial services

	<p>as part of the village assessment</p> <ul style="list-style-type: none"> • Develop links to existing services and/or expand or establish appropriate financial services
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Component B	
Component Name	Capacity Building for Beneficiaries and Local NGOs
Cost (\$)	47,200
Component Description	This component will focus on building the capacity of the beneficiary households to increase their awareness and develop their potential to expand or adopt new economic opportunities. Training will be in social mobilization, including networking of community-based organizations, and in appropriate farm and livestock technologies and practices to improve existing productivity and to allow expansion into new activities and practices. Training will be primarily undertaken by the six local contracted NGOs.
Monitorable Deliverables/Outputs	<p>2. Capacity building</p> <p>2.1 Increased capacity of beneficiary household groups</p> <ul style="list-style-type: none"> • New self-help groups operational • Active self-help groups merge into larger groups or associations
Implementation of Major Activities: Number of months for grant activities	<p>2. Capacity building</p> <p>2.1 Increased capacity of beneficiary households</p> <ul style="list-style-type: none"> • Conduct training on social mobilization, and participatory approaches in planning, implementation, and monitoring and evaluation (M&E) of economic activities • Evaluate training and modify the program accordingly

Component C	
Component Name	Project Management Monitoring and Auditing
Cost (\$)	226,800
Component Description	This component will focus on effective and efficient management and coordination and practical monitoring of project activities. Monitoring will be based initially on benchmarks established by the village assessments and benefits and impact measured through the poverty impact surveys. This will allow a focus on efforts to identify the effectiveness of the various project initiatives.
Monitorable Deliverables/Outputs	<p>3. Project management</p> <p>3.1 Effective project management and coordination</p> <ul style="list-style-type: none"> • Project implemented on schedule • Reports on project status, contract, and audits submitted on time • Staff performance monitored <p>3.2 M&E system</p> <ul style="list-style-type: none"> • M&E system effectively integrated with ARIS management information system (MIS) • Reliable and regular reports support efficient decision making • Lessons learned can be incorporated into the design of the second AADP in the southern regions

Implementation of Major Activities: Number of months for grant activities	<p>3. Project management</p> <p>3.1 Effective project management and coordination</p> <ul style="list-style-type: none"> • Consultants and staff selected • Villages selected using agreed-on criteria • Beneficiary households selected from village list of the poor • Needs assessment and action plan (e.g., participatory rural appraisal for each village) • Local NGOs selected by competitive bidding in Chui and Osh <p>3.2 M&E system effective</p> <ul style="list-style-type: none"> • Develop appropriate M&E system compatible with ARIS MIS • Establish baseline information on villages and participating households • Conduct regular monitoring and periodic surveys to monitor progress and measure impact
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2. Financing Plan for Proposed Grant to be Supported by JFPR

Financier	Amount (\$)
JFPR	1,000,000
Government	4,600
Other Sources-Beneficiaries	118,600
Total	1,123,200

3. Genesis

The Government, through the Ministry of Finance (MOF), requested the Asian Development Bank (ADB) during the preparation of the Country Strategy and Program 2004–2006 in 2003, to support its poverty reduction strategy program in rural areas, particularly to improve and diversify rural livelihood opportunities. It was agreed that a Japan Fund for Poverty Reduction (JFPR)-funded project should be linked to the ongoing Agriculture Area Development Project (AADP) in Chui. Further discussions were held in August 2004 concerning Osh, and MOF reiterated their request to include Osh, in view of the proposed second AADP scheduled for ADB Board consideration in 2006.

The Kyrgyz Republic is predominantly agricultural and poor: in 2002, 44% of the people were living in absolute poverty, and 13.8% in extreme poverty. While rural poverty declined over 1998–2001, largely due to the better performance of the agriculture sector, it continues to be significantly higher than urban poverty, with about three quarters of the poor living in rural areas (2001). Regional differences in poverty are significant: Naryn Oblast has the highest incidence of poverty, followed by Talas, Jalal-Abad, Osh, and Batken in the south, and Issyk-Kul in the north. The least poor is Chui. Much of the population lives close to the margin between poor and nonpoor, thus creating a significant degree (about 39% in 2001) of transient poverty.

Land reform and farm restructuring, introduced in 1993, have been key in changing the structure, ownership, and management of agriculture: 75% of the country's arable land has been reallocated. The agriculture census in 2002 showed that (i) of 1.04 million farms with arable land, 23.0% are peasant and individual farms holding 57.6% of arable land (average size 3.09 hectares [ha]), and 78% are individual (household) plots holding 4.9% of arable land (average size 0.08 ha); (ii) 25.2% of farms are managed by farmers over 60 years old (women, of whom 43.5% are over 60 years old, manage 12.4% of farms); (iii) Osh has the second largest

proportion (19.0%) of peasant and individual farms and the largest proportion of individual (household) plots (23.0%), Chui has the fourth largest number of peasant and individual farms (13.5%) and the second largest number of individual (household) plots (19.3%), and Osh has the lowest proportion of women farmers (9.4%) and Chui the highest (19.7%); (iv) about 60.0% of peasant and individual farms grow grains and legumes, principally wheat (75.0%); 44.0% of individual (household) plots are sown to vegetables, melons, and, principally, potatoes (67.8%).

Three key projects are being implemented to improve rural livelihoods: the United Nations Development Programme (UNDP)-funded Poverty Reduction Programme (PRP), Department for International Development (DFID)-funded Sustainable Livelihoods for Livestock Producing Communities (SLLPC), and the World Bank-funded Village Investment Project (VIP) (Appendix 2). The following are essential lessons learned from these projects, including the pilot phase of the VIP: (i) livelihood projects should be “people-centered,” i.e., the people should take an active part in determining their needs and solutions; (ii) social mobilization is key to build local capacity and to develop planning and implementation skills for individual and community-based groups; (iii) the complexity of poverty and hence the holistic approach needed in livelihood activities to reduce it should be considered; and (iv) new activities should be built on existing strengths.

The Project will target poor households and farmers in Chui and Osh, coordinating closely with other external funding projects to avoid duplication and ensure common approaches to livelihood development. The Project will work through local (non-Bishkek-based) nongovernment agencies (NGOs) to implement the Project.

The transition, with its accompanying privatization of the former state and collective farms and enterprises, has resulted in the dismantling of services to support agriculture, from input supply and credit to marketing and processing. New privately owned systems are emerging but slowly. Therefore, most rural people engage in barter and subsistence agriculture, particularly the poor, who generally have less experience in farming, are older, live in remote areas, have few alternative income-earning activities, and have difficulty accessing credit, primarily due to the substantial collateral requirements.

The Project will work through local NGOs to meet the needs of individuals and community-based groups. It will improve productivity on household plots and small farms to enable farmers to easily meet their own consumption requirements and, therefore, to increasingly diversify into other cash crops and integrate crop and livestock activities. Principally through mobilization of community groups, people will have more opportunities to purchase better-quality inputs, market a larger volume of produce, and move into non-agricultural activities.

4. Innovation

This Project is innovative as it focuses not only on small farms but also on household plots, particularly of the poor. Household plots have always been neglected in development activities. Local NGOs are working with women’s self-help groups to, among other things, support household productivity. The Project will continue to support and expand such activities and facilitate access to services such as credit and technical advice.

The Project will cooperate with other external funding programs, particularly the VIP. The Project will complement the VIP’s activities in economic and social infrastructure and group-based income-generating microprojects by focusing on working with established groups on economic activities; working with individuals, particularly those graduating from group-based lending programs to individual borrowing; and deepening and expanding the outreach of local

NGOs. This focus will not preclude the Project from facilitating social mobilization and establishment of self-help groups in villages not supported by the VIP or other external funding programs.

The Project will pay particular attention to the availability of, and access of villages and beneficiary households to, existing financial services. The Project will provide microcredit to expand existing microcredit programs; support the graduation of existing programs; establish new mechanisms where services are limited or do not exist; and investigate new mechanisms for increasing the availability of, and access to, funds for individual borrowers. Rather than predetermine the approach, the Project should be flexible in supporting a wide range of economic activities that the poor can embark on through microcredit and to encourage NGOs to perform multiservice provider functions that are responsive to the needs of the poor. Flexibility is particularly important because group lending, particularly by the Kyrgyz Agriculture Finance Corporation, is often generally limited to three loans per group; then group members are encouraged to take individuals loans. However, collateral remains a substantial constraint. Social collateral is accepted for group lending, but physical collateral is required for individual loans. However, potential borrowers generally do not have recognized certificates for land and property, which the poor people cannot afford. The Project is anticipated to investigate diverse mechanisms, particularly to support borrowing by individuals, including collateral guarantee schemes, small-scale venture capital, and similar innovative schemes.

5. Sustainability

The principal means to enhance sustainability is to focus on expanding the activities of local NGOs already active in Chui and Osh and to build and expand on their existing livelihood and economic opportunity programs. Their capacity should not be overextended by demanding rapid results.

Local NGOs provide a range of services to existing beneficiaries. However, NGOs' resources cannot meet demand for these services. The additional resources under the project will enable NGOs to meet this demand and also diversify their programs.

6. Participatory Approach

During project design, a local NGO and several women's self-help groups were consulted to assess the extent and level of participatory processes practiced. Local NGOs have a high level of participation, and potential beneficiaries met were generally satisfied with the extent to which their views and ideas were considered.

The Project has been designed to build on this participatory process. Six local NGOs will be contracted to implement the main activities relating to the development of economic opportunities and livelihoods, largely through building on and expanding successful participatory programs. Much of local NGOs' work has been through self-help groups.

In each village the Project works in, a village assessment will identify the situation, needs, ongoing activities, and demand for project-related activities. This assessment will complement the VIP's assessments, which will be broader as they focus on community infrastructure.

Primary beneficiaries and other affected groups and relevant description	Other key stakeholders and brief description
<p>Households: The primary beneficiaries will be households and small farmers, including women, as they have been a primary target of local NGO programs. In Chui, about 3,500 households or 14,000 householders and farmers are expected to be direct project beneficiaries, and in Osh, about 5,400 households and farmers or 30,000 people.²</p> <p>Local NGOs: Six local NGOs, three each in Chui and Osh, will benefit, not only from specialist training in microcredit schemes from the international specialist but also from networking with each other and receiving equipment to support their activities and management.</p> <p>Community Organizers: A community organizer will be recruited for each village to work with the local NGOs. The community organizers will benefit from training by the local NGOs, obtain experience in mobilizing and maintaining self-help groups, and receive a small remuneration for this responsibility.</p>	<p>Other stakeholders include the projects of the World Bank (VIP), DFID (SLLPC), and UNDP Poverty Reduction Programme, where close cooperation is expected to be pursued to ensure no direct overlap, except between the Project and VIP, which will coordinate their roles. Experience and lessons are expected to be shared across projects.</p>

7. Coordination

During project design, consultations were held with key external funding agencies, including Japan International Cooperation Agency (JICA), DFID, UNDP, Swiss Agency for Development and Cooperation (SDC), and the World Bank. Extensive discussions have been held with the World Bank, particularly the Community Development and Investment Agency (ARIS), the VIP's Executing Agency. Consequently, coordination and cooperation with the VIP will be substantial in geographical coverage, selection of NGOs, monitoring, and poverty impact assessments. The Project will complement other external funding agencies' projects to ensure that their efforts do not overlap in coverage of villages, and that lessons learned are shared.

For example, in Chui, the Project will focus on villages where AADP is operating and where the VIP is operating or expecting to operate. The Project will exclude villages where the PRP and SLLPC are operating unless their funders agree to coordinate their activities. In Osh, the Project will focus on VIP villages until planning for the second AADP is sufficiently advanced to identify alternative villages.

8. Detailed Cost Table

See Appendix 3 for the detailed cost estimates.

² This is based on the following assumptions: Chui has a rural population of about 588,000 in about 152,000 households spread across 327 villages and 105 local councils. Each local NGO is assumed to reach 20 villages, or 60 villages (for three NGOs to be targeted by the Project) in each region. In Chui, each village has an average of 462 households, so the Project covers 27,000 households. Based on a poverty incidence of 33% and assuming coverage of 40% of the poor, then about 3,500 poor households (or about 14,000 people) will benefit in Chui. Osh has a rural population of 902,000 in about 161,000 households spread across 467 villages and 79 local councils. Using the same assumptions for Chui, except for a poverty incidence of 66%, about 5,400 poor households (or about 30,000 people) from Osh could benefit. Overall, this represents an expenditure of about \$112 per household.

C. Linkage to ADB Strategy and ADB-Financed Operations

1. Linkage to ADB Strategy

Document	Document Number	Date of Last Discussion	Objective
KGZ CSP 2004–2006		October 2003	Overall objective is to reduce poverty. Within agriculture and rural development the focus is on improving productivity and reducing rural poverty and unemployment.

2. Linkage to Specific ADB-Financed Operation

Project Name	(i) Agriculture Area Development Project (ii) Second Agriculture Area Development Project
Project Number	(i) Loan 1726 (ii) Not yet processed
Date of Board Approval	(i) December 1999 (ii) 2006
Loan Amount (\$ million)	(i) 36.0 (ii) 30.0

3. Development Objective of the Associated ADB-Financed Operation

For the AADP the long-term development goal is to increase the incomes of farmers in Chui. The immediate project objective is to increase farm productivity and profitability.

The second AADP will be in southern Kyrgyz Republic, principally in Jalal Abad and Osh. Project preparation will commence in the second half of 2004, and the proposal submitted for Board consideration in 2006. The broad objectives and scope are expected to be similar to AADP.

4. List the Main Components of the Associated ADB-Financed Operation:

No.	Component Name	Brief Description
1.	Farm Development	1.1 Farm restructuring and development as commercial enterprises, including farm development planning 1.2 Training of farmers 1.3 Establishment of an annual survey of farms
2.	Drainage and Irrigation Rehabilitation	2.1 Rehabilitation of off-farm and on-farm drainage and irrigation systems servicing about 55,000 ha 2.2 Improved water management and soil protection
3.	Development of Private Sector Marketing and Input Supply Services	3.1 Support to establishment of new, or expansion of existing, enterprises for input supply, marketing, machinery services, and related agribusiness services 3.2 Establishment of links with domestic and export markets for agricultural produce

5. Rationale for Grant Funding versus ADB Lending

The Project is directly related to the AADP. However, AADP and the second AADP focus on irrigated farms and development of agricultural services for larger farmers or groups of

farmers. Some AADP benefits cannot reach the poorer farmers because they have less access than better-off farmers to credit because they are less creditworthy or have collateral constraints and smaller farms. This Project will focus on these farmers and also give priority to household plots, which AADP does not address. The combined projects are expected to strengthen support to all levels of farming and increase benefits to the poorer farmers.

The Project uses local NGOs' resources and experience, which AADP does not, thus providing more locally generated experience and benefits, and supporting the sustainability of self-help and community-based efforts.

D. Implementation of the Proposed Grant

1. Provide the Name of the Implementing Agency	Community Development and Investment Agency (ARIS)
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The management arrangements comprise a project steering committee and Executing Agency. The committee's role will be assumed by the supervisory board of ARIS (see below) or other arrangements to be agreed on between the Government, ARIS, and ADB.

The Executing Agency will be ARIS. It was established by the Government in October 2003 to administer technical and financial support for rural communities. It is the Executing Agency for the VIP. ARIS is a legally and operationally autonomous agency and operates according to guidelines and procedures in its charter and operational manual. ARIS comprises a main office in Bishkek and two regional coordination offices—one in the north and one in the south. ARIS is governed by a supervisory board with 15 members, equally representing the central Government, local governments, and NGOs and civil society. ARIS will be responsible for the overall coordination of the Project and for (i) contracting local NGOs and other agencies, consultants, and technical experts; (ii) disbursing funds to local NGOs and other agencies; (iii) keeping records on withdrawal applications and disbursements under the project accounts; (iv) management of procurement activities; (v) submitting to ADB quarterly progress reports; (vi) ensuring timely submission of the Project's audited accounts; (vii) coordinating M&E activities; and (viii) serving as the focal point for ADB's reviews and administration activities. ARIS is justified to be the Executing Agency primarily because it is the VIP Executing Agency, and because the VIP and this Project must coordinate with each other.

To the extent possible the Project will follow the *Operational Manual, Financial Management Manual, Administrative Manual, Community Financial Management Handbook, Community Procurement Handbook, and Environmental Guidelines* of ARIS. These manuals will be reviewed by ADB in the light of their compliance with its *Loan Disbursement Handbook, Guidelines for Procurement, Guidelines on the Use of Consultants, Environmental Assessment Requirements, and Environmental Review Procedures of the Asian Development Bank*, as well as Government environment requirements. Agreement will be reached with the Government on significant differences between ARIS manuals and ADB guidelines, and ADB guidelines will take precedence where differences are significant.

ARIS staff will be supplemented with a project manager (who will coordinate Chui activities), a regional coordinator (in Osh), a disbursement and contracts specialist, and an M&E specialist. These staff members will participate in training with ARIS staff. Their key functions will include, (i) preparing biannual progress reports, (ii) undertaking the M&E activities, (iii) ensuring coordination between the Project and AADP project management unit as well as between and among NGOs and external funding agency partners involved in developing Chui and Osh, (iv) developing and supervising the training agenda for the household beneficiaries and NGOs, (v) overseeing microcredit activities in the two regions, (vi) developing and

implementing the information dissemination mechanisms, and (vii) identifying the lessons learned from the Project.

Mainly local NGOs in Chui and Osh, rather than Bishkek-based NGOs, will implement the Project. Many local NGOs already have strong and diversified programs but lack the resources to expand their ongoing programs and are weak in some areas. Nevertheless, local NGOs have strong ties with communities and their development activities; are generally trusted and respected by communities and self-help groups; and can more easily assess the needs of, and work with, individuals, groups, and communities to address these needs. Generally, local NGOs can be more responsive to such demand than other agencies and consultants. At least six local NGOs, three in each region, will be contracted.

The Project will focus on deepening and expanding the outreach of local NGOs' existing programs. The criteria and process for selecting NGOs will be agreed on between MOF, ARIS, and ADB. In principle, local NGOs should have at least 3 years' experience in implementing programs for the poor; a diversified program of economic activities, including group and individual support, and farm and nonfarm activities; a broad poverty orientation; experience in operating or supporting microcredit activities; experience in social mobilization; strong financial performance; and, preferably, some experience in working with external funding agency-funded operations. Local NGOs will be recruited using the quality-based selection method to ensure that the more experienced local NGOs delivering services with the required quality and sustainability can compete and be selected. Introducing the cost-based element for local NGOs may result in the better NGOs not being selected.

Local NGOs will be responsible for identifying poor households in each selected village. The starting point for this selection process will be the list maintained by each village office. NGOs will be responsible for maintaining an accurate record of the status of each selected household and monitoring changes in their poverty situation during the Project. Village coordinators will be recruited to facilitate the activities of the local NGO in each village. Local NGOs will be responsible for assessing each village's needs, preparing actions plans, providing the services and support to meet these needs, and monitoring implementation progress.

One international consultant in microcredit will be recruited in accordance with ADB's *Guidelines on the Use of Consultants*. Domestic consultants will be recruited under other arrangements satisfactory to ADB.

2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Coordination and Commitment	To ensure commitment, coordination is required among beneficiaries, village and district governments, and other external funding programs.	With the help of the local NGOs, communities will be actively involved in the design and implementation of economic and livelihood activities. To ensure the cooperation of the village and district governments, local NGOs will work cooperatively, as some already do. Finally, external funding agencies will exchange and share information on their activities and the outcomes of their projects.
NGO capacity	Capacity and program diversity of local NGO may not be sufficient.	About six local NGOs are expected to be contracted to implement the Project. If the diversity of programs is insufficient then additional NGOs can

		be contracted. Where capacity is limited then more attention can be directed to the local NGOs under the capacity-building component.
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3. Incremental ADB Costs

Component	Incremental Bank Cost
Amount requested	\$50,000
Justification	<p>Assistance will be required for the following:</p> <ul style="list-style-type: none"> (i) Preparation of a detailed project implementation manual and associated workshops. A staff consultant will be required for about 2–3 weeks. (ii) Support for the cost of annual and midterm reviews and field visits, particularly to villages in Osh, where the second AADP will start only in 2006. This will add 4–5 days incremental costs (travel, accommodation, transport, etc.) to other regular missions for annual review and midterm review. (iii) Midterm review. A staff consultant may be required to assist with key technical aspects that arise, in which local NGOs should be supported and trained.
Type of work to be rendered by ADB	<ul style="list-style-type: none"> (i) A staff consultant, to be hired under ADB's <i>Guidelines on the Use of Consultants</i>, to help develop the project implementation manual; (ii) field visits to villages in the Osh region; and (iii) a staff consultant, to be hired under ADB's <i>Guidelines on the Use of Consultants</i>, to assist with the training or input on key technical issues.

4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
Poverty incidence reduced by 15% in selected villages	Progress reports Socioeconomic survey	Quarterly Baseline and end-of-project poverty impact report
Real income levels of direct beneficiary households increased by an average 20%	Progress reports Socioeconomic survey	Quarterly Baseline and end-of-project poverty impact report
75% of beneficiary households improve productivity of existing farm and nonfarm activities	Progress reports Socioeconomic survey	Quarterly Baseline and end-of-project poverty impact report
50% of beneficiary households have diversified income sources and/or improved asset base	Progress reports Socioeconomic survey	Quarterly Baseline and end-of-project poverty impact report

5. Estimated Disbursement Schedule

Fiscal Year	Amount (\$)
2005	300,000
2006	420,000
2007	280,000
Total Disbursements	1,000,000

Final disbursement schedule will be determined during preparation of the project implementation manual.

List of Appendixes

1. Project Framework
2. Key Projects Addressing Rural Livelihood
3. Detailed Cost Estimates
4. Fund Flow Arrangements

PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Improve livelihoods of poor households in Chui and Osh</p>	<p>After 2 years of project completion</p> <p>Poverty incidence reduced by 15% in selected villages</p> <p>Real income levels of direct beneficiary households increased by an average 20%</p>	<p>National statistics</p> <p>Village records</p> <p>Project completion report</p> <p>Project baseline and impact monitoring survey</p> <p>Project completion report</p>	
<p>Purpose</p> <p>Increase productivity and diversification of economic activities</p>	<p>75% of beneficiary households improve productivity of existing farm and nonfarm activities</p> <p>50% of beneficiary households have diversified income sources and/or improved asset base</p>	<p>Household surveys</p> <p>Project reports</p>	<p>Assumption: Government policies and regulations support sustainable rural economic activities.</p>
<p>Outputs</p> <p>1. Expansion of economic livelihood opportunities</p> <p>1.1 Improved farming practices on household plots and small private farms</p>	<p>Increased crop diversification</p> <p>Improved crop and livestock integration</p> <p>Increased livestock and milk production per household</p> <p>Adoption of new farming technology</p>	<p>Household surveys</p> <p>Project reports</p>	<p>Assumption: Market demand absorbs improved and diversified products.</p>
<p>1.2 Project partnerships established</p>	<p>Network of local nongovernment organizations (NGOs) active in Chui and Osh established (NGO</p>	<p>Project reports</p>	<p>Assumptions: Cooperation among agencies is effective.</p>

Continued on next page

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
	<p>centers) Network of self-help groups in targeted villages established</p> <p>Local NGOs establish and maintain links with village, district, and region administrations</p> <p>External funding partners in Chui and Osh cooperate to minimize overlap, ensure efficient use of resources through common activities, and increase operational outreach</p> <p>Strong links are established and maintained with Asian Development Bank's (ADB's) Agriculture Area Development Project (AADP) and technical assistance project in Chui Oblast Administration for efficient and effective exchange of knowledge, information, advice, and support</p>		<p>Village, district, and region administrations are committed to support the project activities.</p>
<p>1.3 Microcredit schemes appropriate to the rural poor are operational and viable</p>	<p>Beneficiary households sustain credit access through community group and individual borrowing</p>	<p>Records of financial institutions</p> <p>Household surveys</p> <p>Project reports</p>	
<p>2. Capacity building</p> <p>2.1 Increased capacity of beneficiary household groups</p>	<p>New self-help groups operational</p> <p>Active self-help groups merge into larger groups or associations</p>	<p>Household surveys</p> <p>Project reports</p>	<p>Assumption: Beneficiary households are responsive to technology and business development change.</p>
<p>3. Project management</p> <p>3.1 Effective project management and</p>	<p>Project implemented on schedule</p>	<p>Project reports</p>	<p>Assumptions: Coordination arrangements with</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
coordination	<p>Reports on project status, contracts, and audits submitted on time</p> <p>Staff performance monitored</p>	Audit reports	<p>Community Development and Investment Agency (ARIS) are efficient and effective.</p> <p>Implementation and management arrangements can deal effectively with interference from influential parties.</p>
3.2 Monitoring and evaluation (M&E) system effective	<p>M&E system effectively integrated with ARIS Management Information System (MIS)</p> <p>Reliable and regular reports support efficient decision making</p> <p>Lessons learned can be incorporated into the design of the second AADP in the southern regions</p>	<p>M&E reports</p> <p>Project reports</p>	<p>Risk: Output of M&E is timely and used in decision making and forward planning.</p>
<p>Activities</p> <p>1.1 Improve farming practices on household plots and small private farms</p> <p>1.1.1 Demonstrate crop and livestock technologies</p> <p>1.1.2 Conduct training on appropriate farm and livestock technologies and practices</p> <p>1.1.3 Conduct training on building creditworthiness and accessing formal financial services</p> <p>1.1.4 Evaluate training and modify program accordingly</p>	<p>Months 6-36</p> <p>Months 6-36</p> <p>Months 12-36</p> <p>Months 12 and 24</p>	<p>Project reports</p> <p>M&E reports</p>	<p>Risk: Farmers adopt and practice new techniques.</p>
1.2 Establish project partnerships		<p>Project reports</p> <p>M&E reports</p>	<p>Assumption: External funding partners, NGOs, and</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
1.2.1 Participate in external funding forums 1.2.2 External funding partners and other relevant agencies share costs, subcontract training and give technical advice 1.2.3 Establish formal links with AADP in Chui Oblast Administration for activities in common villages 1.2.4 Develop mechanisms for cooperation with local government administrations	Variable Variable Months 3-9 Months 3-5		local administrations are willing to cooperate and exchange information.
1.3 Microcredit schemes appropriate to the rural poor are operational and viable 1.3.1 Assess availability and accessibility to financial services as part of village assessment 1.3.2 Develop links to existing services and/or expand or establish appropriate financial services	 Months 1-3 in years 1 and 2 Months 6-30	Project reports M&E reports	
2.1 Increase capacity of beneficiary households 2.1.1 Conduct training on social mobilization, and participatory approaches in planning, implementation, and M&E of economic activities 2.1.2 Evaluate training and modify program accordingly	 Variable Months 12 and 24	Project reports M&E reports	Assumption: Households have time and actively participate in all training.

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>3.1 Effectively manage and coordinate the project</p> <p>3.1.1 Select consultants and staff</p> <p>3.1.2 Select villages using agreed-on criteria</p> <p>3.1.3 Select beneficiary households from village list of poor</p> <p>3.1.4 Assess needs and draw up an action plan (e.g., participatory rural appraisal) for each village</p> <p>3.1.5 Select local NGOs by competitive bidding in Chui and Osh</p>	<p>Months 1-3</p> <p>Month 3 in year 1 Month 1 year 2</p> <p>Month 3 year 1 Month 1 year 2</p> <p>Months 3-6 year 1 Months 2-4 year 2</p> <p>Months 2-4</p>	<p>Project reports</p> <p>M&E reports</p>	<p>Risk: “Elite capture” is avoided by using the village list of poor people.</p> <p>Assumptions: Village records on poor households are not systematically biased and are updated regularly.</p> <p>All relevant agencies are willing to cooperate in the exchange of information.</p> <p>At least three local NGOs in each region have appropriate programs and experience.</p>
<p>3.2 Ensure that the M&E system is effective</p> <p>3.2.1 Develop an appropriate M&E system compatible with ARIS MIS</p> <p>3.2.2 Establish baseline information on villages and participating households</p> <p>3.2.3 Conduct regular monitoring and periodic surveys to monitor progress and measure impact</p>	<p>Month 4-6</p> <p>Month 6 year 1 Month 4 year 2</p> <p>Month 12, 24, 36</p>	<p>Project reports</p> <p>M&E reports</p>	

KEY PROJECTS ADDRESSING RURAL LIVELIHOOD

1. The Kyrgyz Republic is predominantly agricultural and poor: in 2002, 44% of the people were living in absolute poverty, and 13.8% in extreme poverty. While rural poverty declined over 1998–2001, largely due to the better performance of the agriculture sector, it continues to be significantly higher than urban poverty, with about three quarters of the poor living in rural areas (2001). Regional differences in poverty are significant: Naryn Oblast has the highest incidence of poverty, followed by Talas, Jalal-Abad, Osh, and Batken in the south, and Issyk-Kul in the north. The least poor is Chui. Much of the population lives close to the margin between poor and nonpoor, thus creating a significant degree (about 39% in 2001) of transient poverty.

2. The Kyrgyz Republic has continuously pursued reforms in its transition to a market-oriented economy. Structural reforms in the agriculture sector have helped it recover. Land reform and farm restructuring, introduced in 1993, have been key in changing the structure, ownership, and management of agriculture: 75% of the country's arable land has been reallocated. The agriculture census in 2002 showed that (i) of 1.04 million farms with arable land, 23.0% are peasant and individual farms holding 57.6% of arable land (average size 3.09 hectares [ha]), and 78% are individual (household) plots holding 4.9% of arable land (average size 0.08 ha); (ii) 25.2% of farms are managed by farmers over 60 years old (women, of whom 43.5% are over 60 years old, manage 12.4% of farms); (iii) Osh has the second largest proportion (19.0%) of peasant and individual farms and the largest proportion of individual (household) plots (23.0%), Chui has the fourth largest number of peasant and individual farms (13.5%) and the second largest number of individual (household) plots (19.3%), and Osh has the lowest proportion of women farmers (9.4%) and Chui the highest (19.7%); (iv) about 60.0% of peasant and individual farms grow grains and legumes, principally wheat (75.0%); and 44.0% of individual (household) plots are sown to vegetables, melons, and, principally, potatoes (67.8%).

3. The following have also been considered in formulating the Project:

- (i) Privatization and the transition to a market-oriented economy have dismantled the farmer support services, and new systems, largely private, have not kept pace with the changing farm structure, ownership, and management.
- (ii) Productivity on farms and household plots is generally low due to limited use of fertilizers and quality seeds, poor farming practices (often because farms are small and some farmers inexperienced), limited access to credit, limited access to machinery services, inadequate or unaffordable extension services, and inadequate marketing and processing facilities.
- (iii) Infrastructure to support agriculture, particularly irrigation systems, water supply, and roads, have not been adequately maintained and repaired.
- (iv) Many farms have adopted subsistence agriculture, including bartering of surpluses.
- (v) Off-farm and nonfarm economic activities have not grown enough to absorb those unemployed by the collapse of many enterprises. Entrepreneurs, particularly women, face difficulties in registering/licensing businesses, often lack sufficient investment and working capital, find demand limited largely due to low rural incomes, and face inadequate business support services.
- (vi) Access to social services has been curtailed substantially. These were previously provided by former state and collective farms, and are now the responsibility of local government, which lacks resources.

- (vii) Financial services to support farm and nonfarm enterprises, while gradually increasing, remain inadequate to service the needs of the diverse rural population. Although beginning to access finance through group lending schemes, poor groups have difficulty graduating to higher loans and individual borrowing.
- (viii) The Government has embarked on decentralization, by giving limited administrative and financial autonomy to local governments, and by authorizing the establishment of community organizations in support of village self-government. In the 2003 budget the Government allocated Som50 million (\$1.2 million) as “stimulation grants” to match local government resources for local investment.
- (ix) Nongovernment organizations (NGOs) have grown to an estimated 2,000. However, they are of widely varying capacity, and local (non-Bishkek-based) NGOs must be chosen carefully.

4. Three key projects are being implemented to improve rural livelihoods: the United Nations Development Programme (UNDP)-funded Poverty Reduction Programme (PRP), Department for International Development (DFID)-funded Sustainable Livelihoods for Livestock Producing Communities (SLLPC), and the World Bank-funded Village Investment Project (VIP).

5. The PRP¹ commenced in July 1998. Its aim is to empower poor men and women for self-reliance and advancement. The components include group mobilization and development, capacity building for grassroots organizations, increasing access to microcredit services, building marketing linkages, supporting rehabilitation of socioeconomic infrastructure, and linking grassroots experience to policy. The PRP has covered 140 villages in all seven regions in largely very remote areas. It established self-help groups (1,511) and associations (130), NGOs (16), credit unions (7), and agricultural cooperatives (3); given 13,096 people access to microcredit; and improved socioeconomic infrastructure through 81 projects. The PRP is expected to finish in 2004.

6. SLLPC² commenced in 2001 and aims to generate mechanisms to improve livelihoods, and to create economic coping strategies and income-generating activities in livestock-producing communities. Key outputs expected include mechanisms for supporting sustainable income generation; improved access to services and resources, including advice, input supply, microcredit, and markets; capacity building of the local project team to support sustainable livelihood and community development initiatives; improved capacity of community groups and organizations, and motivation of village, district, and region administrations to respond to communities’ development needs; and dissemination of best practice. SLLPC is focused on six pilot communities in Chui, Osh, and Talas. The total population of these communities is 43,000, and the expected benefits are increased incomes or productive assets. About 40% of households are expected to increase their incomes by 40%.

7. The VIP³ aims to reduce rural poverty by (i) improving local governance and capacity; (ii) strengthening the provision of, and access to, essential infrastructure services; and (iii) supporting private small-scale group enterprise development. It has three components. The

¹ UNDP. 2001. *Empowering Grassroots Organizations for Poverty Alleviation in Kyrgyzstan*. Annual Report 2001. Bishkek; UNDP. 2003. *Poverty Reduction Programme: Changes in Target Villages*. Bishkek.

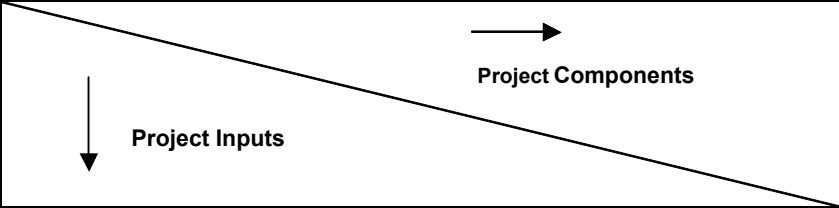
² Project Memorandum. 8 June 2001. *Sustainable Livelihoods for Livestock Producing Communities (SLLPC)*. Bishkek.

³ World Bank. 2003. *Project Appraisal Document for Village Investment Project*. Report No. 26206-KG. Washington, DC.

capacity-building and empowerment component will focus on strengthening of social mobilization for communities and NGOs, local development planning and micro-project implementation for participating communities, and governance for local government and community leaders. The village investment component will support community investment plans in economic and social infrastructure, and income-generating micro-projects. Projects will range from \$100 to \$15,000, and are expected to average \$2,000 to \$3,000. The economic and social infrastructure projects will be grant-financed, with 20% contribution from the community. The income-generating projects, to include group-based nonagricultural business ventures and community or group investments in agricultural diversification and natural resources management, will be eligible for a startup grant of \$1,000, but only if the group has an approved credit application from an established lending institution. The project management responsibility is with the Community Development and Investment Agency (ARIS), established in October 2003. The VIP is based on a pilot phase involving 46 communities in all seven regions. Over its 4-year implementation period, the VIP is expected to include 200–220 local council areas, each comprising 1–21 villages/settlements. As a local council has an average of 6,700 people, the VIP will target an estimated 1.5 million people.

Summary Costs Table

(\$)

	Component A. Expansion and Diversification of Livelihood Activities	Component B. Capacity Building for Beneficiaries and Local NGOs	Component C. Project Management, Monitoring, and Auditing	Total (Input)	Percent
<p>1. Civil Works: (including technical surveys and designs, and supervision of construction)</p>	0	0	0	0	0.0
<p>2. Equipment and Supplies: (e.g., power tools, turbines, excavation and construction tools, agricultural tools and equipment, communications devices, audiovisual, computing and other office equipment, furniture, etc.)</p>	0	20,200	6,600	26,800	2.7
<p>3. Training, Workshops, Seminars, Public Campaigns: (e.g., resource persons, technical training specialists, community mobilizers and organizers, venue rental, travel, food and accommodation for participants and other related costs)</p>	263,160	27,000	8,000	298,160	29.8
<p>4. Consulting Services (e.g., for surveys, assessments and reviews, technical specialists, advisors, external auditors, etc., including related costs such as travel, accommodation, and per diem)</p>	24,000	0	82,800	106,800	10.7
<p>5. Project Management: (including management of the PIU and the specific components, wages for staff, travel costs and per diem, office equipment, rental, O&M, and recurrent costs)</p>	0	0	128,400	128,400	12.8
<p>6. Other Project Inputs: (for other specific project inputs that cannot be included in any of the above categories, such as specific livelihood development costs by specialized NGOs, funds for establishing microfinance systems, etc.)</p>	400,000	0	0	400,000	40.0
<p>7. Contingencies: (0-10% of total estimated grant fund): Use of contingencies requires prior approval from ADB.</p>	28,512	1,958	9,370	39,840	4.0
<p>Subtotal JFPR financed</p>	715,672	49,158	235,170	1,000,000	100.0%
<p>Government Contribution: (e.g., salaries for government counterparts, provision of project office, land acquisition for buildings and constructions, participation in workshops/meetings)</p>	3,600	0	1,000	4,600	
<p>Other Donors' Contributions: (e.g., costs for O&M, livelihood skills development, infrastructure assistance, technology assistance, specialized material and equipment supply, etc.)</p>	0	0	0	0	
<p>Community's Contributions: (e.g., participation in all training and community development, land development, and in-kind labor contribution through food for work)</p>	118,600	0	0	118,600	
<p>Total Estimated Costs</p>	837,872	49,158	236,170	1,123,200	

DETAILED COST ESTIMATES

(\$)

Code	Supplies and Services Rendered	COSTS				CONTRIBUTIONS				
		Unit	Quantity	Cost	TOTAL	JFPR		Government	Other Donors	Communities
			Units	Per Unit		Amount	Method of Procurement			
Component A. Expansion and Diversification of Livelihood Activities				Subtotal	809,360	687,160		3,600	0	118,600
1.1	Civil Works			Subtotal	0	0		0	0	0
1.2	Equipment and Supplies			Subtotal	0	0		0	0	0
1.3	Training, Workshops, Seminars, and Public Campaigns			Subtotal	295,360	263,160		3,600	0	28,600
1.3.1	NGO assessment of villages	Village	120	300	36,000	36,000	QBS, NGO contract			
	Contribution of local government staff (in-kind)	Village	120	30	3,600			3,600		
	Contribution of village	Village	120	30	3,600					3,600
1.3.2	Advisory services by NGOs	Lump sum per year	6	10,000	60,000	60,000	QBS, NGO contract			
	Contribution of NGOs with existing services and knowledge (in-kind)	Value			20,000					20,000
1.3.3	Workshops for beneficiaries (no workshops, participants, etc.)									
	Group mobilization	Workshop	180	150	27,000	27,000	QBS, NGO contract			
	Technical seminars	Workshop	120	300	36,000	36,000	QBS, NGO contract			
1.3.4	Demonstrations	Demonstration	100	450	45,000	45,000	QBS, NGO contract			
	Community plots (in-kind contribution)	Demonstration	100	50	5,000					5,000
1.3.5	Community organizers	Person-month	50,70,0	17	59,160	59,160	QBS, NGO contract			
1.4	Consulting services				Subtotal	24,000		0	0	0
1.4.1	Microfinance Specialist (international)	Month	1.5	16,000	24,000	24,000	ADB guidelines			
1.5	Project Management				Subtotal	0				
1.6	Other Project Costs				Subtotal	490,000		0	0	90,000
1.6.1	Microfinance credit line	Fund			400,000	400,000				
	Contribution (20% cash or in kind of borrowers)				90,000	90,000				90,000
Component B. Capacity Building for Beneficiaries and Local NGOs				Subtotal	47,200	47,200		0	0	0
1.1	Civil Works				Subtotal	0				
1.2	Equipment and Supplies				Subtotal	20,200	20,200			
1.2.1	Furniture for local NGOs	Lump sum	6	500	3,000	3,000	Direct purchase			
1.2.2	Equipment for local NGOs (computer, printer, USP)	Lump sum	6	2,200	13,200	13,200	Direct purchase			
1.2.3	Training equipment (OH projectors, screen, and accessories)	Set	2	2,000	4,000	4,000	Direct purchase			
1.3	Training, Workshops, Seminars, and Public Campaigns				Subtotal	27,000	27,000			
1.3.1	Training aids and materials (stationary, writing materials, etc.)	Lump sum per year	3 x 3	2,000	18,000	18,000	QBS, NGO contract			
1.3.2	Workshops/training for local NGOs	Workshop/training	18	500	9,000	9,000	QBS, NGO contract			
	Group mobilization				0					
	Village assessments and action plans				0					
	Basic financial management				0					
	Microcredit schemes				0					
	Leadership and organizational management				0					
	Gender and environment				0					
	Micro- and small-enterprise development				0					
1.4	Consulting Services				Subtotal	0				
1.5	Project Management				Subtotal	0				
1.6	Other Project Costs				Subtotal	0				

DETAILED COST ESTIMATES

(\$)

Code	Supplies and Services Rendered	COSTS				CONTRIBUTIONS				
		Unit	Quantity	Cost	TOTAL	JFPR		Government	Other Donors	Communities
			Units	Per Unit		Amount	Method of Procurement			
Component C.	Project Management, Monitoring, and Auditing			Subtotal	226,800	225,800		1,000	0	0
1.1	Civil Works			Subtotal	0	0				
1.2	Equipment and Supplies			Subtotal	6,600	6,600				
1.2.1	Equipment for ARIS (3 computer sets)	Set	3	2,200	6,600	6,600	Direct purchase			
1.3	Training, workshops, seminars, and public campaigns			Subtotal	8,000	8,000				
1.3.1	Project orientation and planning	Workshop	2	1,000	2,000	2,000				
1.3.2	Dissemination workshops with local government and donors	Workshop	6	1,000	6,000	6,000				
1.4	Consulting Services			Subtotal	34,000	82,800				
1.4.1	Baseline assessment		1	5,000	5,000	5,000				
1.4.2	Poverty impact assessment		1	5,000	5,000	5,000				
1.4.3	Financial auditing		3	8,000	24,000	24,000	ADB guidelines			
1.5	Project Management			Subtotal	112,200	128,400				
1.5.1	Staff		36		0					
	Project manager	Person-month	36	500	18,000	18,000	ADB guidelines			
	Regional coordinator	Person-month	36	450	16,200	32,400	ADB guidelines			
	Disbursement/contracts specialist	Person-month	36	450	16,200	16,200	ADB guidelines			
	Monitoring and evaluation specialist	Person-month	36	450	16,200	16,200	ADB guidelines			
1.5.2	Travel and per diem	Lump sum per year	9	2,000	18,000	18,000				
1.5.3	Regional coordinators' site visits	Lump sum per year	3	3,000	9,000	9,000				
1.5.4	M&E site visits	Lump sum per year	3	2,000	6,000	6,000				
1.5.5	Report preparation									
	Office supplies	Lump sum per year	3	1,000	3,000	3,000				
	Utilities	Lump sum per year	3	800	2,400	2,400				
	Communications (2 offices)	Lump sum per year	3	2,400	7,200	7,200				
1.6	Other Project Costs			Subtotal	1,000	0		1,000	0	0
1.6.1	Government staff participation in steering committee meetings (in	Meetings/staff			1,000			1,000		
Components A to C = Subtotal				Subtotal	1,083,360	960,160		4,600	0	118,600
Contingency (Maximum 10% of total JFPR Contribution)						39,840				
TOTAL Grant Costs				Total	1,123,200	1,000,000		4,600	0	118,600
Incremental Cost Details						50,000				
	Preparation of PIM	Weeks	2	11,500	23,000					
	Annual and midterm review support costs	Days	20	200	4,000					
	Midterm review technical aspects	Weeks	2	11,500	23,000					
TOTAL Incremental Costs					50,000	50,000				

FUND FLOW ARRANGEMENTS FOR JAPAN FUND FOR POVERTY REDUCTION FUNDS

Asian Development Bank (ADB) will channel the Japan Fund for Poverty Reduction (JFPR) funds directly to a JFPR imprest account, which will be opened and maintained by Community Development and Investment Agency (ARIS) in Bishkek, at a bank endorsed by the Ministry of Finance (MOF) and acceptable to ADB, to facilitate day-to-day local expenditures of the JFPR Project. MOF will be kept informed by ARIS about all transactions, and receive copies of all financial statements and audit reports. The JFPR imprest account will be managed by ARIS, and all withdrawal applications will be co-signed by the MOF before submission to ADB. The first withdrawal application will be based on the first 6-month activity plan and related budget, and afterward based on the approved annual work plan and budget.

ADB will initially channel \$100,000 to the imprest account as advance for day-to-day project implementation during the inception period, and will replenish funds every 3 to 6 months to the imprest account, based on the replenishment requests from ARIS through MOF and in accordance with ADB's statement-of-expenditures procedure. The procedure will be used for reimbursement, liquidation, and replenishment of eligible expenditures for any individual payment not exceeding \$10,000 to ensure speedy project implementation. Detailed implementation arrangements, such as the flow, replenishment, and administrative procedures will be detailed in the project implementation manual, and be established between ADB and the Government through the JFPR letter of agreement. The schematic fund flow for the JFPR Project is shown in Figure 1.

