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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-Sixth Session
Rome, 12-13 December 2005

CENTRAL ASIAN COUNTRIES:

**REPUBLIC OF KAZAKHSTAN, KYRGYZ REPUBLIC
AND REPUBLIC OF TAJIKISTAN**

SUBREGIONAL STRATEGIC OPPORTUNITIES PAPER

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CURRENCY EQUIVALENTS

(June 2003)

Currency unit	=	tenge (KZT)
USD 1.00	=	KZT 138.878
KZT 1.00	=	USD 0.00720057
Currency unit	=	somoni (TJS)
USD 1.00	=	TJS 2.81893
TJS 1.00	=	USD 0.354745
Currency unit	=	som (KGS)
USD 1.00	=	KGS 44.6373
KGS 1.00	=	USD 0.0224028

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 hectare
1 hectare	=	2.47 ac

ABBREVIATIONS AND ACRONYMS

AsDB	Asian Development Bank
CACILM	Central Asian Countries Initiative for Land Management
CAR	Central Asian republic
CIDA	Canadian International Development Agency
CPIA	Country Policy and Institutions Assessment (IDA)
GTZ	German Agency for Technical Cooperation
ICARDA	International Center for Agricultural Research in the Dry Areas
IDA	International Development Association (World Bank Group)
IMF	International Monetary Fund
KAFC	Kyrgyz Agricultural Finance Corporation
PBAS	Performance-Based Allocation System
PRSP	Poverty Reduction Strategy Paper
SDC	Swiss Development Corporation
SPA	Strategic Partnership Agreement for Implementation of UNCCD in Central Asian Republics
SRESOP	subregional strategic opportunities paper
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme

**GOVERNMENTS OF THE REPUBLIC OF KAZAKHSTAN, THE KYRGYZ REPUBLIC AND
THE REPUBLIC OF TAJIKISTAN
Fiscal Year**

1 January – 31 December

MAP

Central Asian Countries



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

PORTFOLIO OVERVIEW

Region: Asia and the Pacific

Country: Kyrgyzstan

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of Approved Amount)
Sheep Development Project	World Bank: IDA	World Bank: IDA	HC	14 Sep 95	02 May 96	30 Jun 03	L - I - 390 - KG	SDR	2 350 000	67
Agricultural Support Services Project	World Bank: IDA	World Bank: IDA	HC	23 Apr 98	18 Sep 98	30 Jun 07	L - I - 473 - KG	SDR	5 900 000	80

IDA = International Development Association, HC = highly concessional, SDR = special drawing right.

Country: Kazakhstan
No operations.

Country: Tajikistan
No operations.

EXECUTIVE SUMMARY

General background. The reasoning behind a subregional strategic opportunities paper for the Central Asian republics (CARs) is twofold: (i) the CARs face similar biophysical and socio-economic constraints in overcoming poverty following the break-up of the former Soviet Union, and (ii) it is more cost-effective for IFAD to examine strategic opportunities within a subregion of five countries (including three IFAD Member States) than to allocate limited resources on a case-by-case basis, which poses the risk that lessons learned about regional dynamics may not be taken into account. The governments in question have been extremely appreciative of IFAD's view of Central Asia as a subregion in the development of IFAD's programmatic framework for its Asia and the Pacific region because they consider that they have a shared history and are culturally akin. IFAD's participation in the Central Asian Countries Initiative for Land Management (CACILM) also provides an opportunity for working at the subregional level with a focus on "country-drivenness". The subregion's governments have expressed interest in seeing IFAD play an important role in the achievement of the Millennium Development Goals and meeting the targets set under their Poverty Reduction Strategy Papers and national poverty reduction strategies. The present paper covers the IFAD Member States of Kazakhstan, Kyrgyzstan and Tajikistan.

Economic background. The CAR economies have been on a roller-coaster ride: they contracted dramatically after the collapse of the former Soviet Union but now are in a period of economic recovery and growth. Performance has varied considerably, with Kazakhstan enjoying strong growth relative to Kyrgyzstan and Tajikistan. Demographic growth has also shown disparate patterns and, when factored into GDP estimations, it is clear that there has been a drastic decline in per capita GDP in the region.

Despite the noted differences, the CARs share a number of characteristics that have their roots in the collapse of the Soviet structure and the subsequent difficulty in making a successful transition from centrally administered economies to market-based economies. The break-up of the former Soviet Union resulted in the dislocation of sources of raw materials, capital inputs and markets for outputs, and thus disrupted production.

Rural poverty context. The poor in Central Asia are very much concentrated in rural areas. However, unlike in other developing countries and regions, the differences in educational endowment between the poor and non-poor are not very dramatic, thanks to the Soviet policy of universal education. The labour market characteristics of the poor are not uniform across the CARs: unemployment rates are higher for the poor in Kazakhstan, but lower in Kyrgyzstan and Tajikistan. The poor are found to be more dependent on subsistence income than cash income but, contradictorily, are more specialized in the production of cash crops. Their poverty can be attributed to the lack of access to marketing channels and markets. Increases in production have not necessarily translated into increases in the personal incomes of the rural population, owing to a decline in agricultural terms of trade that has been most severe in the case of Kyrgyzstan.

National strategies for rural poverty eradication. The countries have adopted strategies for poverty reduction that are built around markets and sustainable economic growth. Tajikistan and Kyrgyzstan have adopted the Poverty Reduction Strategy Paper approach, while Kazakhstan has developed a poverty reduction strategy based on the adoption of a long-term vision of poverty eradication.

Lessons learned from IFAD and other donor experience. IFAD has very limited experience in the region, consisting of cofinancing for two projects in Kyrgyzstan initiated by the International Development Association: the Sheep Development Project and the ongoing Agricultural Support Services Project. Individual country strategic opportunities papers (COSOPs) were prepared previously for Kyrgyzstan (in 1996) and Kazakhstan (1999). Although IFAD's experience in the

region is limited, there are lessons that can be learned from other donor-funded programmes in the region.

IFAD's Strategic Framework. IFAD's strategic niche in the Central Asia subregion was defined in the earlier COSOPs for Kazakhstan and Kyrgyzstan. The following main strategic thrusts were identified:

- **Natural resource management.** In terms of IFAD's priorities, the strategic partnerships created to arrest desertification have emphasized the importance of developing sustainable natural resource management strategies in the region. Sustainable land management approaches are to be pursued within the spirit of the CACILM and in collaboration with the partners of the Strategic Partnership Agreement for Implementation of UNCCD (United Nations Convention to Combat Desertification) in Central Asia. There is significant scope for strengthening community water-resource management through such initiatives as the formation of water user groups and adopting the watershed management approach in certain areas of Central Asia. IFAD has also supported the subregion's livestock subsector through the Integrated Feed Livestock Management Programme implemented by the International Centre for Agricultural Research in the Dry Areas. IFAD will continue to focus on livestock farmers and will become involved in participatory rangeland management.
- **Rural financial services and the development of rural microenterprises.** Although still in a formative stage in the subregion, the rural finance sector is relatively more advanced in Kyrgyzstan. IFAD has gained experience here through its support for the Kyrgyz Agricultural Finance Corporation and rural financial services for the poor. The rural finance sector requires a great deal of support from donors like IFAD in terms of funding, technical assistance, institution-building and diversification of financial products. The countries of the Central Asian subregion have focused until now mostly on agricultural production and have paid little attention to the sector's relationship with other sectors of the economy. In line with its Regional Strategy for Asia and the Pacific, IFAD will promote the development of microenterprises based on on-farm and off-farm activities and, in the process, will enhance the bargaining power of farmers. IFAD can share with the governments its experience with projects in other parts of Asia, including South and East Asia.
- **Support for the privatization of land, the land reform process and assistance in the development of full ownership rights for the rural poor.** The countries in the region have embarked upon a process of land reform and transfer of land-use rights to individual farmers. Kyrgyzstan stands out as the country that has completed a successful and equitable endeavour in land distribution. IFAD's contribution to this process would be vital because it would bring to bear its experience in similar processes in the Caucasus and in Eastern Europe. Farmers would require considerable assistance in the area of legal support on land tenure issues. IFAD could also play an important role in developing farmers' capacities and facilitating the establishment of associations of poor farmers.
- **Strengthening grass-roots participation.** The governments of the subregion seem to be favourable to adoption of the community-driven development approach in the design of projects as they move forwards with democratizing institutions at all levels. In this connection, IFAD will promote the sustainable livelihood framework, which places considerable emphasis on beneficiary participation in decisions that affect their livelihoods. This is also a thrust under the regional strategy of IFAD's Asia and the Pacific Division. Since independence, area governments have revived traditional grass-roots organizations; these traditional governance structures will be strengthened through IFAD-funded projects in order to enhance their self-esteem and bargaining

power in negotiations with agencies, including with the government and the private sector. IFAD will ensure active beneficiary participation in the projects it supports, with beneficiaries occupying the central role.

Tentative lending framework. During the period covered by this paper, it is anticipated that a lending programme on concessionary terms of between USD 15 million and USD 20 million will be realized in Kyrgyzstan and Tajikistan over five years. Further collaboration with Kyrgyzstan will depend on the successful outcome of the ongoing project with the World Bank and Swiss Development Corporation. It is also envisaged that, depending on the borrowing requirements of Kazakhstan, a lending programme on intermediate terms of USD 10 million will be realized over five years. In the meantime, collaboration from IFAD will be in the form of regional grants, with the main emphasis on capacity-building among pro-poor institutions. The lending framework and the rolling programme of work will aim at achieving the expected results of the country strategy. The Performance-Based Allocation System (PBAS) will determine the country allocations of IFAD resources, including highly concessional loans and grants. The Asian Development Bank and the World Bank are providing increasing amounts of grant financing to Kyrgyzstan and Tajikistan under their country programmes. Given the high debt burden of these two countries, there is a need for IFAD to raise its grant financing, especially in support of capacity-building, institutional development and policy dialogue.

- **Kazakhstan.** The PBAS rural sector performance rating is 3.78, and the 2004 country score was 546 877. For 2005, Kazakhstan has an allocation of USD 1 847 217 per year under the PBAS. The country is not rated under the International Development Association's Country Policy and Institutional Assessment (CPIA).
- **Kyrgyzstan.** The CPIA rating in 2003 was 3.34; the rural sector performance rating is 3.99; the project-at-risk rating is 5; the overall country performance rating is 4.21 (ranking 8th out of 33 countries in the Asia and the Pacific Region); and the 2004 country score was 455 018. For 2005, Kyrgyzstan has an allocation of USD 1 536 938 per year under the PBAS.
- **Tajikistan.** The CPIA rating in 2003 was 3.01; the rural sector performance rating is 3.42; the overall country performance rating is 3.29 (ranking 26th out of 33 countries in the Asia and the Pacific Region); and the 2004 country score was 370 976. For 2005, Tajikistan has a minimum country allocation of USD 1 million per year under the PBAS, mainly due to its small population.

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REPUBLIC OF KAZAKHSTAN, KYRGYZ REPUBLIC
AND REPUBLIC OF TAJIKISTAN**

SUBREGIONAL STRATEGIC OPPORTUNITIES PAPER

I. INTRODUCTION¹

1. The reasoning behind a subregional strategic opportunities paper (SRESOP) for the Central Asian republics (CARs) is twofold: (i) the CARs face similar bio-physical and socio-economic constraints in overcoming poverty following the break-up of the former Soviet Union; (ii) it is more cost effective for IFAD to examine strategic opportunities within a subregion of five countries with three IFAD Member States rather than allocating limited resources on a case-by-case basis, which is accompanied by the risk that lessons to be learned about regional dynamics will not be taken into account. The governments of the region have been extremely appreciative of IFAD's view of Central Asia as a subregion where IFAD's programmatic framework for the region can be developed because they consider that they have a shared history and are culturally akin. IFAD's participation in the Central Asian Countries Initiative for Land Management (CACILM) also provides an opportunity for work at a subregional level that is motivated by impetus towards "country-driven-ness". The governments of the region have expressed an interest in seeing IFAD play an important role in the realization of the Millennium Development Goals and in meeting the targets set under their Poverty Reduction Strategy Papers (PRSPs) and national poverty reduction strategies. The countries covered under this paper are the IFAD Member States of Kazakhstan, Kyrgyzstan and Tajikistan.

2. The SRESOP has been formulated to include the consideration of the lessons learned in ongoing IFAD operations in the region and in those of other donors in the region and in countries at a similar level of development in the former Soviet Union. The Strategic Framework for IFAD 2002-2006, the Rural Poverty Report 2001 and the regional strategy for the Asia and the Pacific Region have guided the preparation of the SRESOP. IFAD's strategy for the region has evolved through a participatory and interactive process of experience sharing and stocktaking based on the ongoing activities of IFAD and other donor agencies in the region. The strategy has also recognized country-driven priorities such as the PRSP and tried to align itself to the PRSPs and the National Poverty Reduction Strategies of the countries in the region.

3. A multi-stakeholder workshop that included the involvement of Member States, donors and civil society was held in Bishkek, Kyrgyzstan on 25-27 October 2004 to discuss IFAD's strategic issues and options paper for the CARs. It provided direction to this document and IFAD's medium-term lending framework in the region. The countries identified a number of cluster areas as their areas of priority, including support for agriculture, agrarian reform, etc; sustainable development and natural resource management; health and education; and infrastructure development. The delegates also expressed their belief in the importance of democratization, community-driven development and people-focused approaches. There was considerable agreement on the articulation of the strategic thrusts and strategic options by both sets of participants, i.e. donors/international agencies and countries.

4. The SRESOP will identify common challenges within the Central Asia subregion, develop potential solutions and provide a regional framework for rural development and poverty reduction at the national level in each of the countries and also at the regional level. As mentioned earlier, there are a number of similarities between the countries; however, the economic and political situation of the

¹ See Appendix I for additional information.

countries in the region varies and, as a result, poses different challenges to the effort to overcome poverty. The main objective of the paper is to identify and propose a strategic approach for IFAD in the region, taking into account national and regional development priorities and the lessons learned from past and ongoing projects being implemented in the region and other former Soviet republics by IFAD and other donors.

5. The newly independent CARs of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan came into existence following the break-up of the former Soviet Union. The support system collapsed, leading to the dramatic contraction of these economies and a concomitant rise in absolute poverty. The transition economies have been able since then to recover and seem to be on the road to improved economic performance. They are currently prone to a number of problems, including secessionist Islamic extremism and rising inequalities, among others.

6. The five CARs together account for a population of only 55 million living on a vast expanse of land area of 3.9 million km², of which only 9.8% is arable. The countries share common agroecological features in the form of mountains, deserts and steppes and are all situated in the Aral Sea Basin. These countries also vary in terms of wealth and income – Kazakhstan is a middle-income country – the other four are categorized as low-income countries. Even within the low-income countries, Kyrgyzstan and Tajikistan fall in the poorest quintile of nations in the world, whereas the remaining two lie within the higher quintile of this category.

II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

A. Country Economic Background

7. The independence of the CARs was followed by a sharp decline in GDP in all the countries for at least half a decade. Recovery in the growth rate of GDP began during the second half of the 1990s, although the process of recovery was delayed in Tajikistan and Uzbekistan. However, in spite of the commonalities of the countries, the problems they face are very varied; this results from the nature of the distortions created by their economic union with the former Soviet Union. The performance of the countries has varied considerably during the period. Kazakhstan is the only country that can claim to have achieved steady and decent growth. The average growth rates of Kyrgyzstan, Tajikistan and Uzbekistan were subdued for a while. The sharply accelerated growth of Kazakhstan and Turkmenistan in recent years has been largely due to the favourable international prices of energy exports.

8. The five CARs had varied demographic growth during the period under review. Kazakhstan, which showed a low rate of population growth during the Soviet period, came to have a negative rate of growth of about 1% due to a high rate of emigration. Of the four other republics, only Turkmenistan continued to have a high rate of population growth. The growth rate moderated in Tajikistan and declined substantially in Kyrgyzstan. Once population growth is factored in, Kyrgyzstan shows a more than 40% decline in per capita GDP over the decade, while Kazakhstan and Uzbekistan show rates of decline of 28%. Estimates for Tajikistan cannot be made directly due to the absence of reliable GDP estimates for the early 1990s, but it is probable that Tajikistan experienced the sharpest overall decline in per capita GDP.

9. The most important causal factor in the sharp decline and the slow recovery of the CARs is the break-up of the former Soviet Union. The highly autarkic economic union, encouraged by the system of central planning within a command economy, fostered production structures in these republics that were extremely rigid. The break-up resulted in the dislocation of sources of raw materials, capital inputs and markets for outputs, and thus disrupting production. These countries were heavily dependent on transfers from the former Soviet Union. In 1991, Uzbekistan received a transfer equivalent to 19% of its GDP, and Tajikistan received transfers amounting to 47% of its budget. A

sharp reduction in the rate of investment was observed from the earlier Soviet period, which was characterized by high rates of investment exceeding 30% of GDP. Among the countries, the rate seems to have picked up in Kazakhstan and Turkmenistan owing to the export of oil and gas even though the level of investment would have been around one third of GDP in 1990. Therefore, in all the countries, the real rate of investment is seen to have fallen drastically. This decline is concomitant with a dramatic decline in domestic savings. In recent years, an asymmetrical scenario can be observed in these countries with respect to access to resources. Since the rise of oil prices in 1999, Kazakhstan's export earnings have increased significantly, leading to a substantial rise in the current account surplus. Turkmenistan seems to have enjoyed similar benefits, though to a lesser extent. The other three republics suffer from serious shortages in domestic and external resources and have recorded current account deficits. Exports since independence have been highly volatile for the CARs as a whole: they have undergone structural changes and generally show a decline. Most notably, traditional agricultural exports have been subject to a dramatic decline, e.g. cotton falling from 38% of Uzbekistan's exports in 1996 to 27% in 2001; the grain exports of Kazakhstan have declined considerably, and the wool exports of Kyrgyzstan are very marginal. The region remains heavily dependent on a handful of items for export: Kazakhstan on fuel and metal; Kyrgyzstan on metal (including gold); Tajikistan on metal and cotton; and Turkmenistan on energy. Uzbekistan's exports are a little more diversified even though it also has the lowest ratio of exports to GDP. The bulk of the inflows of foreign direct investment has occurred in energy-related activities in Kazakhstan. The external debt position of these countries has deteriorated significantly: debt service exceeds 25% of export earnings in Kazakhstan and Uzbekistan.

Kyrgyzstan

10. Since independence in 1991, the focus of the country has been to restructure the economy in order to halt the rapid contraction that ensued following the break-up of the Soviet economy and also to bring down the high prices resulting from the shift towards price liberalization. During the 1990s, drawing on support from Western and international donors, the country pursued a market reform programme, though with some hesitation on the part of the Government. The agricultural sector and the services sector form the bedrock of the Kyrgyz economy. Agriculture currently represents about 39% of GDP, however, of concern is the increasing trend towards subsistence agriculture following the break-up of the Soviet economy as workers have been increasingly retrenched from the manufacturing sector and are returning to rural areas. The services sector accounts for about 38% of GDP, most of which is contributed by the trade and catering sector, which is mostly in the hands of small private enterprises. The construction sector and the transport and communications sector each contribute about 5% of GDP. The industrial sector accounts for 20% of GDP, attributable to a large extent, to gold mining in the Kumtor gold reserve.

Kazakhstan

11. The economic reform process in Kazakhstan was started in 1994 through a reform package involving stabilization, privatization and foreign investment. The government economic reform policy was badly timed, given the backdrop of the East Asian and Russian financial crisis, which led to a devaluation of the currency and lower realization on oil and metal prices. The consolidated fiscal deficit registered at 10.3% of GDP in 1998, up from 8.8% of GDP in the previous year. The economic performance of the country has been uneven, with real GDP falling by 36.1% between 1990 and 1995; growth picked up in 1996, but the economy again slumped as a result of the regional financial crisis. The turnaround of the economy in 1999 occurred as a result of higher world oil prices and favourable weather conditions leading to increased agricultural production. In spite of rapid economic growth, rural poverty is deeply entrenched. Ethnic Kazakhs in the south are the poorest. The industrial sector is the engine of the economy, accounting for a 29.2% share in GDP. To a large extent, this is attributable to an investment-led oil boom. Oil accounted for nearly 50% of industrial output; production in 2004 stood at 1.1 million barrels of oil equivalent per day. In 2002, the agricultural

sector provided employment for more than 35% of the workforce, but accounted for only 7.9% of GDP.

Tajikistan

12. The basic strategy for economic reform in Tajikistan was charted in 1992, with the main objective a shift from a command economy to a market economy. The civil war led to a halt in this process and thereby to a delay in the reform process. The Government of Tajikistan subsequently undertook structural reform under three International Monetary Fund (IMF) poverty reduction and growth facility formats. In the absence of domestic sources of financing for investment, the country is heavily dependent on the support of multilateral and bilateral donor agencies who pledged USD 430 million in 2001. The Tajik economy continues to be rural and agricultural. Compared with other Soviet republics it has the highest percentage of the labour force concentrated in the agricultural sector, but the lowest annual production of cereal, at 42 kg per person. The agricultural sector has suffered due to its focus during Soviet times on cotton monoculture.

B. Agricultural Sector

Backdrop: Soviet Strategy for Central Asian Agricultural Specialization

13. The agricultural sector of the CARs needs to be understood within the context of the framework of the Soviet period. The Soviet strategy was to create a specific pattern of agricultural production in the region. This led to the establishment of the institutional framework provided by collectivized agricultural organizations whereby rural households belonged either to state farms (*sovkhos*²), or collective farms (*kolkhoz*³). The Soviet strategy used these instruments and the framework to promote specialization in agriculture: cotton in Tajikistan, Uzbekistan and Turkmenistan, wheat in Kazakhstan and wool in Kyrgyzstan. The incentive structure in agriculture was heavily biased towards these crops and products. State farms owned and managed directly by the state paid the workers fixed wages, precisely as other state enterprises did, while the collective farms, in principle “owned” and managed by the members, paid workers according to the work points earned. The Soviet planners based this pattern of specialization on the notion of comparative advantage. As a result, there was considerable deviation from the basic tenets of economic theory in the context of the allocation of resources: the uniformity and neutrality of incentives. This is exemplified by grain production in Kazakhstan, which was extended to marginal lands, with low yields per ha, while cotton production pushed out potentially profitable grain production under the more neutral systems of incentives in Tajikistan and Uzbekistan. The countries have found it very difficult to shift from monoculture-based systems to multi-crop systems.

14. The break-up of the former Soviet Union and the independence of the CARs led to disruption in the system of agricultural specialization. The rigid central planning system in the supply of inputs and the marketing of outputs collapsed and caused additional disruptions in production. This resulted in a sharp decline in agricultural production during the first half of the 1990s and only a slow recovery later in the decade. In the case of Kazakhstan, Tajikistan and Turkmenistan, agricultural production dropped at a much more rapid rate than GDP. In Kyrgyzstan and Uzbekistan, the decline in agriculture was more modest than the decline in GDP during the first half of the 1990s and then improved in the second half of the decade. The recovery in agriculture was led by diversification in agricultural production and a bias in favour of trade substitution in the five republics; this is evident in Kazakhstan in the sharp reduction in the output and exportation of wheat and grains. With the exception of Kyrgyzstan, there was a reduction in both the output and the yield of cotton in the CARs.

² These farms were directly managed by the state, and the workers were paid fixed wages.

³ The collective farms were owned by the members, and wages were paid according to work points earned. The average value of work points was determined by the size of “distributed net income” relative to the total work points earned by all workers.

15. The break-up of the former Soviet Union was followed by a gradual process of the integration of the CARs into the world economy. All the countries have opened up by reducing average tariff rates and quantitative restrictions on trade. The domestic economies have been marked by a transition from price and distribution controls and restrictions on private enterprise; however, it is not clear if these countries have been successful in creating a uniform, neutral system of incentives free of distortion. Uzbekistan and Turkmenistan continue to use production quotas, while the rest of the CARs having abolished the use of these instruments. The prime reason for concern is the deterioration in the terms of trade in agriculture, although no direct estimates support this concern, some evidence does seem to point to an adverse movement in the relative price of agricultural goods. Analysis through the use of an index, the ratio of agricultural prices to an overall GDP deflator, shows a high rate of annual deterioration in Tajikistan and a somewhat lower rate in Kazakhstan and Kyrgyzstan.⁴ This decline in terms of trade implies a fall in the purchasing power of the incomes generated in the sector. Another interesting change in the system of incentives has in the past been higher taxation on cotton relative to wheat and other grains. One example is the 20% export tax imposed on the cotton crop in Tajikistan, while there is no comparable tax on grain. The unfavourable state procurement price in Uzbekistan and the export tax in Tajikistan suggest discrimination against cotton. The shift in incentives in Kazakhstan is unique relative to the rest of the CARs. The increased production of oil and natural gas has led to a situation of stagnation in agriculture, as the agricultural sector does not receive much priority in the export basket relative to the oil and gas sector.

C. Rural Poverty

16. Poverty in Central Asia is concentrated in rural areas. Thus, any programme for poverty alleviation in Central Asia, as in the developing world in general, must focus on rural society. The poor in this region have some shared characteristics, and others that are more country-specific. In each of the CARs, the poor tend to have larger families than do the non-poor. However, as opposed to other developing nations, the difference in educational endowment between the two groups is not very drastic. For example, the poor in Kyrgyzstan have an average of 9.5 years of schooling, compared with 10.5 years among the non-poor; however, per capita spending on education among the poorer households is only 35% of the corresponding figure among non-poor households. Typically, the poor also have less vocational training than the non-poor.

17. The labour market characteristics of the poor are not uniform across the republics. The unemployment rate is higher among the poor than among the non-poor in Kazakhstan, but lower in Kyrgyzstan and Tajikistan. In Uzbekistan, the poorest quintile of the population shows only a slightly higher than average rate of unemployment. These labour market characteristics are not very difficult to interpret. In relatively developed Kazakhstan, the line of causation probably runs from unemployment to poverty, with a lack of employment associated with a greater risk of poverty. In much poorer Kyrgyzstan and Tajikistan, the poor appear to find it far less viable to remain unemployed. The poor who have become more specialized in the production of cash crops seem, at the same time, to be more dependent on subsistence income than on cash income. This seems contradictory, but their poverty can be attributed to the lack of access to marketing channels and markets.

18. The landholding characteristics of the poor do not follow the norm in that the poor do not have lower endowments of land than the non-poor, especially in the case of Kyrgyzstan. It appears that the egalitarian land reform in Kyrgyzstan succeeded in reducing inequality in the distribution of income, but failed to eliminate poverty.

⁴ There is plenty of evidence that input prices have increased much more rapidly than have output prices in agriculture, although systematic summary measures are not available. Data for the early 1990s confirming this trend for Kazakhstan are shown in *Food Policy Reforms in Central Asia*, Suresh Babu and Alisher Tashmatov (eds), 2000.

19. The collapse of the Soviet Union led to the loss of social protection in the face of extremely unequal development, which has been exacerbated by the difficult domestic political situation in some cases and the capture of resources by elites, thereby entrenching chronic poverty within the region, especially in Tajikistan and Kyrgyzstan. According to the Chronic Poverty Research Centre, poverty seems to be sharpening gender inequalities in Central Asia, with intergenerational implications as families resort to any means to reduce costs, including removing girl children from school and marrying them off.

D. Constraints on and Opportunities for Rural Poverty Reduction

20. The main constraints – grouped around the three categories of assets referred to in IFAD’s strategic framework – can be summarized as: (i) **human and social assets**: socio-political instability, with increasing tensions in selected countries; the emergence of high crime rates and alarming suicide rates among unemployed youth, especially young men; limited institutional capacity and weak governance; (ii) **productive assets and technology**: the narrow resource base, which is under pressure due to rapid desertification and land degradation; the poor management of forest resources; the high vulnerability to natural disasters such as landslides, flashfloods and earthquakes; and (iii) **financial assets and markets**: weak and vulnerable economies that mainly rely on exports of primary agricultural commodities and tourism; limited crop diversification; limited access in rural areas to financial services; small domestic markets; restricted intraregional trade; dependence on aid; and the limited presence of a private sector.

21. Similarly, perceived development opportunities can be grouped as follows: (i) **human and social assets**: strong cultural identity; high levels of human development in comparison with countries in similar income groups; emerging NGOs, community-based organizations and civil society organizations; (ii) **productive assets and technology**: the development potential; and (iii) **financial assets and markets**: the expansion of intraregional trade; the expansion of trade with non-traditional trading partners; the potential for microenterprise development; and the significant financial and technical resources available through remittances and official development assistance.

E. National Strategy for Rural Poverty Reduction

Past Programmes and Performance

Kyrgyzstan

22. The Government of Kyrgyzstan has been one of the most progressive in the former Soviet Union in pursuing a successful programme of land reform, thereby addressing structural issues related to poverty and inequality. There was a huge adjustment burden on the Kyrgyz economy following the collapse of the Soviet Union; output and employment fell dramatically between 1991 and 1995. In order to correct this imbalance, the Government supported the development of the rural finance sector through the establishment of the Kyrgyz Agricultural Finance Corporation (KAFC) in 1996. The provision of financial services is also playing a crucial role in reducing poverty in the country. The break-up of the former Soviet Union led to the collapse of the institutional and political support structure of the economy, and this gave rise to the higher poverty levels. In response, the Government of Kyrgyzstan developed the National Strategy for Sustainable Human Development, which provided a long-term vision for the strengthening of governance within an integrated, holistic framework for the country for the period 1997-2015. There were a number of programmes developed in collaboration with donors and international agencies, such as the United Nations Development Programme (UNDP).

Kazakhstan

23. The Government of Kazakhstan has been successful in reducing poverty through the adoption of sound macroeconomic policies to check the growth in the external debt, for the privatization of small and medium enterprises, for banking sector reform and for reforms to revive the agricultural sector. However, the Government has realized that the pursuit of the reform programme has also led to geographical imbalances in the distribution of wealth; the heavily populated areas of the south lag behind the rest of the country. The Government in 2000 unveiled a programme to fight poverty and unemployment through the promotion of employment of at least one family member, stabilization and the improvement of living standards. The programme aimed at the reduction of unemployment by 8.7% in 2002 relative to 1999 and a modest target of creating 165 000 agricultural jobs within three years. This programme was found to be very limited, and, as a result, the Government decided to embark upon a process of the development of a longer-term poverty reduction strategy.

Tajikistan

24. The country has adopted an economic reforms programme that has made substantial progress in achieving the goal of macroeconomic and financial stabilization. It has followed a growth-oriented model for poverty reduction, with support from the World Bank, IMF and other bilateral donors. The long civil war that ended with a peace agreement signed in 1997 hampered any effort at reconstruction after independence. The civil war led to a higher incidence of poverty and significant damage to the socio-economic fabric of the country. This led to the development of a comprehensive poverty reduction strategy, in collaboration with the World Bank and IMF in 1999 that was the progenitor of the PRSP.

Future Policies**Kyrgyzstan**

25. The Government of Kyrgyzstan adopted, in 2001, a Comprehensive Development Framework for the Kyrgyz Republic to the year 2010. The primary objectives of the framework are to enhance political and social well-being and achieve economic prosperity, together with freedom, human dignity and equal opportunities for the citizens of Kyrgyzstan. The long-term strategy has been developed with the idea of involving the Kyrgyz populace through a participatory approach. The strategy outlines the main areas of development, which are: effective, transparent public administration, the establishment of a fair society, sustainable economic growth and the reduction of poverty. The process has been initiated through the development of the National Poverty Reduction Strategy along with the PRSP approach for 2003-05. The mission statement includes the goal “to expand the opportunities for citizens to have an adequate and equitable living standard in the Kyrgyz Republic”. The strategy has been developed in conjunction with the World Bank. It identifies the following elements as important: a systemic effort to reduce poverty, the enhancement of sustainable development, the use of preventive action to avoid difficulties, the implementation of a self-mobilization process, the active use of domestic resources and the unification of society. The economic strategy of the Kyrgyz Republic is focused on the achievement of sustainable economic growth. Thus, the macroeconomic strategy will aim at high economic growth, and this is to play a pivotal role in the reduction of poverty. This has been reaffirmed in the National Poverty Reduction Strategy document, which emphasizes that growth is the foundation for poverty reduction in the country. The National Poverty Reduction Strategy will have a considerable focus on structural reform, such as diversification in the structure of the economy and the mobilization of savings to finance investment.

Kazakhstan

26. The Government of Kazakhstan has drafted a Poverty Reduction Programme for the period 2003-05. It is seeking to consolidate existing programmes and legislation that have a direct or indirect impact on poverty reduction. The Government is also in the process of formulating a new Comprehensive Medium-Term Poverty Reduction Strategy in collaboration with the World Bank, the Asian Development Bank (AsDB) and IMF. This will provide a medium-term framework for poverty reduction strategies in the country. The long-term development framework has been laid down in the Government's document "Kazakhstan 2030. Prosperity, Security and Improvement of Welfare of the Citizens of Kazakhstan" so as to "build an independent, prosperous and politically stable Kazakhstan with its inherent national unity, social justice and economic well-being of the entire population".

Tajikistan

27. The Republic of Tajikistan developed a comprehensive PRSP in 2001 to improve the living standards of the population and to tackle the major socio-economic problems. The PRSP is going to be implemented in collaboration with donor governments, AsDB, IMF, the World Bank and other international financial institutions such as IFAD. The PRSP was formulated through a participatory process involving the active contribution of governmental agencies, civil society, donors and the research community. The PRSP forms the backbone of the poverty reduction framework. Its specific objectives are to increase real incomes in the country, achieve a fair distribution of the benefits of growth and ensure a rise in living standards among the poorest groups of the population. The strategy comprises four main elements: (i) encouragement for accelerated, socially fair and labour-intensive economic growth with an emphasis on exports; (ii) the efficient and fair provision of basic social services; (iii) targeted support for the poorest groups in the population; and (iv) efficient governance and improvement in security. The PRSP has identified the key sectors from a poverty alleviation perspective; these are education, health, social protection, agriculture, privatization, labour and private-sector development, infrastructure and telecommunications, environmental protection and tourism.

III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRIES

Present Strategy and Operations

28. The IFAD portfolio in Central Asia is in the formative stage and has been active in the form of cofinancing for a World Bank-initiated project in Kyrgyzstan. Country strategic opportunities papers were developed for Kyrgyzstan in 1996 and Kazakhstan in 1999. The Government of Kazakhstan has been reluctant to borrow money from IFAD in the past. IFAD was not able to commence any activities or develop a programme of work in Tajikistan as a result of the civil war. The portfolio in Kyrgyzstan was developed following the cofinancing of two components in the now-closed World Bank-initiated Sheep Development Project.

Lessons Learned

29. IFAD's operational experience in the CARs is limited to Kyrgyzstan. However, there are considerable lessons that can be extracted from the experience of other donors in the region.

30. **Rural advisory services.** The World Bank-initiated Agricultural Support Services Project in Kyrgyzstan, cofinanced by IFAD and the Swiss Development Corporation (SDC) has been extremely successful in developing a model for rural advisory services. The rural advisory services system in Kyrgyzstan has evolved into a community-driven extension system with early signs of sustainability. Following the introduction within the rural advisory services of a rural advisory contracting services

system called the “mandate system”, there has been significant improvement in planning and measurement of performance.

31. **Rural finance.** The microfinance sector has performed much better in Kyrgyzstan than in other CAR countries following the establishment of KAFC and an innovative model developed by UNDP. IFAD, through the Agricultural Support Services Project, has been supporting a farm development fund under KAFC to provide the rural poor with access to financial services through a trilateral arrangement involving the project, KAFC and UNDP, whereby UNDP is developing self-help groups among project beneficiaries and linking them with KAFC.

32. **Establishment of grass-roots and apex organizations.** The World Bank-initiated Sheep Development Project cofinanced by IFAD was instrumental in establishing an apex body of sheep breeders: the Kyrgyz Sheep Breeders Association. The association was formed through the federation of the sheep cooperatives established under the IFAD-supported project. The formation of the association is a pioneering effort in the rural development sector of Kyrgyzstan and is in line with the Government’s commitment to the democratization of institutions.

33. **Combating desertification.** IFAD is a new actor in the area of combating desertification in the CARs through the implementation of the United Nations Convention to Combat Desertification (UNCCD) objectives. A large share of the donor community, including AsDB, the Global Environment Facility, the World Bank, the German Agency for Technical Cooperation (GTZ), the Canadian International Development Agency (CIDA) and SDC, has been active in supporting the governments of the region in developing and implementing National Action Programmes. In the past, this has been undertaken in a disjointed manner; however, this is changing as a result of the establishment of partnerships for donor coordination such as the Strategic Partnership Agreement for Implementation of UNCCD in Central Asian Republics (SPA), of which IFAD is a new member. In order to enhance coordination among donors in Central Asia, the SPA was initiated by the Global Mechanism of the UNCCD. Its members include AsDB, CIDA, GTZ, IFAD, the International Center for Agricultural Research in the Dry Areas (ICARDA) and SDC. Following this step, CACILM was developed under the Global Environment Facility (GEF) so as to establish country programming frameworks for all the CARs.

34. **Decollectivization and Privatization of Land.** The dismantling of collective farms has been one of the most radical transformations in the rural landscape of the Central Asian countries. This process has only been successfully completed in Kyrgyzstan, where, in 1999, following land reform, user rights over land were equitably distributed to individual farmers and to family-owned farming enterprises. The World Bank has been the most active donor in supporting the recently concluded land reform process in Kyrgyzstan and ongoing efforts in Kazakhstan and Tajikistan. In addition, multilateral and bilateral donors such as AsDB, CIDA, GTZ, the Swedish International Development Authority and the United States Agency for International Development have also been providing technical assistance and other forms of support to the countries.

35. **Microenterprise and agribusiness development.** GTZ has been very active in establishing grass-roots cooperatives in Kyrgyzstan through the formation of interest groups that are turned into federations to form primary cooperatives.

IV. STRATEGIC FRAMEWORK FOR IFAD

A. IFAD’s Strategic Niche and Proposed Thrusts

36. IFAD has supported in the past and will continue in the future to support the transition of these countries from centrally administered economies to market economies. IFAD has identified activities to be supported both at the regional level and also country-specific activities. The governments and

civil society organizations have expressed a need for regional activities that can provide a platform for regional learning and knowledge sharing and, at the same time, allow IFAD to achieve efficiencies in its programming for the region.

37. IFAD proposes to operate using two modalities at the country level and the regional level to maximize its impact in enabling the countries to halve rural poverty by 2015. The twin mode of operations also has implications for the nature of the IFAD lending framework for the region. This would mean the utilization of both loans and grant resources with a strategic focus and to develop complementarities and synergies with other donor programmes.

Major Strategic Thrusts

38. **Natural resource management.** In terms of IFAD's priorities, the strategic partnerships created to arrest desertification emphasize the importance of the implementation of sustainable natural resource management strategies in the region. Sustainable land management approaches are to be pursued within the spirit of the CACILM and in collaboration with the partners in the SPA. IFAD has assumed a more significant role in arresting desertification in the region as a result of its membership in the SPA and the larger CACILM, which aim at rationalizing and harmonizing the institutional framework in the effort to arrest desertification. The involvement of IFAD in these initiatives will provide the Fund with opportunities to develop complementarities and synergies with other donor programmes in addressing the UNCCD objectives. IFAD, as a host institution of the Global Mechanism of the UNCCD, will continue to support the CARs in the implementation of National Action Programmes. IFAD has, through its involvement in the water sector in the developing world, achieved considerable success in supporting sustainable water resource management based on participatory principles. There is significant scope for developing community water resource management schemes such as the formation of water user groups and the adoption of the watershed management approach in certain parts of Central Asia. In addition, IFAD has provided support for livestock in the region through the Integrated Feed Livestock Management Programme implemented by ICARDA. IFAD will continue to focus on livestock farmers and to become more involved in participatory rangeland management.

39. **Rural financial services and the development of rural microenterprises.** The rural finance sector is still in a formative stage. In the subregion, it is relatively more advanced in Kyrgyzstan. IFAD has gained experience here through its support for the KAFC and rural financial services for the poor. The rural finance sector requires a great deal of support from donors like IFAD in terms of funding, technical assistance, institutional-building and diversification of financial products. The countries of the Central Asia subregion have so far only focused mostly on agricultural production and have paid little attention to the sector's relationship with other sectors of the economy. In line with its Regional Strategy for Asia and the Pacific, IFAD will promote the development of microenterprises based on on-farm and off-farm activities and, in the process, will enhance the bargaining power of farmers. IFAD can share with the governments its experience with projects in other parts of Asia, including South and East Asia. It is important that, in the globalized world, farmers are able to compete through improvements in the supply chain and strengthened backward-forward linkages in the global marketplace. IFAD has also gained experience from its involvement in supporting the role of the Kyrgyz Sheep Breeders Association in Kyrgyzstan in bringing added value to the wool industry.

40. **Support for the privatization of land, the land reform process and assistance in promoting full ownership rights among the rural poor.** The countries in the region have embarked upon a process of land reform and transfer of land-user rights to individual farmers. Kyrgyzstan stands out as the country that has completed a successful and equitable distribution of land. IFAD's contribution to this process would be vital in sharing the experience it has gained from its involvement in similar processes in the Caucasus and in Eastern Europe. Farmers would require considerable assistance in

the area of legal support on land tenure issues. IFAD could also play an important role in helping to develop the capacities of farmers and facilitating the establishment of associations among poor farmers.

41. **Strengthening grass-roots participation.** The governments of the subregion seem to be favourable to adoption of community-driven development approach in the design of projects as they move forwards with democratizing institutions at all levels. In this connection, IFAD will promote the sustainable livelihood framework, which places considerable emphasis on beneficiary participation in decisions that affect their livelihoods. This is also a thrust under the regional strategy of IFAD's Asia and the Pacific Division. Since independence area governments have revived traditional grass-roots organizations; these traditional governance structures will be strengthened through IFAD-funded projects in order to enhance their confidence and bargaining power in negotiations with agencies, including with the government and the private sector. IFAD will ensure active beneficiary participation in the projects it supports and with beneficiaries occupying the central role.

Cross-cutting Themes

42. A number of cross-cutting themes would be addressed through the various interventions of IFAD:

- **Gender.** In line with IFAD's strategy for Rural Poverty Reduction in Asia and the Pacific and the recently adopted gender action plan, an important cross-cutting theme is "enhancing women's capabilities in order to promote social transformation and agricultural development". IFAD has been working on gender-related issues through its portfolio in Kyrgyzstan by supporting the women's self-help group model and also according women as the preferential clientele of rural advisory services. The countries of the region have recognized the need to improve the status of women and enhance their agency role in the rural economy.
- **Emergency preparedness.** Due to the frequent occurrence of natural disasters in Kyrgyzstan and Tajikistan such as earthquakes, droughts, landslides and flashfloods, it is imperative that project design takes into consideration the dangers posed to the lives of the beneficiaries. In this context, it is vital that social and productive investment funds, adequate by-laws for loan renegotiations and some minor emergency-related issues should be included within the components or kept separate as a category. The utilization of such resources would be agreed upon between the Government and IFAD under regulated conditions detailed in the project documents and the loan agreement.
- **Remittances.** A significant part of the workforce of Tajikistan, nearly one third, is comprised of migrant labour working in Russia and other countries of the former Soviet Union. In 2002, according to a study undertaken by the International Organization for Migration, 600 000 migrant labourers sent back more than USD 230 million from Russia, which amounts to more than 100% of government revenues. The utilization of remittance income for development projects is a concept that IFAD has successfully applied in the Latin America and Caribbean region. It has been found in the recent past that the alternative remittance system (the *hawala* system) has been used for money laundering purposes in the region. In response to this, it is imperative that the remittance incomes are properly channelled for development interventions at the grass-roots level.

B. Main Opportunities for Innovations and Project Interventions

43. The Central Asian countries face a number of constraints; the most significant among them is the challenge to function as market economies characterized by democratization within the global context. The following opportunities apply to all the IFAD Member States in Central Asia:

44. **Agricultural support services.** The breakdown of the input supply mechanism of the Soviet system led to a crisis situation in the ability of farmers to access the basic inputs for agriculture, as well as advice and information on the latest technologies. IFAD, in collaboration with other donors, has been very successful in filling this void through the development of the rural advisory services model in Kyrgyzstan. The support for the model will continue to ensure that it develops into a self-sustaining institution able to generate revenue. There is considerable potential for IFAD to collaborate with the governments of Kazakhstan and Tajikistan in the provision of extension support through the development of participatory and demand-driven models. Given that the countries have been organized around monoculture systems and currently face stiff competition in global markets, it is imperative to improve the terms of trade and also to promote sustainable rural development and the reduction of poverty in rural areas. It is important to shift from monocultural systems towards agricultural diversification through the development of horticultural and other food crops, in addition to commodity crops. The production of horticultural crops such as temperate fruits and vegetables is a good option given that the climatic factors and agroecological factors are very conducive. The experience of the programme in Central Asia of the Consultative Group on International Agricultural Research can be used to provide technical backstopping for IFAD-supported programmes and national agricultural research systems in the countries.

45. **The establishment and strengthening of pro-poor rural institutions.** Since the break-up of the former Soviet Union, the countries of the region have lacked adequate and appropriate rural institutions that represent the interests of the rural poor. There have been a number of attempts at developing such institutions. IFAD has played an instrumental role in the successful development of two of these institutions in Kyrgyzstan, namely, the rural advisory services system and the Kyrgyz Sheep Breeders Association. IFAD might consider supporting the development of similar extension service institutions in the other Member States, as well as developing sustainable institutions in other sectors in the rural landscape. The Fund could also support the strengthening of traditional governance structures and local government structures in the countries of the region, especially in Kyrgyzstan and Tajikistan. This would be in line with IFAD's strategic objective of enhancing the capacities of the rural poor and increasing their bargaining power.

46. **Improved access to markets and diversified rural finance.** The rural poor lack access to financial services in these countries. The rural finance sector is in an embryonic stage and lacks appropriate instruments and incentive structures, as well as outreach to the poor. IFAD has been one of the main proponents in the development of the rural finance sector at the global level through its support to a number of microfinance institutions in the developing world in the form of technical assistance and financial resources. The Fund can play an instrumental role in the development of the rural finance sector in the IFAD Member States in Central Asia.

47. **The institutional strengthening of national and local government.** The countries have very weak institutions following their independence, and most of the technical support and assistance have been external in nature. It is imperative to develop capacities at the national level so as to enable them to implement poverty reduction programmes in a successful manner. In the past and up to now, IFAD has undertaken to strengthen the capacity of the national agricultural research systems through the Integrated Feed Livestock Production Systems agricultural research project implemented by ICARDA. This approach would be expanded to go beyond the national agricultural research systems and include strengthening the capacity of other rural development institutions.

48. **Facilitation of subregional co-learning and development among CARs.** There is a need to develop capacity-building activities at the regional level in order to enhance efficiencies and enable knowledge sharing among the various countries. These regional activities could include capacity-building, institutional strengthening and efforts to facilitate regional cooperation on a gamut of issues ranging from agrarian reform to watershed management in the region.

C. Outreach and Partnership Possibilities with NGOs and the Private Sector

49. **Linking national-level NGOs and the rural poor.** There are a number of NGOs and community-based organizations active in Kazakhstan, Kyrgyzstan and Tajikistan and involved in a gamut of rural development issues. The NGOs in Tajikistan are primarily involved in humanitarian and refugee assistance, while the NGOs in Kazakhstan and Kyrgyzstan are involved in democratization and the decentralization of power to the grass-roots level. The outreach of these NGOs is usually very poor; some of them are operating as service providers in donor-funded projects. IFAD would encourage the NGOs to strengthen the linkages of the rural poor to markets, providing access to financial services and facilitating access to modern technologies for production and processing.

50. **Arresting desertification in the Central Asia subregion.** The Central Asia chapter of the International NGO Network on Desertification and Drought⁵ is very active in working at the grass-roots level on issues related to sustainable land management. IFAD, through the SPA and the CACILM, can collaborate with the network's NGOs and other NGOs at the field level on issues related to land degradation and sustainable natural resource management.

51. **Working with NGOs on land reform.** The land privatization process in the CARs is a very challenging issue, and a number of complications have emerged. IFAD could work in collaboration with and benefit from the experience of the International Land Coalition and its partners from their work undertaken on land reform in the Caucasus and Eastern Europe. The areas of work could include empowering civil society in advocacy for land rights, the provision of training on post-land reform processes and strengthening the capacity of the poor to gain and maintain access to land and other productive natural resources. IFAD could work in identifying civil society organizations in the CARs that could be potential members of the coalition.

D. Opportunities for Linkages with Other Donors and Institutions

52. **Strategic Partnership Agreement for Implementation of UNCCD in Central Asian Republics (SPA)** already provides a framework of partnership for IFAD with bilateral and multilateral donors, including AsDB, CIDA, the Global Mechanism of the UNCCD, GTZ, ICARDA, and SDC. The CACILM goes even further in developing a programmatic country framework approach to sustainable land management. This framework provides opportunities for IFAD to develop complementarities with the members of the CACILM taskforce and other stakeholders in their programmes on sustainable land management. This is in line with the Global Environment Facility framework on sustainable land management being spearheaded by AsDB, along with other partners, including IFAD. The Fund would also try to develop complementarities on initiatives related to sustainable land management with other partners of the SPA, including AsDB.

53. **World Bank.** IFAD has benefited considerably from collaboration with the World Bank in the region. The World Bank has provided an entry point for IFAD's programme in Central Asia. IFAD has already been involved in a successful cofinancing arrangement with the World Bank in the World Bank-initiated Sheep Development Project and the ongoing Agricultural Support Services Project. IFAD would continue to work with the World Bank on community-driven development projects for

⁵ A global network of NGOs and community-based organizations active in combating desertification.

rural poverty reduction in the countries in the region. The Fund would also collaborate with the World Bank on the implementation of the PRSPs in the countries, as well as in realizing the Millennium Development Goal targets.

54. **United Nations** organizations, under the coordination of the United Nations Development Assistance Framework, are very active in the region. The UNDP is active in post-conflict reconstruction in Tajikistan and the rural poverty reduction arena in all three countries and is the lead agency for the implementation of the Millennium Development Goal targets for the Central Asian countries. Among the other UN organizations, the United Nations High Commission for Refugees is present in refugee rehabilitation in all three countries; the World Food Programme is providing emergency aid in Tajikistan, and the United Nations Development Fund for Women, the United Nations Environment Programme and others are also very active in their respective spheres in the region. There are considerable opportunities for IFAD to establish strategic linkages with sister agencies of the UN through the CACILM, as well as outside the CACILM. IFAD is currently collaborating with UNDP on rural finance in Kyrgyzstan, which could be strengthened through the scaling up of rural finance activities in the country. The United Nations Development Assistance Framework provides IFAD with an opportunity to harmonize its programmes and develop complementarities with other UN agencies in assisting the governments of Tajikistan and Kyrgyzstan in the implementation of the PRSPs and the overall attainment of the country-level Millennium Development Goal targets.

55. **The European Commission** has a portfolio devoted to Central Asia: the focus countries are Kyrgyzstan and Tajikistan. The representatives of the commission have expressed interest in collaborating with IFAD on poverty alleviation programmes in the Ferghana Valley area of Kyrgyzstan and Tajikistan and the Khatlon region of Tajikistan. The commission and its affiliate Technical Assistance for the Commonwealth of Independent States programme have signed special agreements with the Food and Agriculture Organization of the United Nations, the International Labour Organization, UNDP and the United Nations High Commission for Refugees to collaborate in the region. UNDP is to develop proposals to use EUR 30 million allocated by the commission from 2004 to 2007 for poverty alleviation in the countries; Tajikistan is to receive a larger share. IFAD could explore the possibility of making cofinancing proposals for poverty alleviation projects in the most marginalized oblast of Tajikistan, i.e. Khatlon.

56. **Other donors.** A number of other international multilateral, bilateral and private donors are active in the region, including the Aga Khan Development Network, CIDA, Danish International Development Agency, the Department for International Development (United Kingdom), European Bank for Reconstruction and Development, GTZ, the Islamic Development Bank, the Japan International Cooperation Agency, the Organization of the Petroleum Exporting Countries Fund for International Development, the Soros Foundation, the Swedish International Development Authority and the United States Agency for International Development. IFAD could look to establish partnerships with donors with similar interests and work in a collaborative manner towards the achievement of the Millennium Development Goals and other global objectives.

E. Areas for Policy Dialogue

57. It is imperative that IFAD take steps to open a dialogue with the governments of Kazakhstan, Kyrgyzstan and Tajikistan so as to enable them to put in place, within the broader framework of their ongoing policy and institutional reforms, an enabling administrative system that decentralizes authority, confers decision-making power on rural communities and empowers these communities to deal with a plethora of issues, including management issues. Capacity-building at the local and national levels is likely to provide a platform for initiating a policy dialogue on decentralization and empowerment.

58. In collaboration with its partners, IFAD will, through the CACILM initiative, engage in a multi-stakeholder dialogue with the governments of the region in order to improve the legislative and institutional policy context for addressing the poverty-environment linkage. This can be undertaken by facilitating the development of legislative, administrative and political measures for the judicious utilization and management of natural resources.

59. IFAD could also play a role in the implementation of the PRSP strategies and offer encouragement in support of the development of government policies and strategies addressed at rural poverty reduction. IFAD could also pursue policy dialogue on the issues of the development of and support by governments for effective and accountable civil society organizations.

F. Action Areas for Improving Portfolio Management

60. At present, IFAD is cofinancing the Agricultural Support Services Project in Kyrgyzstan, which has been extended to 31 December 2006. The performance of the project suffered in 2004 as a result of disbursement ceilings imposed by the Ministry of Finance on IFAD's loan so as to reduce the cost of borrowing as a conditionality of the IMF's Poverty Reduction and Growth Facility. The issue has since been resolved, and the Ministry of Finance has provided assurance that it would not recur.

61. The Results and Impact Management System (RIMS) will feature prominently in future programmes in the CARs. This would be facilitated by ensuring that a proper monitoring and evaluation system is in place and the relevant project implementers have received the necessary training to implement the RIMS.

G. Tentative Lending Framework and Rolling Programme of Work

62. IFAD will be developing investment activities at both the country level and the regional level on the basis of the impact on rural poverty reduction. Due to the low levels of the allocation for the Performance-Based Allocation System (PBAS) for these countries, the Fund will seek cofinancing through its involvement with CACILM and will also leverage Global Environment Facility resources and cofinancing from other CACILM donors and SPA members.

Regional Level

63. The regional level financing would consist in the development of a number of small and large regional grants to facilitate knowledge sharing, regional exchanges of experience, the development of partnerships, and policy dialogue on regional issues. The cofinancing of the regional sustainable land management training programme is an example, as is the holding of workshops for cross-learning on thematic issues such as natural resource management, grass-roots institution building and agrarian reform. Regional activities would be specifically addressed at achieving efficiencies and encouraging dialogue among the countries in the region. The regional grants would also be utilized to fund activities related to CACILM and other regional initiatives in which IFAD is involved. The regional window would also be utilized for IFAD's involvement in country-owned regional initiatives, including the Central Asia Countries Organization, in which AsDB, the Islamic Development Bank and the World Bank, along with Russia, are involved as technical partners.

Country Level

64. During the course of the SRESOP, it is anticipated that a lending programme, on concessionary lending terms, of USD 15 million-USD 20 million will be realized in five years for Kyrgyzstan and Tajikistan. Further collaboration with Kyrgyzstan will be conditioned by the successful outcome of the ongoing project with the World Bank and SDC.

65. It is also envisaged that, conditional on the borrowing requirements of Kazakhstan, a lending programme, on intermediate terms, of USD 10 million will be realized in five years. In the meantime, the collaboration with IFAD will be guided by regional grants, with the main emphasis on capacity-building among pro-poor institutions.

66. The lending framework and the rolling programme of work will aim at achieving the planned results of the country strategy. The PBAS will determine the country allocation of IFAD resources, including highly concessional loans and grants. ADB and the World Bank are providing increasing amounts of grant financing to Kyrgyzstan and Tajikistan under their country programmes. Given Kyrgyzstan's and Tajikistan's high debt burden, there is a need for IFAD to increase its grant financing to the two countries, especially in the areas of capacity-building, institutional development and policy dialogue.

67. **Kazakhstan:** The PBAS rural sector performance rating is 3.78, and the 2004 country score is 546 877. For 2005, Kazakhstan has an allocation of USD 1 847 217 per year under the PBAS. The country is not rated under the International Development Association (IDA) Country Policy and Institutional Assessment (CPIA).

68. **Kyrgyzstan:** The CPIA rating in 2003 was 3.34; the rural sector performance rating is 3.99; the project at risk rating is 5; and the overall country performance rating is 4.21 (ranking 8th out of 33 countries in the Asia and the Pacific Region); and the 2004 country score is 455 018. For 2005, Kyrgyzstan has an allocation of USD 1 536 938 per year under the PBAS.

69. **Tajikistan:** The CPIA rating in 2003 was 3.01; the rural sector performance rating was 3.42, and the overall country performance rating was 3.29 (ranking 26th out of 33 countries in the Asia and the Pacific Region); and the 2004 country score was 370 976. For 2005, Tajikistan has a minimum country allocation of USD 1 million per year under the PBAS, mainly due to its small population. If Tajikistan is no longer a minimum allocation country when the population factor of the PBAS formula is revised, the following lending scenarios and performance triggers are proposed.

Lending Scenario	Performance Triggers ^a	Lending Programme
Base case	<ul style="list-style-type: none"> • Maintaining broad framework conditions (CPIA). • Maintaining rural development sector framework conditions. • Maintaining an IFAD portfolio free of projects with major problems and not improving (projects at risk). 	USD 1 million per year
High case	<ul style="list-style-type: none"> • Improving broad framework conditions (CPIA). • Improving rural development sector framework conditions, particularly in the areas of the policy and legal framework for rural organizations, access to land, access to extension services, the investment climate for rural business and public resource management, and accountability for rural development. • Maintaining an IFAD portfolio free of projects with major problems and showing improvement over three or more years. 	Full PBAS country allocation

^a The baseline year is 2004. The broad framework and rural development sector framework conditions refer to the PBAS.

APPENDIX I

COUNTRY DATA

KYRGYZSTAN

Land area (km² thousand) 2003 1/	192	GNI per capita (USD) 2003 1/	340
Total population (million) 2003 1/	5.05	GDP per capita growth (annual %) 2003 1/	5.7
Population density (people per km²) 2003 1/	26.3	Inflation, consumer prices (annual %) 2003 1/	4
Local currency	Kyrgyz Som (KGS)	Exchange rate: USD 1 =	KGS 44.6373
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	1.1	GDP (USD million) 2003 1/	1 909
Crude birth rate (per thousand people) 2003 1/	19	Average annual rate of growth of GDP 1/ 1983-1993	-1.4
Crude death rate (per thousand people) 2003 1/	8	1993-2003	2.8
Infant mortality rate (per thousand live births) 2003 1/	59	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	65	% agriculture	39
Number of rural poor (million) (approximate) 1/	n/a	% industry	23
Poor as % of total rural population 1/	n/a	% manufacturing	8
Total labour force (million) 2003 1/	2.31	% services	38
Female labour force as % of total 2003 1/	47	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	17
School enrolment, primary (% gross) 2003 1/	101 a/	Household final consumption expenditure, etc. (as % of GDP)	71
Adult illiteracy rate (% age 15 and above) 2003 1/	n/a	Gross domestic savings (as % of GDP)	12
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	582
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	25 a/	Merchandise imports 2003 1/	717
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	11 a/	Balance of merchandise trade	-135
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	4 a/	before official transfers 2003 1/	-145
Physicians (per thousand people)	3 a/	after official transfers 2003 1/	-26
Population using improved water sources (%) 2002 2/	76	Foreign direct investment, net 2003 1/	46
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	60	Cash surplus/deficit (as % of GDP) 2003 1/	-1 a/
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	13	Total external debt (USD million) 2003 1/	2 021
Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/	205 a/	Present value of debt (as % of GNI) 2003 1/	98
Food production index (1999-01=100) 2003 1/	105	Total debt service (% of exports of goods and services) 2003 1/	16
Cereal yield (kg per ha) 2003 1/	2 774	Lending interest rate (%) 2003 1/	19
Land Use		Deposit interest rate (%) 2003 1/	5
Arable land as % of land area 2003 1/	7 a/		
Forest area as % of total land area 2003 1/	5 a/		
Irrigated land as % of cropland 2003 1/	76 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

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KAZAKHSTAN

Land area (km² thousand) 2003 1/	2 700	GNI per capita (USD) 2003 1/	1 780
Total population (million) 2003 1/	14.88	GDP per capita growth (annual %) 2003 1/	9.2
Population density (people per km²) 2003 1/	6	Inflation, consumer prices (annual %) 2003 1/	6
Local currency	Kazakh Tenge (KZT)	Exchange rate: USD 1 =	KZT 138.878
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	-1.0	GDP (USD million) 2003 1/	29 749
Crude birth rate (per thousand people) 2003 1/	15	Average annual rate of growth of GDP 1/ 1983-1993	n/a
Crude death rate (per thousand people) 2003 1/	10	1993-2003	2.8
Infant mortality rate (per thousand live births) 2003 1/	63	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	61	% agriculture	8
Number of rural poor (million) (approximate) 1/	n/a	% industry	38
Poor as % of total rural population 1/	n/a	% manufacturing	16
Total labour force (million) 2003 1/	7.51	% services	54
Female labour force as % of total 2003 1/	47	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	11
School enrolment, primary (% gross) 2003 1/	102 a/	Household final consumption expenditure, etc. (as % of GDP)	56
Adult illiteracy rate (% age 15 and above) 2003 1/	1 a/	Gross domestic savings (as % of GDP)	33
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	12 900
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	10 a/	Merchandise imports 2003 1/	8 327
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	4 a/	Balance of merchandise trade	4 573
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	4 a/	before official transfers 2003 1/	-318
Physicians (per thousand people)	4 a/	after official transfers 2003 1/	-39
Population using improved water sources (%) 2002 2/	86	Foreign direct investment, net 2003 1/	2 088
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	72	Cash surplus/deficit (as % of GDP) 2003 1/	-1 a/
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	8	Total external debt (USD million) 2003 1/	22 835
Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/	30 a/	Present value of debt (as % of GNI) 2003 1/	95
Food production index (1999-01=100) 2003 1/	106	Total debt service (% of exports of goods and services) 2003 1/	35
Cereal yield (kg per ha) 2003 1/	1 075	Lending interest rate (%) 2003 1/	n/a
Land Use		Deposit interest rate (%) 2003 1/	n/a
Arable land as % of land area 2003 1/	8 a/		
Forest area as % of total land area 2003 1/	5 a/		
Irrigated land as % of cropland 2003 1/	11 a/		

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1/ World Bank, *World Development Indicators* database CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

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TAJIKISTAN

Land area (km² thousand) 2003 1/	141	GNI per capita (USD) 2003 1/	210
Total population (million) 2003 1/	6.30	GDP per capita growth (annual %) 2003 1/	9.5
Population density (people per km²) 2003 1/	45	Inflation, consumer prices (annual %) 2003 1/	n/a
Local currency	Tajik Ruble (TJR)	Exchange rate: USD 1 =	TJS 2.81893
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	0.8	GDP (USD million) 2003 1/	1 553
Crude birth rate (per thousand people) 2003 1/	23	Average annual rate of growth of GDP 1/ 1983-1993	-5.3
Crude death rate (per thousand people) 2003 1/	7	1993-2003	0.5
Infant mortality rate (per thousand live births) 2003 1/	76	Sectoral distribution of GDP 2003 1/	
Life expectancy at birth (years) 2003 1/	66	% agriculture	24
Number of rural poor (million) (approximate) 1/	n/a	% industry	20
Poor as % of total rural population 1/	n/a	% manufacturing	n/a
Total labour force (million) 2003 1/	2.65	% services	56
Female labour force as % of total 2003 1/	46	Consumption 2003 1/	
Education		General government final consumption expenditure (as % of GDP)	9
School enrolment, primary (% gross) 2003 1/	110 a/	Household final consumption expenditure, etc. (as % of GDP)	91
Adult illiteracy rate (% age 15 and above) 2003 1/	1 a/	Gross domestic savings (as % of GDP)	-0
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2003 1/	798
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	36 a/	Merchandise imports 2003 1/	881
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	n/a	Balance of merchandise trade	-83
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2003 1/	3 a/	before official transfers 2003 1/	-340
Physicians (per thousand people)	2 a/	after official transfers 2003 1/	-41
Population using improved water sources (%) 2002 2/	58	Foreign direct investment, net 2003 1/	32
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	53	Cash surplus/deficit (as % of GDP) 2003 1/	-0 a/
Agriculture and Food		Total expenditure (% of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	10 a/	Total external debt (USD million) 2003 1/	1 166
Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/	300 a/	Present value of debt (as % of GNI) 2003 1/	77
Food production index (1999-01=100) 2003 1/	135	Total debt service (% of exports of goods and services) 2003 1/	9
Cereal yield (kg per ha) 2003 1/	2 202	Lending interest rate (%) 2003 1/	17
Land Use		Deposit interest rate (%) 2003 1/	10
Arable land as % of land area 2003 1/	7 a/		
Forest area as % of total land area 2003 1/	3 a/		
Irrigated land as % of cropland 2003 1/	68 a/		

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1/ World Bank, *World Development Indicators* database CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

LOGICAL FRAMEWORK

1. Goal	Indicators	Means of Verification	Assumptions
<ul style="list-style-type: none"> IFAD enhances its presence in supporting more countries in Central Asia in reducing rural poverty, i.e. Kazakhstan and Tajikistan besides Kyrgyzstan 	<ul style="list-style-type: none"> Increased engagement of IFAD in the countries at the policy level Improved household asset ownership by gender (Results and Impact Management System [RIMS] indicator) Reduced prevalence of child malnutrition by gender (RIMS indicator) 	<ul style="list-style-type: none"> IFAD Annual Report Government policy documents National Household Sample Surveys PRSPs and National Poverty Reduction Strategies National statistics World Bank and UNDP statistics 	<ul style="list-style-type: none"> Millennium Goals continue to determine national objectives and budget allocations The poor's perception of poverty coincides with the Millennium Goals and IFAD's strategic thrusts Prevalence of political stability
2. Objective			
<ul style="list-style-type: none"> Poverty incidence reduced in CAR countries through implementation of SRESOP. 	<ul style="list-style-type: none"> Sustained access of the rural poor to markets and financial services Grass-roots organizations effectively operating Sustained access of the poor to natural resources and technology 	<ul style="list-style-type: none"> Sector studies Review of policy statements and regulatory framework Monitoring and impact studies Project baseline and completion reports Participatory Impact Assessment reports 	<ul style="list-style-type: none"> Continuous government commitment to rural poverty reduction IFAD's strategic framework continues to inspire project and programme design and implementation
3. Output	Indicators	Means of Verification	Assumptions
3.1. Natural Resource Management <ul style="list-style-type: none"> Sustainable land management initiatives mainstreamed into IFAD's programmatic framework in the CARs in line with the CACILM Participatory community water resource management established Participatory rangeland management promoted 	<ul style="list-style-type: none"> Sustainable land management mainstreamed into SRESOP No. of sustainable land management initiatives adopted in IFAD programmes in the region Improved coordination of national implementers on sustainable land management Increased involvement of the rural poor in natural resource management 	<ul style="list-style-type: none"> Project documents National policy documents Documents prepared by other donors and the GEF 	<ul style="list-style-type: none"> Supportive and enabling environment for coordination and policy implementation Prioritization of sustainable land management initiatives into government policy framework Drawing up of legislation on water resource management

<p>3.2 Rural Financial Services and Development of Rural Microenterprises</p> <ul style="list-style-type: none"> • Large number of previously poor households have access to diversified financial services provided through various institutional set-ups • Access to diversified financial products • Microenterprises promoted for improving forward and backward linkages within agriculture sector • Enhancement of livelihood diversification through promotion of microenterprises 	<ul style="list-style-type: none"> • No. of viable financial institutions with increased outreach to the poor • Introduction of new diversified products • No. of successful enterprises established 	<ul style="list-style-type: none"> • Financial reports of Banks and multilateral financial institutions • Project reports • Government policy documents 	<ul style="list-style-type: none"> • Prevalence of supportive and enabling environment
<p>3.3 Community Driven Development</p> <ul style="list-style-type: none"> • Participatory grassroot based institutions fully functional and sustainable • Provision of advisory services based on demand-driven principle 	<ul style="list-style-type: none"> • Strengthened capacity and increased involvement of the rural poor in decision making process at local level and national level • No. of farmers availing of advisory services 	<ul style="list-style-type: none"> • National statistics • Special studies • Project reports • Evaluation and impact studies 	<ul style="list-style-type: none"> • Coherent decentralisation efforts of the government • Supportive and enabling environment
<p>3.4 Support for the privatization of land and land reform</p> <ul style="list-style-type: none"> • Strengthen national and local governments to undertake cadastral surveys • Providing advice to farmers on legal issues related to land tenure and private ownership • Promotion of establishment of farmer organisations on land tenure reform and strengthen the capacity to enhance bargaining power 	<ul style="list-style-type: none"> • No. of hectares covered by cadastral survey • No. of farmers availing of legal advice • No. of organisations established • No. of farmers registering as members 	<ul style="list-style-type: none"> • National statistics • Special studies • Project reports • Evaluation and impact studies 	<ul style="list-style-type: none"> • Prevalence of conducive policy environment
<p>3.5 Improving regional learning and knowledge sharing</p> <ul style="list-style-type: none"> • Conducting regional workshops on thematic issues 	<ul style="list-style-type: none"> • No. of workshops conducted 	<ul style="list-style-type: none"> • Workshop reports 	

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Strengths	Weaknesses	Opportunities	Threats
<p>Overall</p> <ul style="list-style-type: none"> • High level of human development • Strong cultural identity • Indigenous knowledge 	<p>Overall</p> <ul style="list-style-type: none"> • Socio-political instability • Erosion of traditional socio-cultural systems • Weak economies, relying heavily on commodities 	<p>Overall</p> <ul style="list-style-type: none"> • Increasing democratization including improvement of policy framework • Emerging civil society organizations • Expansion of intra-regional cooperation on issues including Aral Sea Basin • Expansion of intra-regional trade • Potential for multistakeholder approach • Large amount of ODA funding made available by multilateral and bilateral agencies • Improving food security 	<p>Overall</p> <ul style="list-style-type: none"> • High vulnerability to desertification and resulting natural calamities • Socio-political risks such as revolutions and civil war
<p>National Governments</p> <ul style="list-style-type: none"> • Strong administrative systems established under Soviet Rule • Legislative authority to back up development priorities • Extensive outreach of representatives 	<p>National Governments</p> <ul style="list-style-type: none"> • Limited institutional capacity for new role as emerging market economies • High levels of impropriety and graft • In Tajikistan, power is largely centralized • Severe fiscal budgetary constraints except for Kazakhstan 	<p>National Governments</p> <ul style="list-style-type: none"> • Re-orientation of public expenditure towards agriculture and rural development • Preparation of medium-term and long-term development plans • Development of common policies on arresting desertification 	<p>National Governments</p> <ul style="list-style-type: none"> • High turnover of staff to developing NGO's and private sector • Continued control of resources by central administration

<p>NGOs</p> <ul style="list-style-type: none"> • Commitment to work at community level • Important advocacy role on poverty-related and natural resource management related issues • Wide range of NGOs, local, national, regional and international 	<p>NGOs</p> <ul style="list-style-type: none"> • Limited capacity to plan and work together • Dependence on external resource • Limited geographic coverage 	<p>NGOs</p> <ul style="list-style-type: none"> • Increasing confidence and establishment of coordinating body of regional NGOs especially on UNCCD issues • Strengthening of local governance 	<p>NGOs</p> <ul style="list-style-type: none"> • Political interference by national governments
<p>Private Sector</p> <ul style="list-style-type: none"> • Capacity to identify investment opportunities 	<p>Private Sector</p> <ul style="list-style-type: none"> • Shortage of investment capital • Market linkages 	<p>Private Sector</p> <ul style="list-style-type: none"> • Promotion of a legal environment • Interest in multi-stakeholder approach 	<p>Private Sector</p> <ul style="list-style-type: none"> • Limited risk-bearing capacity in volatile market conditions

IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED SUBREGIONAL PROGRAMME

IFAD'S STRATEGIC FRAMEWORK	IFAD's REGIONAL STRATEGY	SRESOP
<p><u>Vision Statement</u></p> <p>IFAD believes that increasing access to assets (human, social, natural, technological and financial assets) is crucial for broad-based growth and poverty reduction. Thus it fosters social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance within the following main thrusts:</p> <p><u>Human and social assets</u></p> <p>Strengthening the capacity of the rural poor and their organization</p> <p><u>Financial assets and markets</u></p> <p>Increasing access to financial services and markets</p> <p><u>Productive assets and technology</u></p> <p>Providing equitable access to productive natural resources and technology</p>	<p>Within the corporate thrusts, the Regional Strategy focuses on:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Enhancing women's capabilities in order to promote their role in agricultural development and improve their position in society <input type="checkbox"/> Reducing poverty by enhancing the capabilities of indigenous peoples and other marginalized groups <input type="checkbox"/> Building coalitions of the poor <input type="checkbox"/> Enhancing peace for poverty reduction <input type="checkbox"/> Developing less favoured areas 	<p><u>Human and social assets</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Capacity building of grassroots communities to engender greater ownership of development and promote self-reliance <input type="checkbox"/> Women comprising a large part of the target group with SHG's being women focused <p><u>Financial assets and markets</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Strengthening micro-finance initiatives, expanding range of micro-finance products to meet needs of the poor <input type="checkbox"/> Strengthening linkages of communities with markets including internal and international <p><u>Productive assets and technology</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Developing sustainable natural resource management strategies for improved access of communities to natural resources <input type="checkbox"/> Sustainable land management for areas characterised by high levels of desertification <input type="checkbox"/> Providing communities access to agricultural support services

ACTIVITIES OF OTHER DEVELOPMENT PARTNERS – ONGOING AND PLANNED

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
Kyrgyzstan				
World Bank (IDA)	Strengthening enabling environment for growth ; accelerating pro-poor development; education and health; financial sector development; infrastructure development	Agricultural Support Services Project	On-going	Strong collaboration with the World Bank through cofinancing of the Sheep Development Project and the ongoing Agricultural Support Services Project Potential for collaboration on issues related to sustainable land management as both members of the taskforce of the CACILM.
Asian Development Bank	Support to natural resource management; irrigation development; agricultural infrastructure development; private sector development		On-going	Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.
UNDP	Poverty Reduction Programme		On-going	Ongoing partnership within the ambit of the ASSP as UNDP has MOU with IFAD financed RAS of ASSP, for establishment of SHGs and linking them with rural sector banks. Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.
FAO			On-going	Will explore possibilities of involving FAO in design as IDA has done recently to draw on their technical expertise and knowledge.
Other UN Agencies			On-going	Limited scope for developing complementarities. Improved interaction as a result of proactive involvement in UNDAF.
European Bank for Reconstruction and	Infrastructure Development; Rural Finance; Establishment of Markets;		On-going	Initial meeting with senior official of EBRD has expressed interest in

Development	Private Sector Development			collaboration on rural finance in Kyrgyzstan.
Islamic Development Bank			On-going	
USAID	Rural Microenterprise Development; Agrarian Reform		On-going	Identified possibilities of learning from the successful Chemonics implemented project on land reform. Explored potential collaboration in the context of rural enterprise development.
JICA	Agricultural Marketing Infrastructure Development		On-going	Explored possibilities of synergies in the context of development of agricultural processing infrastructure.
GTZ			On-going	Strong complementarity with IFAD SRESOP and high potential for collaboration in the area of rural enterprise/cooperatives development. Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.
DFID	Rural Development; Livelihoods		On-going	Potential exists from learning from and developing complementarities with DFID's country programme.
SIDA	Agricultural sector; institutional reform; land reform		On-going	Increasing aid budget for the sub-region including Kyrgyzstan would provide opportunities for developing collaboration and complementarities. Established contact with SIDA project on input supply support including seed development.

SDC	Focus on rural development; advisory services; livestock development; mountain agriculture	Agricultural Support Services Project	On-going	<p>Good collaboration and partnership since 1998 with the piloting of the rural advisory services model in Sheep Development Project. Instrumental in supporting the development of Rural Advisory Services model within the World Bank initiated ASSP.</p> <p>More potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.</p>
Tajikistan				
World Bank (IDA)	Strengthening enabling environment for growth ; accelerating pro-poor development; education and health; financial sector development; infrastructure development	Community Agriculture and Watershed Management Project	On-going	<p>Established collaboration with the World Bank through cofinancing of the Community Agriculture and Watershed Management Project. Potential for developing complementarities going further.</p> <p>Potential for collaboration on issues related to sustainable land management as both members of the taskforce of the CACILM.</p>
Asian Development Bank	Support to natural resource management; irrigation development; agricultural infrastructure development; private sector development		On-going	<p>Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.</p> <p>Good potential for cofinancing of rural sector programme with a rural finance focus.</p>
UNDP	Poverty Reduction; Social Sector		On-going	Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.
FAO	Technical Cooperation		On-going	Will explore possibilities of involving FAO in design as IDA has done recently to draw on their technical expertise and knowledge.

				Possibilities of developing operational linkages with FAO's technical cooperation programmes including on livestock and livelihoods.
Other UN Agencies			On-going	Amongst the agencies, IFAD would benefit from collaboration with UNOPS given its experience in implementing projects in the post-civil war situation in Tajikistan.
European Bank for Reconstruction and Development	Infrastructure Development; Rural Finance; Establishment of Markets; Private Sector Development		On-going	Initial meeting with senior official of EBRD has expressed interest in collaboration on rural finance in Tajikistan.
European Commission	Social Sector; Rural Development; Institutional Reform and Governance		On-going	Initial contact established and possibilities of developing complementarities with the Ferghana Valley Programme and other areas.
USAID	Private Sector Development; Rural Finance		On-going	Potential for exploring synergies with ongoing programme on rural finance and private sector development.
JICA	Rural Infrastructure Development; Agricultural Development		On-going	Exploring possibilities of synergies in the context of IFAD's support to the rural sector.
GTZ			On-going	Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.
DFID	Rural Development; Livelihoods		On-going	Potential exists from learning from and developing complementarities with DFID's country programme.
CIDA	Land Reform; Agricultural Development		On-going	Good partnership as a result of being members of SPA and CACILM. Likely to collaborate on areas of land and agrarian reform and institution building at the grassroots level.
SIDA	Agricultural sector; institutional reform; land reform		On-going	Explored possibilities with SIDA's local office in Dushanbe that may yield positive results in terms of collaboration.

SDC	Focus on rural development; advisory services; livestock development; mountain agriculture	Agricultural Support Services Project	On-going	Would look at extending partnership with SDC in Kyrgyzstan to Tajikistan as Bishkek office acts as sub-regional hub. More potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.
Kazakhstan				
World Bank	Agricultural Development; Natural Resource Management		On-going	Potential for collaboration on issues related to sustainable land management as both members of the taskforce of the CACILM.
Asian Development Bank	Rural Infrastructure Development; Irrigation		On-going	Potential for collaboration on issues related to sustainable land management as partners in SPA and members of the taskforce of the CACILM.