

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

TO THE

KYRGYZ REPUBLIC

FOR PREPARING THE

SECOND AGRICULTURE AREA DEVELOPMENT PROJECT

December 2004

CURRENCY EQUIVALENTS

(as of 3 November 2004)

Currency Unit	–	som (Som)
Som1.00	=	\$0.0240
\$1.00	=	Som41.6509

ABBREVIATIONS

AADP	–	Agriculture Area Development Project
ADB	–	Asian Development Bank
EIA	–	environmental impact assessment
IEE	–	initial environmental examination
MAWRPI	–	Ministry of Agriculture, Water Resources, and Processing Industry
SAADP	–	Second Agriculture Area Development Project
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Agriculture and natural resources
Subsector	–	Agriculture production, agroprocessing, and agribusiness
Themes	–	Sustainable economic growth Environmental sustainability
Subtheme	–	Developing rural areas

NOTE

In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. The Government of the Kyrgyz Republic requested Asian Development Bank (ADB) technical assistance (TA) to prepare the second agriculture area development project (SAADP) to increase agricultural productivity and profitability in the southern regions of Batken, Jalal Abad, and Osh, similar to the ongoing Agriculture Area Development Project (AADP) in the Chui oblast (region). The TA is included in the Government's program and ADB's country assistance strategy and program for 2004. A Fact-Finding Mission visited the Kyrgyz Republic in August 2004 to formulate the TA with the Government. The TA¹ framework is in Appendix 1.

II. ISSUES

2. ADB's current assistance to the agriculture sector includes AADP in Chui, and the associated TA, Institutional Strengthening in Planning and Management for Agricultural Development.² AADP was approved in December 1999, began implementation in June 2001, and is scheduled for completion in December 2007. The goal is to increase the incomes of farmers in Chui. The immediate project objective is to increase farm productivity and profitability in selected areas. The Project was designed to address constraints in farm restructuring, drainage and irrigation, input supply, machinery hire services, marketing, and finance. The aim was to integrate ongoing and planned activities to maximize the impact of the Project and other development activities. The approach was to focus on the key constraints at the farm level and to coordinate the ongoing and planned investment projects, and related linkages between public sector investment and private sector initiatives to enhance their impact on farm productivity and profitability. There are four components: (i) farm development, (ii) drainage and irrigation rehabilitation, (iii) development of private sector marketing and input supply services, and (iv) project management.

3. AADP is actively working with other projects and agencies including the World Bank On-Farm Irrigation Project for water user association development; three projects funded by United States Agency for International Development: Legal Infrastructure for a Market Economy, Kyrgyz Land Reform Project, and Legal Assistance to Rural Citizens Project (with Helvetas) to address land reform issues; and the Rural Advisory Service and Center for Training and Consultancy for farmer training needs assessment and follow-up training and demonstrations.

4. Despite the initial delays in loan start-up (18 months) and some problems in implementation (slow implementation progress, procurement delays, limited integration of activities across components initially, and land title issues), the Project is progressing satisfactorily. Seventeen farms, comprising 40,050 hectares (ha) of a targeted 55,000 ha, are under various stages of farm development planning, and design and rehabilitation of irrigation systems. Marketing and enterprise development has resulted in the establishment of about 40 farmers groups in vegetables and milk, and business plans and technical assistance provided to 30 agribusiness enterprises. Over 1,900 loans, amounting to about \$3.2 million of a \$10 million credit line, have been provided through the Kyrgyz Agriculture Finance Corporation. The Ministry of Agriculture, Water Resources, and Processing Industry (MAWRPI) considers the concept and approach of AADP appropriate to address the needs of agricultural development. The concept provides an alternative to the broader nationwide projects and smaller pilot activities of most other aid agencies. The area focus of AADP has enabled a concentration of

¹ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 20 April 2004.

² ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Kyrgyz Republic for the Agriculture Area Development Project*. Manila.

the required activities from AADP and several aid projects to provide more holistic development support. MAWRPI has requested that AADP be adapted for implementation in Batken, Jalal Abad, and Osh, where the farm structure, opportunities, productivity, and profitability differ from those in Chui.

5. The Fact-Finding Mission identified the following lessons. To improve project processing, more time is needed for effective participation and review and discussion of reports to increase the government agencies' and stakeholders' understanding and sense of ownership of the Project. Government participation at all levels should be strengthened. Lessons for design and implementation follow: (i) implementation arrangements should be specific and detailed to facilitate start-up and implementation; (ii) activities across project components should be better sequenced and integrated to ensure equal priority to farm and enterprise development activities, and drainage and irrigation rehabilitation; (iii) farm selection should have a "cluster" approach to facilitate economies of scale and the development and expansion of agribusiness services; (iv) a more diligent assessment of the financial, management, and skills capacity of executing, implementing, and related agencies is required to ensure strong management, financial, and procurement capacity; (v) given the increasing demand for design and construction activities, a thorough assessment of the capacity of the industry is essential. The assessment should include a review of the cost base for tenders to reflect appropriate pricing and financial position of design and construction companies; (vi) the organizational structure should be streamlined to facilitate decision making and implementation; (vii) ADB's procedures should be more clearly detailed and streamlined; (viii) terms of reference for both international and domestic consultants should be more specific and task oriented; and (ix) an effective monitoring and evaluation system should be established early in project implementation.

6. The Kyrgyz Republic has undertaken a comprehensive reform program since independence in 1992. The reforms have helped the economy to recover. The agriculture sector has grown consistently since 1996 with an average annual growth rate of about 7.4% (1996–2002) compared with 4.7% for the economy as a whole. The sector accounts for 35% of the gross domestic product, employs about 52% of the total workforce, and accounts for about 11% of exports (2002).

7. About 66% of the country's population live in the rural areas and depend on agriculture for their livelihood. In 2003, 40.8% of the population were living in absolute poverty, a decline from 44.4% in 2002. Nutrition-based poverty declined from 17.8% in 2000 to 9.4% in 2003. Poverty incidence in rural areas declined over 1998–2003 largely due to the improved performance of the agriculture sector and higher average real wages. However, rural poverty continues to be significantly higher than urban poverty—with about three quarters of the poor people living in rural areas—because of the transition process and the limited economic opportunities in rural areas. There are significant regional differences in poverty and a large part of the population live very close to the margin between poor and non-poor, thus creating a significant degree (about 39% in 2001) of transient poverty.

8. The crop, livestock, and agro-industrial subsectors continue to experience substantial adjustments. Agriculture continues to underperform, as many of the farms and agro-processing facilities are not operating efficiently and are not profitable, and some are not financially viable. Among the main factors inhibiting more effective agriculture growth and development are the following: (i) farm size, ownership structure, and farm management practices significantly differ

across the regions;³ (ii) farm productivity is generally low because of limited use of fertilizers and quality seeds, increasing land degradation (declining soil fertility, increasing salinity, waterlogging, etc.), poor farming practices (often due to the small size of farms and inexperience of some farmers), limited access to credit, limited access to machinery services, irrigation systems that require rehabilitation, inadequate or unaffordable extension services, and inadequate marketing and processing facilities; (iii) the agricultural research system and statistical information services have not changed significantly to support agriculture in a market-oriented economy; (iv) the vocational education system has not changed and does not offer the formal and informal training needed by farmers, many of whom have limited farming experience; and (v) the privatization and transition process has dismantled the former support services to agriculture. While a new system of services, based on private ownership and market principles, is emerging it has not adequately kept pace with the changing structure, ownership, and management of farms; and new institutions are slow to develop in the absence of an enabling business environment, available finance, farm profitability, and effective demand for inputs and services. With the prevailing situation, most farmers and enterprises continue to conduct transactions on a barter basis.

9. Assistance to agriculture and related areas is diverse in size, focus and scope, and geographical location. A large number of aid-supported activities are focused in the southern regions. Projects also range from small pilot activities in selected districts to large nationwide programs. These programs address all constraints, but to varying degrees and with varying levels of coordination.

10. The proposed SAADP will adapt the concept, approach, and lessons learned from AADP to provide a concentrated and coordinated focus on key constraints at local and farm level to bring together and enhance the impact of existing project activities, bridge the remaining gaps, and actively involve the private sector in providing key services. The TA will take a regional approach, where appropriate, to identify the key constraints from input supply to marketing and processing, identify and review current government and aid-funded activities, assess the needs, and formulate a project that addresses the needs and develops linkages with existing activities to enhance overall impact.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

11. The TA will help the Government design an investment project to address constraints to agricultural productivity and profitability in the Batken, Jalal Abad, and Osh regions in the southern part of the Kyrgyz Republic.

12. The TA will be divided into two phases. The key output in phase 1 (3 months) will be an analysis of the growth and development of agriculture in each region; an outline of the key issues, constraints, and opportunities; the geographical focus, broad scope, and potential linkages with existing government, private sector institutions, and aid-funded activities identified; and alternative design approaches identified and initially assessed. Phase 2 will produce a detailed feasibility study in accordance with the terms of reference, including possible cofinancing packages.

³ For example, 42% of farms are located in Jalal Abad and Osh and have an average size of 0.5 ha, compared with 19% of farms located in the north with an average size of 1.4 ha. However, 85% of arable land is irrigated, with the majority (60%) in the north, and 27% in Batken, Jalal Abad, and Osh.

B. Methodology and Key Activities

13. The TA will be implemented with a participatory approach from the national to the village level and will involve the private sector (farmers, agribusiness enterprises, etc.), civil society, and aid-funded projects. The participatory approach will be implemented through the TA steering committee, regional level working groups, stakeholder workshops, focus group interviews, and the social analysis survey in each region.

14. The activities in phase 1 will be (i) an assessment of progress and lessons learned in AADP; (ii) an update on the status of agriculture growth and development in each region; (iii) identification of the key issues, constraints, and opportunities with respect to furthering agricultural growth and development; (iv) a mapping of existing and planned aid-supported activities against constraints and opportunities; (v) institutional and financial analyses of regional administration and other levels of Government and other potential agencies as necessary; (vi) identification of potential links with private sector and government agencies; (vii) initial assessment of alternative design approaches for further assessment in phase 2; and (viii) agreement with the Government on the geographical focus and scope of the proposed project. Phase 2 (6 months) will prepare a detailed feasibility study that will include key investment activities, institutional development activities, and clearly identified links to existing or planned investment activities of the Government, private sector, nongovernmental organizations, and aid partners. Special efforts will be made to ensure that implementation capacity exists among the relevant agencies, particularly at local government level, for efficient and effective management of the SAADP.

15. The goal of the SAADP will be to increase the production and incomes of farmers in three regions: Batken, Jalal Abad, and Osh. The immediate objective (purpose) is to increase the productivity and profitability of farms and enterprises.

C. Cost and Financing

16. The total cost of the TA is estimated at \$1.0 million equivalent, comprising \$608,400 in foreign exchange cost and \$391,600 equivalent in local currency cost. ADB will finance \$800,000 equivalent consisting of the entire foreign exchange cost and \$191,600 equivalent in local currency cost. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government will provide \$200,000 equivalent to cover the local currency cost of office accommodation, data compilation, logistical support, and counterpart staff. These costs are in kind. Detailed cost estimates are in Appendix 2. The SAADP is expected to obtain a loan of up to \$30 million equivalent over six years. The Government has been advised that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

17. MAWRPI will be the Executing Agency for the TA. A project working group is proposed to be chaired by MAWRPI, with representatives from Ministry of Finance, Ministry of Economy and Trade, other relevant government agencies, the regional governments, and relevant aid agencies.

18. The TA will be undertaken over 9 months in two phases and is expected to begin in December 2004 and be completed in September 2005. About 73 person-months of consulting

services (26 international and 47 domestic) will be required. The international experts will include a team leader-economist-planner, institutional development specialist, agriculture economist, rural engineer, environmentalist, sociologist, vocational education specialist, and others as needed. The domestic experts will include an economist-deputy team leader, institutional specialist, irrigation systems specialist, rural sociologist, agribusiness specialist, environmental specialist-sustainable land management, agriculture-livestock specialist, and others as needed. Detailed terms of reference are in Appendix 3. The services of a firm will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements acceptable to ADB for engaging domestic consultants. A simplified technical proposal using the quality- and cost-based selection procedure will be adopted for recruiting the consulting firm. The consultants will procure computer equipment in accordance with arrangements acceptable to ADB. An initial poverty and social impact assessment of the proposed project is in Appendix 4.

19. Several participatory workshops will be held to strengthen the participatory approach. In each region, workshops will be held at the start of phase 1 to review the agriculture situation, assess alternative design approaches, and discuss the findings and recommendations of the consultants. The project working group at the national level will meet at the start of phase 1 to guide the consultants, and at the end to agree on the findings and recommendations and proposed activities for phase 2. In phase 2, workshops at the regional level will continue while project design is ongoing. More intensive workshops and focus groups meetings will be held with districts and villages in the selected focus areas and with farmers, associations, private sector, and aid-financed projects to ensure a sense of ownership, and agreement to the detailed design and implementation arrangements.

20. The consultants will submit an inception, phase 1, interim, draft final, and final reports. Tripartite review meetings to be held at appropriate times will discuss the findings and recommendations.

21. The Government will provide (i) administrative assistance to the consultants in obtaining visas, customs clearances, and other permits to perform their tasks in relation to the terms of reference; (ii) all documents and information available to agencies within the government that will facilitate the work of the consultants; (iii) adequate office space for all consultants, with appropriate furniture; (iv) local communications facilities and direct access to international communication facilities (the cost of international communications will be borne by the consultants); and (v) counterpart staff to work with the consultants.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of the Kyrgyz Republic for preparing the Second Agriculture Area Development Project, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE AND PRELIMINARY PROJECT FRAMEWORKS

Design Summary	Performance Indicators and Targets	Data Sources and Measure of Verification	Assumptions and Risks
<p>Goal</p> <p>Increased on-farm productivity and profitability</p>	<p>Crop yields of households increase¹</p> <p>Profitability of households increase¹</p>	<p>National Statistics Committee (NSC) regional bulletin</p> <p>NSC farm surveys</p>	<p>Assumptions:</p> <p>Project design implemented effectively</p> <p>Government and ADB sign loan agreement</p>
<p>Purpose</p> <p>Project design and feasibility study agreed</p>	<p>Project design and feasibility study agreed</p>	<p>Final report</p>	<p>Assumptions:</p> <p>Effective stakeholder participation and ownership developed</p>
<p>Outputs</p> <p>1. Assessment completed for:</p> <ul style="list-style-type: none"> • agricultural growth; • rural infrastructure; • farm restructuring and commercialization; • sustainable land management policy, planning, and budgeting; • agribusinesses support services; • vocational education; • relevant institutions at national, regional, and district level; and • government, nongovernment organizations, donor, and private sector programs <p>2. Project design requirements met</p>	<p>Inception report, week 4 Phase I report, week 11 Interim report, week 20 Draft final report, week 30 Final report, week 36</p> <p>Phase I report, week 11 Interim report, week 20 Draft final report, week 30 Final report, week 36</p>	<p>Project reports TA reviews, week 13, 22, and 32 Back to office reports ADB review</p> <p>Project reports TA reviews, week 13, 22, and 32 Back to office reports ADB review</p>	<p>Risks:</p> <p>No restriction on availability and access to information and personnel</p> <p>No restriction on accessing geographical sites</p>

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Design Summary	Performance Indicators and Targets	Data Sources and Measure of Verification	Assumptions and Risks
<p>Activities</p> <p>1.1 Information collection and review 1.2 Stakeholder workshops at national, regional, and district level 1.3 Social survey of potential beneficiaries</p>			
<p>2.1 Problem, objectives, and alternatives analysis 2.2 Social and poverty assessment 2.3 Financial and economic analysis 2.4 Institutional analysis 2.5 Summary initial environmental examination 2.6 Project framework 2.7 Project performance</p>			
<p>Inputs</p> <p>Financing ADB \$800,000 Government \$200,000</p> <p>Consultants International 26 person-months Domestic 47 person-months</p>			

¹ Quantitative estimates will be developed during the PPTA.

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	494,000	0	494,000
ii. Domestic Consultants	0	117,500	117,500
b. International Travel	62,400	0	62,400
c. Local Travel	0	9,000	9,000
d. Reports and Communications	5,000	9,300	14,300
2. Equipment ^b	12,000	0	12,000
3. Training and Workshops	0	17,000	17,000
4. Surveys ^c	0	11,000	11,000
5. Miscellaneous Administration and Support Costs ^d	0	18,000	18,000
6. Representative for Contract Negotiations	6,000	0	6,000
7. Contingencies	29,000	9,800	38,800
Subtotal (A)	608,400	191,600	800,000
B. Government Financing			
1. Office Accommodation, Utilities, and Local Communications	0	54,000	54,000
2. Remuneration of Counterpart Staff, Local Government, and Communities	0	92,000	92,000
3. Data and Publications	0	45,000	45,000
4. Transport in Project Area	0	9,000	9,000
Subtotal (B)	0	200,000	200,000
Total	608,400	391,600	1,000,000

^a Financed by the Japan Special Fund.

^b Includes three computers/printers, photocopier, facsimile machine, and software.

^c Socioeconomic survey and data collection.

^d Includes office supplies, translation and interpretation services, and secretarial services.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will have two phases. In phase 1, a comprehensive review of the state of agriculture development in the oblast (region) will be made to identify major issues, constraints, and opportunities for further growth and development of agriculture. Institutional and financial analyses of the region's administration and, where necessary, of districts, villages, farmer organizations, and other relevant agencies will be carried out to determine their capacity and the strategic needs for assistance. Ongoing and planned development activities by Government, private sector, and funding agencies will be reviewed. Alternative approaches to addressing issues, constraints, and opportunities will be assessed. In phase 2, the project will be designed, taking account of the findings in phase 1, the reassessment of the alternative approaches identified, and relevant policy, technical, economic, financial, social, environmental, and institutional aspects.

A. Phase 1: Review of the Regions

2. The review of the regions can be based largely on existing reports and project documents.¹ Some farm-level rapid rural appraisal will be required.

1. Regional Growth and Development

3. The analysis of the overall growth and development of Batken, Jalal Abad, and Osh will cover the following:

- (i) growth and development of each region based on available national and regional statistics;
- (ii) progress of agricultural reforms in the region, and identification of any major constraints to effective implementation and additional reforms to facilitate the transition to a market-based agriculture sector;
- (iii) achievements of regional development efforts undertaken by the local government, private sector, and funding agencies; and
- (iv) the socioeconomic situation and identification of major economic and social issues affecting the rural population, with particular attention to women and vulnerable groups, and the effects of farm restructuring, reduction of social services, and access to resources (including land) and infrastructure.

2. Assessment of Agriculture

4. The assessment of development in agriculture will address the following aspects:

- (i) Ownership and structure of farms in the region and factors influencing the success of private farming. Constraints that inhibit the improvement of farm productivity and profitability will be identified using rapid rural appraisal to identify farm types, farm size, ownership, land, labor and capital availability, output, productivity, and net income disaggregated by farm enterprise and where applicable, by gender. The Agricultural Census of 2002 will provide essential base data.

¹ Including broad-based reports on the agriculture sector undertaken by Government and funding agencies, and project reports specific to or including each region.

- (ii) The market potential for the region, the competitiveness of the products produced, the potential for increased competitiveness, and constraints to achieving this competitiveness. A comparative advantage analysis of the selected project area will be included.
- (iii) Availability and farmers' access to input supplies, technology, finance, markets and marketing facilities and channels, extension and research, and transport and distribution networks. Major constraints and opportunities will be identified.

3. Infrastructure

5. The assessment of infrastructure will focus on

- (i) the condition of off-farm and on-farm drainage and irrigation infrastructure, and responsibilities for and financing of operation and maintenance; and
- (ii) the condition of rural roads and the main constraints to effective repair and maintenance.

4. Institutional Aspects

6. The institutional aspects to be addressed include

- (i) the roles, responsibilities, and capacity of regional institutions supporting agriculture, particularly agriculture administration and regional agencies responsible for delivering irrigation services. Strengths, weaknesses, needs, and opportunities for institutional strengthening will be identified.
- (ii) Number, strength, and effectiveness of cooperatives and other agriculture-based organizations, and arrangements for supporting their development.
- (iii) Private sector involvement in the agriculture sector, particularly in rural finance, input supply, machine leasing, output storage, agro-processing, and marketing, including the role of cooperatives and farmers associations. Constraints to private sector investment will be identified.
- (iv) The role, approach, and activities of nongovernment organizations and the private sector in the area.
- (v) Formal and informal training of farmers. Current support by the Government and aid-funded institutions and activities will be assessed. Opportunities for expanding formal and informal training in a cost-effective and sustainable manner will be identified.

5. Development Partner Agencies

7. An assessment of partner agencies for development will involve

- (i) analyzing ongoing and proposed project activities in the area, including support for land and property distribution, farm restructuring, commercial seed industry, livestock industry development, contract farming services, farmer advisory services or group formation, market information, farm survey, major irrigation systems rehabilitation and on-farm drainage and irrigation, rural finance, and forestry; and

- (ii) preparing a database of relevant programs to highlight the objectives, scope, area focus, financing, special features, and possible links to the project.

6. Alternatives Analysis and Preliminary Design

8. On the basis of the preceding analysis, the consultant will undertake these activities:

- (i) Review the progress and lessons learned under the Agriculture Area Development Project in the Chui region, including the views of Government, executing agency, implementing agency, project management unit, beneficiaries, other involved agencies, and development partners.
- (ii) Prepare a detailed assessment of the alternative approaches to project design, including a detailed problem tree and preliminary assessment of the options identified.
- (iii) Agree with the Government on the geographical focus and broad scope, and develop potential linkages with existing government, private sector institutions, and externally funded activities identified.

B. Phase 2: Feasibility Level Project Design

9. The feasibility design of the Project will follow from the identification, review, and preliminary assessments of alternative design features in phase 1. The Project will take 6 years to establish productive and profitable farms and sustainable regional support services, and public and private sector investments.

10. Subject to confirmation in phase 1 of the TA, the components to be prepared to feasibility level design in phase 2 can include (i) restructuring and commercialization of selected farms; (ii) sustainable land management activities, including policy, planning, budgeting, and investment activities; (iii) agribusiness services including market survey, marketing, farm technology, input supply, machinery services and repair, and private agribusiness advisory services; (iv) infrastructure: market infrastructure, on-farm irrigation and drainage, farm-to-market roads and drinking water supplies; (v) institutional development: regional and district administration and departments of agriculture; regional and district irrigation departments; village, water user organizations, and farmers associations; human resource and training needs and related development of regional agricultural training institutions, such as technical and vocational schools; and (vi) policy and legal measures needed to provide an environment conducive to the functioning of a market-based agriculture system.

11. The consultants preparing the Project will be involved in the following activities:

- (i) **Use of the participatory approach.** Ensure the participation of all stakeholders from national to community levels in project identification, design, and implementation. The breadth and depth of participation should be appropriate to ensure that the beneficiaries, and national and local agencies reach consensus on and commitment to the design and implementation arrangements and, where necessary, responsibility for operation and maintenance and cost recovery activities.
- (ii) **Preparation of the project framework.** Using the problem tree developed in phase 1 and after assessing project design alternatives, prepare an initial project

framework (goal, purpose, outputs, activities, and inputs, including realistic performance indicators and targets, appropriate monitoring mechanisms, and key risks and assumptions) at the end of phase 1. The framework will follow Asian Development Bank (ADB) format, and will be progressively modified through phase 2. The project framework will be used as a participatory design tool for the project.

- (iii) **Social assessment.** Identify the beneficiaries and groups to be affected by the project and make a social assessment in accordance with ADB's *Handbook on Poverty and Social Analysis*, *Handbook for Integrating Poverty Impact in Economic Analysis of Projects*, and ADB's *Gender Checklist: Agriculture*. Conduct a socioeconomic survey to profile the beneficiaries—gender-disaggregated demographic, economic, and social data, where possible—including poverty incidence, vulnerable groups, ability and willingness to pay for cost recovery, and any adverse impacts anticipated from the project. Include a reassessment of ADB's social safeguards with respect to indigenous peoples and resettlement.
- (iv) **Environmental assessment.** Prepare an initial environmental examination (IEE) and summary IEE in accordance with ADB's *Environmental Policy (2002)* and *Environmental Assessment Guidelines (2003)*, and the Government's environment requirements. The IEE and summary IEE will identify all potential environmental impacts (negative and positive) and describe mitigating measures, monitoring requirements, budgetary requirements, and institutional arrangements. If a more detailed environmental impact assessment (EIA) is required, prepare the necessary terms of reference and the EIA and summary EIA in accordance with ADB and Government requirements. Give particular attention to sustainable land management activities under the project.
- (v) **Preparation of cost estimates and the financing plan.** Prepare detailed cost estimates using the COSTAB software, including appropriate categories of investment, operational costs, and interest during construction. Separate costs into foreign exchange (including direct and indirect costs) and local cost components, and physical and price contingencies. The local cost will include duties and taxes, which should be identified separately. Prepare a financing plan with contributions from the Government, ADB, private sector, beneficiaries, and any cofinanciers.
- (vi) **Financial and economic analyses.** Assess the financial accounting and financial management systems of the implementing agencies. Make recommendations on accounting and management of project expenditures, contract management, and flow of funds from the Government and ADB. Undertake financial and economic analyses; assess the relevance and usefulness of estimating rates of return at the activity or agency, component and project levels; calculate rates of return at those levels where the estimates are most useful for making investment decisions; and assess recurrent costs and implications for participating entities in accordance with ADB's *Guidelines for the Economic Analysis of Projects*. Include sensitivity analysis, distribution of benefits, and a poverty impact assessment.

- (vii) **Implementation arrangements.** Examine the implementation capacity of the executing and implementing agencies and describe the organizational arrangements for project implementation, including coordination. Prepare project implementation schedules and procurement packages for civil works, equipment, and services in accordance with ADB guidelines. Prepare terms of reference for international and domestic consultants to support implementation.
- (viii) **Project performance monitoring system.** Prepare a project performance monitoring system that will facilitate monitoring and evaluation, and that relevant agencies can implement.

C. Consultant Requirements

12. These tasks will require consultants with substantial experience relevant to the Kyrgyz Republic or to similar economies or institutional environments. The consultants will coordinate with other funding agencies and interact closely with Government officials and the emerging private sector. The following international and domestic consultants (person-months in parentheses) are envisaged. International experts to provide 26 person-months of consulting services will comprise a team leader-economist-planner (9), institutional development specialist (4), agriculture economist (2), rural engineer (2), environmentalist-sustainable land management specialist (2), sociologist (2), vocational education specialist (2), and unallocated (3). Domestic consultants (47 person-months) will comprise an economist-deputy team leader (9), institutional specialist (6), irrigation systems specialist (6), rural sociologist (6), agribusiness specialist (4), environmental specialist (4), agriculture and livestock specialist (6), and unallocated (6).

13. The TA is expected to take over 9 months. The consultants will produce the following reports: (i) the inception report due at the end of 4 weeks will present a work plan for the TA period. A tripartite review meeting will be held in week 5; (ii) the phase 1 report due at the end of week 11 will present the findings of phase 1 and the recommended outline of the geographical focus, scope, and linkages with existing institutions, private sector, and aid-financed activities. It will analyze a detailed problem tree and alternative project designs. A tripartite review meeting will be held in week 13; (iii) the interim report due at the end of week 20 will show progress in preparing the project design. The report will outline the project design including a detailed project framework, component descriptions, and preliminary implementation arrangements; and identify key issues requiring resolution. A tripartite review meeting will be held in week 22; (iv) the draft final report due at the end of week 30 will present the complete design features of the project covering all aspects (paras. 6–11[i]–[v]). A tripartite review meeting will be held in week 32; (v) and the final report due by week 36 after the tripartite review and receipt of comments from stakeholders.

14. All reports will be produced in both English and Russian. Five copies of each report in English will be submitted to ADB, and two copies in English and five copies in Russian to the Government. In addition, key working papers will be prepared and submitted to the Government and ADB.

INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Is the sector identified as a national priority in country poverty analysis?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Is the sector identified as a national priority in country poverty partnership agreement?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<p>Contribution of the sector or subsector to reduce poverty in the Kyrgyz Republic:</p> <p>The Government's Comprehensive Development Program and National Poverty Reduction Strategy recognize the importance of agriculture and rural development as a key to poverty reduction. Agriculture development is to be addressed through several means: (i) development of the agro-industrial complex by reviving industrial agricultural production aimed at food security and sustainable development of the processing sector; (ii) rational use of natural resources by improving the efficiency of water resource use, promoting the rational use of land resources, and preserving and broadening the area of forest cover and specifically protected territories; and (iii) balanced development of the regions by stimulating local self-government.</p> <p>The Kyrgyz Republic has undertaken a comprehensive reform program since independence in 1992. Since 1996, these reforms have helped the economy to recover. The agriculture sector has grown consistently since 1996 with an average annual growth rate of about 7.4% (1996–2002) compared with 4.7% for the economy as a whole. The sector accounts for 35% of gross domestic product, employs about 52% of the total workforce, and accounts for about 11% of exports (2002).</p> <p>About 66% of the country's population live in the rural areas and are dependent on agriculture for their livelihood. In 2002, 44% of the population were living in absolute poverty and 13.8% in extreme poverty. Poverty incidence in the rural areas declined at an average rate of 8% per year over 1998–2001 largely due to the improved performance of the agriculture sector. Thus, agriculture has and will continue to play a significant part in further reducing the level of poverty.</p> <p>Rural poverty continues to be significantly higher than urban poverty, with about 75% of the poor (2001) living in rural areas. There are significant regional differences in poverty: Naryn oblast (region) has the highest incidence followed by Talas; the three southern regions of Batken, Jalal-Abad, and Osh; and the northern region of Issyk-Kul. The least poor area is the Chui region. Another important observation is that most of the population live very close to the margin between poor and non-poor, thus creating a significant degree (about 39% in 2001) of transient poverty.</p>			

B. Poverty Analysis

Targeting Classification: Targeted Intervention

What type of poverty analysis is needed?	
<p>The TA will require poverty analysis that is disaggregated by region and by gender. The three southern regions—Batken, Jalal Abad, and Osh—have relatively high levels of poverty, given the higher density of population and relatively smaller farm size. The technical assistance (TA) will look at the incidence of poverty using existing data sources and supplementing it through a social survey of potential beneficiaries. Both income and nonincome poverty indices will be determined. The analysis will be carried out following the <i>Handbook on Poverty and Social Analysis</i> and <i>Handbook for Integrating Poverty Impact in Economic Analysis of Projects</i>. Particular attention will be given to profiling the beneficiaries, with gender-disaggregated demographic, economic, and social data, where possible, plus the incidence of poverty, vulnerable groups, ability and willingness to pay for cost recovery, and any adverse impacts anticipated from the project.</p>	

C. Participation Process

Is there a stakeholder analysis?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is there a participation strategy?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

<p>D. Gender Development</p> <p>Strategy to maximize impacts on women:</p> <p>As part of the social assessment, the consultant will undertake a gender-disaggregated analysis of potential beneficiaries. In addition, activities to facilitate women's more active participation in the project will be identified and incorporated into the project design.</p> <p>In addition to the project preparatory TA, a gender specialist is being funded by the Gender and Development Fund to analyze the ongoing Agriculture Area Development Project (AADP). The objective is to assess the current level of women's participation in the activities of AADP and the benefits accruing to them. The success indicators will first be a report on the findings and recommendations for enhancing women's participation in the Project and how the approach in the proposed project can be improved.</p> <p>Has an output been prepared? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>

E. Social Safeguards and other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
Resettlement	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
Affordability	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	<p>Issues of affordability and ability to pay for cost recovery measures such as operation and maintenance and investment costs for rehabilitation of drainage and irrigation will be assessed.</p> <p>ADB is conducting a separate TA (Study on Pricing Systems and Cost Recovery Mechanisms for Irrigation in the Kyrgyz Republic) that will also address affordability.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Labor	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	<p>High levels of unemployment and underemployment in rural areas exist. The proposed project could generate potential employment opportunities.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Indigenous Peoples	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Other Risks/ Vulnerabilities	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	<p>Issues will be considered during the social survey and the initial environmental examination, and appropriate mitigating measures will be prepared as necessary.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No