

SECTOR ASSESSMENT (SUMMARY): AGRICULTURE, NATURAL RESOURCES, AND RURAL DEVELOPMENT

1. Sector Performance, Problems, and Opportunities

1. **Agriculture.** It engages about 30% of the population (including about 45% of the rural population) and contributes about 15% to gross domestic product.¹ Because of insufficient precipitation during the growing season, irrigation is critical for sustained agricultural production.² However, following the collapse of the former Soviet Union, much of the Kyrgyz Republic's infrastructure is poorly operated and maintained, and agricultural productivity is low.³ From 1990 to the mid-2000s, the performance of the Kyrgyz Republic's irrigated agriculture subsector sharply declined and water scarcity increased, which has contributed to stagnating growth. More than 400,000 small-scale farms, each with an average of three hectares of land, produce around 95% of the agricultural output in the Kyrgyz Republic. However, their marketing opportunities are limited. Underdevelopment of the food system and key value chains result in the exclusion of most smallholders from markets and lead to high post-harvest losses.⁴ Furthermore, low wages in the agriculture sector drive working-age Kyrgyz citizens to migrate abroad and send remittances home. In 2019, remittances accounted for about 33% of gross domestic product (GDP), representing the main source of income for about 800,000 Kyrgyz households.⁵

2. As a result, food supply is heavily dependent on imports. The Kyrgyz Republic is self-sufficient in potatoes, vegetables and melons, fruit and berries, and milk and dairy, but heavily dependent on imports for bread, wheat, vegetable oil, and sugar and confectionary. Although wheat is the country's main staple, its production has fallen in the last two decades since the harvested area has decreased in favor of more profitable fruits and vegetables and animal fodder. Because of the low quantity and quality of produced wheat, the Kyrgyz Republic covers an increasing share of its wheat needs through imports, mainly from Kazakhstan and the Russian Federation (footnote 5).

3. **Poverty and nutrition.** Poverty is the primary driver of food insecurity in households. The poorest households spend about 60% of their budget on food, compared to 31% of the rest of the Kyrgyz population. These households reach only 85% of their daily calorific requirement. They also are significantly more vulnerable to sharp food price increases and other shocks, which hampers their capacity to move out of poverty and forces them to compromise their other basic non-food and services needs, such as education and healthcare. The prevalence of chronic malnutrition (stunting) among children under five-years of age is 13% and almost 17% of under-five deaths are attributable to stunting and low birth weight. The burden of malnutrition is substantial in human and economic terms, estimated to cost the country around \$30 million per year (footnote 4).

4. **Food security and the coronavirus disease (COVID-19).** The coronavirus disease (COVID-19) outbreak has not only posed a number of near-term challenges to food security, but also medium-term. Border closures and restrictions on movements negatively impacted

¹ World Food Programme. 2017. [Kyrgyz Republic Country Strategic Plan \(2018–2022\)](#). Rome.

² ADB. 2013. *Developing Water Resources Sector Strategies in Central Asia and West Asia*. TA Consultant's report. Manila.

³ ADB. 2016. [Asian Water Development Outlook 2016: Strengthening Water Security in Asia and the Pacific](#). Manila.

⁴ Development Partners' Coordination Council Working group on Agriculture and Rural Development, Food Security and Nutrition. 2018. *Food Security and Nutrition in the Kyrgyz Republic: Recommendations for Policy Development*. Bishkek

⁵ World Food Programme. 2020. *COVID-19: Socioeconomic Impact on Food Security in the Kyrgyz Republic*. Bishkek.

agricultural production and productivity. Reduced availability of labor, seeds and fuel, access to fertilizer, pesticides and services were reported during the state of emergency. A prolonged slowdown in economic activities and a subsequent decrease in employment opportunities will result in reduced incomes and negatively impacts on private spending.

5. The May 2020 World Food Programme (WFP) household food security survey identified key challenges arising from COVID-19:⁶

- (i) Around 45% of respondents took new loans in the last 6 months, of which 50% were used to buy food. At the same time, around 60-70% report declining income and lack food stock, thereby posing a risk to loan repayment.
- (ii) 95% of households reported higher food prices and 50% reported loss of one of the primary sources of income. Around 80% of households were applying negative coping strategies that deplete household assets, 70% borrowed money, 30% used savings.
- (iii) Around 55% of farmers reported had higher costs of inputs, 25% had insufficient access to water, 25% suffered from movement restrictions, and more than 20% expected a lower harvest. To cope, around 35% reported they would seek additional sources of income and around 50% would rely on existing other sources of income in the household

2. Government's Sector Strategy

6. The ongoing national development strategy *Unity, Trust and Creation Program* of the Government of the Kyrgyz Republic includes implementation of provisions related to ensuring food security and good nutrition. The *National Policy on Food Security* (1999) aims to ensure that all people of the Kyrgyz Republic have access to adequate food at all times, in all regions, and in all households. It adopted four food security principles: availability, stability, proper use, and accessibility. The *Food Law on Food Security* (2008) established the National Security Council and provided for the state material reserve and other market interventions, monitoring of the food security situation, and the quality and safety of food. *The Concept (Program) of Food Security (2009–2019)* identified nine food products for monitoring food security, including meat and meat products, milk and dairy products, eggs, and egg products, and provided a comprehensive framework for supporting sustainable food security (footnote 1).

7. The *Food Security and Nutrition Program of the Kyrgyz Republic (2019–2023)* (FSNP) was formally endorsed by the government in June 2019 to improve the country's nutritional status, ensure consistency of food supply in the domestic market, and guarantee compliance with export market consumer quality and consumer protection standards. The FSNP envisions special measures to ensure that (i) producers have access to finance; (ii) businesses where women dominate, such as poultry and dairy, are prioritized for support; (iii) women are involved in the management of pastures; and (iv) special measures on nutrition targeting for girls and women of reproductive age, infants, and children are introduced.⁷

8. The FSNP Action Plan (2019) has the following key directions:⁸ (i) improving the availability of food for domestic consumption; (ii) ensuring food access for the population; (iii)

⁶ World Food Programme. 2020. *Rapid Household Food Security Assessment*. Presentation on 19 May 2020. Bishkek.

⁷ Government of the Kyrgyz Republic. 2019. *Food Security and Nutrition Programme in the Kyrgyz Republic for 2019–2023*. Bishkek.

⁸ Government of the Kyrgyz Republic. 2019. *Action plan on the implementation of the Food Security and Nutrition Program in the Kyrgyz Republic for 2019–2023*. Bishkek.

improving the nutritional status of the population; (iv) improving food safety; and (v) development of an effective management system for food security and monitoring and evaluation of the FSNP.

9. In March 2020, the Government of Kyrgyz Republic instituted food security-related emergency measures in response to the COVID-19 pandemic.⁹ As part of this program, and in accordance with the FNSP action plans, the government approved:

- (i) Government Resolution 110-r, which defines the list of food-insecure groups for food distribution and operationalizes FSNP action plan item 2.1: “Providing guaranteed access to food for vulnerable people” (footnote 8). Those in receipt are recipients of child benefits and social benefits, including people with disabilities; those having a social passport; those with a family in difficult life situation; and the unemployed.
- (ii) Project “Funding Agriculture-8”, which provides a \$17.5 million concessional financing package for food and agriculture producers. The project operationalizes FSNP action plan item “1.1. Stimulating the growth of domestic production of the basic food groups”, through preferential loans for individual farmers, large agriculture farms, and processing industries (footnote 9). The financing can be used for purchase of inputs, assets, working capital. Around 20% of the loans are expected to be women farmers and women-led businesses.¹⁰

3. ADB Sector Experience and Assistance Program

10. ADB has a longstanding engagement with the Kyrgyz Republic and in Central Asia on agriculture and irrigation including food security issues. The ADB Agriculture Area Development Project, completed in 2009, was rated successful.¹¹ The ongoing ADB Climate Change and Disaster-Resilience Water Resources Sector Project supports modernized and well-maintained infrastructure, enhanced agricultural and on-farm water management, and improved disaster risk management.¹² This includes support for water users associations and farmers through construction and modernization of on-farm canals and strengthening of agriculture and on-farm water use management for increased and more resilient income.

11. The policy actions under this program provide a stepping stone for continued engagement on food security through among others the pipeline of proposed projects, including: Almaty–Bishkek Economic Corridor: Modern Agriculture Wholesale Market Development Project; Agriculture Productivity Development Project; and Disaster Risk Reduction Project, Phase 2.¹³ Under ADB’s country partnership strategy for Kyrgyz Republic 2018–2023, food security is addressed through increasing agriculture productivity in the lagging region of Fergana valley through a multisector approach. Strengthened agricultural services, natural resources management, climate resilience, and disaster risk reduction are key areas of engagement to improve access to public and social services.¹⁴

⁹ Food and Agriculture Organization. 2020. *Europe and Central Asia: Regional food market situation and policy bulletin in response to the COVID-19 pandemic*. Rome.

¹⁰ National statistics indicate that women make 20% of all head of peasant farms in the country. The data from Guarantee Fund for 2017 and 2018 shows that the share of women borrowers from commercial banks for agri purposes was 23% and 18% respectively, and agri-processing 33% and 20% respectively.

¹¹ Independent Evaluation Department. 2013. [Validation Report: Agriculture Area Development Project](#). Manila: ADB.

¹² ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Kyrgyz Republic for the Climate Change and Disaster-Resilient Water Resources Sector Project](#). Manila.

¹³ ADB. 2019. [Country Operations Business Plan: Kyrgyz Republic 2020–2022](#). Manila.

¹⁴ ADB. 2018. [Country Partnership Strategy: Kyrgyz Republic, 2018–2022—Supporting Sustainable Growth, Inclusion, and Regional Cooperation](#). Manila.

PROBLEM TREE

