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## **President's report**

### **Proposed loan and Debt Sustainability Framework grant to**

### **Kyrgyz Republic for the**

### **Regional Resilient Pastoral Communities Project**

Project ID: 2000001978

#### **Note to Executive Board representatives**

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**For: Approval**

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### Project delivery team

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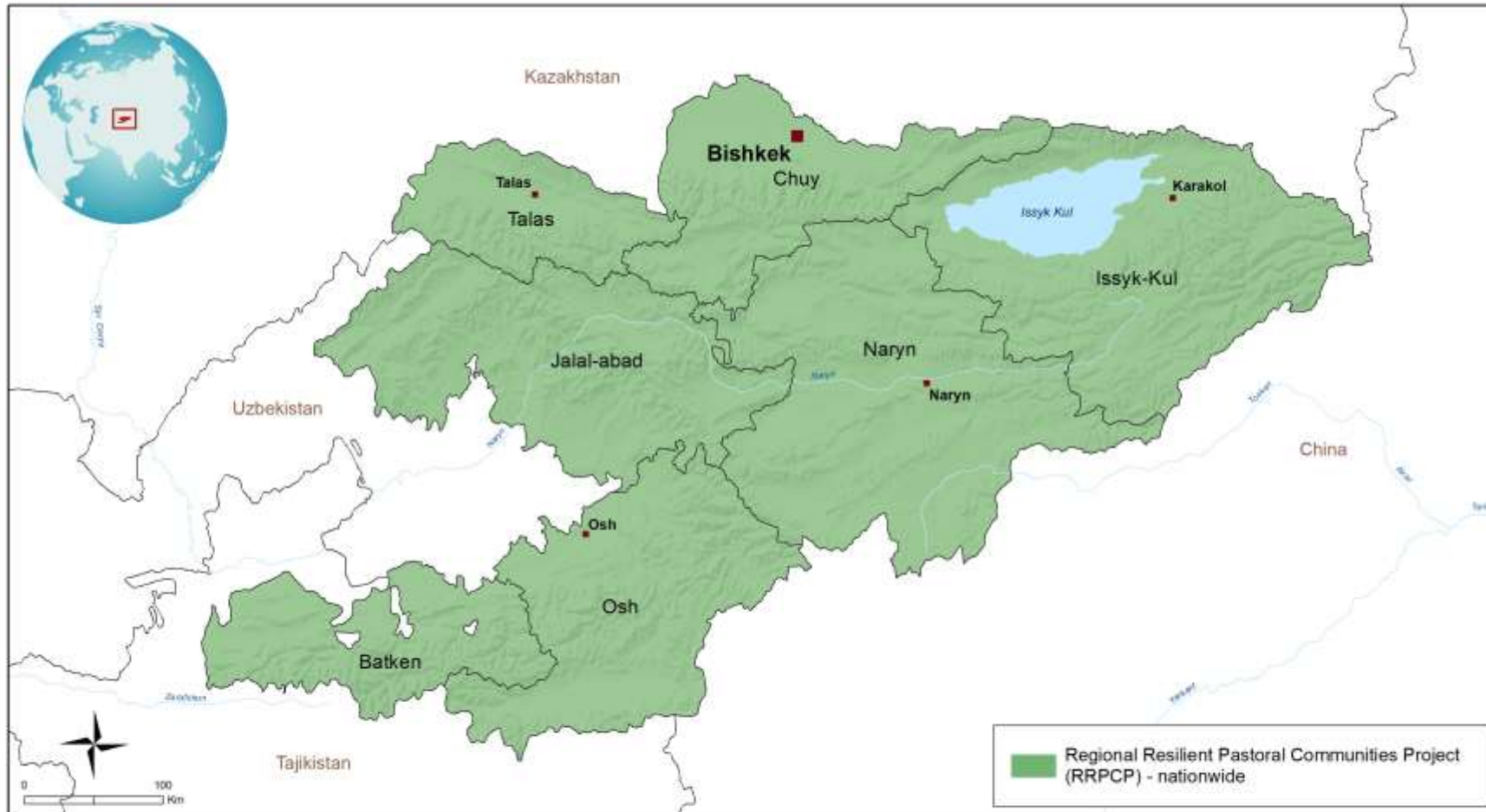
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## **Abbreviations and acronyms**

APIU	Agricultural Projects Implementation Unit
ARIS	Community Development and Investment Agency
AWP/B	annual workplan and budget
COSOP	country strategic opportunities programme
FAO	Food and Agriculture Organization of the United Nations
IsDB	Islamic Development Bank
M&E	monitoring and evaluation
MoA	Ministry of Agriculture, Water Resources and Regional Development
NRM	natural resource management
NDS	National Development Strategy 2018-2040
OIE	World Organization of Animal Health
PUU	pasture user union
RKDF	Russian-Kyrgyz Development Fund
RRPCP	Regional Resilient Pastoral Communities Project
SDG	Sustainable Development Goal
SIVPSS	State Inspectorate on Sanitary, Veterinary and Phytosanitary Security
SPS	World Trade Organization Agreement on the Application of Sanitary and Phyto-sanitary Measures

# Map of the project area



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.

Map compiled by IFAD | 10-11-2021

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Recipient:</b>	Kyrgyz Republic
<b>Executing agency:</b>	Ministry of Agriculture, Water Resources and Regional Development
<b>Total project cost:</b>	US\$65.206 million
<b>Amount of IFAD loan:</b>	SDR 16.274 million (equivalent to approximately US\$23.034 million)
<b>Terms of IFAD loan:</b>	Highly concessional: Maturity period of 40 years, including a grace period of 10 years. Loan free of interest but bearing a fixed service charge payable semi-annually in the loan service payment currency, as determined by the Fund upon approval of the loan by the Executive Board
<b>Amount of IFAD Debt Sustainability Framework grant:</b>	SDR 5.829 million (equivalent to approximately US\$8.25 million)
<b>Cofinanciers:</b>	Adaptation Fund; Russian Kyrgyz Development Fund
<b>Terms of cofinancing:</b>	Adaptation Fund: Grant US\$9.2 million Russian Kyrgyz Development Fund: Loan US\$10 million
<b>Contribution of borrower/recipient:</b>	US\$0.75 million
<b>Contribution of beneficiaries:</b>	US\$13.97 million
<b>Amount of IFAD climate finance:</b>	US\$8.82 million
<b>Cooperating institution:</b>	IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 53.

### I. Context

#### A. National context and rationale for IFAD involvement

1. **Geography.** The Kyrgyz Republic is a mountainous, landlocked country of 199,951 km<sup>2</sup> bordering Kazakhstan, Uzbekistan, Tajikistan and China. Ninety-four per cent of the territory is at an elevation of more than 1,000 metres, and 40 per cent is above 3,000 metres.
2. **Political system.** Kyrgyzstan is characterized as a hybrid regime in the Economist Intelligence Unit's 2018 Democracy Index and is ranked 98<sup>th</sup> out of 167 countries. The country performs much better than regional peers as the only non-authoritarian country in Central Asia. A referendum in December 2016 approved constitutional amendments that shifted significant powers from the presidency to parliament and the prime minister.
3. **Economy.** Kyrgyzstan maintains strong relations with Russia and is a member of economic and military alliances: the Eurasian Economic Union and the Collective Security Treaty Organization. In recent years, relations with China have also improved considerably, and China surpassed Russia as Kyrgyzstan's most important economic partner in 2013 according to the International Monetary Fund. The economy is vulnerable to external shocks owing to its reliance on one gold mine, Kumtor, which accounts for about 10 per cent of GDP, and on worker remittances, equivalent to about 27 per cent of GDP in 2018. With an average gross national income per capita of US\$1,130,<sup>1</sup> Kyrgyzstan is classified as a lower-middle-income country.
4. **Social context.** Kyrgyzstan is home to 6.4 million people, 66 per cent of whom live in rural areas and depend primarily on agriculture and livestock for their livelihoods, along with remittances. The rural areas remain underdeveloped, with few off-farm jobs, as reflected in the official statistics recording higher rural than urban unemployment rates. Life expectancy for men is 67.2 years and for women 75.4 years. In 2014, the average household size was 4.3 members overall, and 5.3 members for rural households. The share of woman-headed households among all households is quite high at 34 per cent. The majority of households (69.1 per cent) are headed by persons who indicated Kyrgyz as their mother tongue; Uzbek was indicated in 12.2 per cent of cases, Russian 14.5 per cent and other languages 4.2 per cent.
5. **Stage in transition and presence of fragility.** With a country policy and institutional assessment score of 4.0 in 2017, Kyrgyzstan does not classify among the most fragile countries. Revolutions in 2005 and 2010 led to the overthrow of the incumbent presidents, who subsequently fled the country. Political stability is somewhat uncertain. Kyrgyzstan is not on the IFAD list of fragile countries as of 2018, but is among the low-income food-deficit countries according to the Food and Agriculture Organization of the United Nations (FAO) (2019). Climate change projections indicate that Kyrgyzstan will be increasingly affected by higher temperatures and rainfall that is more variable, as well as more hazard-prone. Droughts could become more frequent and prolonged in summer and floods (including glacial lake outburst floods) and landslides more frequent in winter.
6. **Poverty, food security and nutrition.** Kyrgyzstan ranks 122<sup>th</sup> of 189 countries in the 2017 Human Development Index with a value of 0.672. Poverty in the country

<sup>1</sup> 2017, Atlas method.

is high: about 25 per cent of the total population lives below the poverty line; approximately 65 per cent of the poor live in the rural areas; and approximately 80 per cent of the population is vulnerable to poverty. Poverty is closely related to food insecurity. In 2015, the population as a whole spent an average of 38 per cent of their income on food, while the share of income spent on food by the poorest groups was 74 per cent, demonstrating that poor households are more vulnerable to food insecurity. Dietary energy consumption by the poorest groups stood at 13 per cent, considerably lower (by 35 per cent) than for wealthier groups. In 2015, 6 per cent of the country's population was undernourished.

7. **Smallholder agricultural and rural development context.** Agriculture accounted for 12.3 per cent of GDP in 2017 (compared to 34 per cent in 2002) and employs 26.5 per cent of the total labour force. In rural areas, it remains the major source of employment and produces an annual value added of US\$1,521 per worker (in constant 2010 United States dollars). Smallholder production makes up 98.5 per cent of agricultural output. Given the mountainous topography, permanent cropland is 0.4 per cent and arable land approximately 7 per cent of the total land area, and thus Kyrgyzstan depends on imports of basic foods, especially wheat. Livestock therefore plays a crucial role, both in food security and as a safety net for the rural poor population. However, productivity is below potential and livestock-raising communities remain fragile, having few assets and limited economic opportunities to mitigate or adapt to natural disasters and the effects of climate change.
8. **National strategies and policies.** The overall framework for development in Kyrgyzstan is guided by the National Development Strategy 2018-2040 (NDS). The overall goals of the NDS are to establish a state governed by the rule of law, ensure national unity as a prerequisite for preserving statehood and address social issues and challenges. Specifically for the agricultural sector, the NDS calls for using Kyrgyzstan's comparative advantages in terms of geography and climate to become a leading supplier of high-quality ecological and pure organic agricultural production for the regional markets and the markets of the Eurasian Customs Union. The strategy envisions farmers participating actively through cooperatives and other groups to add value to their produce and raise their incomes. The main development focus in the sector is on improving competitiveness on export markets, in addition to introducing international systems for quality control of production and processing. The Government's Strategy for Agricultural Development 2017-2022 is intended to increase exports by introducing new technologies and innovative products and providing support to meat and dairy value chains. Gender equality is promoted by the National Strategy for Gender Equality. Kyrgyzstan ratified the United Nations Framework Convention on Climate Change and submitted its intended nationally determined contribution in 2015.

**Special aspects relating to IFAD's corporate mainstreaming priorities**

9. In line with Eleventh Replenishment of IFAD's Resources mainstreaming commitments, the Regional Resilient Pastoral Communities Project (RRPCP) has been validated as:
  - Including climate finance;
  - Youth-sensitive.
10. The Law of the Kyrgyz Republic on Youth Policy (2009) defines young people as those 14 to 28 years of age. Two thirds of the country's young people live in rural areas and there is widespread migration both to urban areas, such as Bishkek and Osh, and abroad in search of work. Lack of employment is by far the biggest concern among rural youth. They are affected by limited economic opportunities, poor access to public services and limited opportunities to voice their needs. Young women face higher unemployment rates than young men, and are mainly stay-at-home mothers.

11. **Environment and climate.** The two main environmental challenges to be addressed by the project are degraded pasture resources due to poor management and climate-induced degradation; and climate change. More than 40 per cent of agricultural land is seriously degraded, and over 85 per cent of the total land area is exposed to erosion. Temperatures are projected to increase by two to three degrees by mid-century, and precipitation by 12 per cent in the west and 18 per cent in the north-east. Historic rainfall data show a trend towards more precipitation in general, with greater seasonal variability and a marked reduction in summer, the main grazing period. The project is intended to induce behavioural change around the sustainable management of pasture and forest resources by integrating forest and rangeland resources under a single ecosystem management framework, and by introducing climate-resilient measures to be implemented at the community, district and central levels.

#### **Rationale for IFAD involvement**

12. IFAD has accumulated vast experience over more than 20 years of engagement in Kyrgyzstan. Promoted by the World Bank and IFAD, the Pasture Law approved in January 2009 started an effective process of reform, in addition to extensive support through the IFAD-financed Livestock and Market Development Programme, phases 1 and 2, which has been assisting pastoral communities in five of the country's seven regions since 2013. While the reform has achieved substantial results in terms of the empowerment of rural pastoralist communities, it has failed to establish an effective integrated management framework, especially with regard to forestland and forest resources, typically located adjacent to rangelands.
13. Livestock production is important for smallholder production, as indicated above, but also for the country's exports. When Kyrgyzstan joined the Eurasian Economic Union, the country gained an opportunity to access the vast markets of Russia and Kazakhstan. Yet it remains challenged by limited capacity to adhere to food safety standards. Based on its experience in the country, IFAD has a comparative advantage in working with rural communities and promoting policies relevant to livestock production.

#### **B. Lessons learned**

14. The key lessons learned from past and ongoing IFAD operations and those of other donors in the country are as follows:
- The transformation of pasture and forest resource management from a centralized system to a user-based tenure system is under constant challenge. It is critical to provide continuous support to uphold equity-based principles in policy, legislation and practices;
  - Many of the issues relating to rangeland and forest management at district level lack an integrated coordinated response mechanism;
  - Traditional smallholder livestock-rearing approaches and mentalities need to be addressed through engagement at the community level to optimize the income generated from livestock;
  - Community demand for pasture infrastructure investments is on the rise;
  - Actively engaging women through targeting and support measures has proven transformative and effective in delivering sustainable impact;
  - Successful animal disease control and improved food safety require intensive public awareness efforts and strong logistical coordination;
  - While there are several coordination mechanisms available in the country, there is a lack of technical capacity and limited inter-ministerial coordination between the State Agency on Environment Protection and Forestry (SAEPF), the Ministry of Agriculture, Water Resources and Regional Development



(MoA), the Ministry of Emergency Situations (MES), the State Agency for Local Self-Government and Inter-Ethnic Relations (SALSGIER), and local self-government bodies; and

- Experiences with value chain development indicate that smallholders can increase their milk and meat yields provided they have satisfactory access to formal markets, remote pastures and water, and reduced exposure to livestock diseases.

## II. Project description

### A. Project objectives, geographical area of intervention and target groups

15. The goal of the RRPCP is to contribute to rural poverty alleviation in the country through increased resilience and incomes and enhanced economic growth in rural farming communities. The development objective is improved livestock and pasture health and productivity, and enhanced climate resilience of pastoral communities, reflected in improved and equitable returns to pastoral farmers. The project addresses the main drivers of rural poverty and food insecurity. The Government of Kyrgyzstan and IFAD, in the country strategic opportunities programme (COSOP), have identified increasing smallholders' equitable and sustainable returns and increasing smallholders' climate resilience as the key priorities for the future IFAD portfolio in the country, to which the RRPCP goal and development objective directly contribute.
16. The RRPCP also supports IFAD's Rural Youth Action Plan 2019-2021, which calls for enhancing the impact of IFAD's investments on achieving the Sustainable Development Goals (SDGs). The project has a duration of five years, and is expected to reach at least 557,000 rural households organized in 454 pasture user unions (PUUs) and 141 forest user associations and 200 value chains. The project area is countrywide. The target groups are: (i) households practising mobile extensive livestock rearing; (ii) households extracting forest products; (iii) households producing fodder; and (iv) rural women and youth. Targeting will be based on the existence of a village vision or the ability to create one, livelihood fragility and social vulnerability, in line with the mainstreaming themes as described in paragraphs 10 and 11.

### B. Components, outcomes and activities

17. **Component 1 – Sustainable community-based integrated forest-rangeland ecosystem management.** Component 1 will concentrate on behavioural change in the sustainable management of pasture and forest resources, in the context of increasing livestock numbers and a changing climate. It includes independent monitoring and the compilation and execution of evidence-based integrated plans to promote a climate-resilient economy and rehabilitate degraded resources. By integrating forest and rangeland resources under one ecosystem management framework, component 1 introduces a significant upgrade in the institutional arrangements for the pasture management approaches already supported by the previous IFAD portfolio. The outcome is climate-resilient integrated forest-rangeland ecosystems that are sustainably managed. As a measure of success, 3.68 million ha of pasture and forest land (50 per cent of pastures under PUU management) will be brought under sustainable and climate-resilient management practices.
18. **Component 2 – Strengthening the food safety system.** The RRPCP will strongly promote a shift from livestock quantity to livestock quality. The project will pilot the use of public-private partnerships in ecosystem-based natural resource management, and will leverage private sector investments by creating an enabling policy and institutional environment for green investments and climate-resilient value chains that will provide economic incentives for diversification and enhanced

efficiency and productivity of existing economic activities in the highly degraded target areas. In terms of outcomes, the country's capacity for food safety will be strengthened, and smallholder livestock farmers will produce safe products for national and export markets. Ultimately, the project is expected to bring a 15 per cent increase in the value of official exports of livestock and livestock products compared to the rolling average of the previous five years.

19. **Component 3 – Climate-resilient value chains for women and youth.** This component will promote low carbon and climate-resilient value chains to enhance ecosystem health and build the resilience of local communities, with a focus on poor women and youth, especially young women, who face higher unemployment rates. This component will support selected value chain actors to move towards greener and more resilient operations, and greater transparency and competitiveness for marketed products. This shift will be achieved through greater value chain integration, market-driven certification and robust marketing strategies. The outcome will be access to remunerative markets by poor women and youth. As a measure of success, 4,500 rural women and youth will report an increase of at least 30 per cent in their incomes from diversification.
20. **Component 4 – Project management.** The component provides for the overall management of the project by the Agricultural Projects Implementation Unit (APIU) of the MoA.

### C. Theory of change

21. Livestock ecosystems are trapped in a vicious cycle of productivity collapse: overgrazing and degradation cause lower levels of available forage, which reduces animal productivity, causing households to own more animals to compensate for productivity declines, which in turn leads to more degradation.
22. The target groups hold the keys to sustainable management of forest-rangeland ecosystems: better grazing and herd management, forest conservation and production of sufficient fodder needed to bridge feed shortages in winter.
23. The RRPCP will leverage this capability by setting up an integrated management framework for pasture and forest resources, improving production systems and processing standards, and opening up opportunities for diversification. While placing sustainable management at its core, RRPCP will shift the livelihood strategies of pastoralists towards diversified income sources, and from traditional mobile pastoralism to commercially oriented mobile livestock-keeping for export, resulting in improved pasture conditions, increased productivity and higher-value produce.

### D. Alignment, ownership, and partnerships

24. **Alignment with the SDGs.** The project will build livelihood resilience, improve smallholder and pastoral productivity, and strengthen market participation, all of which will contribute to achieving SDG 1 (no poverty). The project will strengthen the cash income-generating capacities of vulnerable groups and focus on smallholders, thus contributing towards SDGs 5 and 10 (gender equality and reduced inequalities). Healthier forest-rangeland ecosystems will sequester higher amounts of carbon and are also more resilient, contributing to the achievement of SDG 13 (climate action). Improvements in grazing will restore grassland and reduce deforestation, contributing towards SDG 15 (life on land). Profits from the livestock sector remain largely unrealized, while employment returns to investment in livestock are high because of high sector growth rate, labour intensity and diverse employment opportunities, so the project will contribute towards SDG 8 (decent work and economic growth). By providing opportunities for viable rural livelihoods and using local resources, the project will contribute to SDGs 11 and 12 (sustainable cities and communities, and responsible consumption and production). Finally, the project will promote partnerships between the Government, the private

sector and civil society through government assistance to small businesses, thus contributing to realizing SDG 17 (partnerships for the goals).

25. **Country ownership and alignment with national priorities.** The project's close alignment with and support for the Government's policies, regulatory framework and strategies will ensure strong country ownership, specifically the NDS and action plan 2017-2022 and the United Nations Development Assistance Framework (2018–2022) for Kyrgyzstan. This project is fully aligned with the Government's draft Strategy for Agricultural Development 2017-2022. In particular, the project supports the strategy's objective to increase exports through the introduction of new technologies and innovative products, and the strategy's emphasis on providing support to meat and dairy subsector value chains.
26. **Alignment with IFAD policies and corporate priorities.** The focus of RRPCP was decided in line with the strategic objectives of the COSOP approved in April 2018: (i) increase smallholders' equitable and sustainable returns; and (ii) enhance smallholders' resilience to climate change. The project is also aligned with IFAD's strategic vision and comparative advantage as elaborated in the IFAD Strategic Framework 2016-2025, particularly its three strategic objectives: (i) increasing poor rural people's productive capacities; (ii) increasing poor rural people's benefits from market participation; and (iii) strengthening the environmental sustainability and climate resilience of poor rural people's economic activities.
27. **Potential synergies and partnerships.** The project will collaborate with ongoing and future interventions by the World Bank, Islamic Development Bank (IsDB), FAO, German Agency for International Cooperation, and European Bank for Reconstruction and Development. At the Government's request, IFAD is negotiating the possible provision of cofinancing with the Adaptation Fund (US\$9.2 million grant) and the Russian-Kyrgyz Development Fund (RKDF) (US\$10 million, on terms to be confirmed). IFAD is also discussing joint interventions with IsDB in the Naryn Oblast to support fodder production – IsDB through irrigation rehabilitation works and IFAD by further promoting the community fodder seed funds initiated under the previous portfolio.

## **E. Costs, benefits and financing**

### **Project costs**

28. The total investment and incremental recurrent project costs, including physical and price contingencies, are estimated at about US\$65.206 million (KGS 4.6 billion).

Table 1

**Project costs by component and subcomponent**

(Thousands of United States dollars)

Component/subcomponent	IFAD loan		IFAD grant		Adaptation Fund		RKDF		Beneficiaries		Government: taxes		Government: budget		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Sustainable community-based integrated forest-rangeland ecosystem management</b>																
1.1 Climate-resilient forest-rangeland ecosystem planning and monitoring	137	3.7	3 468	92.7	100	2.7	-	-	-	-	35	0.9	-	-	3 740	5.7
1.2 Green investments for forest and rangeland rehabilitation	13 517	44.8	69	0.2	5 620	18.6	-	-	10 971	36.4	3	-	-	-	30 179	46.3
<b>Subtotal</b>	<b>13 654</b>	<b>40.3</b>	<b>3 537</b>	<b>10.4</b>	<b>5 720</b>	<b>16.9</b>	-	-	<b>10 971</b>	<b>32.3</b>	<b>37</b>	<b>0.1</b>	-	-	<b>33 919</b>	<b>52.0</b>
<b>2. Strengthening the food safety system</b>																
2.1 Strengthening the public-private veterinary system	2 518	63.7	1 118	28.3	-	-	-	-	-	-	317	8.0	-	-	3 953	6.1
2.2 Supporting the state food safety institutions	3 721	68.7	1 317	24.3	-	-	-	-	-	-	316	5.8	60	1.1	5 414	8.3
<b>Subtotal</b>	<b>6 240</b>	<b>66.6</b>	<b>2 435</b>	<b>26.0</b>	-	-	-	-	-	-	<b>633</b>	<b>6.8</b>	<b>60</b>	<b>0.6</b>	<b>9 367</b>	<b>14.4</b>
<b>3. Climate-resilient value chains for women and youth</b>																
3.1 Climate-resilient value chains development	-	-	410	88.0	56	12.0	-	-	-	-	-	-	-	-	466	0.7
3.2 Climate-resilient value chains financing	3 101	15.4	1 029	5.1	3 000	14.9	10 000	49.7	3 000	14.9	-	-	-	-	20 129	30.9
<b>Subtotal</b>	<b>3 101</b>	<b>15.1</b>	<b>1 439</b>	<b>7.0</b>	<b>3 056</b>	<b>14.8</b>	<b>10 000</b>	<b>48.6</b>	<b>3 000</b>	<b>14.6</b>	-	-	-	-	<b>20 595</b>	<b>31.6</b>
<b>4. Project management</b>																
Project management	40	3.0	840	63.4	427	32.2	-	-	-	-	18	1.4	-	-	1 325	2.0
<b>Total</b>	<b>23 034</b>	<b>35.3</b>	<b>8 250</b>	<b>12.7</b>	<b>9 203</b>	<b>14.1</b>	<b>10 000</b>	<b>15.3</b>	<b>13 971</b>	<b>21.4</b>	<b>689</b>	<b>1.1</b>	<b>60</b>	<b>0.1</b>	<b>65 206</b>	<b>100.0</b>

Table 2

**Project costs by expenditure category and financier**

(Thousands of United States dollars)

Expenditure category	IFAD loan		IFAD grant		Adaptation Fund		RKDF		Beneficiaries		Government: taxes		Government: budget		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment costs</b>																
A. Civil works	997	89.3	-	-	-	-	-	-	-	-	119	10.7	-	-	1 116	1.7
B. Equipment, goods and vehicles																
Goods, equipment and materials	3 114	90.3	-	-	-	-	-	-	-	-	335	9.7	-	-	3 450	5.3
Vehicles	903	89.3	-	-	-	-	-	-	-	-	108	10.7	-	-	1 011	1.6
<b>Subtotal</b>	4 018	90.1	-	-	-	-	-	-	-	-	443	9.9	-	-	4 461	6.8
C. Technical assistance, studies, training and workshops																
Training and workshops	101	18.0	462	82.0	-	-	-	-	-	-	-	-	-	-	563	0.9
International technical assistance	-	-	429	85.5	28	5.5	-	-	-	-	45	9.0	-	-	502	0.8
National technical assistance <sup>a</sup>	-	-	5 690	99.0	56	1.0	-	-	-	-	-	-	-	-	5 746	8.8
<b>Subtotal</b>	101	1.5	6 581	96.6	84	1.2	-	-	-	-	45	0.7	-	-	6 812	10.4
D. Grants																
Other grants	800	100.0	-	-	-	-	-	-	-	-	-	-	-	-	800	1.2
Grants	16 617	41.2	1 029	2.6	8 692	21.6	-	-	13 971	34.7	-	-	-	-	40 309	61.8
<b>Subtotal</b>	17 417	42.4	1 029	2.5	8 692	21.1	-	-	13 971	34.0	-	-	-	-	41 109	63.0
E. External credit	-	-	-	-	-	-	10 000	100.0	-	-	-	-	-	-	10 000	15.3
<b>Total investment costs</b>	<b>22 533</b>	<b>35.5</b>	<b>7 610</b>	<b>12.0</b>	<b>8 776</b>	<b>13.8</b>	<b>10 000</b>	<b>15.7</b>	<b>13 971</b>	<b>22.0</b>	<b>608</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>63 498</b>	<b>97.4</b>
<b>II. Recurrent costs</b>																
A. Salaries and allowances	-	-	498	60.0	332	40.0	-	-	-	-	-	-	-	-	830	1.3
B. Social fund	-	-	74	60.0	49	40.0	-	-	-	-	-	-	-	-	123	0.2
C. Other operating expenses																
Vehicles	-	-	22	53.6	15	35.7	-	-	-	-	4	10.7	-	-	41	0.1
Office	501	70.2	46	6.4	31	4.3	-	-	-	-	76	10.7	60	8.4	714	1.1
<b>Subtotal</b>	501	66.3	68	9.0	45	6.0	-	-	-	-	81	10.7	60	7.9	755	1.2
<b>Total recurrent costs</b>	<b>501</b>	<b>29.3</b>	<b>640</b>	<b>37.5</b>	<b>427</b>	<b>25.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81</b>	<b>4.7</b>	<b>60</b>	<b>3.5</b>	<b>1 708</b>	<b>2.6</b>
<b>Total</b>	<b>23 034</b>	<b>35.3</b>	<b>8 250</b>	<b>12.7</b>	<b>9 203</b>	<b>14.1</b>	<b>10 000</b>	<b>15.3</b>	<b>13 971</b>	<b>21.4</b>	<b>689</b>	<b>1.1</b>	<b>60</b>	<b>0.1</b>	<b>65 206</b>	<b>100.0</b>

<sup>a</sup> Also includes costs of the Community Development and Investment Agency. Unit costs for national technical assistance includes charges of 17.25 per cent to the social fund.

Table 3  
**Project costs by component and year**  
 (Thousands of United States dollars)

Component/subcomponent	PY1		PY2		PY3		PY4		PY5		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Sustainable community-based integrated forest-rangeland ecosystem management</b>												
1.1 Climate-resilient forest-rangeland ecosystem planning and monitoring	1 562.3	41.8	651.8	17.4	584.8	15.6	483.2	12.9	457.5	12.2	3 739.7	5.7
1.2 Green investments for forest and rangeland rehabilitation	99.3	0.3	7 350.0	24.4	8 740.0	29.0	8 290.0	27.5	5 700.0	18.9	30 179.3	46.3
<b>Subtotal</b>	<b>1 661.6</b>	<b>4.9</b>	<b>8 001.8</b>	<b>23.6</b>	<b>9 324.8</b>	<b>27.5</b>	<b>8 773.2</b>	<b>25.9</b>	<b>6 157.5</b>	<b>18.2</b>	<b>33 919.0</b>	<b>52.0</b>
<b>2. Strengthening the food safety system</b>												
2.1 Strengthening the public-private veterinary system	1 271.4	32.2	1 480.4	37.4	498.4	12.6	473.4	12.0	229.9	5.8	3 953.5	6.1
2.2 Supporting the State Food Safety Institutions	2 553.7	47.2	1 009.9	18.7	1 162.3	21.5	406.5	7.5	281.2	5.2	5 413.6	8.3
<b>Subtotal</b>	<b>3 825.1</b>	<b>40.8</b>	<b>2 490.3</b>	<b>26.6</b>	<b>1 660.7</b>	<b>17.7</b>	<b>879.9</b>	<b>9.4</b>	<b>511.0</b>	<b>5.5</b>	<b>9 367.0</b>	<b>14.4</b>
<b>3. Climate-resilient value chains for women and youth</b>												
3.1 Climate-resilient value chains development	130.0	27.9	186.0	39.9	100.0	21.5	50.0	10.7	-	-	466.0	0.7
3.2 Climate-resilient value chains financing	-	-	10 264.6	51.0	6 376.4	31.7	3 488.2	17.3	-	-	20 129.2	30.9
<b>Subtotal</b>	<b>130.0</b>	<b>0.6</b>	<b>10 450.6</b>	<b>50.7</b>	<b>6 476.4</b>	<b>31.4</b>	<b>3 538.2</b>	<b>17.2</b>	<b>-</b>	<b>-</b>	<b>20 595.2</b>	<b>31.6</b>
<b>4. Project management</b>												
Project management	89.6	6.8	40.0	3.0	392.7	29.6	400.0	30.2	402.5	30.4	1 324.8	2.0
<b>Subtotal</b>	<b>89.6</b>	<b>6.8</b>	<b>40.0</b>	<b>3.0</b>	<b>392.7</b>	<b>29.6</b>	<b>400.0</b>	<b>30.2</b>	<b>402.5</b>	<b>30.4</b>	<b>1 324.8</b>	<b>2.0</b>
<b>Total</b>	<b>5 706.3</b>	<b>8.8</b>	<b>20 982.7</b>	<b>32.2</b>	<b>17 854.6</b>	<b>27.4</b>	<b>13 591.4</b>	<b>20.8</b>	<b>7 071.0</b>	<b>10.8</b>	<b>65 206.0</b>	<b>100.0</b>

### Project financing and cofinancing strategy and plan

29. IFAD will provide a loan of US\$23.03 million (35.3 per cent of the total project costs) and a grant of US\$8.25 million (12.6 per cent of the total project costs). Additional financing of US\$9.2 million will be provided by the Adaptation Fund. An additional US\$10 million in cofinancing is expected from RKDF. The possible IsDB parallel financing for about US\$20 million would be directed to irrigation rehabilitation works benefiting the community fodder seed funds.
30. The Government contribution in cash will finance 0.6 per cent of component 2: strengthening the food safety system (US\$60,000). The Government will also cover all taxes and duties, estimated at around US\$0.689 million. The contribution by beneficiaries is estimated at US\$13.97 million. Beneficiaries will be contributing both in cash and in kind at various ratios depending on the type of activity. Project components (1) (sustainable community-based integrated forest-rangeland ecosystem management); (2) (strengthening the food safety system); and (3) (climate resilient value chains for women and youth) are partially counted as climate finance. As per the Multilateral Development Banks' Methodologies for Tracking Climate Change Adaptation and Mitigation Finance, the total amount of IFAD climate finance for this project is calculated as US\$8,822,000, representing 28 per cent of the total IFAD investment, with US\$7,654,000 for adaptation and US\$1,168,000 for mitigation. If the Adaptation Fund investment fails to materialize, it could be offset by redistributing the financing across the board using existing IFAD funds. This would reduce the size of the project, but not change it in any critical way.

### Disbursement

31. The RRPCP will be implemented over five years with an investment to recurrent cost ratio of 97:3. The main expenditure categories are civil works, equipment,

goods and vehicles, technical assistance, studies, training and workshops and grants under investment costs; and salaries and allowances and operating costs under recurrent costs. Funds will be channelled to the project through the designated accounts opened in United States dollars and Kyrgyzstani som for each financing source. Budget and actual expenditure under each financing source will be separated in the accounting software, allowing for separate and integrated monitoring and planning. The project will use the report-based mechanism for disbursement, with withdrawal applications to be prepared by the APIU and the Community Development and Investment Agency (ARIS) using the revolving fund modality by submitting interim financial reports on a quarterly basis.

### Summary of benefits and economic analysis

32. The project is expected to increase: (i) farm-level livestock production and productivity; (ii) the quantity and quality of livestock inputs to processing and consumption; (iii) product diversification; (iv) sector commercialization, providing expanded employment opportunities and higher incomes among the beneficiaries; (v) capacities and livelihoods of women and youth; and (vi) greenhouse gas mitigation and resilience to climate change.
33. Given the benefit and cost streams, the base-case economic rate of return of the project is estimated at 24.6 per cent. The base-case economic net present value of the project's net benefit stream, discounted at 10 per cent, is US\$27.6 million. This shows that the project is economically viable and justified and recommended for financing from the economic point of view.

## III. Risks

### A. Project risks and mitigation measures

34. The key risks to the project are described in table 4 below.

Table 4

**Risks and mitigation measures**

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Transboundary animal disease: An outbreak could adversely affect the expected outcome of component 2 to increase official exports of livestock and livestock products.	Moderate	Strengthen the State Inspectorate on Sanitary, Veterinary and Phytosanitary Security (SIVPSS) staff capacity to promote the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures standards; upgrade diagnostic laboratory competencies; and participate in the FAO-World Organisation for Animal Health (OIE) global strategy.
Equivalency denied: The SIVPSS's request for recognition of equivalency with trading partners is denied.	Low	Train SIVPSS epidemiology/SPS unit staff to effectively use the SPS Agreement, OIE codes and other international standards during negotiations.
Markets: High price fluctuations and competition from imports and other domestic agribusiness enterprises.	Moderate	Training for value chain actors on product positioning and diversification.
Collective contracts: contractual obligations, e.g. for product delivery to collection points, are not fully observed and informal or formal contracts break down.	Moderate	Training for value chain actors on business management, and regular monitoring.
Overall	Moderate	

35. The main financial management (FM) risks are as follows:

Table 5

**Financial management risks**

<i>Indicator</i>	<i>Risk</i>	<i>Inherent FM risk</i>	<i>Mitigation actions</i>	<i>Residual FM risk</i>
Flow of funds	Exposure to exchange rate losses from United States dollar to local currency; delay in receiving government contributions in a timely manner which would lead to risk of IFAD pre-financing of Government contributions; delay in receiving community contributions related to matching grant mechanism	Moderate	(i) Accounting software to include cash flow forecasting module which is relied on to determine the local currency cash need on daily basis; (ii) project funds are kept in the United States dollar account until needed, limiting exposure to exchange rate fluctuations; (iii) develop an outlined process within financial manual to engage with Government (via APIU) when there are delays in receiving Government contributions; (iv) early escalation of the issue to Government with the aim of reducing delays	Low
Internal control	A significant portion of the project budget will be spent via community grants and by smaller implementing agencies, the internal control environment within these structures are generally considered weak given large geographical spread of project. APIU will use various smaller implementing agencies which may not have a sound internal control environment.	Substantial	(i) APIU receives monthly reports from implementing partners which it reviews, monitors and records in the accounting software; (ii) ARIS is responsible for community-level implementation and has an office with financial management structure in each Oblast which provides oversight over community-level activities; (iii) the financial manual to document detailed controls related to community grant payments/disbursements and detailed controls related to payments/disbursements to smaller implementing partners; (iv) both APIU and ARIS is subject to a review by the Chamber of Accounts.	Moderate

**B. Environment and social category**

36. The project is considered to be an environment and social category B operation, as it is not expected to have any significant adverse environmental or social implications. The project will support the sustainable governance and integrated management of forest-rangeland resources in changing climatic conditions. Investments in pasture infrastructure and grants to support businesses of rural women and youth are on a small scale and will comply with national regulations on environment, labour and occupational safety. They are not expected to have adverse negative social and environmental impact.

**C. Climate risk classification**

37. The project's climate risk classification is considered high. Kyrgyzstan's mountainous landscape is subject to extreme climatic events such as flooding, mudslides and drought. The project is intended to rehabilitate highly degraded areas such as hillsides and deforested slopes. The project's main entry point to address climate challenges is through the facilitation of integrated planning of forest-rangeland areas under the control of PUUs and *leskhoses* [territorial management units]. The project will finance adaptation activities in the form of integrated management plans through a competitive grant scheme, and also plans to raise additional climate finance from the Adaptation Fund to enlarge the impact of the scheme. A climate risk assessment was conducted during the project design.

**D. Debt sustainability**

38. In September 2020, Kyrgyzstan's external debt reached an all-time high of US\$8.7 billion, then fell slightly to US\$8.6 billion in the first quarter of 2021. The increase in the nominal value of the external debt is mainly driven by exchange rate differences resulting from the devaluation of the som, together with the effects of the COVID-19 pandemic. In March 2021, nominal GDP reached US\$1.4 billion which is less by US\$1 billion when compared to the last quarter of 2020



(US\$2.4 billion in December 2020). By the end of 2021, government debt is expected to account for 63 per cent of GDP.

## **IV. Implementation**

### **A. Organizational framework**

#### **Project management and coordination**

39. The MoA will have overall responsibility for project management on behalf of the Government. The project will work under the guidance of a steering committee with representatives from the following institutions: MoA (committee chair), SAEPP (national designated authority and committee co-chair), MES, SALSGIER and the State Agency of Architecture, Construction, Housing and Communal Services. The steering committee will include, as observers, representatives of civil society as well as of national academia and the research sector.
40. The APIU of MoA, and ARIS, which are both currently involved in implementing IFAD's ongoing portfolio, will have the primary responsibility for implementation of RRPCP. APIU will have overall responsibility for project oversight and coordination, and ARIS will be responsible for all those aspects that involve communities and the management of project grants.

#### **Financial management, procurement and governance**

41. **Financial management.** IFAD considers both the APIU and ARIS to have the required financial management capability and capacity to implement the RRPCP. APIU will manage the largest part of the project budget and will have the main responsibility for preparing the consolidated budgets and reports. ARIS and other implementing agencies will be responsible for project expenditure related to its allocated components and reporting to the APIU. Before implementation starts, vacant positions, especially at ARIS main office and the Oblast offices, should be filled and configuration of the project in the accounting software should have been finalized by both APIU and ARIS. APIU should improve the annual workplan and budget (AWP/B) preparation process by ensuring that all agencies provide budget inputs as per IFAD requirements. APIU should work on improving project monitoring by preparing a consolidated budget to actual expenses comparison on a quarterly basis and by addressing any implementation issues in a timely manner.
42. Procurement of goods, works and services under the project will be conducted by the APIU and ARIS procurement units pursuant to their respective implementation responsibility. Both the APIU and ARIS have a good track record with implementation of IFAD and World Bank procurement. Procurement will be done in line with IFAD's procurement guidelines.
43. In terms of governance, the project design incorporates various measures to assure good governance as indicated by overall operational accountability and transparency; financial management; procurement of goods and services; environmental governance; gender equality and mechanisms for complaints and remedies.

### **B. Planning, monitoring and evaluation, learning, knowledge management and communication**

44. **Planning.** The period covered by each AWP/B will coincide with the Government's fiscal year, from January to December. The project will develop the AWP/B through a participatory approach. ARIS and the other project implementing agencies will compile AWP/Bs for components under their responsibility, with due consultation of stakeholders, and submit them to the APIU for final agreement and consolidation.
45. **Monitoring and evaluation.** The project's logical framework and the COSOP results framework will form the basis for the overall result-based monitoring and evaluation (M&E) system and comprise performance monitoring and impact

assessment. The APIU M&E staff will have lead responsibility for all internal M&E of the project.

46. **Knowledge management and strategic communication.** Knowledge management will enable the country programme to build a knowledge base of actionable data that can be used to better address challenges tackled by the RRPCP. It will comprise a communication strategy for relevant stakeholder groups, using a project website for communication of basic information about project features and updates on implementation, platforms for data management to maintain statistics, a repository of knowledge products such as reports and studies for analysis and official reporting, as well as brochures, booklets and audiovisual communication for awareness-raising and training purposes.

#### **Innovation and scaling up**

47. The project will introduce an integrated approach to natural resource management whereby land use issues are resolved at the district level by representative organs of the key stakeholders, rather than isolated communities. This will include institutions currently managing pastures, rangelands and forests. Joint consultation, planning and coordination by all relevant stakeholders using a common ecosystem approach will result in expedited and lasting governance and management results. The proposed nation-wide evidence-based M&E system for pastures and forests is also an innovative feature of the project. Moreover, the project will initiate a participatory consultative process for rationalizing the mandate of three government agencies or departments indirectly responsible for food safety certification, and will support a field pilot for cost-effective updating of animal identification data for cattle.

### **C. Implementation plans**

#### **Implementation readiness and start-up plans**

48. The RRPCP will be implemented by the existing APIU and ARIS. Therefore, the fundamental implementation infrastructure is expected to be ready at entry into force. The recruitment process of the coordinators, and other specialists required for early implementation as foreseen in the procurement plan, should commence immediately upon ratification of the financing agreement.

#### **Supervision, midterm review and completion plans**

49. IFAD's supervisory function will be ongoing and support will be provided to resolve any issues that may arise during implementation. Supervision missions will take place at least once a year and will be organized by IFAD's subregional hub based in Istanbul. A midterm review will be carried out three years after project start-up. The project completion review will be undertaken by the Government in close coordination with IFAD at the end of the implementation cycle in order to report on the results achieved through project interventions. The learning dimension of the completion process will be emphasized since it provides useful information for improvements in future programme and project designs and programming.

### **V. Legal instruments and authority**

50. A project financing agreement between the Kyrgyz Republic and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
51. The Kyrgyz Republic is empowered under its laws to receive financing from IFAD.
52. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## **VI. Recommendation**

53. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Kyrgyz Republic in an amount of sixteen million, two hundred and seventy-four thousand special drawing rights (SDR 16,274,000), equivalent to approximately twenty-three million, thirty four thousand United States dollars (US\$23,034,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Kyrgyz Republic in an amount of five million, eight hundred and twenty-nine thousand special drawing rights (SDR 5,829,000), equivalent to approximately eight million, two hundred and fifty thousand United States dollars (US\$8,250,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## **Negotiated financing agreement**

### **Regional Resilient Pastoral Communities Project (RRPCP)"**

(Negotiations concluded on 17 November 2021)

Loan Number: [click and insert number]

Grant Number: [click and insert number]

Project Title: Regional Resilient Pastoral Communities Project (RRPCP) (the "Project")

The Kyrgyz Republic (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

The Parties hereby agree as follows:

#### **Section A**

1. The following documents collectively form this financing agreement (the "Agreement"): this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as most recently amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement, the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a loan (the "Loan") and a grant (the "Grant") to the Borrower/Recipient (together referred to as the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this present Agreement.

#### **Section B**

1. A. The amount of the Loan is sixteen million two hundred seventy four thousand SDR (SDR 16 274 000).

B. The amount of the Grant is five million eight hundred twenty nine thousand SDR (SDR 5 829 000).

2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge of three fourths of one per cent (0.75%) per annum if the Loan was approved by the Fund's Executive Board (the "EB") in December 2021. The service charge will be payable semi-annually in the Loan Service Payment Currency. The

Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's EB. The principal of the Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40).

3. The Loan Service Payment Currency shall be in United States Dollar.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and service charge shall be payable on each 15 May and 15 November.
6. There shall be four (4) Designated Accounts denominated in United States Dollars (USD) opened by the Borrower/Recipient in a commercial bank identified by the Ministry of Finance (the "MoF") through which the proceeds of the IFAD Financing shall be channeled. Two Designated Accounts shall be for the Agricultural Projects Implementation Unit (the "APIU"); one for the Loan and one for the Grant, and two for the Community Development and Investment Agency (the "ARIS").
7. There shall be four (4) Project Accounts in local currency opened by the Borrower/Recipient to receive and hold the proceeds of the Financing transferred from the Designated Accounts.
8. The Borrower/Recipient shall contribute to the Project in an amount of seven hundred ninety nine thousand United States Dollars (USD 799,000) including the payment of taxes and duties levied in the implementation of the Project as well as to cover part of the operational expenditures of state bodies involved in the implementation of the Project.

### **Section C**

1. The Lead Project Agency (the "LPA") shall be the Ministry in charge of Agriculture of the Kyrgyz Republic.
2. The following are designated as additional Project Parties: (a) the APIU; (b) the ARIS; (c) the State Inspectorate for Veterinary and Phytosanitary Security (SIVPS); (d) the Kyrgyz Agrarian University (KNAU); (e) the Department of Chemicalization, Plant Protection and Quarantine under the MoA; (f) the Pasture and Livestock Breeding Department under the MoA; (g) the State Forestry Agency; (h) Kyrgyz Livestock and Pasture Research Institute (KLPRI); (i) Kyrgyz Scientific Research Veterinary Institute (KSRVI), and (j) Kyrgyz Veterinary Association (KVA).
3. The Project Completion Date shall be the sixth (6<sup>th</sup>) anniversary of the date of entry into force of this present Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower/Recipient.
4. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

### **Section D**

The Fund will administer the Financing and will supervise the Project.

## **Section E**

1. The following are designated as additional general conditions precedent to withdrawal:

(a) The Project Steering Committee (the "SC") referred to in paragraph 6 of Schedule 1 to this present Agreement shall have been duly established and fully functioning;

(b) The Project key personnel (namely the APIU Director, the APIU Finance Manager and the APIU Procurement Manager) subject to no objection by the Fund, shall have been duly appointed;

(c) The draft Project Implementation Manual (the "PIM"), referred to in section C part II of Schedule 1 to this Agreement shall have been submitted and no-objected by the Fund.

(d) A fully functional accounting software shall have been established at the APIU and ARIS levels, to the satisfaction of the Fund.

(e) The designated account and the operating accounts are opened and the sample signatures have been sent to IFAD.

(f) The necessary contractual arrangement between the MoF and ARIS shall be concluded, in order to set the terms and conditions of their cooperation for the implementation of the Project, subject to a non-objection from the Fund.

2. The following are designated as additional ground for suspension of this Agreement:

(a) The PIM, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.

(b) The Project key personnel (namely the APIU Director, the APIU Finance Manager and the APIU Procurement Manager) are appointed, transferred or removed from their functions without the prior concurrence of the Fund.

(c) The necessary contractual arrangement between the MoF, and ARIS shall be concluded, in order to set the terms and conditions of their cooperation for the implementation of the Project, subject to a non-objection from the Fund.

3. This present Agreement is subject to ratification by the Borrower/Recipient.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

[click and type title of the representative]

[click and type the name and address of the ministry]

For the Fund:

The President  
International Fund for Agricultural development  
Via Paolo di Dono 44  
00142 Rome, Italy

KYRGYZ REPUBLIC

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"[Authorised Representative Name]"  
"[Authorised Representative title]"

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

---

Gilbert F. Houngbo  
President

## Schedule 1

### *Project Description and Implementation Arrangements*

#### **I. Project Description**

1. *Target Population.* The Project has a national coverage. It will primarily support vulnerable rural households whose livelihoods depend on rangelands and forests, comprising: (i) households practicing mobile extensive livestock rearing; (ii) households extracting forest products; (iii) households producing fodder; and (iv) rural women and youth. Particular attention will be given to the participation of women and youth.

2. *Goal.* The goal of the Project is to contribute to rural poverty alleviation in the country through increased resilience, incomes and enhanced economic growth in rural farming communities.

3. *Objectives.* The objective of the Project is improved livestock, pasture health and productivity and enhanced climate resilience of pastoral communities reflected in improved and equitable returns to pastoral farmers.

4. *Components.* The Project shall consist of the following three (3) Components:

**4.1. Component 1. Sustainable community-based integrated forest-rangeland ecosystem management.** The objective of this Component is resilient and sustainable management of integrated forest-rangeland ecosystems.

4.1.1. *Sub-component 1.1: Climate resilient forest-rangeland ecosystem planning and monitoring.* This sub-component will improve the governance and sustainable use of forest-rangeland resources. Sustainable pasture management will include practices in grazing management, herd management, reducing grazing pressures and pasture rehabilitation and maintenance of infrastructure.

4.1.2. *Sub-component 1.2: Green investments for forest and rangeland rehabilitation.* This sub-component will support implementation of plans in Pasture Users Unions (PUUs) and Leskhazes/forest users associations within the target districts through two windows of intervention (for PUUs Leskhazes/forest users associations).

**4.2. Component 2: Strengthening the Food Safety System.** The objective of this component is to strengthen the Kyrgyz livestock sanitary system to support the production of safe products for national and export markets.

4.2.1. *Subcomponent 2.1: Strengthening the public-private veterinary system.* This subcomponent will strengthen the public private veterinary system through the strengthening of the country's capacity for food safety.

4.2.2. *Subcomponent 2.2 Supporting the State Food Safety Institutions.* This subcomponent will support food safety institutions through the introduction of modern food safety certification procedure.

**4.3. Component 3: Climate resilient value chains for women and youth.** The objective of this Component is to strengthen value chain actors, with focus on poor women and youth, to invest in profitable value chains through linking them with financial products.

4.3.1. *Subcomponent 3.1 Climate-resilient value chains development.* This Subcomponent will provide a comprehensive capacity development across a number of



selected value chains, from planning to marketing. It will also identify adaptation needs and best climate interventions.

4.3.2. *Subcomponent 3.2 Climate-resilient value chains financing.* This sub-component will support participants of selected value chains through climate sensitive competitive demand-driven investment packages that include a grant element. The Project will also partner with Financial Service Providers (FSPs), subject to no objection by the Fund, targeting agricultural development to link them with actors in the selected value chains.

4.4 **Component 4: Project Management.** This component shall provide financing for the overall management of the Project

## **II. Implementation Arrangements**

### **A. Organisation and management**

5. *The Lead Project Agency (LPA):* The MoA will be the Lead Project Agency for the Project.

6. *Steering Committee (SC): Establishment and composition:* The SC will be formed by the following institutions: MoA (Chair of the SC), the Ministry of Natural Resources, Environment and Technical Supervision (Co-Chair of the SC), the Ministry of Emergency Situations, the State Agency for Architecture, Construction, Housing, and Communal Services and the representatives of three NGOs in agriculture. The Steering Committee will include, as observers, representatives of civil society as well as of national academia and the research sector of the country.

7. *Responsibilities:* the SC will have the following main functions: i) provide political and strategic orientation; ii) secure good inter-institutional coordination; iii) promote and enhance coordination within the donors' community; and iv) review and approve the annual work plans and budgets.

8. *The Agricultural Projects Implementation Unit (APIU). Core activities:* Under the MoA and in collaboration with ARIS, APIU will have overall responsibility for Project implementation, coordination, oversight and reporting to IFAD and the Cabinet of Ministers of the Kyrgyz Republic. Other APIU's core responsibilities include inter alia (i) financial management, comprising procurement, disbursement, accounting, auditing and financial reporting, (ii) managing the performance of the partner national organizations responsible for implementation of specific Project activities; (iii) establishing commissions for procurement procedures, shortlisting, evaluating, contracting and managing the performance of service providers, (iv) overall Project monitoring and evaluation (M&E), (v) preparing, consolidating and approving the staffing table, the Annual Work Plan and Budget (AWPB) and submitting it to IFAD and the Ministry of Finance of the Kyrgyz Republic for approval; and (vi) maintaining a results-based system of assessing the performance of the partner organizations employing trigger and benchmarks.

9. *Component activities: The following activities shall be implemented by the APIU:*

- a) Subcomponent 1.1 in full, excluding activities that are implemented by ARIS related to mobilization and awareness building of community and smallholders' groups;
- b) Component 2 in full, with the relevant implementation partners.
- c) Component 3 related to oversight of the selection of value chains.

10. *Community Development and Investment Agency (ARIS). Core activities.* ARIS will have the overall responsibility for the Project implementation at the community level, focused on Community Landscape Management Groups (CLMGs), PUUs, Leshozes and forest users' associations; and smallholders' groups including the administration of all Project grant funds. ARIS will also ensure (i) coordination and accountability for effective performance of the combination of its own ARIS staff and technical inputs from the government's agencies, public organizations and NGOs which may be contracted by ARIS to implement parts of project activities specified in the Project design and other project's contracted service providers in implementation of the community-focused activities for which ARIS is responsible, (ii) the M&E of its own activities, including monitoring of performance indicators, assembly and dissemination of information for knowledge management, and the related reporting both to its own management and to the APIU to ensure that the APIU is fully informed and can provide timely and appropriate guidance to ARIS and, (iii) the Financial management of all its activities including procurement, disbursement, accounting, auditing and financial reporting.

11. *Component activities. The following activities shall be implemented by ARIS:*

- a) some elements of Subcomponent 1.1 related to mobilization and awareness building of community and smallholders' groups;
- b) all of Subcomponent 1.2, and
- c) Component 3 in full, where APIU will exercise oversight on the selection of value chains.

12. *Knowledge Management.* RRPCP is expected to generate learning and knowledge on several aspects that will be documented for sharing with key decision-makers and for policy advocacy.

## **B. Project Implementation Manual (the "PIM")**

13. *Preparation.* The Borrower/Recipient shall prepare, in accordance with terms of reference subject to no objection by the Fund, a PIM, which shall include, among other arrangements: (i) institutional coordination including composition of SC, and day-to-day execution of the Project; (ii) Project budgeting, disbursement, financial management, procurement monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project component; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

14. *Approval and Adoption.* The LPA shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. The Borrower/Recipient shall carry out the Project in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.

## **C. Procurement**

15. Procurement for the purpose of this Agreement shall be carried out in accordance with the Fund's Project Procurement Guidelines of 2019 as amended from time to time. No vaccines shall be procured without being certified by a Reference Laboratory of the World

Organisation of Animal Health (the "OIE"). Specifications for vaccines procured for animal diseases shall be based on international standards developed or recommended by the OIE.

**D. Supervision**

16. Under the responsibility of the LPA, an MTR shall be conducted at the end of the third Project Year, to assess the progress, achievements, constraints, emerging impact and likely sustainability of the Project and make recommendation and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Borrower/Recipient and the Fund.

**Schedule 2***Allocation Table*

## 1. Allocation of Loan and Grant Proceeds.

(a) The Table below sets forth the Categories of Eligible Expenditures (defined in GC Section 4.08) to be financed by the IFAD Loan and the IFAD Grant; the allocation of the amounts of the IFAD Loan and the IFAD Grant to each Category and the percentages of expenditures for items to be financed in each Category: (see GC Section 4.07(a))

<b>Category</b>	<b>IFAD Loan Amount (in SDR)</b>	<b>IFAD Grant Amount (in SDR)</b>	<b>Percentage</b>
I. Civil Works	634 000		100% net of taxes
II. Equipment, Goods and Vehicles	2 555 000		100% net of taxes
III. Technical Assistance, Studies, Training and Workshops	64 000	4 185 000	100% net of taxes
IV. Grants	11 075 000	654 000	100% net of taxes & beneficiaries contribution
V. Operating Expenses	319 000	407 000	100% net of taxes & government contribution
Unallocated	1 627 000	583 000	
<b>Total</b>	<b>16 274 000</b>	<b>5 829 000</b>	

(b) The terminology used in the table above is defined as per the:

- I. Category I "Civil Works" includes inter alia costs of renovation of parts of the building of the Ministry of Agriculture, repair of SIVPSS building for an Education center, renovation of laboratories in Serology Department, Virology Department, Bacteriology & Lepto Department in Bishkek, renovation for Parasitology Department and refurbishing of Epidemiology Department and Ascoli Department in Bishkek and renovation of the General laboratory in Osh; to be financed 100% from IFAD loan net of taxes.
- II. Category II "Equipment, Goods and Vehicles" includes inter alia costs of equipment, materials, goods and vehicles to be financed 100% from IFAD loan net of taxes and duties.
- III. Category III "Technical Assistance, Studies, Training and Workshops" includes inter alia international and national technical assistance, studies, surveys, audit, accounting software and ARIS facilitation for community work to be financed from the IFAD Grant.
- IV. Category IV "Grants". Financing of grants shall be financed as per financing shares agreed with IFAD. This category includes inter alia provision of grants to PUUs and Leskhozoes on competitive basis to be financed by IFAD Loan and

beneficiaries; Diversification grants for women and youth grants to be financed by IFAD Loan, IFAD Grant and beneficiaries, and Scholarship Fund for faculty MS / PhD degrees to be financed 100% from IFAD Loan.

- V. Category V "Operating Cost" includes inter alia remuneration of APIU staff, allowances and contribution to the social fund of the Kyrgyz Republic to be financed from the IFAD Grant; office running and/or vehicles fuel & maintenance for Forestry Agency, KG sanitary system institutions, and Department of Quarantine & Plant Protection to be financed 100% from IFAD Loan.

### Schedule 3

#### *Special Covenants*

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Financing if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. *Planning, Monitoring and Evaluation.* The Borrower/Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this present Agreement.

2. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower/Recipient shall ensure that the Project will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken:

*Environment and Social Safeguards.* The Borrower/Recipient shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples* (2009), as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower/Recipient shall immediately inform the Fund and prepare the necessary planning documents; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; and (g) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken<sup>1</sup>

3. *Land tenure security.* The Borrower/Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

4. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

5. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

6. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower/Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower/Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower/Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

7. *The Key Project Personnel* are the APIU Director, the APIU Finance Manager and the APIU Procurement Manager. In order to assist in the implementation of the Project, the APIU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the APIU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel.

# Logical framework

Results Hierarchy	Indicators					Means of Verification			Assumptions			
	Name	Unit of measurement	Base line	Mid-term	End Target	Source	Frequency	Responsibility				
<b>Outreach</b>	1 Persons receiving services promoted or supported by the project	Male Female Young Total number of persons receiving services	0 0 0 0	111,400 295,210 295,210 406,610	1,476,050 1,476,050 738,025 2,952,100	Baseline and Completion Survey, Project records	MTR and completion , Continuous	APIU M&E unit				
	1.a Corresponding number of households reached	HH	0	111,400	557,000					Baseline and Completion Survey, Project records	MTR and completion , Continuous	APIU M&E unit
	1.b Estimated corresponding total number of households members	HH members	0	590,420	2,952,100					Baseline and Completion Survey, Project records	MTR and completion , Continuous	APIU M&E unit
<b>Goal:</b> Contribute to reduction of rural poverty in the country through increased resilience, incomes and enhanced economic growth in rural farming communities	Rural households among target group who have increased their index of household assets' ownership (excluding livestock)	%	0	0	10%	Baseline, Mid-term and Completion Survey	Baseline, Mid-term and Completion	APIU M&E unit	Stable political and macro-economic environment  No major natural disaster affects the Project Area			
<b>Development objective</b> Increased incomes of smallholder livestock farmers.	Increased productivity per animal in terms of milk yields	%	0	0	20%	Baseline, Mid-term and Completion Survey	Baseline, Mid-term and Completion	APIU M&E unit				
	Increased productivity per animal in terms of weight gains	%	0	0	20%							
	Target population with increased milk, meat, crop or forest produce	%	0	0	70%							
	HH % of target group reporting reduction in disputes over NRs	%	0	0	40%							
SF.2.1 Households satisfied with project-supported services Total number of household members Households Percentage (%)	Number of people %	0		2 214 075 75%								



Results Hierarchy	Indicators					Means of Verification			Assumptions
	Name	Unit of measurement	Base line	Mid-term	End Target	Source	Frequency	Responsibility	
	Households	Number			417 750				
SF.2.2. Households reporting they can influence decision-making of local authorities and project-supported service providers Total number of household members Households - Percentage (%)	Number of people %	0		2 214 075 75%					
	Households	Number		417 750					
<b>Outcome 1:</b> Climate resilient integrated forest-rangeland ecosystems are sustainably managed	Per centage of persons/households reporting adoption of environmentally sustainable and climate resilient technologies and practices (measured through increased score in the resilience scorecards (CI 3.2.2))	%	0	0	50%	Baseline, Mid-term and Completion Survey	Baseline, Mid-term and completion	APIU M&E unit,	Government remains committed to develop institutions to promote improved NRM  NRM instruments are adopted at district level and implemented
	Per centage of persons/households reporting improved access to land, forests, water or water bodies for production purposes (CI 1.2.1)	%	0	0	50%				
<b>Output 1.1</b> Climate resilient institutional processes and capacities strengthened.	Multistakeholder groups functioning at the district level with integrated NRM and climate resilient plans (INRMCRPs) agreed and approved.	Number of Multistakeholder groups -	0	20	40	Project records	Continuous	APIU M&E unit,	
	Number of functioning grievance mechanism systems established with registry of complaints and recording of response times	Grievance mechanism system - <i>Number</i>	0						

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Name	Unit of measurement	Base line	Mid-term	End Target	Source	Frequency	Responsibility	
<b>Output 1.2:</b> Community based integrated forests and pastures management plans prepared and implemented	Number of groups supported to sustainably manage natural resources and climate-related risks (CLPMPs implemented (CI 3.1.1))	Groups supported - Groups	0	100	363	Project records	Semi-annually	APIU M&E unit, ARIS M&E unit, implementing NGOs	
	Number of groups supported to sustainably manage natural resources and climate-related risks (INRMPs implemented (CI 3.1.1))	Groups supported - Groups	0	5	27				
	Land brought under climate-resilient practices (CI 3.1.4)	Hectares	0		3.68				
<b>Outcome 2:</b> Smallholder livestock farmers produce safe products for national and export markets	Value of official exports of livestock and livestock products meeting international standards compared to the average of the previous five years increased	%	0	3	15	Project records, National statistics	Annually	APIU M&E unit	Regional free trade agreements (EAEU) continue to provide opportunities for Kyrgyz livestock exports  Endemic animal disease situation in the country remains stable
<b>Output 2.1:</b> Country's capacity for food safety is strengthened	Provisional recognition status is permanently removed for sanitary agreements with 2 EAEU countries (Kazakhstan and Russian Federation).	Number	0	-	2	Project records, MAWRRD records	Annually	APIU M&E unit	
<b>Output 2.2:</b> The Kyrgyz Government introduces a modern food safety certification procedure	The current national food safety certification procedure is rationalized, and a Standard Operating Procedure (SOP) manual is enforced.	Number	0	-	1	Project records, MOAF records	Annually	APIU M&E unit based on supervision mission and specialist assessments	
<b>Outcome 3:</b> Poor women and youth have gained access to remunerative markets	Rural women and youth reporting at least 30% increase in income from diversification and GHG emission reduction activities	Women Youth Total number of people reporting an increase in income diversification - Number	0 0 0	- - -	3,750 1,500 4,500	Project records	Continuous	APIU M&E unit	Good quality BDS available  Business environment for value chain leaders remains conducive for inclusion of beneficiaries in pro poor value chains
	3.2.1 Tons of greenhouse gas emissions (CO2e) avoided and/or sequestered								
	<ul style="list-style-type: none"> <li>Hectares of land - Area (ha):</li> <li>tCO2e/20 years - Number</li> <li>tCO2e/ha - Number</li> </ul>	ha number number	0 0 0		64,750 7,605,707 117				

Results Hierarchy	Indicators					Means of Verification			Assumptions
	Name	Unit of measurement	Base line	Mid-term	End Target	Source	Frequency	Responsibility	
	• tCO2e/ha/year – Number	number	0		5.9				
<b>Output 3.1:</b> Poor women and youth capacity to successfully operate in value chains strengthened through training and marketing support.	Number of persons trained in income-generating activities or business management (Rural women and youth are trained on technical and managerial aspects of diversification and Low carbon activities (CI 2.1.2)	Male	0	-	1,019	Project records	Continuous	APIU M&E unit	
		Female	0	-	7,131				
		Young	0	-	2,038				
		Persons trained in IGAs or BM (total) - Number of people	0	-	8,150				
<b>Output 3.2:</b> Gender- and youth-sensitive competitive grant proposals prepared and implemented	Competitive grant projects successfully implemented.	Number of grants - Number	0	-	475	Project records	Continuous	APIU M&E unit	

## Integrated Project Risk Matrix

### Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
<b>Country Context</b>	<b>High</b>	<b>Substantial</b>
<i>Political Commitment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Governance</i>	<i>High</i>	<i>Substantial</i>
<i>Macroeconomic</i>	<i>High</i>	<i>High</i>
<i>Fragility and Security</i>	<i>High</i>	<i>High</i>
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Policy alignment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Policy Development and Implementation</i>	<i>Moderate</i>	<i>Low</i>
<b>Environment and Climate Context</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Project Scope</b>	<b>Moderate</b>	<b>Low</b>
<i>Project Relevance</i>	<i>Low</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Low</i>
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<b>Project Financial Management</b>	<b>Moderate</b>	<b>Low</b>
<i>Project Organization and Staffing</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Budgeting</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Accounting and Financial Reporting</i>	<i>Moderate</i>	<i>Low</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Low</i>
<b>Project Procurement</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Legal and Regulatory Framework</i>	<i>Moderate</i>	<i>Low</i>
<i>Accountability and Transparency</i>	<i>High</i>	<i>Substantial</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Low</i>
<i>Public Procurement Processes</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>		<i>No risk envisaged - not applicable</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Community Health and Safety</i>	<i>Moderate</i>	<i>Moderate</i>

<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>
<i>Greenhouse Gas Emissions</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Moderate</i>	<i>Moderate</i>
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Low</i>
<i>Stakeholder Grievances</i>		<i>No risk envisaged - not applicable</i>
<b>Overall</b>	<b>Moderate</b>	<b>Moderate</b>

<b>Country Context</b>	<b>High</b>	<b>Substantial</b>
<b>Political Commitment</b>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>Kyrgyzstan is a mountainous, landlocked country of 198,500 km<sup>2</sup> bordering Kazakhstan, Uzbekistan, Tajikistan and China. Ninety four per cent of the territory is at an elevation of more than 1,000 meters, and 40 per cent above 3,000 meters. Nearly half of the country's total area – some nine million hectares – is pastureland, which plays a key role in the country's economy, society, and culture. The population of Kyrgyzstan is 6.316 million (2018) of which 65% live in rural areas and depend predominantly on agriculture and livestock for their livelihood. With an average GDP per capita of US\$ 1,293 (2019), Kyrgyzstan is classified as a lower middle-income country.</p> <p>Kyrgyzstan has declared independence from the Soviet Union in 1991. While transitioning to a democratic society and system of government, the country has proved much determined and committed to reducing poverty. This political will was translated through multiple reforms including the new pasture law which was adopted in January 2009 has been a pivotal piece of legislation for the development of the livestock sector. This law has decentralized the pastures and rangelands management with the ultimate of further valuing livestock sector to generate revenues for local communities. To operationalize this reform, the government has collaborated with international donors including IFAD in order to raise financing for livestock sector development projects.</p> <p><b>Risk;</b> The possibility of social unrest exists with political instability associated with a persistent corruption and ethnic divergences. It is likely to lead to a general situation of violence, bribery and elite capture. The country's constitution was amended multiple times since independence.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>IFAD will work closely with targeted communities to make sure the resources go to the intended beneficiaries. For this to happen, policy engagement and non-lending activities will be developed and implemented with the purpose of engaging communities at grassroots level. The success of project integrative activities of setting up and reinforcing capacities of Community Pasture Management and Livestock Development Plans (CPMLDPs), which roll out systems for systematically collecting pasture using fees to increase Pasture Users Unions (PUU) revenues, is critical to sustaining projects' gains, independently of any political crisis. The approval of the Pasture Law in January 2009 has started an effective process of reform, putting pastoralists at the centre. Kyrgyzstan has since, established many institutions and regulations, substantially supported by IFAD projects, to move towards the sustainable governance of pasture and forest resources. This project will continue to support PUUs so they become fully autonomous and capable of resisting to any external shocks..</p>		
<b>Governance</b>	<b>High</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>One of the major factors of the livestock sector's poor performance in Kyrgyzstan is weak institutions at the national level responsible for ensuring policy and the regulatory framework, producing and transferring required knowledge, and providing technical support to livestock producers. In addition, the lack of institutions at the local level to mobilize farmers to jointly govern communal resources and protect their rights leads to low productivity of the sector, and high incidence of poverty in mountainous livestock communities.</p>		
<p><b>Risk;</b> There is a high probability that weak institutions fail to enact the reforms at local level. In an environment of poor governance, investments are likely not to produce the intended outcomes, as resources will not be used appropriately. There is a high-risk level of accountability in the absence of sound governance.</p>	High	Substantial

<p><b>Mitigations:</b></p> <p>Under RRPCP, institutional capacity building and governance training activities will be developed and delivered to local stakeholders. These activities will be further strengthened with close follow-up and monitoring, complemented with policy activities. RRPCP will collaborate with local NGOs to fill in the gaps for more social inclusion activities. Project activities will promote rural women, youth empowerment, and inclusive education as necessary. To further improve governance, IFAD's anticorruption and good governance framework will be applicable to the project. Details thereon are included in the Financial Manual. IFAD will deliver a customized training session to project staff on this topic during project start-up.</p>		
<p><b>Macroeconomic</b></p>	<b>High</b>	<b>High</b>
<p><b>Risk:</b></p> <p>The economy of the Kyrgyz Republic has been ranked among the moderately free for the past four years. GDP growth during that time has been solid, thanks to gold exports and robust household spending (boosted by remittance inflows from Russia and Kazakhstan); robust wage growth; and a slowdown in inflation. Advancements in economic freedom are being blocked by ongoing and endemic corruption, weak protection of property rights, and excessive government spending which crowds out private-sector activity. The economy has remained resilient to an adverse and volatile external context, growing at an average robust 3.8% since 2016, pulled by steady gold exports.</p> <p>Risk;</p> <p>Downside risks to this outlook include the country's economic dependence on external market led by export of gold and remittances from workers from Russia and Kazakhstan. The economy is poorly diversified and positively correlated with export market. This means that it collapses anytime when commodity markets takes a downturn. The country's capacity to maintain a satisfactory level of debt service depends on externalities.</p> <p>More specifically, decreasing remittances from Russia also induced by COVID-19, is a risk for the share of the country's foreign exchange inflows. This will have a direct impact on the smallholders' capacity to accumulate capital for investments and smallholders ability to maintain their spending status.</p>	High	High
<p><b>Mitigations:</b></p> <p>Overall, this risk level is beyond the project's scope. However, the project can contribute to mitigate its effects on targeted populations by diversifying livelihoods through livestock value-chain development. By diversifying investment portfolio and building partnerships with private sector, the project will create remunerative jobs for youth and women. This will ultimately result in reduced migration and more social and economic stability with increased smallholders' capacity to accumulate capital for investments and ability to maintain their spending status.</p> <p>Additionally, the country's dependence on remittances from Russia for a large share of its foreign exchange inflows will be addressed through partnership with RKDF credit facilities provided on affordable terms to project stakeholders.</p>		
<p><b>Fragility and Security</b></p>	<b>High</b>	<b>High</b>
<p><b>Risk:</b></p> <p>Kyrgyzstan models itself as Central Asia's only parliamentary democracy, but multiple challenges threaten its stability. Divided ethnically between Kyrgyz and Uzbeks and geographically north and south, the state is deeply corrupt and fails to deliver basic services, in particular justice and law enforcement. Its political institutions are under stress by the ruling system, and the country is underperforming in terms of democracy. Furthermore, there is need to prevent and counter the threat of growing radicalization by bolstering the credibility of public institutions and adopting a more tolerant attitude toward non-violent Islamists. The rapid rise of alternative religious interpretations, often at odds with the state's concept of traditional identity, are being fuelled in part by endemic corruption and perceptions of incompetency.</p>		

<p><b>Risk;</b> The risk of violence is high as long as the economic marginalization persists, and weak and corrupt institutions remain accountable for delivering basic services. This is further aggravated by contracting religious interpretations coupled with the latent ethnic tensions, ultimately constituting threats to internal security. Another risk factor includes the effects of the COVID-19 outbreak in the country. The pandemic has negatively impacted all sectors, and if it has to continue further, it will further aggravate the country's fragility</p>	High	High
<p><b>Mitigations:</b> The mitigation measures include strengthened policy activities to address root causes of social tensions, and institutional capacity building activities. IFAD projects will devise non-lending activities aiming at reinforcing local governance and accountability. These activities will be closely monitored with projects to ensure they contribute to stabilizing and socializing targeted communities. COVID-19 responses must be prepared. IFAD has already put in place a mechanism of response to the pandemic crisis, which entails greater flexibility including repurposing of project funds as deemed necessary</p>		
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Policy alignment</b>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b> The overall framework for development in Kyrgyzstan is guided by the National Sustainable Development Strategy 2018-2040 (NSDS). The overall goals of the NSDS are the establishment of a state governed by the rule of law, ensuring unity of the nation as a prerequisite for preserving statehood, and the resolution of social issues and challenges. This is achieved through sustainable economic development and macroeconomic stability, improved business environment and investment climate, development of strategic industries, and equitable development of the regions of the country. The priorities defined by the National Council for Sustainable Development with a view to establishing the country's "Vision for 2040" included improving agriculture, providing development opportunities for smallholders and creating logistics and processing centres, with emphasis on enhanced links between economic access, food security and resilience to shocks in a systemic approach to the design of short-, medium- and long-term strategic objectives and results.  The overall framework for development in Kyrgyzstan is guided by the National Sustainable Development Strategy 2018-2040 (NSDS). Specifically for the agricultural sector, the NSDS aims at using the geographical and climatological comparative advantages of Kyrgyzstan to become a leading supplier of high quality ecological and pure, organic agricultural production for the regional markets and the markets of the Customs Union. In the agricultural production system there shall be mid- and high processing facilities, and development of logistical centers for exports (as per the Strategy for Agricultural Development 2017-2022). The strategy foresees farmers to participate actively through cooperatives and other mechanisms for agglomeration, which will help to add value to produce and thus increase income for the local population.  <b>Risk;</b> Political and social stability is key to maintaining the engagement framework. There is low risk of Government's pro-poor strategy to undermine project's development objectives. However, the lack of ownership and fiscal resources from the Government on its Strategy for Agricultural Development which aimed at providing support to key value chains actors could jeopardize RRPCP's efforts to increase incomes of smallholder</p>	Moderate	Moderate
<p><b>Mitigations:</b> The mitigations measures here include maintaining and reinforcing policy dialogue in order to maintain the engagement, and to always ensure that interventions align with national priorities. Additionally, RRPCP will seek to introduce integrated policy development, planning and implementation of pasture and forest plans, enabling an ecosystem-based approach which, while taking into account connectedness and interdependence of pasture and forest resources, will bring social stability. The project will increase livelihood resilience, improves smallholder and pastoral productivity, and strengthen market participation of stakeholders.</p>		



<b>Policy Development and Implementation</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Pasture management reforms in Kyrgyz Republic started as a measure to devolve management responsibilities to local governments and communities due to inability of government to promote sustainable resource management practices and ensure effective management. IFAD supported projects played important roles in this major transfer of vast pasture resources from central and provincial/district level administration to the level of local governments and further to resource users. At the same time, many changes occurred during a period of political instability, which weakened the power of local administrators with stakes in the previous system for managing pastures. Policy development and implementation in Kyrgyzstan is a challenge with weak institutions and unstable political situation. Policy initiatives in support of the smallholders in the livestock sector need to be linked to social targets, such as increased access to pastures, economic factors such as improved animal productivity and profitability (in addition to increased number of livestock), and environmental targets, such as improved areas of pasture and increased areas under sustainable use.</p> <p><b>Risk;</b></p> <p>The principal risk at this level is the failure of local institutions to channel effectively the reforms to livestock communities. Such a failure would result in ineffective implementation of investment projects, and ultimately conducive to misuse of resources from foreign investments.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Mitigation measures include continued and strengthened donor coordination and policy dialogue with government as a whole, and with key ministries; sustained and enhanced capacity building, and periodic reassessment of capital investment needs by the Government. Furthermore, the project will support the establishment of an expert group comprised of various technical expertise with engagement of local research and outreach organizations to develop and deliver capacity-development interventions to enhance capacity on policy making and rolling out of reforms among key stakeholders, and to enforce policy aimed at introducing resource saving and low-waste agriculture production technologies, and improved agriculture processing techniques.</p>		
<b>Environment and Climate Context</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Project vulnerability to environmental conditions</b>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The Kyrgyz Republic's climate characteristics are related to its location in the centre of the Eurasian continent at a distance from main water bodies and close vicinity to deserts. The population of the Kyrgyz Republic is 6,019,000 as of January 2016, which is predominately rural and unevenly distributed across the country due to its mountainous terrain. Despite progress made in the last few years to reduce extreme poverty, climate risks pose significant threats to ensuring sustainable livelihoods, food security and infrastructure services. Climate-related events, such as the increasing numbers of floods and mudflows each spring, drought in 2008 and severe cold spells in 2008-2009, and the cascading impacts on society and the economy, highlight the country's vulnerability to climate risks. Climate change will exacerbate existing problems and pose additional risks to the achievement of national sustainable development priorities.</p> <p>The Project is classified as a Category B operation. This rating results from the few identified potentially negative environmental impacts that might be expected from the Project's field activities. The key activities of the project include pastures /rangelands management (improvement activities), livestock value-chain development, and animal health and food safety.</p> <p><b>Risk;</b></p> <p>If no action is taken, environmental and climate related events would further deteriorate the country's food system and livelihood. The occurrence of climate related disasters such as drought, inundation /mudslides is highly likely and unpredictable.</p>	Moderate	Moderate

<p><b>Mitigations:</b></p> <p>As a category B project with minimal negative environmental impact, RRPCP will focus on raising stakeholders' awareness of potentially devastating climate effects and ways to cope with or reducing them. By so doing, the project will train to use and equip targeted groups with technological resources including, GPS, Google- Earth, Meteorological data applications. As a result, stakeholders will be able to anticipate climate related events and implement appropriate adaptation or mitigation measures they will have learned along project activities. For instance, they will be able to relocate goods and livestock in such a way to avoid events like floods and mudslides by using weather forecasts. Some project training activities will translate into physical improvement works on pasturelands and infrastructure (fences, pathways, drinking troughs, stalls). Communities will receive training to plan and perform these works in ways, which will reduce the likely effect of related climate hazards. For instance, delineation, pathways and landscaping activities will be implemented in respect of natural slope and drainage. Other mitigations measures include climate-smart agriculture practices and the necessary compliance with IFAD environmental, social and climate-change safeguard procedures whilst seeking a sustainable management of natural resources in the targeted regions.</p> <p>The project will review and enhance the existing guidelines for PUU and Leskhozos plans considering all issues of environment, biodiversity protection and ecosystem functions related to sustainable natural resource management. Areas of focus will include different tenure arrangements for use of forest and rangeland resources, such as municipal forests, including shelterbelts and windbreaks, as well as private and community-based tree plantations, and sustainable fuelwood resources and alternative rural fuel sources.</p>		
<p><b>Project vulnerability to climate change impacts</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>The economy of the Kyrgyz Republic faces unique challenges associated with current and predicted climate change impacts, due to its geographic and topographic characteristics, and the structure of its economy. Changing climate hazards in terms of increasing temperatures and uncertainty in future water discharge are bound to affect the country's sustainable development path over the next decades. Population growth has resulted in increased pressure on land and water, increased resource consumption. The country lacks infrastructure such as irrigation system, has limited productive arable land under irrigation, and deteriorating pasturelands.</p> <p><b>Risk;</b></p> <p>There is a high probability that the country falls short of its development objectives including poverty alleviation, if the current trend of climate hazards continues. Rising temperatures and population growth are likely to result in decreases in precipitation, increased rate of evapotranspiration, insufficient water availability for irrigation of crops and other agricultural uses, and food shortage.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>In order to mitigate these risk factors, the country must develop and adaptation measures, and adhere to climate policies. IFAD project plans to involve stakeholders at all levels (smallholders, businesses and private stakeholders) in activities addressing issues of climate change and effects. The country's nationally determined contribution (NDC) to international climate conventions need to be acted upon. The government of Kyrgyzstan collaborates with IFAD and other donors in order to leverage resources to be used toward this development objective. IFAD liaises with the ASAP /climate funds to make more resources available to the country for addressing climate issues adequately.</p> <p>Project activities will guide and support communities (PUUs, CLMGs) to overcome pasture degradation through adoption of pasture rotation and a change in land use practices through training, mentoring and monitoring. The outputs will increase carbon sequestration and enable local communities to become more resilient to the adverse impacts of climate change. Additionally, IFAD will seek to obtain grants from the adaptation funds, which will supplement project resources dedicated to addressing effects of climate change.</p>		

<b>Project Scope</b>	<b>Moderate</b>	<b>Low</b>
<b>Project Relevance</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The RRPCP project is not restricted to any geographical area within the country and the Pasture User Unions (PUUs) in the whole country can be further strengthened to attain sustainability. The targeted end beneficiaries are the major vulnerable social groups in the entire nation, so that the results of Livestock and Market Development Program can be further strengthened and that other areas may benefit from the experience. Targeting will be based on the existence of a village vision or ability to create one, livelihood fragility, actors in the value chains of livestock-derived foods and non-timber forest products, and social vulnerability.</p> <p>RRPCP is relevant as it seeks to address priorities felt by the country government and beneficiaries. Its goal is to contribute to increased incomes and enhanced economic growth in pastoralist communities. Although livestock production contributes heavily to rural livelihoods, nutrition and food security, and to total agricultural sector output growth and exports, productivity is low and far below its potential. The main constraints that need to be addressed are inadequate animal feeding due to poor utilization of pasture resources, poor animal health, inappropriate farm management practices, and weak livestock marketing and processing.</p> <p><b>Risk;</b> Risk related to the relevance of this project is low, and concerns a potential deviation from the development objective, which about improving livestock communities' access to productive infrastructure and services, enhancing revenues and reducing the severity of rural poverty in Kyrgyzstan.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>To mitigate the eventuality of such occurrence, IFAD must ensure that implementation stays on track to achieving the development objective. This is best addressed through regular supervision missions and other follow-up activities. To this end, the project has to remain focussed on achieving the strategic objectives of the COSOP approved by IFAD EB in April 2018. In the course of implementation, the project will work toward increasing smallholders' equitable and sustainable returns, and enhancing smallholders' resilience to climate change. The project will also remain consistent with IFAD's strategic vision and comparative advantage (as elaborated in IFAD's Strategic Framework 2016-2025), particularly increasing poor rural people's productive capacities and benefits from market participation. Additionally, as more resources will become available through GCF financing, the project will stay focussed on strengthening the environmental sustainability and climate resilience of poor rural people's economic activities.</p>		
<b>Technical Soundness</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>IFAD's current country program consists of the Livestock and market Development Project (LMDP2), Access to Market (ATMP), and the soon-to-come Regional Resilient Pastoral Communities Development Project (RRPCP). These projects focus on income diversification and promote alternative sources of income to diversify household economies through improved livestock. The projects explore income-generating options beyond livestock production, to add value to livestock products for creating wealth and employments. While doing this, the projects seek to gradually reduce grazing pressure on pastures and mitigate the impact of climate change by establishing Pasture User Unions to manage the common pastures. They also provide financing and technical assistance to encourage and nurture new economic activities through which the most vulnerable of the rural society – mainly women and youth – can build and develop additional sources of income as a safety net against possible economic losses. The effective implementation of these projects will lead to established socio-economic resilience, enhanced income for youth and women, and reduced youth migration.</p> <p><b>Risk;</b> Under this section, the risk factor includes the likelihood of elite capture, as the level of corruption is substantial in the country.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>In order to reduce the likelihood of this to happen, IFAD must keep an eye on procurement activities, pay attention to the use of funds, and make sure the resources effectively go into the achievement of the intended purpose. Capacity- building activities focusing on procurement and financial management as well as data management must be envisaged. The implementation strategy put in place will ensure that the main project benefits go to households in the 454 PUUs areas that constitute the rural population of the whole country. A high proportion of the target population will be reached by pasture management activities with the largest project investment part going directly to the beneficiaries in the form of competitive grants, training and technical assistance. A system for awarding competitive grants will be established in the target municipalities, and a national monitoring unit will be setup and adequately trained and equipped to track-record beneficiaries and selection procedures implemented.</p>		
<p><b>Institutional Capacity for Implementation and Sustainability</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Implementation Arrangements</b></p>	<b>Moderate</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>There are several institutions that have been engaged in implementing past projects as well as in the ongoing LMDP2 and ATMP projects, thus scaling up good practices and lessons learned. The two leading institutions among those are Agricultural Projects Implementation Unit (APIU) under the Kyrgyz Ministry of Agriculture, Food Industry and Melioration (MAFIM), and the Community Development and Investment Agency (ARIS), a large organization with outreach in the field. These institutions will have the prime implementation responsibility for RRPCP as well. In terms of institutional capacity, the government is facing internal challenges in developing the market economy and social inclusion. On the other hand, the gaps in these fields have been partly filled by national NGOs.</p> <p>The MAFIM as IFAD entry point into the country, and primary responsible for the project, has delegated the implementation to the Agricultural Projects Implementation Unit (APIU) and the Community Development Organization (ARIS). APIU has the overall responsibility for coordinating activities and assigning roles to other participating institutions, starting with ARIS. ARIS is the key partner of APIU and ensures field delivery of activities along with local stakeholders and participating community-based organizations. Each participating institution has its areas of responsibility and is financially accountable for the implementation of its portion or component. Community-based organizations and other participating institutions report to ARIS. In its turn, ARIS reports to APIU. A Memorandum of Understanding (MOUs) signed between APIU and ARIS clarifies roles and responsibilities, and work flow.</p> <p><b>Risk:</b> Both APIU and ARIS are government-controlled institutions. They have accumulated good amounts of experiences in implementing foreign funded projects. Since the level of corruption is substantial in particular in the public sector, one must factor in the possibility of distortion of procurement and /or financial management rules. In addition, decision-making process being generally lengthy in public sector, there is a high probability of project falling behind its calendar in terms of disbursement. Already, the negotiations of the Financing Agreement is lingering for months. Furthermore, the use of multiple implementing agencies and the coordination of activities among them, are additional challenges, which APIU will have to face. The risk of APIU failing to stay up to duty is higher in the face of the workload and wide diverse partners.</p>	Moderate	Moderate
<p><b>Mitigations:</b></p> <p>The mitigation measures include the institutional capacity building. This starts with identifying institutional areas of weakness, and addressing them through specific training activities as well as exchange visit programs with the purpose of instilling a culture of transparency and acquiring good practices.</p> <p>With regard to geographical spread, ARIS has a national footprint with a central office and regional (Oblast) offices across the country. This gives ARIS a wider margin of manoeuvre to handle the widespread of smaller-size implementing field agencies.</p> <p>In terms of coordination and consolidation challenges, APIU currently manages both IFAD and World Bank projects and is experienced in required financial management systems and procedures. Financial Management burden is centralised at APIU and ARIS Head Offices. APIU is experienced in consolidating project information, and R RRPCP will provide financial management training to all agencies at project start-up and annually thereafter.</p>		

<b>Monitoring and Evaluation Arrangements</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The project's Logical Framework forms the basis for the overall results-based monitoring and evaluation (M&amp;E) system and comprise performance monitoring, outcome and impact assessment. The APIU M&amp;E staffs have lead responsibility for all internal M&amp;E of the Project. Performance monitoring will concentrate on the financial and physical outputs and the outcomes of Project activities and based upon semi-annual and annual progress reports. Outcome monitoring will assess the use of outputs and measure their benefits at beneficiary level. The monitoring will focus on the accessibility of Project outputs and the extent to which they provide benefits to the target groups in terms of access to finance, services, and markets. Impact indicators have been provided in the Project Logical Framework, and comply with IFAD guidelines.</p> <p><b>Risk:</b></p> <p>Risk factors related to M&amp;E include the likelihood of data not being properly or timely collected. Data collected may not be representative of outputs and outcomes due to miscalculation or tallying issues. Data must also be adequately disaggregated. Furthermore, risks at this level may also be about the qualification of the project M&amp;E specialist, and their overall use of appropriate tools. However, up until now, M&amp;E has not caused any concern, and IFAD rating has been consistently satisfactory.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>IFAD must make sure that capacity-building trainings are provided to assist project M&amp;E staff with, and that the data collection tools in use are in conformity with IFAD guidelines. Regular missions will do fact checking to ensure data quality and reporting. Regular assessments will be carried out to determine and apply corrective measures.</p> <p>Moreover, strong review of technical TORs for the recruitment of possible rotational M&amp;E staff or punctual expertise will be closely reviewed by the Country Team to ensure the highest standard as well as compliance with IFAD's technical expectations.</p>		
<b>Project Financial Management</b>	<b>Moderate</b>	<b>Low</b>
<b>Project Organization and Staffing</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>APIU: APIU is currently responsible for a large workload of 4 projects (IFAD - LMDP1, LMDP 2, ATMP, World Bank - PLMIP) and may not have the ability to take on another project. APIU has one disbursement officer managing 4 projects. Not all APIU staff have completed the IFAD FM e-learning course. APIU does not undertake staff performance evaluations / do not identify areas of improvement (and training needs). APIU staff not aware of IFAD's updated anti-fraud policy (approved by Executive Board Dec 2018). The APIU Financial Manager was previously a disbursement specialist and promoted to Financial Manager in December 2017. She had no Financial Manager experience prior to her appointment. APIU will use a number of smaller implementing agencies. The competence of these staff has not been assessed at design.</p> <p>ARIS; ARIS is currently managing 9 donor funded projects (including 3 for IFAD) with a possible concern related to capacity to take on RPLP. ARIS indicated that they appoint dedicated staff for new projects, therefore these positions do not currently exist for RPLP. Not all ARIS staff have completed the IFAD FM e-learning course. ARIS does not undertake staff performance evaluations / do not identify areas of improvement (and training needs). 7 ARIS staff resigned in 2018 (only the Financial Manager from the finance team) and a prior supervision missions highlighted a concern regarding ARIS performance. A new Financial Manager was recently appointed.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>Existing mitigations:</p> <ul style="list-style-type: none"> <li>-Overall, the track record of the APIU/ARIS in managing the financial aspects of projects is good and is reflected in the satisfactory FM ratings on existing projects (IFAD internal ratings).</li> <li>-Both APIU and ARIS is currently well staffed to deal with existing projects. ARIS vacancies have been filled).</li> <li>-The ARIS Financial Manager is fairly new but engagements with him during the design were positive. He seems knowledgeable with regards to FM processes and procedures. The disbursement specialists have been with ARIS for a long time and are well experienced.</li> <li>-LMDP 1 and PLMIP will close before commencement of RPLP, indicating a reduced workload for both APIU and ARIS.</li> <li>-The APIU Financial Manager has more than 10 years' of experience within the finance department. She is qualified and has attended various IFAD specific training related to financial management.</li> <li>-The ARIS Financial Manager has many years of experience in similar positions, including donor project experience.</li> </ul> <p>*Additional mitigating recommendations:</p> <ul style="list-style-type: none"> <li>-Require all new APIU and ARIS staff (and existing staff if applicable) to complete the IFAD FM e-learning course within 1 month of project start-up.</li> <li>-Request the APIU/ARIS to develop a performance evaluation process for FM staff within 1 year of project commencement. This process should identify skills gaps and assist with identifying appropriate training interventions.</li> <li>-Include information on IFAD's new anticorruption policy in the Financial Manual and host a 1-hour session on the topic at project start-up</li> <li>-Include an undertaking in the financing agreement with APIU that they should ensure that MOUs entered into with smaller implementing partners specify the requirement to employ qualified/experienced accountants.</li> <li>-Require ARIS to appoint one disbursement officer (based in Bishkek) and 7 accountants (1 per Oblast) prior to project start-up as a condition precedent in the financing agreement. Recruit from the market on a competitive basis and ensure that the disbursement specialist has prior donor project experience. TORs outlined in draft FM.</li> </ul>		
<p><b>Project Budgeting</b></p>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>APIU;</p> <ul style="list-style-type: none"> <li>-Requirement to prepare consolidated AWPB which includes activities of all implementation agencies (ARIS, APIU and other smaller agencies).</li> <li>-For existing projects, consolidated AWPBs are not presented in the correct format as required by IFAD.</li> <li>-Possible exchange rate fluctuations may result in budgets which are not accurate.</li> <li>-For existing projects, the consolidated budget to actual performance is only prepared for the purposes of submitting IFRs to IFAD. Therefore, lack of frequent monitoring at a consolidated level.</li> </ul>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Existing mitigations:</p> <ul style="list-style-type: none"> <li>-APIU is experienced in the IFAD AWPB process and for existing projects, submits consolidated AWPBs in a timely manner for IFAD approval.</li> <li>-The current exchange rate environment has resulted in more stable exchange rate which mitigates the risk of inaccurate budgets due to exchange rate fluctuations.</li> <li>-Both ARIS and APIU monitor actual to budget performance for their allocated components on a regular basis.</li> </ul> <p>*Additional mitigating recommendations:</p> <ul style="list-style-type: none"> <li>-Include detailed AWPB template in the Financial Manual. Request APIU to disseminate this template to all agencies and ensure that all agencies prepare their AWPBs using the same template.</li> <li>-Require that quarterly projects meetings be held. For this purposes APIU to prepare a consolidated project budget to actual comparison (per category and component). This requirement to be outlined in the Financial Manual."</li> </ul>		

<b><i>Project Funds Flow/Disbursement Arrangements</i></b>	<b><i>Moderate</i></b>	<b><i>Low</i></b>
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>-Existing projects have SDR loans which are disbursed in USD and have experienced exchange rate losses (USD to SDR)</li> <li>-Difficult to monitor allocated vs. disbursed loans/grants for SDR denominated facilities which are disbursed in USD (experience on existing projects)</li> <li>-Exposure to exchange rate losses (USD to local currency)</li> <li>-Delay in receiving government contributions in a timely manner. Contributions are utilised to pay taxes.</li> <li>-Risk of IFAD pre-financing of Government contributions.</li> <li>-Delay in receiving community contributions related to matching grant mechanism (with impact on project disbursements).</li> </ul>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Existing mitigations:</p> <ul style="list-style-type: none"> <li>-Existing projects have reasonable disbursement rates and APIU/ARIS is well experienced in the IFAD disbursement process.</li> <li>-Flow of funds arrangements for existing projects work well and can be replicated for RPLP.</li> <li>-Proposed 1C Accounting Software has cash flow forecasting module which is relied on to determine the local currency cash need daily. Project funds are kept in the USD account until needed, limiting exposure to exchange rate fluctuations.</li> </ul> <p>*Additional mitigating recommendations:</p> <ul style="list-style-type: none"> <li>-Denominated and disburse loans/grants in USD.</li> <li>-Develop/outlined process within Financial Manual to engage with Government (via APIU) when there are delays in receiving Government contributions. Require early escalation of the issue to Government with the aim of reducing delays.</li> <li>-Adopt flow of funds arrangement which is similar to existing projects and with which ARIS/APIU are familiar (see outlined in Financial Manual).</li> </ul>		
<b><i>Project Internal Controls</i></b>	<b><i>Substantial</i></b>	<b><i>Moderate</i></b>
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>-A significant portion of the project budget will be spent via community grants and by smaller implementing agencies. The internal control environment within these structures are generally considered weak.</li> <li>-Difficult to implement sound internal controls at all levels, especially regional and community level, given large geographical spread of project.</li> </ul> <p>Internal Audit:</p> <p>APIU;</p> <ul style="list-style-type: none"> <li>-The APIU is not included in the MOAM internal audit plan (out of mandate).</li> <li>-The APIU will use various smaller implementing agencies which may not have a sound internal control environment.</li> <li>-The external statutory audit is not expected to test internal controls for the purposes of obtaining reasonable assurance. (Baker Tilly confirmed that they do not rely on controls and do substantive testing only)</li> </ul> <p>ARIS;</p> <ul style="list-style-type: none"> <li>-ARIS internal audit department currently has 2 vacancies (Internal Audit Manager and IA specialist).</li> <li>-The ARIS internal audit programme may not adequately cover community level grant activities. (considered high risk area due to lack of financial management capabilities).</li> <li>-The ARIS Internal audit department is not familiar with IFAD FM specific requirements.</li> </ul>	Substantial	Moderate