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Kyrgyz Republic Proposal for Funding for Agriculture Productivity and Nutrition Improvements under the Global Agriculture and Food Security Program (GAFSP)

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1. Background

For nearly two decades now Kyrgyzstan has shown exceptional perseverance in implementing a broad agenda of market-oriented reforms. Its achievements, both political and economic, have been considerable. On the level of national politics, Kyrgyzstan is now the only parliamentary democracy in Central Asia, having abandoned the more conventional “presidential republic” model. On the level of economic and agricultural reforms,

- Kyrgyzstan was the first country in Central Asia to recognize private ownership of agricultural land and, soon after that, allow land market transactions;
- Kyrgyzstan was a trail blazer in the development of Water User Associations (WUAs) as an innovative response to irrigation difficulties that arose during the transition from Soviet-style large-scale farms to smallholder family agriculture;
- Kyrgyzstan introduced the unique system of pasture user associations as a highly original approach to more sustainable management of communal (non-privatized) pastures;
- Kyrgyzstan adopted a forward-looking law of cooperatives, which explicitly recognized the notion of Western-style service cooperatives essential for providing smallholder farms with adequate access to markets.

The ongoing reforms have resolutely shifted Kyrgyzstan’s agriculture from a centrally planned sector dominated by large-scale collective and state farms to a market-oriented sector of small family farms, which today control 75% of all arable land and produce an astonishing 98% of Gross Agricultural Output (2011 Statistical Yearbook, pp. 223, 226). Within the family farm sector, the small household plots outperform other farms by land productivity and in fact constitute the main source of livelihoods for the rural population. Joint efforts by the Government of Kyrgyzstan and international donors are now directed at increasing the productivity of small farms and improving their access to market channels – both for sale of farm product and for provision of farm services. Irrigation and human capital development are among the

main factors that can positively affect farm productivity and, through it, food security. The present investment proposal focuses on these development needs by adopting an original multi-sector approach.

2. Financing proposal

The Government's objective in requesting funding for the present project proposal is to increase agricultural productivity and food security of rural households in selected areas nationwide (para. 86). The proposed project consists of four operational components (para. 90):

1. rehabilitation and modernization of physical irrigation and drainage infrastructure;
2. institutional development and capacity building in water management;
3. development of agricultural advisory services;
4. upscaling of nutrition interventions and social protection measures.

The four components have been identified for inclusion in the project proposal through a process of extensive consultations with stakeholders (para. 52). The fifth component provides project management mechanisms for monitoring and evaluation of the operational components. The present proposal is intended to supplement and extend a range of ongoing government programs in water resource management, agriculture, public health, and social protection (section 1.3).

Total requested funding is for US\$41 million (including a 10% contingency reserve), allocated as follows to the five project components (Table 14, para. 133):

Project component	Share of requested funding, %
1. Rehabilitation and modernization of irrigation and drainage infrastructure	69.7
2. Capacity building in water management	10.1
3. Agricultural advisory services	6.7
4. Upscaling of nutrition interventions	8.4
5. Project management	5.1
Total funding	100.0

2.1. Irrigation and water management

The two components related to water management (components 1 and 2) account for 80% of the total request for funding. This creates the impression that the present proposal is an extension of the previous On-Farm Irrigation Projects (OIP-1 and OIP-2). The strategic objective behind this approach is apparently maximum expansion of the highly promising WUA system coupled with capacity building for WUA

personnel. Since OIP-2 has been recently extended to December 2015 with the objective of achieving “increased agricultural productivity among irrigation farmers” (para. 59), it is desirable to elaborate how components 1 and 2 of the present proposal differ from or complement OIP-2. It is also necessary to stress in the proposal that the irrigation component will benefit, through WUA membership, both the small household plots and the larger peasant farms.

There is no question that irrigation increases agricultural productivity. However, the proposal should go beyond qualitative statements and draw on the monitoring and evaluation experience of OIP-1 and OIP-2 to provide quantitative evidence of increases in yields or incomes associated with previous and ongoing irrigation rehabilitation efforts. There are indications in the proposal that such evidence exists (see, e.g., paras. 89(6), 96, 109, and especially para. 126) and, if so, it should be presented in the proposal – similarly to the quantitative evidence presented for component 3: Agricultural advisory services (para. 76). The irrigation and water management component is expected to rehabilitate 86,000 hectares of irrigated land – out of a total of around 1 million hectares of irrigation-ready land and some 700,000 hectares that remain to be rehabilitated (Table 5, para. 58). While obviously rehabilitation of irrigated land is of utmost importance for increasing productivity and food security, it should be recognized that the contribution of the proposed project to food security improvement will of necessity be limited because of its limited scope.¹

2.2. Agricultural advisory services

World experience clearly demonstrates the positive impact of agricultural advisory services on productivity and rural incomes. In Kyrgyzstan this positive impact is clearly demonstrated by the outcomes of a limited monitoring study of two extension agencies covering 14,700 farmers (para. 76).² In the face of this strong (if limited) evidence, the funding allocation to development of agricultural advisory services (2.5 million, or less than 7% of the total) looks small and its adequacy should be justified. The proposal should present estimates of unit costs (e.g., cost per beneficiary participating in the program – similarly to cost per hectare of rehabilitated land reported in connection with the irrigation projects, see para. 95). These estimates should be compared to similar projects in other CIS countries and should be combined with results on productivity increases to assess the economic rate of return or a similar efficiency measure. Furthermore, it is necessary to discuss the payment mechanisms of the future advisory services. If users are expected to pay for agricultural advice, it is advisable to develop estimates of their ability to pay (similarly to the estimates of ability to pay for water in Table 11, para. 74). The impact of this component on agricultural productivity and food security will naturally depend on its scope, i.e., the number of farms, the rural population

¹ Deputy Minister of Energy and Industry stated in an interview that to achieve food security Kyrgyzstan had to increase its irrigated area by 300,000-400,000 hectares http://kabar.kg/eng/economics/full/3215_23 (Jan 2012).

² In para. 76 we read, “training of 14,700 farmers, about 45% of farmers...”: it is not clear what 45% refers to.

headcount, or the agricultural area that it ultimately covers. This explains the above concern with the adequacy of the requested funding. The description of component 3 should be expanded beyond its present sketchy style to provide more meaningful details of component design and operating mode.

It is also essential to stress in the proposal that the agricultural advisory services will be accessible to the small household plots as well as the larger peasant farms. The small household plots are the backbone of Kyrgyzstan's agriculture and any benefits they can get through advisory services will immediately have a positive effect on agricultural growth and productivity.

2.3. Nutrition interventions

Component 4: Upscaling of nutrition interventions and social protection has been identified for inclusion in the proposal through consultations with stakeholders (para. 52) and it is consistent with the Government's intention to adopt a multi-sector approach to food security (paras. 51, 112, and elsewhere). Yet this component does not fit seamlessly with the rest of the proposal components. There are two issues that need to be addressed. The first issue is semantic. The notions of productivity and food security used in the context of component 4 are different from the notions of productivity and food security used in the context of the components 1-3.³ These semantic or terminological differences should be acknowledged in the proposal. The second issue is one of process. In components 1-3 the intervention is finite, with an identifiable termination date (rehabilitate so many hectares, train the WUA personnel, set up a working advisory service). In component 4, on the other hand, the intervention is ongoing, without an identifiable termination date: new babies are always born, and they always require more supplemental feeding and more additives to avoid undernourishment. How will these issues be dealt with once the allocated (meager) funding of US\$3.2 million runs out? In this reviewer's opinion, component 4 is not suitable for the present finite-horizon development-oriented proposal and should be reformulated as a continuing emergency or social support proposal.

³ Productivity in components 1-4 basically implies increasing the output per unit of resources (land or animals); it may also refer to increasing the productivity of labor (i.e., output per worker) through human capital development and acquisition of new skills (extension or education). In component 4, productivity refers to the physical (or mental) ability of people to work acquired through adequate nutrition. It is properly argued that productivity in this sense is affected both by adequate nutrition in adults ("feeding the workers") and – more importantly – by adequate nutrition in children ("feeding the future workers"). Food security in components 1-3 basically refers to availability of food (producing enough food), whereas food security in component 4 implies access to food (ensuring that adequate food is accessible to the poor).

2.4. Project management

Component 5: Project management is concerned with implementation, including monitoring and evaluation activities. Consistently with the overall design of the project, it is proposed that the water management activities (components 1, 2) continue to be the responsibility of the implementing organization established under OIP-1 and OIP-1. The implementation and monitoring responsibility for components 3 and 4 will be entrusted to a new PIU to be established within the Ministry of Agriculture (MOALI). Component 3 (agricultural advisory services) falls naturally within the scope of expertise of MOALI, but unfortunately the same cannot be said regarding component 4: nutrition intervention and social protection. It seems doubtful that MOALI has the expertise and the capacity to effectively oversee the implementation of a nutrition-related component. The management of component 4 should preferably be separated from the development of agricultural advisory services and entrusted to a professional body other than MOALI.

The discussion of monitoring and evaluation (paras. 120-129) again shows strong imbalance between components 1-2 and components 2-3: nine paragraphs are devoted to components 1-2 and only one paragraph deals with monitoring for components 3-4. This imbalance must be rectified and the monitoring procedures for components 3-4 must be elaborated in much greater detail. The proposal advocates baseline surveys and ongoing monitoring surveys as one of the tools for monitoring and evaluation of project performance. This reviewer would like to offer his unqualified support for this approach: the baseline and monitoring surveys should be allocated sufficient funds and sufficient expert manpower to cover all project components and ensure that they produce usable analytical outputs. Careful attention should be devoted to all aspects of survey design and data analysis to ensure that the results meet the needs of the users and the decision makers.

Stakeholder participation

The GAFSP concern with stakeholder participation was thoroughly addressed attention in the process of proposal preparation by organizing a series of dual-level consultations at the national level and the community level across all seven oblasts. National-level consultations were organized by MOALI, whereas community-level consultations were managed by non-government organizations contracted by MOALI. The objective of the public consultations was to identify key agriculture and food security issues from stakeholders and ensure the proposal meets stakeholder expectations.

The consultation process was organized in two phases – phase I identified common key problems as inputs for revising the draft proposal while phase II assessed the design and the relevance of the revised proposal

from the perspective of key stakeholder issues raised in phase II. There is thus strong evidence in the documentation that **the consultation was well planned and involved more than a one-off activity.**

The consultation encompassed about 500 participants, including officials and public sector representatives (on the national level) as well as members of civil society on the community level (representatives of rural households, peasant farmers, local-level technical experts). Women were specifically invited to participate in consultation groups. The criterion of **inclusive/representative consultation** seems to have been adequately met.

The consultations were carefully documented and detailed minutes were prepared and distributed to participants after each meeting. The revisions introduced in the draft proposal in phase II were always linked to specific stakeholder comments and recommendations made in phase I. The consultation can be judged to have been **meaningful and transparent.** Evidence of meaningfulness and transparency is supplied by documented comments of stakeholders expressing their pleasant surprise at the extent to which their phase I recommendations were reflected in phase II drafts.

Overall evaluation

All components have benefited from extensive consultation with stakeholders and all show sensitivity to women equality issues. However, there is a distinct imbalance between components 1-2 and components 3, 4 in terms of both funding allocation (see above) and the space devoted to the different components. Irrigation and water issues (components 1-2) receive much more attention than the two other components, which creates the impression that the proposal is mainly designed to ensure extension and reinforcement of ongoing programs (OIP-2). Apart from this imbalance, component 3 is well motivated, with supporting quantitative evidence. Component 4 does not fit seamlessly with the other components, mainly because it requires continuing, non-terminating interventions and does not appear to have a direct effect on growth or permanent poverty reduction. Components 1, 2, 3 are definitely recommended for funding: their impact on growth and poverty reduction is obvious and lasting. Component 4, identified in community-level consultations, may be supported from social considerations, which are no less important for the rural poor than growth and productivity considerations.

As a general observation, the proposal should clearly state that all the programs and projects will be equally accessible to the small household plots as well as the larger peasant farms. This is an essential proviso in view of the important contribution of the household plot sector to agriculture and rural incomes.