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**The Concept of Food Security
of the Kyrgyz Republic
for 2009-2019**

Attachment 2 GAFSP Proposal :Funding for Agriculture Productivity and Nutrition
Improvements
THE CONCEPT
of Food Security of the Kyrgyz Republic for 2009-2019

INTRODUCTION

Despite retaining positive growth rates of agricultural and food production over the past 5 years, as well as economic development rates, the issue of country's food security has become very acute as of the beginning of 2008.

According to the Rome declaration, passed on the 17th November 1996 during the top level world meeting on food issues, Kyrgyzstan has undertaken "... to carry out policy directed towards elimination of poverty and inequality, ensure physical and economic access to sufficient, dietary adequate and full value food".

Guarantee of sufficient food supply is one of the aspects of national economic security, which takes a leading place in the country's policy. Thus, the Government shall give priority to the issues of food provision and agricultural development.

The Concept of the Kyrgyz Republic on Food Security is one of the principle documents, setting out ways and mechanisms aimed to resolve the food problem by stimulating development of domestic production. The idea of self-sufficient food supply should be supported by legislative acts in the field of national security as well as by other documents directly related to the legislation on economic and agrarian issues.

The legislative base for food security is the Law of the Kyrgyz Republic "On Food Security of the Kyrgyz Republic", which explains the term of food security as a prerequisite for ensuring basic constitutional rights and freedoms of a person and citizen and obliges the executive power to ensure food security in the Kyrgyz Republic in a prioritizing and mandatory manner based on:

- State budget management, which guarantees execution of approved budget on legal, organizational-managerial and financial levels. Creation of legal basis for financial mechanism of accountability of executive power for budget execution related to food security;
- Tax and customs legislation, stimulating the real production sector as a whole, adapted to sector specifics of agriculture and processing industry, including differentiation of a number of taxes and duties;
- Midterm planning and programming of all levels related to the budget management system. Allocation of funds from the state budget for development of agriculture and food processing industry on a program basis.

Food security relates not only to satisfaction of public food needs, but also to food production, thus guarantying consistent functioning of food supply sources, their high quality and economic accessibility for the whole country's population.

Authorities are fully responsible for ensuring guaranteed food supply regardless of its place of origin and manufacturer. Food strategy should be aimed at achieving food security as a key condition for preservation of sovereignty and independence, economic and social stability.

In the interests of maintaining and improving citizens' health, new conditions directed towards satisfaction of adequate dietary needs of different population groups need to be created.

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Consumption of foods satisfying physiological needs of an individual in nutrients and energy should also be carried out for medical and preventative purposes. The state should pay special attention to provision of adequate nutrition for children.

Physical and economic availability of food stuffs is a key requirement for ensuring food security in the Kyrgyz Republic. Physical availability of foodstuffs is achieved by their continuous supply in appropriate volume to the points of consumption, as well as by the possibility of food products' manufacturing by private households. Economic availability of foodstuffs is established by the citizens' purchasing ability under the existing pricing system, income level, special benefits and privileges.

Food independence is a prerequisite for ensuring food security, namely ensuring domestic market needs by way of domestic production. Food security policy should provide for effective functioning of domestic food and processing industry enterprises, agricultural sector, as well as service providers in the fields of mechanization and automation of agro-technical activities, supplies of fertilizers, chemicals for protection of plants, veterinary supplies, scientific-research institutional activities, technological design institutions as well as centers for vocational and qualification training. This will enable to ensure growth of national economy and implementation of the domestic agro-industrial complex modernization.

In the interest of food security, it is necessary to resist an increasing dependence of domestic food market and agricultural, food and processing industries from imports of food products and material and technical resources.

An important condition for ensuring food security in the Kyrgyz Republic with the objective of citizens' health protection is effective quality control of foodstuffs during their production, sale, storage and transportation.

Food security system of the Kyrgyz Republic should always stand ready to prevent disruptions in the food supply system due to natural disasters and other emergency circumstances, for which it is necessary to have a strategic stock of foodstuffs in the state reserves as well as system for its distribution.

At the same time, it needs to be taken into account that at this time it is impossible to guarantee food security to citizens of any country, including the Kyrgyz Republic, on its own, without establishment of more powerful regional integrated units.

Market mechanisms are not able to ensure the balance of demand and supply of food and raw materials market even when prices and incomes are on a par with other industries. Therefore protection of domestic market and leveling of production conditions are unavoidable components of any state's economic policy. In this regard agro-industrial complex should have relatively high level of protection implemented using a complex approach to socio-economic problem solving.

Principle Terms and Definition of Food Security

Food security of the Kyrgyz Republic, further referred to as Food Security is a state of the Kyrgyz Republic's economy, which ensures food independence of the republic and guarantees physical and economic accessibility of food for the whole population in the amount required for active and healthy life;

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Ensuring food security entails development and implementation of economic, organizational and other measures, directed towards prevention of food crises and satisfaction of public needs, including socially vulnerable groups, in basic food products in accordance with food consumption norms;

Food crisis is a situation during which provision of basic food products to population in accordance with minimal food consumption norms is under a threat either on the whole territory or on the significant part of the Kyrgyz Republic and when such a threat can be eliminated using the state's regulatory measures;

Socially vulnerable groups of population – a category of citizens, determined by social protection authorities in accordance with the legislation of the Kyrgyz Republic;

Minimal norms of foodstuffs consumption - norms of foodstuffs consumption in the amount required for ensuring dietary needs and approved in the order stipulated by the Kyrgyz Republic's legislation;

Physical availability of foodstuffs – uninterrupted supply of foodstuffs to the points of their consumption in the amounts sufficient for satisfaction of the population's needs;

Economic availability of foodstuffs – the population's ability, including socially vulnerable levels of population, to purchase foodstuffs in accordance with minimal foodstuffs consumption norms under the present consumption structure, pricing system, income levels and social benefits;

Special regime – a certain time period of food crisis operation. Time frames of the special regime are set out by the decision of the Kyrgyz Republic Government following submission by the Council on Food Security;

Level of sufficient consumption of a certain food product - a ratio of factual consumption to the rational norm established by the appropriate authority of each state;

Level of stocks of basic foodstuffs in the state reserves - a ratio of actual level of stocks to the annual consumption volume;

Level of economic availability of foodstuffs – a ratio of spending on food to the aggregated spending on all types of goods and services;

Domestic market capacity by certain foodstuffs – multiplication of annual average per capita consumption of a certain food product by average annual number of population;

Level of food independence by certain foodstuffs – a ratio of domestic production volume of a certain food product to the capacity of domestic market for this product.

The level of the State's food independence is assessed at three different levels:

- **Optimal** – balance of resources sufficient for ensuring domestic food market needs out of domestic production in the amount of 80-85%, exports in the amount of 15-20% and imports in the amount of 15-20%;
- **Insufficient** – level of production which covers over 60%, but less than 80% of food supplies out of domestic production;
- **Critical** – level of production, below which an import dependency develops. It should keep the balance of domestic food market out of domestic production within the level of 60%.

Physiological dietary norms – scientifically justified, drafted by the public management institution in the field of healthcare, and approved by the Parliament of the Kyrgyz Republic, the norms of food consumption, which fully satisfy the needs of practically healthy individuals in nutrients and energy.

The leading organizations in the field of food security on the international scale are represented by the specialized institutions of the United Nations, such as the United Nations Food and Agricultural Organization (FAO) and the International Fund of Agricultural Development.

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The issues directly related to food security are dealt with by the World Food Council, reporting to the General Assembly through the UN Economic and Social Council, as well as by the World Food Program, which is a joint UN/FAO institution, established for provision of food aid.

FAO carries out its activities in two directions – food security and nutrition and sustainable development of agriculture, including village development.

The UN General Assembly approved the international obligations on ensuring food security in the world, according to which the ‘ceiling’ of security amounts to 16% of imported products in the total consumption.

The Government of the Kyrgyz Republic is in the process of forming the Food Security Council.

The Food Security Council coordinates management and strategic and operational decision making activities related to uninterrupted and stable food supply in the Republic. Decision on emergence of the food crisis or its potential threat is made by the Government of the Kyrgyz Republic following recommendation of the Food Security Council with simultaneous notification of the Kyrgyz Republic Parliament on the decision taken. The labor body of the Food Security Council will be established within the authorized agency in the agricultural field, namely the Ministry of Agriculture, Water and Processing Industry of the Kyrgyz Republic.

1. Analysis of the Current Situation (SWOT analysis) and the Issues of Food Security

1.1 Current state of agro-industrial complex and its role in ensuring food security in the Kyrgyz Republic.

Agro-food sector has gone through a crisis period over the past few years, which was caused by the break up of old and formation of new manufacturing relationships. Presently agriculture occupies a large sector of economy, producing one third of total GDP in the Republic. The agrarian sector employs over 65% of the country’s able to work population, who own 75% of plough-land (25% are in the state ownership).

At the beginning of 2009, statistics show over 325 000 of agricultural establishments, 76 of them are state owned farms, which accounts to only 0.02% of the total number of agricultural economic establishments. Gross agricultural production output in 2007 amounted to 89.7 billion som; in 2008 production reached the level of 112.5 billion som.

Based on the experience of developed countries, it needs to be acknowledged that sustainable development of agriculture requires investments at the level of 10% of the industry’s GDP. In Kyrgyzstan the State spends only 5 USD per 1 hectare of land. The government’s support in the total cost of manufactured agricultural products does not exceed 2%. Analysis of the current situation in the agro-industrial complex of the republic emphasizes a number of principle issues, which directly influence the food security.

1. The process of reduction of agricultural plough-land areas continues. Quality of the land and resource potential of agriculture also deteriorates. Some agricultural lands disappear due to conversion of agricultural lands into other categories, in most cases into lands for further residential cottage construction.
2. Low growth rates of production of the main agricultural product items, which do not satisfy the demand of the domestic market of the Republic.

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3. The process of imposing control over certain areas of agro-industrial complex (tobacco-fermenting, dairy, sugar, confectionary, corn processing) by foreign companies causes a justified alarm.
4. Domestic market is characterized by the high level of import dependency. 40% to 80% of resources on the domestic food market are formed from imports. Agricultural products, raw material and foodstuffs production growth rates remain below the growth rates of import level of foodstuffs in the past 3 years. Thus, import of wheat in 2007 increased compared to the 2005 import volume by 397.8%, the increase in 2006 compared to 2005 was by 145.4%, the increase in 2008 compared to 2007 amounts to 132.2%. There is an increase of vegetable oil imports by 2.4 times and 140.5%. There is also a trend of significant growth in sugar imports.
5. The most significant concerns are raised regarding the sector's supply with basic types of agricultural machinery, which is covered only up to 60%-70% of the total technological need. As a result, the agricultural crop capacity is much lower than what it could potentially be. Due to a shortage and backwardness of machinery over 100,000 hectares of arable land is left uncultivated. Critical state of technical supply is one of the principle factors stipulating social-economic gap in rural development and agro-industrial complex as a whole and indirectly influences growth of food prices.
6. Low technological level of production, low genetic potential of livestock, insufficient scientific, informational, marketing and legal supply of rural manufacturers as well as cultivation of lands without using fertilizers and agro machinery affects the quality and profitability of agricultural products.

**Indicators
of Gross Production in the Agricultural Sector**

In million som

	2005	2006	2007	2008	Growth rate in % 2006 compared to 2005	Growth rate in % 2007 compared to 2006	Growth rate in % 2008 compared to 2007
Total in the Republic, incl. breakdown by Oblasts	63379.5	72277.4	89886.1	112449.6	101.7	101.5	100.7
Batken	4157.0	4666.6	5765.5	7512.2	101.2	101.8	108.4
Jalal-Abad	9691.1	11285.9	14740.1	18767.5	104.7	105.0	102.7
Issyk-Kul	8147.6	10772.8	12750.3	15045.7	101.1	105.0	98.0
Naryn	4970.4	5471.7	6551.5	7882.9	95.9	100.0	97.4
Osh	12039.3	13121.2	16892.4	12820.4	101.2	101.3	101.0
Talas	5933.5	6994.5	8830.1	10683.9	103.1	108.3	100.1
Chuy	17765.5	19300.2	23138.3	29368.6	102.3	96.0	100.2
Bishkek	282.1	280.3	1055.0	1044.2	98.6	94.3	99.3
Osh	393.0	384.1	464.4	624.2	92.6	95.0	100.0

Reporting figures of the past 3 years point out to the sustainable production growth of agricultural cattle-breeding and plant cultivation. Thus, as at the 1st of January 2008 there were 1168.0 thousand heads of cattle, including 607.2 thousand cows, 22.8 thousand yaks, 4251.8 thousand sheep and goats, 74.9 thousand pigs, 355.5 thousand horses and 4,5 million heads of all types of poultry. The number of cattle heads increased by 16,4% in 2008 compared to 2003, the number of sheep and goats increased by 15.6%, horses – by 4.5% and poultry – by 5.9%. At the same time there are positive trends in growth rates of milk and egg production as well as their end products.

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**Indicators of Livestock Manufacturing
in the Kyrgyz Republic**

Type of Product	2005	2006	2007	2008	Growth rate in 2006 compared to 2005 in %	Growth rate in 2006 compared to 2005 in %
Milk, in thousand tons	1197.6	1212.1	1240.0	1271.2	101.2	102.3
Cattle and poultry for slaughter in live weight, in thousand tons	318.8	321.3	325.3	331.5	100.7	101.2
Eggs, in million psc.	317.5	343.2	373.7	395.3	108.0	108.8

However, in terms of production of fields and farms, Kyrgyzstan is behind many countries of the world by 1.5-2 times, including neighboring countries such as Kazakhstan and Russia. Therefore the main problem in establishment of the agricultural products market is a small size of farms and relatively small volumes of agricultural products manufactured for sale.

**Indicators of the Main Types
of Agricultural Crops Production in the Republic**

Type of Product	2005	2006	2007	2008	Growth rate in 2006 compared to 2005 in %	Growth rate in 2006 compared to 2005 in %
Grains production in thousand tons including	1667.4	1562.2	1491.1	1510.8	93.6	101.3
Wheat grains in thousand tons	950.1	840.3	708.9	850.0	88.4	119.9
Potatoes in thousand tons	1141.5	1254.7	1373.8	1381.5	109.9	100.5
Vegetables and melon plantations in thous. tons	822.4	859.0	908.9	899.1	104.4	98.9
Fruit and berries in thousand tons	146.7	186.7	180.5	182.7	127.1	101.2
Grapes in thous. tons	11.4	14.7	14.9	14.7	128.9	98.6

Food and processing industry is a priority sector of agro-industrial complex. Over 9300 enterprises are engaged in food processing, of which 443 are large and medium size. 3027 are involved in flour production, 2265 bake bread, 345 produce pasta, 429 process meat, 398 process milk, 364 produce vegetable oil, 365 produce non-alcoholic beverages, 47 – produce mixed fodder.

The existing capacities are capable of processing all grown agricultural raw materials. However, due to limited working capital, food and processing industry enterprises are not able to process the raw materials to their full production capacities. As a result production capacities are only occupied to the level of no more than 30-50%. Due to this, large volumes of agricultural products, such as fruit and vegetables, raw milk, meat and tobacco are exported to the neighboring countries in their unprocessed state.

As at the end of 2007, food and processing industry enterprises produced 9.3 billion som worth of products; the physical volume index equaled to 101.4%. Exports of agricultural, food and processing industry products amounted to 201.2 million USD, which represents 136% increase compared to the 2006 level. At the same time, imports of similar products totaled 376.5 million USD.

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During the reporting period of 2008, production amounted to 11.7 billion som, growth rate by physical volume index amounted to 100.7%. At the same time, exports of agricultural, food and processing industry products amounted to 218.5 million USD, growth rate compared to the 2007 level reached 106.9%. Exports of cattle increased by 106.9%, exports of crops increased by 108.1% and foodstuffs' exports increased by 109.7%. Over that same period, imports of agricultural and food products amounted to 538.7 million USD, growth rate, compared to the 2007 level, reached 43.1%. Foodstuffs imported for the amount of 413.2 million USD, which represents 150.8% to the level of 2007.

Analysis of food production indicators for 2005-2008 shows evidence of stable development of the food industry. There is an evident trend of increase in production volumes and population's consumption levels related to basic foodstuffs.

**Population expenses
related to purchase of foodstuffs in the Kyrgyz Republic.**

		2005	2006	2007	Growth rate in 2006 compared to 2005 in %	Growth rate in 2006 compared to 2005 in %
1	Population expenses related to purchase of foodstuffs (in million som)	32355.0	34665.7	45205.9	107.1	130.4
2	Average number of present population (in thousands)	5143.5	5192.0	52.34.8	100.9	101.7
3	Annual income per 1 person in som	6290.0	6677.0	8635.6	106.1	129.3

Indicators of consumption of basic foodstuffs in the Kyrgyz Republic per capita, compared with the physiological consumption norm, kg/year

Type of product	2007			2008		
	Physiological consumption norm kg/year	Consumption per capita Kg/year	Consumption in % to physical norm	Physiological consumption norm kg/year	Consumption per capita Kg/year	Consumption in % to physical norm
Meat and meat products calculated in slaughter weight	65.6	44.2	67.4	65.6	44.2	67.4
Milk and dairy products	296.9	218.7	73.6	296.9	216.1	72.8
Eggs and products from eggs	197.0	2.1	36.6	197.0	72.3	36.7
Sugar	29.7	22.5	75.8	29.7	13.1	44.2
Vegetable oil	11.8	7.4	62.9	11.8	8.1	69.1
Potatoes	60.8	180.5	296.9	60.8	171.0	281.3
Vegetables	118.4	157.5	133.0	118.4	158.3	133.7
Fruits and berries	66.2	36.6	55.3	66.2	24.6	37.1
Bread products recalculated in grain	118.1	157.3	133.2	118.1	199.3	168.7

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Basic foodstuffs' consumption indicators for 2007-2008 point out that the Republic's provision is at the 100% level and is higher only for bread products, potatoes and vegetables. On other items, provision varies from 36% to 75%.

Lack of appropriate incentives for raising of domestic food resources, weakness of financial, material and technical basis of rural commodity producers, continuous trend of grains' production volume reduction, which started in 2003, contributed to the price rises on bread products this year. Increased cost of grain crops on the world stock-exchanges, including Kazakhstan and Russian, has lead to a sharp increase in retail prices for all types of agricultural raw materials and foodstuffs in the Republic, which worsened social tension on the domestic food market.

Grain crops production volumes in 2002 equaled to 1753 thousand tons, in 2003 – to 1670 thousand tons, in 2004 – to 1746 thousand tons, in 2005 – to 1667.4 thousand tons, in 2006 – to 1562.25 thousand tons, in 2007 – to 1491.1 thousand tons and in 2008 – to 1510.8 thousand tons.

In the last 15 years there was no integrated food policy directed towards finding independent solutions to food problems solving in the country. The issues were reviewed and resolved in an isolated manner both with regard to agriculture and food industry sectors. In modern conditions it is necessary to have an integrated approach to agrarian policy and policy of differentiation level of population's income, development in food infrastructure and investment priorities in the food chain.

At present day, an increased production in the rural economy does not directly lead to an increase in consumption. Two principle problems halt the consumption and production grown in the food sector:

- low buying capacity of population and
- lack of developed infrastructure of products delivery to the end consumer.

Indicators of foodstuffs consumption per capita per year, compared with the minimal norm (approved by the KR Parliamentary Decree No. 1088-111 dated 09.06.2006) and with the physiological consumption norm (approved by the KR Ministry of Health No. 9-17-1/22 dated 01.12.1992)

Type of product	2007 (actual)				2008 (actual)			
	Minimal norm kg/year	Physiological norm kg/year	Actual consumptn kg/year	Provision in % to minimal norm	Minimal norm kg/year	Physiological norm kg/year	Actual consumptn. kg/year	Provision in % to minimal norm
Bread products recalculated in grain	89.2	118.1	157.3	176.4	89.2	118.1	199.3	223.4
Potatoes	57.4	60.8	180.5	314.5	57.4	60.8	171.0	298.0
Vegetables and melons	150.4	118.4	157.5	104.7	150.4	118.4	158.3	105.2
Fruits and berries	112.4	66.2	36.6	32.6	112.4	66.2	24.6	21.9
Meat recalculated in slaughter weight	39.1	65.6	48.0	122.7	39.1	65.6	44.2	113.0
Milk	184.8	269.9	218.7	118.3	184.8	269.9	216.1	117.0
Sugar	21.7	29.7	22.5	103.7	21.7	29.7	13.1	60.5
Eggs	166.0	197.0	72.1	43.5	166.0	197.0	72.3	43.6

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Oil	9.6	11.8	7.4	77.3	9.6	11.8	8.1	84.9
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Out of 9 principal food products required to provide for physiological and energy needs of a human body, provisions on 5 positions are above 100% level, however, at the same time, demand in bread products, sugar, oil and meat products is satisfied by way of imports.

Production level of principal foodstuffs per capita (kg/year)

Years	Wheat grain	Potatoes	Vegetables	Fruits	Meat	Milk	Eggs Pcs/g	Sugar	Oil
2005	184.7	221.9	143.2	28.5	35.0	233.0	62.0	8.7	2.9
2006	163.0	243.0	166.9	39.0	35.3	235.5	69.0	11.3	3.2
2007	135.8	263.2	174.2	37.0	35.0	237.6	71.6	7.5	3.4
2008	140.6	251.7	178.5	36.9	34.8	240.0	69.6	2.0	3.5

Please refer to the Annexes No. 1 and 2 for information on indicators of population's provision with basic foodstuffs, taking into account minimal and physiological consumption norms over 2005-2008. Forecasted indicators on basic foodstuffs for 2009-2018 are provided in Annex 3. In order to ensure food security and economic independence, measures need to be taken to forecast production indicators for agricultural raw materials and processed commodities at the regional level, determining specific manufacturers and addressing issues of financial and material support.

The Republic imports significant volumes of produced foodstuffs, due to insufficient production capacities, lands and pastures. Domestic food market is dependant on imports, especially on such food items as wheat, sugar and oil. In 2007 the total amount of agricultural and food imports equaled to 376.5 million USD, which is 51% more than in 2005. Food products occupy 79.0% of total food imports.

Import of wheat has grown by 60.8% in 2007 compared to 2006 and amounted to 69.9 million USD or 358.8 thousand tons. Proportion of wheat imports in the volume of domestic wheat production equals to -43.7%. Sugar imports in 2007 amounted to 93.4 tons, proportion of imports in the total domestic production volume of sugar is -79.5%, proportion of oil imports (in total imported 21.2 thousand tons) equals to -54.8% compared to the domestic market volume.

In accordance with the laws of economic development and the world practice it is established that if imports exceed domestic market volume by 20% the accumulation effect discontinues and the sector is unable to contribute to the development of production and support its growth. Twenty percent of imports in the domestic market volume represent an economic threshold, which predetermines stagnation, i.e. slowdown of economic development of a sector and economy as a whole.

**Indicators of import proportion in the domestic market volume
in 2006-2008 by certain types of foodstuffs.**

Years	Unit	Bread in grain	Potatoes	Vegetables	Fruits and berries	Meat in slaughter weight	Milk	Sugar	Eggs in thousand pcs.	Oil
2006	%	27.5	0.2	0.01	31.8	18.9	0	57.6	0.7	54.5
2007	%	43.6	0.47	0.53	36.5	26.8	0	79.6	3.3	54.7
2008	%	4.3	0.1	0.6	51.2	21.0	0	86.2	5.8	58.0

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In order to supply the domestic food market predominantly with locally produced foodstuffs, protection measures need to be undertaken to support rural producers and food and processing industry enterprises by way of privileged credits, improvements of tax and customs legislation, regulation of import-export operations, etc.

1.3. SWOT Analysis and Problems of Food Security

Strengths	Weaknesses	Opportunities	Threats
1. Favorable weather and climate conditions for cattle breeding, crops growing and food production. Availability of land and water resources for food production in sufficient quantities.	1. Insufficiency of material and technical resources among rural producers (seeds, machinery, fertilizers, chemicals, veterinary supplies, information services)	1. Provision of food security in the Republic on the principal foodstuffs out of domestic production. Availability of production capacities, pastures, land and substantial water resources.	1. Worsening of the economic crisis due to import dependency of the domestic market on the principal foods. Inconsistency of growth rates between prices and population salaries. As a result, low buying capacity, decline in living standards and accessibility of foodstuffs.
2. Availability of labor resources and engineering-technical specialists, managers.	2. Low technological production level of agricultural and food products.	2. Possibility of regulating imports and exports of foodstuffs in accordance with the domestic market needs and production capacities.	2. Threat to food security of the Kyrgyz Republic, insufficiency of food reserves, which makes it difficult to keep the stability on the food market.
3. Availability of production capacities, over 9300 large and small food enterprises	3. Low genetic potential of cattle and poultry.	3. Possibility to improve genetic potential of cattle and poultry as well as grain production.	
4. Availability of base legislation in the field of food security – the Law of the Kyrgyz Republic “On KR Food Security”	4. Insufficient volumes of agricultural products manufactured by farmers for sale	4. Consolidation of farms based on cooperation principals, creation of associations, manufacturing of agricultural products.	4. External food expansion of low quality products.
5. Openness of domestic market for imports and exports	5. Weak financial and material-technical base of agro-industrial complex.	5. Higher efficiency and increased production volumes of competitive agricultural and food products subject to increased financial and technical support of agro-industrial	5. Decline of the domestic agro-industrial complex potential, namely retirement of fixed production assets, reduction of land fertility, breakdown of the seed-farming and

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		complex.	cattle-breeding systems, and further deindustrialization of agro-industrial complex.
6. Availability of specialized financial-credit facilities for agro-industrial complex.	6. Current tax legislation is imperfect with regard to the number of taxes paid and their cost value, i.e. tax rates are high. This, in the conditions of limited financial capital of credit institutions, prevents further development.	6. Creation of progressive channels for product sales, and development of effective production, sales points and markets' infrastructure.	6. Substantial migration of able-bodied rural population to cities.
	7. Lack of appropriate incentives to increase production capacities in agricultural and food sectors.	7. Creation of a stable normative-legal base to allow normalization of economic functioning.	7. High level of corruption among inspection authorities, lobbying of interests of certain individuals and enterprises regardless of the National interests.
	8. Insufficient credit resources, which result in insufficient crediting and financing of agro-industrial complex. High interest rates for bank services provided.		
	9. Low level of infrastructure development of agro-industrial complex.		
	10. Non-competitiveness of agricultural and food products on domestic and international markets, established during assessment of products' quality.		
	11. Low buying capacity of population		
	12. Lack of market mechanism for regulation of food prices.		

Chapter 2 Aims and Objectives of Food Security in the Kyrgyz Republic

The aim of the Concept is to provide all Kyrgyz citizens with permanent access to sufficient amount of foodstuffs in all regions and households. Availability of foodstuffs should be stable. Daily needs of population should not suffer from suddenly occurred or significant changes. Foodstuffs should be appropriately processed and stored. Consumers should be sure that the consumed products are of acceptable quality and do not present harm for health. Foodstuffs should be available both physically and from the buying capacity point of view. Achieving food security is linked to the general process of the country's economic development. Objectives, developed and described below, can not be isolated and should be viewed as part of integrated and consistent process of food security assurance.

The first objective is to encourage domestic producers of basic products to satisfy domestic market needs and offer competitive prime cost compared to imported products. This can be achieved by stimulating economic growth of the agricultural sector as a driving force of the overall process of the country's development. This task will involve such matters as development of seed-growing, financing of agricultural sector, establishment of training and consulting services, as well as provision of integrated services on protection of plants, animals, mechanization of agro-technical activities, management of natural agricultural resources, modernization and improvement of food and processing enterprises, upgrade of professionalism of rural food producers and food processors. Provision of tax relieves and privileged credit terms to rural goods and foodstuffs producers.

The second objective of food security is to stimulate internal and external trade of agricultural products and processed goods in accordance with free market and competition rules. Implementation of the State price regulation system, introduction of quotas for imports of products produced in sufficient volumes domestically, antimonopoly regulation. Creation of the agro-industrial market system and informational infrastructure (based on privileged credit terms for construction of wholesale markets, storage facilities, etc.). Exports stimulation, subsidizing of transport costs and insurance of agricultural products and export of agricultural goods.

The third objective is to guarantee adequate access to basic foodstuffs to all citizens of all socio-economic groups in all regions. The policy should be linked to the measures directed towards public employment and creation of jobs at existing small and medium size enterprises, consolidating producers of agricultural raw materials and processed goods into a unified production complex.

The fourth objective of food security is to create and support favorable macro-economic and financial conditions for provision of food security to all citizens. Ensuring stable food security is fully dependant on the Government's competence and awareness. The Government, by establishing control and management of production of basic agricultural products and by monitoring the situation with food security, annually develops a balance sheet of production, consumption, storage of principal strategic foodstuffs, forecasts impendent food crisis, prevents the same by mitigating its consequences, provides assistance in the event of the crisis occurring, and ensures food security of the republic in case of a serious disaster.

Chapter 3 Directions and stages of achieving food security

At the first stage of achieving food security it is necessary to resolve the following issues:

- **Stimulate the development of agricultural products' manufacturing and processing operations as well as markets for sale of agricultural products.**

Kyrgyzstan's export market is represented by minor players, who are not able to arrange and guarantee long-term systematic large volume supplies. For large international partners it is not profitable to work with Kyrgyz entrepreneurs due to small supply volumes. Establishment of large associations for manufacturing of agricultural products and coordinated, stable, operational trading network will enable to improve competitiveness of domestic products and reach a new level of trade relations with neighboring countries. It is necessary to achieve significant production growth of agricultural and food products by way of creating a stable system of financing, crediting and insurance. Appearance of specialized institutions, such as agricultural banks, credit and insurance companies and unions as well as wholesale trade and transport organizations in the market, will allow to reduce marketing and promotion costs of agricultural products on the market based on fair competition and to form realistic prices and eliminate numerous middlemen.

- **Improvement and development of training and consulting service in food and processing industry and well as in the agricultural sector of economy.**

Adaptation of private rural enterprises to the market economy conditions as well as facilitation in dissemination of knowledge and consultation with the assistance of private organizations and with technical support from the Ministry of Agriculture and Water Resources and the Government of the Kyrgyz Republic.

- **Management of natural agricultural resources is a guarantee of stable food provision in the future.**

There is a tendency of sharp price increases on all types of resources and, first and foremost, on the cost of agricultural lands, which only in 2008 increased by 21%. Sensing the possibility of receiving significant incomes, large investors, often unrelated to agro-business, got involved in speculating with land purchase. The Government should optimize exploitation of the three basic natural resources – agricultural lands, water resources and natural grazing lands, required for sustainable production of foodstuffs in the republic. The objective is to increase productivity of each of the above three resources and establish strict norms to prevent their overuse.

- **Facilitation in the development of competitive food processing industry in the Republic**, facilitation of imports replacement, full utilization of export potential of the food and processing industry by way of protection measures (allocation of credits on privileged terms, restructuring of arrears on credits, implementation of the bona fide management system of foodstuffs production, establishment of the state quality control service to assure quality of agricultural and food products, introduction of seasonal customs duties, increase of customs duties for importers from non-WTO countries, improvement of tax and customs legislation.

- **Strengthening the control and implementation of comprehensive measures to fight plant pests and weed, carry out preventative treatments of cattle and to manage water resources.**

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- **Development of seed-farming.** Creation of appropriate conditions and infrastructure for development of viable seed-farming industry, able to provide farmers with high-quality, elite and super elite seeds and further export of such seeds.
- **Social protection.** Establishment of sustainable, effective and active system of social protection in the republic, which will provide the vulnerable groups of population with minimal guaranteed income to assure access to sufficient amount of foodstuffs in accordance with approved dietary norms. It is advisable to establish by legislation a threshold for trade top-ups on retail sales of socially important foods.
- **Nutrition.** Development of balanced nutrition and food culture among population.
- **Quality and safety of foodstuffs.** It is necessary to ensure safety of foodstuffs for consumers and assure the quality parameters are in compliance with the internationally accepted quality standards. Development of unified approaches to quality assessment and food safety, implementation of a system of proper products' quality management.
- **Creation of macroeconomic situation, beneficial for strengthening and support of food security.** This involves further consolidation of the general economic program of reforms, directed towards facilitation of economic growth and macroeconomic stability. Key elements of the policy are budget, monetary, trade, customs and financial policies. Facilitation of growth and development of agricultural sector of economy, increase of income levels in rural areas, improvement of effectiveness and efficiency of agricultural sector and living standards of rural citizens, based on the improvements of financial-credit and tax-customs policies. This means placement of government orders for socially important types of foods and their sale under fixed prices, credits secured against future harvest as well as against manufactured products, development of leasing mechanisms for cattle, machinery and processing equipment.
- **Creation of private-public insurance system based on shareholding participation of the budget in insurance payments.** Due to lack of state insurance, agrarian and purchasing enterprises are not keen to participate in commercial insurance due to insufficiency of funds and extremely high rates of insurance contributions.
- **State management.** The Ministry of Agriculture, Water and Food Processing Industry of the Kyrgyz Republic performs functions of the central body on management of agriculture and processing industries. There are agrarian development departments in all of the Oblasts and Rayons. Their functions include development of principle points of agrarian policy, organization of development and implementation of state programs in the agro-industrial sector, capital investments into development of agro-industrial complex, development of proposals on taxation, financial support and other functions. However, at the moment these functions are weak, since the local state authorities don't have real economic levers to influence goods manufacturers. Due to the above it is necessary to strengthen the role of the Ministry of Agriculture, Water and Food Processing Industry of the Kyrgyz Republic in the development and implementation of state programs by empowering them with control functions and distribution of financial resources.
- **Regulation of supply.** The system of state regulation of food market supplies is aimed at ensuring stable economic and social conditions for development of the food market, provision of population with good quality foods at socially acceptable prices, protecting domestic market from destructions of the external market. Introduction of price regulation system for certain types of raw materials, subsidies for certain types of food market products and certain types of material-technical resources is necessary for normal functioning of food industry, privileged credit terms and taxation. Application of special tax regimes for agricultural goods producers and carrying out of purchase, storage, processing and shipment of agricultural products for municipal needs. Regulation of agro-food markets, including tariff-customs regulation as well as antimonopoly regulation of agro-food market, export stimulation; import regulation based on tariff-

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customs system, introduction of quotas on import of products, which can be manufactured by local producers in sufficient quantities.

- **Financing** – scientific-research programs on selection and seed-farming issues, improvement of production technologies, development of new ranges and technologies of agricultural products’ processing, storage and rational use of foodstuffs.
- **Development of Supervisory System (Notification and Information System).** Integration of all parameters, which are used to monitor the food security situation by various ministries and non-government organizations into a **centralized, operative, reliable and economically effective system of notification and information.**
- **Forming of the state reserve and buffer stock of food supplies.** According to the Republican legislation, in order to ensure food security and prevent food crisis, the key condition for implementation of the state policy on provision of food security is regulation of food markets by making interventions on the market of agricultural products, raw materials and foodstuffs. Annual volume of stocks of materials in the state reserve is to be determined by way of a state order within the amount of funds allocated for this purpose in the Republican budget for the current financial year, and to ensure financing of the state order in full from the Republican budget during the period of 2009 to 2019.

It is necessary to develop an economic mechanism, which will ensure replenishment of the state fund with sufficient volume of provisions on the contractual terms. The contract for supply of the food market goods into the state reserve should be economically attractive. When signing the same it is necessary to envisage guaranteed purchase prices, which will provide manufacturers with conditions for expanded production and include terms on allocation of subsidies subject to fulfillment of contract terms. An important place in this process is allocated to the rules of food sales from the State Agency on State Purchases and Stocks Reserves under the Government of the Kyrgyz Republic. They should be regulated by legislation.

To protect the interests of consumers it is appropriate to increase volumes of material stocks sales from the state resources. In the event of sharp decline of retail prices, the government should not sell the products. In this situation it is appropriate to purchase the same in order to protect the interests of manufacturers. The explained above mechanism of food sales from the state stocks does not violate market rules and facilitates stabilization of food market. In addition to social value, support of low income population is also a measure of support for agricultural goods producers, because it increases aggregated demand for their products, thus effecting prices accordingly.

Solving of food problem requires a stage-by-stage approach.

First stage (2009 – 2010) is linked to solution of tactical tasks and taking of emergency measures to overcome production decline, provide rural producers of goods with machinery, fertilizers and means for protecting plants, combustive-lubricants and other materials. It envisages justification of strategic provisions of agrarian policy, reforms of economic entities, development of normative legal acts regulating operations of entities with different forms of ownership, creation of servicing and consultative training facilities, and improvements of financial-credit policy by way of creating a stable system of financing, crediting and insurance.

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During the Second Stage (2011-2015) it is necessary: to ensure stable development of agro-industrial complex up to the level sufficient for balancing of the domestic market; to form more effective relationships between the agrarian sector and other sectors of national economy and creation of necessary conditions for the rural social development; to ensure sustainable increase of aggregated collections of agricultural products in ecological, technical and economic terms; to provide consumers with ecological agricultural and food products; to protect the environment and people's health from pesticides contamination and to preserve favorable phyto-sanitary and agro-chemical conditions for plants.

Rehabilitation of material and technical base of agriculture, creation of conditions for its effective functioning in the market conditions. Creation of normative legal base for economic entities of agro-industrial sector of the economy will provide equal conditions for functioning of entities with different ownership structures, thus stimulating production of agricultural and food products in volumes above the critical level of food security, namely above 80% of total domestic food market needs would be covered by locally produced goods.

The Third Stage (from the year 2015 and further) envisages introduction of modern effective technologies and implementation of achievements of scientific-technical progress, which should lead to increase of production volumes of raw materials and foodstuffs to the level, which will enable to achieve strategic planning objectives and reach the optimal level of food security with developed external economic activity of agro-industrial complex and redirect the agro-food policy towards safe and good quality nutrition.

Establishment of a sustainable, effective and active system of social protection in the Republic, which will provide vulnerable groups of people with minimal guaranteed income for access to sufficient amount of foodstuffs in accordance with approved dietary norms.

The principal levers of the state assistance are social assistance and provision of pensions, unemployment benefits as well as forming of traditions of balanced nutrition among population.

Consistent agro-economic policy, aimed at achieving food security, will require significant investments for development of agro-industrial manufacturing. Since there are no alternatives to domestic manufacturing in achievement of the above objective, the government will find necessary means and create conditions for priority development of the agro-industrial complex as a guarantor of its food security, political independence and sovereignty.

Chapter 4 Mechanisms and the Process of the Concept Implementation.

The Process of implementation of the Concept envisages some practical measures:

- Systematic monitoring and assessment of Food Security.
- Regular update of the National Policy on Food Security (NPFS) and the appropriate documentation. Monitoring, assessment and regular update of the food security policy are needed to ensure that measures planned are in line with the current needs and are not outdated.

Following the official approval of this document, the Government instructs to transform the accepted policy directions into specific (annual) work programs. The Government will ensure that adequate budget allocations are made on annual basis and in the appropriate amounts in line with the state program on macroeconomic stabilization.

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The Government will take an appropriate decision to carry out monitoring and assessment of the food security situation in the Republic, which should be carried out on a regular basis throughout the year. The purpose of monitoring and assessment is to observe the development and implementation of specific food security work programs, assess the progress and quality of their implementation. Monitoring and assessment will be carried out by a small group of specialists – maximum 4-5 people. Their objective reports will be sent directly to the Chairman of the Council on Food Security of the Kyrgyz Republic.

Elements and strategic aspects of policy, contained in this document have a long-term character and it is not worthwhile to debate them in the years immediately ahead. However, depending on the development of the world economy, macroeconomic situation within the republic itself and the state of the national food balance, there may be a need in a periodic review and amendment of the basic directions of the program.

Based on the annual reports on food provisions in the Republic, the Government will be assessing the annual results as well as determining specific directions and priorities for further annual work programs.

The Agrarian Policy of the Republic should represent a system of laws, economic measures and political objectives to ensure food security of the country through domestic production, as well as to create favorable conditions for living and economic activities of rural population.

One of the protection mechanisms of the domestic food market can be implementation of customs duties. Customs duties are an economic measure widely accepted in the world practice and designed to protect the domestic market. At the same time, temporarily introduced rates of duties can not be viewed as excessive – they should comply with WTO terms. The objective of introducing customs duties is not to eliminate competition on the country's food market and is not an additional special measure of support for domestic producers, which it is often said to be, but it is to create normal conditions for competition, which did not exist earlier. Domestic food market products, which are subject to VAT and other taxes, can not equally compete with the imported foods, which are largely subsidized and, moreover, relieved from these taxes.

Accordingly, the idea is to level the operational conditions of foreign and local manufacturers on the domestic market. Similar requirements can be formulated in relation to other sale channels subject to state regulation. A stimulating tax policy directed towards increase of capital investments into the agriculture, especially related to the agricultural activities in the regions with harsh natural climate conditions, is required.

Quality of foodstuffs, including those imported, is a serious problem on the food security agenda. It is necessary to establish a system of quality control of products throughout the whole production chain. Special attention needs to be paid to the control of turnover of raw materials and foodstuffs, produced using different additives and genetically modified products, stimulating the production of ecologically clean high quality products. Due to the above, it is necessary to address the issues of development and control of compliance with the Technical specifications for agricultural and food products.

Chapter 5 Expected Outcomes

The mission of the state policy on food security issues is to predict, forecast and prevent any anomalies with food situation at any level: national, regional and household. When approving the Concept of the Food Security in the Kyrgyz Republic for 2009-219, the Government of the Kyrgyz Republic approves an important prerequisite for the future of the nation, namely guaranteed access to sufficient quantities of foodstuffs in accordance with the norms of rational physiological consumption, based on sustainability of the food market and sufficiency of the

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agricultural food stocks, by ensuring needs of the domestic food market out of domestic manufacturing.

Measures of support to agricultural producers and their protection should not create obstacles for reduction of manufacturing costs, rationalization of economies, i.e. operation of market mechanisms. In this regard, programs of support to agricultural producers should be linked with specific indicators of their operational effectiveness. On the whole, food security of a country is ensured by integration of economic and social conditions, linked both with the development of agriculture and the whole industrial complex, as well as general sustainable socio-economic development. Increase of real public income, due to increase of employment, labor payments and social payments, is a condition for paying capacity of demand and economic availability of food.

The following results will be achieved by step-by-step resolution of food security issues:

- Provision of population with good quality local foodstuffs;
 - Creation of stable economic conditions based on effective agrarian policy, all possible assistance to investors into agrarian sector and ensuring equal possibilities to economic operators and access to information on state agro-food policy.
 - Sustainable and intensive diverse food manufacturing, improvement of productivity, effectiveness and safety based on introduction of modern technologies and establishment of mini-operations and entities of food and processing sector in rayons in order to expand local opportunities on food production, processing and storage of agricultural raw materials.
 - Implementation of active external economic activities, capitalizing on advantages of international division of labor, including optimization of export-import operations, protection of economic interest of national agricultural producers of goods whilst conducting external economic activities.
 - Creation of sale infrastructure for agricultural products, ensuring effectiveness of agro-food market.
 - Improvement of the mechanism of reacting in emergency situations on the food market.
 - Improvement of training system, training and retraining of staff for agro-industrial sector.
- Implementation of the first and the second stage activities will allow to significantly increase production volumes of agricultural and food products, fulfilling the needs of the domestic market with basic foodstuffs out of local production.

Chapter 6
Monitoring and Assessment

Assessment of the level of food security in the Kyrgyz Republic will be carried out in accordance with indicators approved by the Decree of the Kyrgyz Republic Government No. 138 dated 3rd March 2009 “On approving the Provision on Monitoring and Indicators of Food Security in the Kyrgyz Republic”.

- level of physiological needs’ satisfaction in term of ingredients and energy values of nutrition (dietary norms, approved by the Resolution of the Kyrgyz Republic Parliament “On approval of minimal food consumption norms for social-demographic population groups in the Kyrgyz Republic” No. 1088-111 dated 09.06.06 and the Ministry of Health of the Kyrgyz Republic on the 01.12.92 No 9-17-1/22. “Norms of physiological needs in nutrients, energy and basic foods for various population groups of the Kyrgyz Republic”);
- Level of intake sufficiency of each separate product;
- Level of sufficiency of the state reserve of grain within state resources;
- Level of physical and economic availability of foodstuffs;

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- Domestic market capacity of certain products;
- Level of food independence on basic foodstuffs;

In modern conditions, taking into account weak state of economy, including the agro-industrial complex, as well as low income levels of population, the monitoring of food security will need to be carried out in accordance with the existing minimal recommended level. The minimal level of public nutrition, in terms of quantity and variety of food, nutrients and energy values is established in accordance with the minimal food consumption norms, developed by the Ministry of Health of the Kyrgyz Republic on the 01.12.92 No 9-17-1/22. “Norms of physiological needs in nutrients, energy and basic foods for various population groups of the Kyrgyz Republic” and approved by the Resolution of the Kyrgyz Republic Parliament “On approval of minimal food consumption norms for social-demographic population groups in the Kyrgyz Republic” No. 1088-111 dated 09.06.06.

Assessment of the food security level in the Kyrgyz Republic will be carried out on quarterly basis on the national and regional levels. Measures will be taken and corrections made into the action plans on ensuring food security in the Kyrgyz Republic following the year-end results in accordance with the actual situation and objectives achieved.

One of the most important criteria of food security in the world is considered to be the level of self-provision with basic foodstuffs and the level of their carried over reserves equaling to approximately 17% of the annual consumption.