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**President's report**  
**Proposed loan**  
**Kyrgyz Republic**  
**Livestock and Market Development Programme III**  
**(LMDP-III)**

Project ID: 2000005336

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**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 41.

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## Appendices

- I. Negotiated financing agreement
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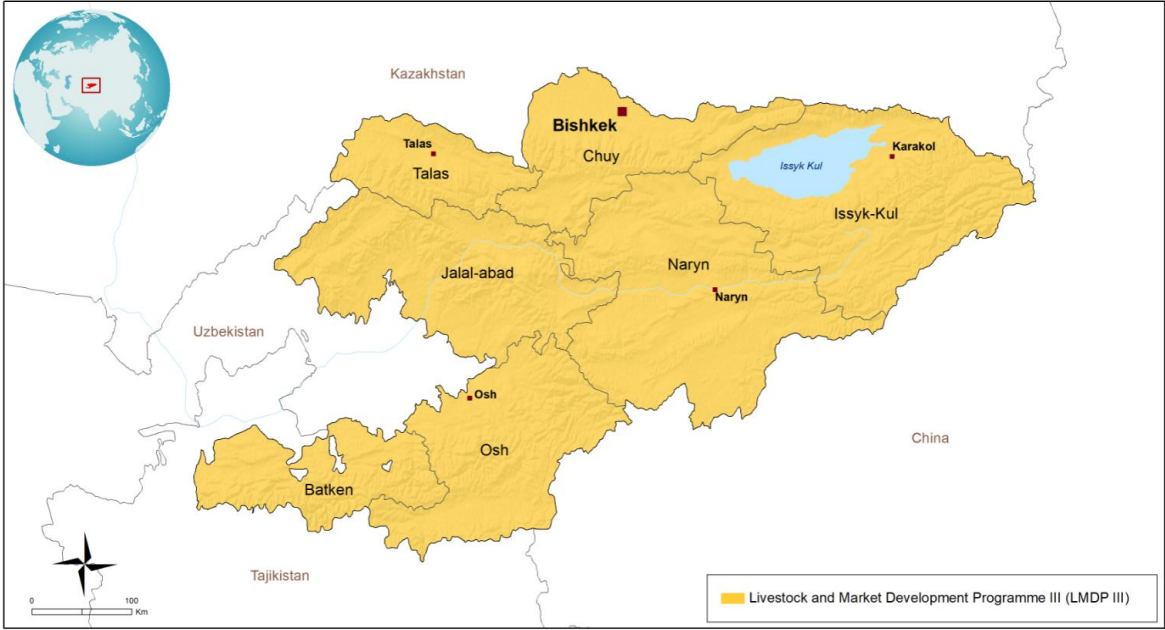
### LMDPIII delivery team


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Map of the programme 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.  
IFAD Map compiled by IFAD | 18-08-2025

## Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Kyrgyz Republic
<b>Executing agency:</b>	Ministry of Water Resources, Agriculture and Processing Industry
<b>Total programme cost:</b>	US\$21.49 million
<b>Amount of IFAD loan 1:</b>	SDR 12.285 million (equivalent to approximately US\$16.843 million)
<b>Terms of IFAD loan 1:</b>	Super highly concessional: 50 years, including a grace period of 10 years, with a service charge of 0.10 per cent per annum in special drawing rights (SDR) (adjustments for single-currency loans)
<b>Amount of IFAD loan 2:</b>	SDR 3.070 million (equivalent to approximately US\$4.210 million)
<b>Terms of IFAD loan 2:</b>	Highly concessional: 40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum in SDR (adjustments for single-currency loans)
<b>Contribution of borrower/recipient:</b>	US\$390,000
<b>Contribution of programme participants:</b>	US\$46,000
<b>Amount of IFAD climate finance:</b>	US\$16.55 million (of which US\$0.8 million is a climate top-up)
<b>Cooperating institution:</b>	IFAD

# I. Context

## A. National context and rationale for IFAD involvement

### National context

1. The Kyrgyz Republic is facing significant development challenges, including a sharp increase in rural poverty, which rose from 22.4 per cent in 2018 to nearly 30 per cent in 2023. This is driven by declining livestock productivity, widespread degradation of winter pastures, and weak veterinary and food safety systems. Over 82 per cent of winter pastures are severely degraded, and milk yields have dropped by 2 per cent while carcass weights fell by 5 per cent between 2015 and 2023.

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

2. In line with IFAD's mainstreaming commitments, the programme has been validated as:

- ☒ Including climate finance
- ☒ Gender-transformative
- ☒ Nutrition-sensitive
- ☒ Youth-sensitive
- ☒ Including adaptive capacity

3. The rise in rural poverty is linked to the country's reliance on livestock production, which leaves households vulnerable to shocks affecting animal health, feed availability and market access. Poor rural households, especially those headed by women and youth, face exclusion due to limited livelihood opportunities, climate change impacts, and restricted access to land and services. Recent governance reforms have weakened local capacity for sustainable natural resource management, particularly in pasture and forest areas, undermining resilience and economic recovery.

### Rationale for IFAD involvement

4. The Livestock and Market Development Programme III (LMDP-III) builds on the successes of its previous phases, which improved the livelihoods of over 700,000 rural people and reduced brucellosis cases by 75 per cent. Despite these gains, more than half of the country's pastures are severely degraded. The recent reassignment of pasture management to underresourced local authorities puts past investments at risk. LMDP-III aims to ensure continuity and sustainability by transitioning successful approaches to new institutional structures. With strong government ownership and cofinancing opportunities, LMDP-III offers a strategic opportunity for IFAD to deepen impact and catalyse inclusive, climate-resilient rural transformation. With strong government ownership, cofinancing opportunities, and an established project management structure through the existing agricultural projects implementation unit (APIU) already in place, LMDP-III offers the strategic opportunity for IFAD to deepen impact, safeguard previous investments and catalyse inclusive and climate-resilient rural transformation.

## B. Lessons learned

5. LMDP-III will apply key lessons from past IFAD projects to ensure greater sustainability and inclusion. The programme will avoid creating new, top-down institutions that have proven unsustainable. To address pasture overuse, it will introduce herd size planning and pasture fee incentives. The programme will also shift from grant-based support to a revolving fund mechanism, providing zero-interest repayable financing to promote financial discipline and sustainability. Instead of relying solely on quotas, it will use gender-transformative approaches like the Gender Action Learning System and the Business Action Learning for

Innovation methodology to meaningfully empower women and youth in project activities and governance.

## II. Programme description

### A. Objectives, geographical area of intervention and target groups

6. The overall goal of LMDP-III is to reduce rural poverty in Kyrgyzstan by increasing resilience, incomes and economic growth in rural farming communities. The development objective is to increase the incomes of smallholder livestock farmers through improved livestock health, pasture productivity and strengthened climate resilience. The programme is expected to establish an umbrella framework that will serve as the national roadmap for sustainable pasture and forest management over 10 to 15 years, ultimately supporting 231 *aiyl okmotu* (AOs) (rural community government bodies) and 40 *leskhoze* (forestry management units), a total of 271 governmental territorial authorities responsible for pasture and forest management as well as the national parks. The current operation is designated as phase 1 (2027–2031), to mark the starting point of the roadmap and provide a basis for future projects to be presented as successive steps along the roadmap. In phase 1 (2027–2031), around 100 selected AOs and *leskhoze* will be supported to prepare and implement pasture and livelihood management plans, socioeconomic development plans and natural resource management plans. The programme will directly benefit 30,000 rural households – or approximately 141,000 people – across 100 AOs and *leskhoze*. It will target poor and vulnerable groups, including mobile herders, forest product collectors, fodder producers and small-scale rural entrepreneurs. Women and youth are key target groups, with outreach goals of at least 40 per cent women and 30 per cent youth.

### B. Components, outcomes and activities

7. LMDP-III will have the following components: (i) sustainable community-based integrated forest and rangeland ecosystem management; (ii) strengthening the food safety system; and (iii) climate-resilient value chains for livelihoods diversification.
  - **Component 1 – Sustainable community-based integrated forest and rangeland ecosystem management** will support 100 AOs and *leskhoze* in preparing and implementing pasture and livelihood management plans and socioeconomic development plans. It will also deliver at least 500 climate-resilient infrastructure subprojects, such as watering points and erosion controls, and create approximately 4,500 jobs, with new opportunities for women and youth.
  - **Component 2 – Strengthening the food safety system** will expand rural veterinary coverage by setting up community vet points and mobile clinics. It will train 500 young veterinarians and paraveterinarians and provide targeted nutrition support to 12,000 households. This component is expected to reduce livestock morbidity and mortality by at least 10 per cent.
  - **Component 3 - Climate-resilient value chains for livelihoods diversification** will support diversification into promising products like honey, berries and non-timber forest products. It will establish a dedicated Agricultural Value Chain Development Fund to provide interest-free, repayable financing for cooperatives. At least 100 cooperatives and 12,000 members and non-members will benefit from financing, training and market linkages, enabling 2,500 households to secure supply contracts.
8. Key impact indicators include 25 per cent of households reporting increased resilience, 30 per cent reporting higher incomes, and 40 per cent adopting environmentally sustainable and climate-resilient practices. Additionally, 4,500 new

jobs will be created, and 80 per cent of households will report improved dietary diversity for women.

### **C. Theory of change**

9. The theory of change is based on a three-pronged approach to address the interconnected challenges faced by smallholder farmers. If local authorities (AOs and *leskhoze*) are empowered to develop and implement management plans and infrastructure, then pasturelands will recover, forage availability will improve and ecosystem resilience will be strengthened. If technical equipment and training for a new generation of veterinarians are provided, then vaccination rates will rise and food safety standards will be strengthened. If cooperatives are given financial and technical support, then their members will adopt improved business practices, leading to higher incomes and better market access for women and youth.

### **D. Alignment, ownership and partnerships**

10. LMDP-III is fully aligned with IFAD's country strategic opportunities programme (COSOP) for Kyrgyzstan 2025–2030 and national strategies. The Ministry of Water Resources, Agriculture and Processing Industry (MWRAPI) will lead implementation through its APIU, which has over two decades of experience managing externally funded projects. The programme will also work in synergy with other development partners, including the World Bank and the Asian Development Bank, and local stakeholders through national coordination platforms. This strong government ownership and established management structure offer a strategic opportunity to deepen impact.

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

#### **Programme costs**

11. The total investment costs and incremental recurrent programme costs, including physical and price contingencies, are estimated at about US\$21.490 million. Physical and price contingencies are low at 1 per cent of the total programme costs. This is largely due to the fact that they relate only to the line items for civil works and goods, and equipment and materials, which represent only 16.5 per cent of the programme cost. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this programme is estimated at US\$16,551,000, representing 78.6 per cent of the total IFAD programme cost as IFAD climate change finance: US\$12,439,000 (59.1 per cent) for adaptation and US\$4,112,000 (19.5 per cent) for mitigation.

Table 1

**Programme costs by component and subcomponent and financier**

(Thousands of United States dollars)

	<i>IFAD loan 1 super highly concessional (HC)</i>		<i>IFAD loan 2 HC</i>		<i>Participants' contribution</i>		<i>Government tax exemptions</i>		<i>Total</i>		<i>foreign exchange</i>	<i>Local (excluding taxes)</i>	<i>Duties and taxes</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>			
<b>1. Sustainable community-based integrated forest and rangeland ecosystem management</b>													
1.1 Pasture, forestry and livelihood management plans prepared	335	72.2	84	18.0	46	9.8	-	-	464	2.2	-	464	-
1.2 Climate-resilient institutional processes and capacities strengthened	2 229	78.2	557	19.5	-	-	65	2.3	2 852	13.3	-	2 787	65
1.3 Pasture and forestry management plans implemented	9 148	80.0	2 287	20.0	-	-	-	-	11 435	53.2	-	11 435	-
<b>Subtotal</b>	<b>11 712</b>	<b>79.4</b>	<b>2 928</b>	<b>19.8</b>	<b>46</b>	<b>0.3</b>	<b>65</b>	<b>0.4</b>	<b>14 751</b>	<b>68.6</b>	<b>-</b>	<b>14 686</b>	<b>65</b>
<b>2. Strengthening the food safety system</b>													
2.1 Country's capacity for food safety strengthened	1 639	72.0	410	18.0	-	-	227	10.0	2 276	10.6	-	2 048	227
2.2 Modernized food safety certification system established	577	71.4	144	17.9	-	-	87	10.7	808	3.8	-	721	87
<b>Subtotal</b>	<b>2 216</b>	<b>71.9</b>	<b>554</b>	<b>18.0</b>	<b>-</b>	<b>-</b>	<b>314</b>	<b>10.2</b>	<b>3 083</b>	<b>14.3</b>	<b>-</b>	<b>2 770</b>	<b>314</b>
<b>3. Climate-resilient value chains for livelihoods diversification</b>													
3.1 Priority climate-resilient value chains identified and developed	176	80.0	44	20.0	-	-	-	-	220	1.0	-	220	-
3.2 Agricultural Value Chain Development Fund established	2 000	80.0	500	20.0	-	-	-	-	2 500	11.6	-	2 500	-
3.3 Cooperatives financed and linked to markets	115	80.0	29	20.0	-	-	-	-	143	0.7	-	143	-
<b>Subtotal</b>	<b>2 291</b>	<b>80.0</b>	<b>573</b>	<b>20.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 863</b>	<b>13.3</b>	<b>-</b>	<b>2 863</b>	<b>-</b>
<b>4. Programme management</b>													
Programme management	625	78.9	156	19.7	-	-	11	1.3	792	3.7	-	781	11
<b>Total</b>	<b>16 843</b>	<b>78.4</b>	<b>4 211</b>	<b>19.6</b>	<b>46</b>	<b>0.2</b>	<b>390</b>	<b>1.8</b>	<b>21 489</b>	<b>100.0</b>	<b>-</b>	<b>21 100</b>	<b>390</b>



Table 2

**Programme costs by expenditure category and financier**

(Thousands of United States dollars)

	IFAD loan 1 super HC		IFAD loan 2 HC		Participants' contribution		Government tax exemptions		Total		Foreign exchange	Local (excluding taxes)	Duties and taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>I. Investment costs</b>													
<b>A. Civil works</b>	<b>582</b>	<b>71.2</b>	<b>145</b>	<b>17.8</b>	-	-	<b>90</b>	<b>11.0</b>	<b>817</b>	<b>3.8</b>	-	<b>727</b>	<b>90</b>
B. Equipment, goods and vehicles													
Goods, equipment and materials	1 940	71.2	485	17.8	-	-	300	11.0	2 725	12.7	-	2 425	300
Vehicles	120	80.0	30	20.0	-	-	-	-	150	0.7	-	150	-
<b>Subtotal</b>	<b>2 060</b>	<b>71.7</b>	<b>515</b>	<b>17.9</b>	-	-	<b>300</b>	<b>10.4</b>	<b>2 875</b>	<b>13.4</b>	-	<b>2 575</b>	<b>300</b>
C. Technical assistance, studies, training and workshops													
Training and workshops	174	80.0	44	20.0	-	-	-	-	218	1.0	-	218	-
International technical assistance	25	80.0	6	20.0	-	-	-	-	31	0.1	-	31	-
National technical assistance	351	80.0	88	20.0	-	-	-	-	439	2.0	-	439	-
<b>Subtotal</b>	<b>550</b>	<b>80.0</b>	<b>138</b>	<b>20.0</b>	-	-	-	-	<b>688</b>	<b>3.2</b>	-	<b>688</b>	-
D. Financing													
<b>Credit and funds</b>	<b>13 127</b>	<b>79.8</b>	<b>3 282</b>	<b>19.9</b>	<b>46</b>	<b>0.3</b>	-	-	<b>16 455</b>	<b>76.6</b>	-	<b>16 455</b>	-
<b>Total investment costs</b>	<b>16 320</b>	<b>78.3</b>	<b>4 080</b>	<b>19.6</b>	<b>46</b>	<b>0.2</b>	<b>390</b>	<b>1.9</b>	<b>20 835</b>	<b>97.0</b>	-	<b>20 445</b>	<b>390</b>
<b>II. Recurrent costs</b>													
A. Salaries and allowances	424	80.0	106	20.0	-	-	-	-	530	2.5	-	530	-
B. Social fund	75	80.0	19	20.0	-	-	-	-	94	0.4	-	94	-
C. Other operating expenses													
Office expenses	24	80.0	6	20.0	-	-	-	-	30	0.1	-	30	-
<b>Total recurrent costs</b>	<b>524</b>	<b>80.0</b>	<b>131</b>	<b>20.0</b>	-	-	-	-	<b>655</b>	<b>3.0</b>	-	<b>655</b>	-
<b>Total</b>	<b>16 843</b>	<b>78.4</b>	<b>4 211</b>	<b>19.6</b>	<b>46</b>	<b>0.2</b>	<b>390</b>	<b>1.8</b>	<b>21 489</b>	<b>100.0</b>	-	<b>21 100</b>	<b>390</b>

Table 3

**Programme costs by component and subcomponent and programme year**

(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>2027</i>		<i>2028</i>		<i>2029</i>		<i>2030</i>		<i>2031</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<b>1. Sustainable community-based integrated forest and rangeland ecosystem management</b>												
1.1 Pasture, forestry and livelihood management plans prepared	464	3	-	-	-	-	-	-	-	-	464	2
1.2 Climate-resilient institutional processes and capacities strengthened	1 440	8	341	21	341	65	341	67	388	56	2 852	13
1.3 Pasture and forestry management plans implemented	11 435	63	-	-	-	-	-	-	-	-	11 435	53
<b>Subtotal</b>	<b>13 339</b>	<b>74</b>	<b>341</b>	<b>21</b>	<b>341</b>	<b>65</b>	<b>341</b>	<b>67</b>	<b>388</b>	<b>56</b>	<b>14 751</b>	<b>69</b>
<b>2. Strengthening the food safety system</b>												
2.1 Country's capacity for food safety strengthened	1352	7	874	53	16	3	16	3	17	2	2 276	11
2.2 Modernized food safety certification system established	541	3	267	16	-	-	-	-	-	-	808	4
<b>Subtotal</b>	<b>1 893</b>	<b>10</b>	<b>1 141</b>	<b>69</b>	<b>16</b>	<b>3</b>	<b>16</b>	<b>3</b>	<b>17</b>	<b>2</b>	<b>3 083</b>	<b>14</b>
<b>3. Climate-resilient value chains for livelihoods diversification</b>												
3.1 Priority climate-resilient value chains identified and developed	110	1	110	7	-	-	-	-	-	-	220	1
3.2 Agricultural Value Chain Development Fund established	2 500	14	-	-	-	-	-	-	-	-	2 500	12
3.3 Cooperatives financed and linked to markets	25	0	50	3	39.4	8	14.4	3	14.4	2	143	1
<b>Subtotal</b>	<b>2 635</b>	<b>15</b>	<b>160</b>	<b>10</b>	<b>39.4</b>	<b>8</b>	<b>14.4</b>	<b>3</b>	<b>14.4</b>	<b>2</b>	<b>2 863</b>	<b>13</b>
<b>4. Programme management</b>												
<b>Programme management</b>	<b>259</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>127</b>	<b>24</b>	<b>135</b>	<b>27</b>	<b>270</b>	<b>39</b>	<b>792</b>	<b>4</b>
<b>Total</b>	<b>18 126</b>	<b>100</b>	<b>1 642</b>	<b>100</b>	<b>524</b>	<b>100</b>	<b>507</b>	<b>100</b>	<b>690</b>	<b>100</b>	<b>21 489</b>	<b>100</b>

### **Financing and cofinancing strategy and plan**

12. IFAD financing amounts to a total of US\$21.054 million, with US\$16.843 million extended on super highly concessional terms and US\$4.210 million on highly concessional terms from the performance-based allocation system allocation under the Thirteenth Replenishment of IFAD's Resources (IFAD13). The super highly concessional loan (78.4 per cent of total programme costs) will finance 79.4 per cent of component 1, sustainable community-based integrated forest and rangeland ecosystem management (which amounts to US\$11.71 million); 71.9 per cent of component 2, strengthening the food safety system (US\$2.21 million); 80 per cent of component 3, climate-resilient value chains for livelihoods diversification (US\$2.29 million); and 78.9 per cent of the programme management component (US\$0.62 million). The highly concessional loan (19.6 per cent of total programme costs) will finance 19.8 per cent of component 1 (US\$2.92 million); 18 per cent of component 2 (US\$0.55 million); 20 per cent of component 3 (US\$0.57 million); and 19.7 per cent of the programme management component (US\$0.15 million). The Government will contribute US\$390,000 in the form of exemptions from taxes and duties, while programme participants are expected to contribute US\$46,000. The programme currently does not foresee any cofinancing for its initial phase, but discussions are under way with potential financiers like the Adaptation Fund and the Aga Khan Foundation, and cofinancing may materialize for subsequent phases.

### **Disbursement**

13. The expenditure categories include civil works; equipment, goods and vehicles; technical assistance, studies, training and workshops; credit and funds; salaries and allowances; and operating costs.
14. Funds will be paid to the project designated account to be opened at a bank identified by the Ministry of Finance and acceptable to IFAD. The designated account will receive disbursements from both IFAD loans, and the accounting and financial reporting will be carried out by the APIU on a *pari passu* basis (80 per cent for the super highly concessional loan and 20 per cent for the highly concessional loan).
15. An operating account in local currency will be opened by the APIU to receive transfers from the corresponding designated account. In addition, the programme will open two dedicated bank accounts in local currency in which the government contribution and the programme participants' contribution will be deposited.
16. The programme will use a report-based disbursement mechanism, with advances based on six-month cash flow forecasts. Withdrawal applications will be supported by quarterly interim financial reports and other required reports.

### **Summary of benefits and economic analysis**

17. The economic and financial analysis confirms the programme's viability and benefits for smallholder livestock farmers in Kyrgyzstan. The programme targets 30,000 rural households, with 40 per cent women and 30 per cent youth. Financial analysis shows strong profitability indicators, with a financial internal rate of return ranging from 16.9 to 91.3 per cent and positive net present values across all models. The economic analysis reveals an economic rate of return of 20.7 per cent and an economic net present value of US\$16 million. Sensitivity analysis confirms economic viability under various scenarios, ensuring the programme's resilience and sustainability.

### **Exit strategy and sustainability**

18. LMDP-III will ensure sustainability, scaling up and exit through strong local ownership, embedded governance systems and sustainable financing mechanisms. The programme will build lasting capacities in AOs and *leskhoze* to plan, implement and maintain investments, while integrating development plans into national pasture and forestry legislation. Proven approaches will be scaled horizontally

through peer learning and vertically through policy integration. The exit strategy will ensure that local governments maintain infrastructure, cooperatives reinvest revenues, and national institutions embed key innovations to deliver long-term benefits.

### III. Risk management

#### A. Risks and mitigation measures

19. Kyrgyzstan faces significant external risks, including economic vulnerability to external shocks, natural disasters and climate extremes. These risks are mitigated through alignment with government resilience initiatives, but they remain high and require continuous monitoring. Policy and sector strategy risks are moderate due to implementation gaps as a result of limited capacity and resources. LMDP-III will build institutional capacities and engage in policy dialogue to reduce these risks. Project risks include moderate institutional implementation capacity challenges, mitigated by a streamlined project management structure and extensive capacity-building. Procurement processes face moderate risks related to efficiency and transparency, addressed through a comprehensive procurement plan and adherence to IFAD standards. Financial management poses substantial risks, mitigated by recruiting qualified finance staff, installing robust financial software, and establishing internal control functions. Stakeholder engagement risks are moderate, mitigated by participatory planning and coordination mechanisms.

Table 4

**Overall risk summary**

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Substantial
Sector strategies and policies	Substantial	Substantial
Environment and climate context	Substantial	Substantial
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Substantial	Substantial
Project procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Moderate
Stakeholders	Moderate	Moderate
<b>Overall</b>	<b>Moderate</b>	<b>Moderate</b>

#### B. Environment and social category, and climate risk classification

20. Environmental and climate-related risks are substantial. Overgrazing, land degradation, erosion, drought and flooding present considerable inherent threats. LMDP-III mitigates these through ecosystem restoration, climate-smart pasture management, small-scale water harvesting, drought-resistant fodder crops and strengthened early warning systems. All measures comply fully with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) guidelines, ensuring impacts remain reversible. Through these interventions, environmental and climate residual risks are reduced to moderate levels.

#### C. Debt sustainability

21. Kyrgyzstan's debt sustainability analysis indicates a moderate risk of external and overall debt distress. Since 2023, growth has averaged about 9 per cent annually, while inflation fell back into the single digits by late 2024. Public debt dropped to 36.6 per cent of GDP in 2024. High dependence on the Russian economy (trade, remittances) means any downturn there could reduce Kyrgyz growth and household incomes. Growth is projected to moderate to 6.8 per cent in 2025 and converge to 5.6 per cent in the medium term and come down to around 5 per cent in the long term by 2045 as the re-export boom normalizes.

## IV. Implementation

### A. Organizational framework

#### **Programme management and coordination**

22. The MWRAPI will have overall responsibility for LMDP-III on behalf of the Government of the Kyrgyz Republic. Strategic oversight will be provided by a programme steering committee chaired by the MWRAPI. The APIU will be the lead implementing agency, and the programme will work with multiple partners, including the Kyrgyz Veterinary Association and local authorities (AOs and *leskhoze*).

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

23. The financial management arrangements for LMDP-III are based on the experienced APIU, part of the MWRAPI, which has managed externally funded projects for over 20 years.
24. While the financial management risk is considered substantial due to broader governance challenges and the programme's complexity, APIU's strong track record and risk mitigation measures – such as recruiting dedicated financial management staff, regular financial monitoring, periodic audits covering the revolving fund and establishing internal audit arrangements – help ensure robust controls.
25. APIU will manage all financial arrangements, adding a disbursement officer and an accountant under the supervision of the current finance manager. Fund flows will be structured through a designated account in United States dollars, with operational transfers made to a local currency account. Additional instructions on disbursements will be provided in the financial management and financial control letter.
26. The programme will follow the International Public Sector Accounting Standards, cash basis, for accounting and will utilize an integrated and customizable accounting software package to generate automated financial reports. Budgets will cover all yearly activities, broken down by quarter, component and financier.
27. Financial management reporting will include quarterly interim financial reports (due within 45 days of the end of the period), unaudited annual financial statements (within four months of year-end), and externally audited statements (within six months of year-end). External audits will be conducted annually by a private audit firm with relevant donor experience, applying international standards and IFAD guidelines.

#### **Procurement**

28. The overall procurement risk has been assessed as moderate. The evaluation of the regulatory and institutional framework identified structural challenges, including fragmented institutional responsibilities and limited strategic procurement capacity. The Public Procurement Law aligns with international practices in general but does not contain explicit provisions for sustainable procurement and shows gaps in implementation, particularly regarding enforcement, independent complaints review, and contract monitoring. Transparency is supported to some extent; however, its mechanisms are not fully implemented across all procurement methods. Oversight and audit systems are present but are primarily reactive and do not consistently result in sanctions or systemic improvements.

#### **Target group engagement and feedback and grievance redress**

29. The engagement strategy for target groups involves capacity-building, community sensitization, consultations and periodic monitoring. Public meetings will communicate project objectives, products and services, criteria and expectations to ensure maximum participation. Engagement includes value chain research to assess programme participants' needs and government priorities, with meetings conducted

in local languages and accommodations for women, men, youth and persons with disabilities.

30. LMDP-III will provide information in culturally appropriate languages and ensure interventions are contextually relevant. Feedback mechanisms include supervision missions, monitoring visits, surveys and assessments to inform periodic reviews and reporting. The APIU manages all interventions, selecting participants across Kyrgyzstan, focusing on marginalized groups. Social inclusion and gender capacity-building will be provided to partners.

#### **Grievance redress**

31. The grievance redress mechanism addresses complaints through a three-tiered approach: community-based, formal and IFAD Complaints Procedures. The grievance redress mechanism ensures accessibility and culturally sensitive communication. The stakeholder engagement plan sets forth engagement requirements, aiming to enhance decision-making and inclusivity by involving affected individuals and stakeholders.

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

32. The APIU will be responsible for the programme's monitoring and evaluation (M&E) function. The M&E system will be based on the programme's logical framework to provide reliable data on progress and results. It will leverage an existing electronic management information system from previous IFAD projects, with a customized module for LMDP-III. An information and communications technology for development toolkit will be used to geo-tag assets, track pasture use and monitor fee collection, with data displayed on simple dashboards.

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

33. The scaling up strategy aims to mainstream successful LMDP-III practices nationwide, transforming pasture and forest management, veterinary services and cooperative-led enterprises into standard practices. It focuses on replicating proven approaches through peer learning, digital training and performance incentives, while institutionalizing innovations within national policy frameworks and local governance budgets. The strategy includes updated regulations, strengthened local governance, sustainable funding mechanisms, robust market linkages and comprehensive knowledge-sharing tools to ensure long-term impact.

### **C. Implementation plans**

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

34. The implementation readiness strategy ensures a timely and efficient project start-up by addressing typical delays. The existing APIU, which manages IFAD-funded and other donor-supported agricultural projects, will only require incremental staffing to integrate into the current structure. Key preparatory activities will be implemented between project design finalization in November 2025 and project effectiveness in June 2026. These activities include piloting and refining pasture and livelihood management plans and natural resource management plans, developing a digital training toolkit, organizing orientation workshops and deploying peer-support teams to strengthen local stakeholder capacities.
35. Critical implementation guidelines for the pasture and livelihood management plans, socioeconomic development plans and natural resource management plans are provided in the programme implementation manual and can be tested and refined during the ongoing Regional Resilient Pastoral Communities Project (RRPCP) implementation. Manuals such as the programme implementation manual, financial management manual and procurement manual will be finalized and approved by IFAD and the Government before programme effectiveness. The Agricultural Value Chain Development Fund will be legally established, its operational manual finalized, and the fund manager recruited to allow prompt operations by the time of

the midterm review. The financial management system will be configured with a dedicated LMDP-III module, and financial staff trained during the preparatory period.

36. The initial annual workplan and budget will be submitted to the Ministry of Finance by October 2026, aligning with the national budget cycle beginning January 2027. The programme will leverage the existing government budget allocation for RRPCP, ensuring timely availability of counterpart funds. The implementation timeline factors in all statutory environmental and social safeguards requirements. A detailed 18-month procurement plan will further reduce implementation risks related to procurement delays.

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

37. IFAD will supervise LMDP-III implementation through annual supervision missions, implementation support missions and technical backstopping. Annual missions will review progress, financial performance and alignment with priorities. Flexible support missions will address emerging issues. A midterm review will assess relevance and results. IFAD will coordinate with the Ministry of Finance on loans restructuring and policy matters, and engage with the MWRAPI on technical issues. Regular virtual meetings and reviews will supplement in-country missions, ensuring compliance with standards.

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

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

## **VI. Recommendation**

41. 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 super highly concessional terms to the Kyrgyz Republic in an amount equivalent to twelve million two hundred eighty-five thousand special drawing rights (SDR 12,285,000) (equivalent to US\$16,843,000) 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 loan on highly concessional terms to the Kyrgyz Republic in an amount of three million seventy thousand special drawing rights (SDR 3,070,000) (equivalent to US\$4,210,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario  
President

## Negotiated financing agreement

IFAD Loan No: \_\_\_\_\_

IFAD Loan No: \_\_\_\_\_

Project name: Livestock and Market Development Programme III (the "LMDP-III" or the "Programme" or the "Project")

Kyrgyz Republic (the "Borrower")

and

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

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

**WHEREAS** the Borrower has requested a loan from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

**WHEREAS**, the Fund has agreed to provide financing for the Programme;

**NOW THEREFORE**, the Parties hereby agree as follows:

### Section A

1. This Agreement comprises the following: the Main Document (Whereas and Section A-E), the Programme 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, amended as of December 2022, 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, unless the Parties shall otherwise agree in this Agreement. In case of a conflict between the provisions of this Agreement and the General Conditions, the provisions of this Agreement shall prevail.

3. The Fund shall provide two loans (the "Financing") to the Borrower which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

### Section B

1. A. The amount of the Loan eligible to super highly concessional terms (SHCT Loan) is twelve million two hundred eighty five thousand special drawing rights (SDR 12 285 000).

B. The amount of the Loan eligible to highly concessional terms (HCT Loan) is three million seventy thousand special drawing rights (SDR 3 070 000).

2. In relation to the SHCT Loan:



- i. it shall be free of interest but shall bear a fixed service charge of one-tenth of one per cent (0.1%) from the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency;
  - ii. it shall have a maturity period of fifty (50) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board; and
  - iii. the principal of the SHCT Loan will be repaid at two and a half per cent (2.5%) of the total principal per annum for years eleven (11) to fifty (50).
3. In relation to the HCT Loan:
  - i. it shall be free of interest but shall bear a fixed service charge of three-quarters of one per cent (0.75%) from the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency;
  - ii. it 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 Executive Board; and
  - iii. it will be repaid at two per cent (2%) of the total principal per annum for years eleven (11) to twenty (20), and four per cent (4%) of the total principal per annum for years twenty-one (21) to forty (40).
4. The Loan Service Payment Currency shall be in US dollar.
5. The first day of the applicable Fiscal Year shall be 01 January.
6. Payments of principal and service charge shall be payable on each 15 May and 15 November.
7. There shall be one (1) Designated Account denominated in USD (referred to as the "Designated Account") opened by the Borrower in a bank identified by the Ministry of Finance and acceptable to IFAD through which the proceeds of the Financing shall be channelled. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. There shall be one (1) Programme Operating Account denominated in the local currency (referred to as the "Programme Account") opened by the Borrower in a bank identified by the Ministry of Finance to receive and hold the Financing transferred from the Designated Account.
9. The Borrower shall contribute to the Programme an amount of three hundred ninety thousand United States Dollars (USD 390,000) covering the payment of taxes and duties levied in the implementation of the Programme.

## Section C

1. The Lead Programme Agency shall be the Ministry of Water Resources, Agriculture, and Processing Industry MWRAPI or its successor.
2. The following are designated as additional Programme Parties: APIU; the Veterinary, Livestock Development, Pasture and Fodder Service under the MWRAPI; Department of Agrochemical Application, Plant Protection, and Quarantine under MWRAPI; the Veterinary Chamber and the Kyrgyz Veterinary Association (KVA);; the Kyrgyz Livestock and

Pasture Research Institute (KLPRI); NGOs like the Kyrgyz Association of Forest and Land Users (KAFLU), Licensed private veterinarians (nationwide network).

3. 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 Programme.
4. The Programme Completion Date shall be the 5th anniversary of the date of entry into force of this 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.
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**

1. The Fund will administer the Financing and supervise the Programme.

## **Section E**

1. The following are designated as additional general conditions precedent to withdrawal:
  - a) The Fund's no objection to the Programme Implementation Manual (PIM) shall have been obtained.
  - b) The Project Steering Committee (the "SC") referred to in paragraph 7 of Schedule 1 to this Agreement shall have been duly established and fully functioning;
  - c) The Programme 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;
  - d) The Designated Account and the Programme Account are opened and the sample signatures of the persons authorised to operate the accounts have been delivered to IFAD.
  - e) A fully functional accounting software shall have been established at the APIU and level, to the satisfaction of the Fund.
2. The following are designated as additional grounds for suspension of disbursements:
  - (a) The PIM and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Programme.
  - (b) The Programme 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.
3. This Agreement is subject to ratification by the Borrower in accordance with applicable procedures as per legislation of the Kyrgyz Republic.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

[Authorized Representative title]  
[Address]

For the Fund:

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

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

KYRGYZ REPUBLIC

\_\_\_\_\_  
"[Authorised Representative Name]"  
"[Authorised Representative title]"

Date: \_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
"[Authorised Representative Name]"  
"[Authorised Representative title]"

Date: \_\_\_\_\_

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### **I. Programme Description**

1. *Target Population.* The Programme target population is composed poor and vulnerable groups, including mobile herders, forest product collectors, fodder producers, and small rural entrepreneurs. Women and youth are key target groups, with outreach targets of at least 40% women and 30% youth.

2. *Programme area.* The Programme will operate in all seven regions of Kyrgyzstan: Batken, Osh, Jalalabad, Naryn, Issyk-Kul, , Chuy, and Talas.

3. *Goal.* The overall goal of the Programme is the reduction of rural poverty in Kyrgyzstan through increased resilience, incomes, and enhanced economic growth in rural farming communities.

4. *Objectives.* The Programme objective is to increase the incomes of smallholder livestock farmers, achieved through improved livestock health, pasture productivity, and strengthened climate resilience of pastoral communities.

5. *Components.* The Programme shall consist of the following Components:

5.1 *Component 1: Sustainable Community-Based Integrated Forest and Rangeland Ecosystem Management.* Component 1 will establish sustainable, community-driven management of forests and rangelands, resulting in healthier ecosystems and more resilient rural livelihoods. It will address root causes such as overgrazing by excessive herd sizes, scarce water and fodder resources, weak governance of pasture and forest lands, and low adoption of climate-smart practices, as well as the past exclusion of women and youth from decision-making.

*Subcomponent 1.1:* Pasture, forestry and livelihood management plans prepared. This sub-component shall support the formulation of Pasture and Livelihood Management Plans (PLMPs) and Socio-Economic Development Plans (SEDPs) by each Aiyl Okmotu (AO), and Natural Resources Management Plans (NRMPs) by each leskhoz. Aligned with local development objectives, around 141 plans shall be developed through participatory processes with local authorities and resource users, guiding rehabilitation investments across approximately 2 million hectares. These plans will be developed through a participatory process with local authorities and resource users. They will map resources, resolve land-use conflicts, and define actions like grazing rotations, water point improvements, and fodder production. The plans will guide investments for pasture rehabilitation and sustainable forest grazing, while promoting alternative livelihoods to ease grazing pressure. This will provide communities with a roadmap to balance livestock production, land conservation, and income diversification.

*Subcomponent 1.2:* Climate-resilient institutional processes and capacities strengthened. This subcomponent will build the capacity of institutions at national and local levels to implement the plans. Nationally, the project will strengthen the Veterinary, Livestock Development, Pasture and Fodder Service under the MWRAP and the State Forestry Service under the Ministry of Emergency Situations (MES KR) to support resource management through improved monitoring, integrated forest–pasture coordination, and climate-smart practices. Around 1,000 government staff will be trained in ecosystem management and reforestation. Locally, AOs and leskhozoes will receive training, tools, and digital dashboards to support data-driven, transparent decision-making. Capacity building will cover sustainable land use, reinvestment of pasture fees, and participatory governance. Performance-based incentives will reward improvements in land health and plan implementation. This

will enhance local institutions' ability to enforce grazing rules, maintain infrastructure, and manage climate risks, forming a model for national pasture and forest governance.

*Subcomponent 1.3: Pasture and forestry management plans implemented.* This subcomponent will support around 100 AOs and 41 leskhozoes with infrastructure financing—up to USD 100,000 per AO and USD 35,000 per leskhoz—for protective (e.g. solar wells, check-dams) and productive (e.g. milk coolers, seed nurseries) investments. At least 350 infrastructure projects will be planned and implemented, with Phase 1 focusing on forest pasture improvements in leskhozoes, and later phases expanding to full forest restoration. AOs and leskhozoes will lead implementation, applying climate-resilient measures such as restoring watering points, replanting degraded areas, and building erosion and fire control structures. Improved grazing practices and community training will ensure sustainability. The project will create at least 2,000 jobs<sup>1</sup> for women and youth in restoration, infrastructure maintenance, and entrepreneurship. These efforts will enhance natural resource health and resilience. As results emerge, the government is expected to formalize the integrated pasture-forest management model, enabling national replication.

**5.2 Component 2: Strengthening the Food Safety System.** This component will modernize veterinary and food safety systems to help smallholder livestock producers deliver safe, hygienic products, improving public health and access to higher-value markets. It will address key barriers such as weak rural veterinary services, limited disease surveillance, and burdensome certification processes. Climate-smart risk management will be integrated to tackle rising disease and spoilage risks linked to climate change. By revitalizing veterinary networks and streamlining food safety certification, the project will reduce climate-sensitive health hazards and support policy reforms. Demonstrated approaches—like community-based vet services and risk-based certification—will guide national improvements in veterinary public health and resilience.

*Subcomponent 2.1: Country's capacity for food safety strengthened.* This subcomponent will expand veterinary services as a foundation for safe livestock production and public health. Community vet points and mobile clinics will extend services to remote villages, while AOs will contract private vets to deliver vaccinations, treatments, and disease surveillance. To address rural vet shortages, the project will support at least 500 young vets and para-vets with training, start-up aid, and travel allowances. Ongoing training will improve skills in herd health, hygienic handling, and climate-sensitive disease detection, aiming to reduce livestock morbidity and mortality by 10%. The project will also strengthen national surveillance of zoonotic and food-borne diseases and support a national action plan for responsible antimicrobial use. By project end, livestock health and vaccination coverage will improve, and preventable disease outbreaks will decline. This community-based, preventive model will inform national veterinary policy and programs.

*Subcomponent 2.2: Modernized food safety certification system established.* This subcomponent will reform the national food safety certification system for animal products, making it more efficient, transparent, and climate-informed. It will clarify agency roles, improve coordination, and streamline certification into a single-window, risk-based process—eliminating redundancies while strengthening essential safety tests. Standard operating procedures will be documented, and inspectors and veterinarians trained to apply them consistently. Climate-related risks, such as spoilage during warmer periods, will be addressed through improved hygiene and

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<sup>1</sup> The minimum achievable target is 2,000 jobs based on current assessments. During implementation, the APIU will use 4,500 jobs as a soft benchmark to orient the territorial investment proposals towards more job creation. Progress will be tracked, and the target may be raised at MTR to 4,500 or more if field results confirm higher employment potential

refrigeration protocols. These reforms will lower certification costs for small producers, expand formal market access, and improve food safety for consumers. By demonstrating a reliable, adaptive system, the project will support regulatory updates and inter-agency agreements, aligning national food safety policy with international standards.

**5.3 Component 3: Climate-Resilient Value Chains for Livelihoods Diversification.** This sub-component will support rural households in diversifying livelihoods beyond livestock by developing inclusive, climate-resilient value chains for high-value products. By linking producers to better markets and strengthening cooperatives, it will boost incomes and reduce grazing pressure—addressing pasture degradation and rural poverty. Climate adaptation will be integrated through drought-tolerant crops, sustainable wild harvesting, and climate-smart processing. As households earn more from new products, pressure on pastures will ease. The project will showcase a climate-smart development model focused on value addition, informing national policy and encouraging replication of diversified, sustainable practices.

*Subcomponent 3.1: Priority climate-resilient value chains identified and developed.* This subcomponent will work with local stakeholders to identify high-potential value chains—such as non-timber forest products, beekeeping, horticulture, and specialty livestock—based on market demand, value addition, inclusion, and climate resilience. For each selected chain, action plans will be integrated into local development plans to improve production, aggregation, and market access. Producer groups and cooperatives will receive tailored training in climate-smart practices, quality standards, and business skills. These efforts will support nutrition diversity among women, with the specific target to be established following the baseline survey.

*Subcomponent 3.2: Agricultural Value Chain Development Fund (AVCDF) established.* This subcomponent will establish an Agricultural Value Chain Development Fund (AVCDF) within MWRAPI to provide interest-free, repayable financing to cooperatives—up to support value-added investments. A steering committee of government and producer representatives will oversee the fund, which will prioritize proposals that include climate adaptation and benefit vulnerable groups (e.g. solar dryers, milk chillers). The revolving fund will recycle repayments into new loans, enabling cooperatives to invest in equipment, processing, and storage. Over time, the AVCDF is expected to become a permanent mechanism, demonstrating how targeted public finance can drive climate-smart rural enterprise growth and serve as a model for replication.

*Subcomponent 3.3: Cooperatives financed and linked to markets.* This subcomponent will support at least 100 cooperatives in accessing AVCDF financing and reaching sustainable markets. Cooperatives will receive pre-funding training in governance, financial management, and business planning, and post-funding mentorship to adopt new technologies and manage investments—benefiting at least 9,000 members and non members linked through value chain activities. The project will also facilitate market linkages through trade fairs, buyer meetings, and certification support, with at least 2,500 households cooperative members and non-members benefiting from cooperative-led marketing agreements. By project end, many cooperatives are expected to sell higher-value processed goods under contracts, raising incomes and reducing reliance on livestock. These results will demonstrate the benefits of value addition and diversification, encouraging national adoption of climate-smart, market-oriented rural development strategies.

## II. Implementation Arrangements

6. *Lead Programme Agency.* The Programme will be implemented by the Agriculture Projects Implementation Unit (APIU) of the Ministry of Water Resources, Agriculture, and Processing Industry (MWRAPI) which will engage private partners (veterinary services and agribusinesses) local self government bodies and leskhozoes to ensure producers have better services and market outlets.

7. *Project Steering Committee.* Project Steering Committee (PSC) is responsible for providing strategic oversight for the Programme. The PSC is chaired by the Ministry of Water Resources, Agriculture, and Processing Industry (MWRAPI) and includes members from key ministries and agencies, as well as representatives from NGOs, associations, and the research sector, acting as observers. The PSC's functions include providing political and strategic guidance, ensuring inter-institutional coordination, enhancing coordination within the donors' community, and reviewing and approving annual work plans and budgets.

8. *Programme Management Unit.* The Agricultural Projects Implementation Unit (APIU) serves as the central unit for day-to-day project management and implementation. The APIU, under the Ministry of Water Resources, Agriculture, and Processing Industry, manages all financial arrangements for the project. It is headed by a Project Director supported by an administrative team and a technical team, comprising various specialists and consultants to ensure the effective coordination, monitoring, and execution of the project activities. The APIU's role includes ensuring proper financial management, procurement, monitoring and evaluation, and other administrative functions necessary for the project's success.

9. *Implementing partners.* The Programme will be led by the MWRAPI, which will oversee the Agricultural Project Implementation Unit (APIU) responsible for day-to-day project management. Within MWRAPI, the Veterinary, Livestock Development, Pasture and Fodder Service will guide livestock genetics and pasture productivity and will support animal health; the Department of Agrochemical Application, Plant Protection, and Quarantine will guide phytosanitary compliance and food safety, will support cooperative development and producer groups. Complementing these efforts Veterinary service delivery will involve a nationwide network of licensed private veterinarians, supported institutionally by the Veterinary Chamber and the Kyrgyz Veterinary Association (KVA). Technical capacity building and applied research will be led by specialized national institutions, including the Kyrgyz Livestock and Pasture Research Institute (KLPRI).

10. *Monitoring and Evaluation.* The APIU will assume overall responsibility for the Programme's monitoring and evaluation (M&E) function. Core responsibilities include coordinating impact research, knowledge management and communications; consolidating reporting across implementing agencies; maintaining a performance evaluation framework for partner institutions; and providing technical, financial, and managerial support to stakeholders. The M&E system will be anchored in the project's logical framework and designed to generate verifiable data to support planning, budgeting, operational oversight, and results-based decision-making. Particular emphasis will be placed on poverty targeting, gender equity, and broader social indicators. All activities will align with IFAD's corporate M&E guidance to ensure consistency and rigor in assessing performance and impact.

11. *Knowledge Management.* The Programme proposes a comprehensive approach to Knowledge Management (KM) with the aim of improving project performance and contributing to policy development. An integrated KM and Communication Strategy will be developed to outline strategic objectives and main focus areas for KM-related work. This strategy is intended to link KM activities with project performance and the documentation and promotion of innovations. The project emphasizes evidence-based knowledge management as a tool for policy development. Among the key outputs will be diverse knowledge products such as case studies, policy briefs, and impact assessments, which

will document successful innovations and project findings. These activities will be aligned with national policy dialogues and aim at ensuring replication of successful project innovations across the country. Moreover, the project includes stakeholder meetings and knowledge-sharing workshops to promote dialogue and disseminate knowledge. The overall goal is to use generated and managed knowledge to inform national policy dialogues and improve project outcomes.

12. *Programme Implementation Manual*. The Programme Implementation Manual (PIM) for the Programme is prepared by the Agriculture Projects Implementation Unit (APIU) with the relevant guidelines already provided. These guidelines can be immediately tested and refined during the ongoing implementation of the RRPCP-ADAPT project. The PIM, along with other manuals such as the Financial Management Manual and Procurement Manual, must be finalized and formally approved by IFAD and the Government within an agreed timeframe following project effectiveness.



**Schedule 2***Allocation Table*

1. *Allocation of Financing Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the IFAD Loans and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

<b>Category</b>	<b>SHCT Loan (expressed in SDR)</b>	<b>HCT Loan (expressed in SDR)</b>	<b>Percentage</b>
I. Civil Works	390 000	110 000	100% net of taxes and government contribution
II. Equipment, Goods, and Vehicles	1 350 000	333 000	100% net of taxes and government contribution
III. Technical Assistance, Training & Workshops	352 000	80 000	100% net of taxes
IV. Credit & Funds	8 620 000	2 150 000	100% net of taxes and beneficiaries contribution
V. Salaries and allowances, and operating costs	345 000	90 000	100% net of taxes
Unallocated	1 228 000	307 000	
<b>TOTAL</b>	<b>12 285 000</b>	<b>3 070 000</b>	

(b) The terms used in the Table above are defined as follows:

- (i) Category I "Civil Works" includes *inter alia* costs of investments in repair, construction and renovation activities.
- (ii) Category II "Equipment, Goods, and Vehicles" includes *inter alia* costs of investments in goods and equipment for mobile veterinary clinics, Project coordination (including software and georeferencing of project activities) and development of knowledge management and communication products.
- (iii) Category III "Technical Assistance, Training & Workshops" includes *inter alia* costs of investments in national and international specialists providing technical support to the project; trainings, seminars and study tours for capacity building.
- (iv) Category IV "Credit & Funds" includes *inter alia* costs of investments in management plans, institutional capacity, pastures and leskhozoes public infrastructure improvement, and Agriculture Value Chain Development Fund (revolving fund).

- (v) Category V "Salaries and allowances, and operating costs" includes *inter alia* remuneration of APIU staff, allowances and contribution to social fund of the Kyrgyz Republic, and operating costs.

### Schedule 3

#### *Special Covenants<sup>2</sup>*

#### **I. General Provisions**

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 to request withdrawals from the Loan Account if the Borrower 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 Programme:

1. Within 6 months of entry into force of the Financing Agreement, the APIU will procure and install for the purposes of the implementation of the Programme a customized accounting software, as it is the practice in IFAD on-going supported projects, to satisfy the International Accounting Standards and IFAD's requirements.

2. Within six (6) months of entry into force of the Financing Agreement, the APIU will enter for the purposes of the Programme into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.

3. *Planning, Monitoring and Evaluation.* The Borrower 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 Agreement.

4. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall ensure that the Programme 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 shall ensure that: (a) all Programme activities are implemented in strict conformity with the Borrower relevant laws/regulations; (b) all Programme activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's Policy on Engagement with Indigenous Peoples, as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Programme. In the event of unforeseen land acquisition or involuntary resettlement under Programme, the Borrower 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 Programme; (e) recourse to child labour is not made under the Programme.

5. *Programme Personnel.* Professional staff of the APIU shall be contracted, under procedures acceptable to the Fund, on an open, transparent and competitive basis and have qualifications and experience commensurate with their duties. Any discrimination based on gender, age, ethnicity or religion shall be prohibited in the recruitment of Programme staff, in accordance with the laws in force in the territory of the Borrower. The recruitment and removal of professional staff shall be subject to the notification of the Fund.

6. *Gender.* The Borrower shall ensure that gender concerns shall be mainstreamed in all programme activities throughout the Programme Implementation Period. The Borrower

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<sup>2</sup> To be agreed with Negotiation team which to include and adapt wording to each specific negotiation.

shall also ensure that women beneficiaries shall be represented in all Programme activities and that they receive appropriate benefits from the Programme outputs.

7. *Land tenure security.* The Borrower 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.

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

9. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Programme parties shall ensure that the Programme 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.

10. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower 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 shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Programme 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 shall ensure that the contract data is updated on a quarterly basis during the implementation of the Programme.

11 *The Key Programme Personnel are:* APIU Director, the APIU Finance Manager and the APIU Procurement Manager. In order to assist in the implementation of the Programme, 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 Programme 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 Programme Personnel is subject to IFAD's prior review as is the dismissal of Key Programme Personnel.

## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b> Estimated outreach of the project based on an av. HH size of 4.7 members (4.2-5.3 range in the project area) - considering only 1st phase	<b>1 Persons reached by project-supported activities</b>				M&E system: Beneficiary database	semester/annual		
	Males - Males	0	14 400	36 000				
	Females - Females	0	9 600	24 000				
	Young - Young people	0	7 000	18 000				
	Total number of persons receiving services - Number of people	0	24 000	60 000				
	Male - Percentage (%)		60	60				
	Female - Percentage (%)		40	40				
	Young - Percentage (%)		30	30				
	<b>1.a Corresponding number of households reached</b>				M&E system - beneficiaries data base			
	Women-headed households	0	1 200	3 000				
	Non-women-headed households		11 800	27 000				
	Households -	0	12 000	30 000				
	<b>1.b Estimated corresponding total number of households members</b>				M&E system			
	Household members	0	56400	141000				
<b>Project Goal</b> Contribute to rural poverty alleviation through increased resilience, incomes and enhanced economic growth in rural farming communities.	<b>Percentage increase in the HH assets' ownership index (including productive assets)</b>				COI HH Survey	BL, MT, Endline	PCU	
	Households - Percentage (%)	0	7	15				
	Women-headed HHs - Percentage (%)	0	5	10				
	<b>Percentage of benefiting livestock farmers reporting an increase in income</b>				HH survey	BL, MTR, Endline		
	Income increase - Percentage (%)	0	15	30				
<b>Development Objective</b> Increase the incomes of smallholder livestock farmers, through improved livestock health, pasture productivity, and strengthened climate resilience of pastoral communities	<b>2.2.1 Persons with new jobs/employment opportunities</b>				HH outcome surveys and M&E system	BL, MTR, PCR		
	Males - Males	0	300	2 250				
	Females - Females	0	300	2 250				
	Young - Young people	0	600	4 500				
	Total number of persons with new jobs/employment opportunities	0	600	4 500				
	<b>3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered</b>				FAO Method	BL, Endline		
	Hectares of land - Area (ha)	0	0	226 901.43				
	tCO2e/20 years - Number	0	0	3 948 880				
	tCO2e/ha - Number	0	0	17.4				
	tCO2e/ha/year - Number	0	0	0.87				
<b>Outcome</b> 1. Climate-resilient integrated forest-rangeland ecosystems are sustainably managed by the rural communities	<b>SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers</b>				COI HH outcome surveys	BL, MTR, Completion		Livestock herders adopt improved grazing practices that rebalance stocking rates with ecological capacities, restoring the ecosystem health
	Household members	0	5 640	28 200				
	Women-headed households	0	120	600				
	Households - Percentage (%)	0	10	20				
	Households	0	1 200	6 000				

	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>				COI HH Survey	BL, MT, End	M&E Unit and Service provider		
	Total number of household members		11 280	56 400					
	Households - Percentage (%)	0	20	40					
	Households	0	2 400	12 000					
	<b>Percentage change in average Normalized Difference Vegetation Index (NDVI) in project-supported pasture and forest areas,</b>				GIS		ACPIU		
	% change - Percentage (%)	0		10					
<b>Output</b> 1.1. Pasture, forestry and livelihood management plans are prepared	<b>Number of Pasture and Livelihood Management Plan (PLMP) prepared by the participating Aiyl Okmotu communities in the 1st Phase</b>				M&E system	annual	PCU	i) PUUs remain actively involved in consultation processes, contributing to every aspect of pasture governance and management and ii) the PLMPs are designed inclusively, providing economic opportunities—especially for women, youth, and poor households to improve their livelihoods.	
	No PLMP - Number	0	60	100					
	<b>3.1.4 Land brought under climate-resilient practices</b>				M&E System and GIS mapping	annual	PCU		
	Hectares of land - Area (ha)	0	750 000	2 000 000					
	Households - Number	0	12 000	30 000					
	HH members benefitting	0	56 400	141 000					
<b>Output</b> 1.2. Climate resilient institutional processes and capacities strengthened.	<b>Number of governmental staff (mainly AOS and Lekhose) trained on ecosystem management (Pasture, Livestock and Forestry) and monitoring, forest reforestation</b>				M&E system	semestrial/annual	PCU	Effective inclusive governance and equitable financial management are in place to further reinforce pro-poor outcomes, with mechanisms to guarantee representation for women, youth, and vulnerable groups, ensuring their participation through mandated membership quotas and dedicated forums.	
	Government staff trained - Number	0	500	1 000					
<b>Output</b> 1.3 Pasture and forestry management plans implemented	<b>Number of pasture and forestry infrastructure rehabilitated</b>				M&E system		PMU		
	No of infrastructures - Number	0	200	500					
<b>Outcome</b> 2. Improved animal health services ensure productive, resilient livestock herds and enhanced rural livelihoods	<b>SF.2.1 Households satisfied with project-supported services</b>				COI HH survey	BL, MTR, PCR	PCU		i) veterinarians respond positively to new incentives and choose to practice in rural communities, ii) upgraded veterinary infrastructure are consistently maintained and staffed, and iii) disease surveillance and rapid-response systems function effectively and sustainably.
	Household members		16 920	98 700					
	Women-headed households	0	360	2 100					
	Households - Percentage (%)	0	30	70					
	Households - Households	0	3 600	21 000					
	<b>1.2.2 Households reporting adoption of new/improved inputs, technologies or practices</b>				COI HH survey	BL, MT, End			
	Total number of household members		28 200	56 400					
	Households - Percentage (%)	0	20	40					
	Households - Households	0	6 000	12 000					
	<b>Percentage reduction in livestock morbidity and mortality</b>								
	Reduction - Percentage (%)	0	5	10					
	<b>1.2.8 Women reporting minimum dietary diversity (MDDW)</b>				COI Outcome Survey	BL, MT and endline	APIU		
	Women (%) - Percentage (%)	0	65	80					
	Women (number) - Females	0	6 240	19 200					
Households (%) - Percentage (%)	0	65	80						
Households (number)	0	7 800	24 000						

	Household members		36 660	112 800				
	<b>IE.2.1 Individuals demonstrating an improvement in empowerment</b>				COI Outcome survey	BL, MT, Endline		
	Total persons - Percentage (%)		12.5	25				
	Total persons - Number of people		3 000	15 000				
	Females - Percentage (%)	0	30	50				
	Females - Females		2 880	12 000				
	Males - Percentage (%)	0	30	50				
	Males - Males		4 320	18 000				
<b>Output</b> 2.1 Output: Country's capacity for food safety is strengthened (public-private veterinary system)	<b>1.1.4 Persons trained in production practices and/or technologies</b>				M&E system - training records	semester/annual	PMU	veterinarians will respond positively to new incentives and choose to practice in rural communities, upgraded veterinary infrastructure will be consistently maintained and staffed,
	Men trained in livestock - Males	0	3 600	9 000				
	Women trained in livestock - Females	0	2 400	6 000				
	Young people trained in livestock	0	1 800	4 500				
	Total persons trained in livestock	0	6 000	15 000				
	<b>Number of veterinaries benefiting from improved rural outreach infrastructures (mobile vet clinics, etc.)</b>				M&E report		PMU	
	Vets - Number	0	200	500				
	<b>Number of vets and paravets benefiting from capacity building trainings</b>				Project M&E system	semester/annual		
	Male - Number	0	120	300				
	Females - Number	0	80	200				
	<b>1.1.8 Persons provided with targeted support to improve their nutrition</b>							
	Total persons participating	0	4 800	12 000				
	Males - Males	0	0	0				
	Females - Females	0	4 800	12 000				
	Households	0	4 800	12 000				
	Household members benefitted	0	22 560	56 400				
	Young		0	0				
<b>Output</b> Output 2.2. Modernized food safety certification system is established	<b>Number of central vet labs reequipped and restaffed</b>				M&E system	semester/annual		Disease surveillance and rapid-response systems function effectively and sustainably.
	vet labs - Number	0	1	2				
	<b>Annual zoonosis and food-borne disease surveillance programme implemented by KSRVI</b>				M&E System - KSRVI reporting			
	Annual program - Number	0		1				
<b>Outcome</b> 3. Enhanced market access and resilient rural livelihoods through inclusive, climate-smart, cooperative-based value chain development.	<b>1.2.5 Households reporting using rural financial services</b>				COI HH survey	BL, MT, End	APIU	
	Total number of household members		16 920	28 200				
	Households - Percentage (%)	0	9	20				
	Households	0	3 600	6 000				
	<b>2.2.2 Supported rural enterprises reporting an increase in profit</b>				COI HH survey	BL,MT, End	APIU	
	Number of enterprises - Enterprises	0	35	70				
	Percentage of enterprises	0	35	70				
<b>Output</b> Output 3.1 Priority climate resilient value chain are identified and developed	<b>1.1.5 Persons in rural areas accessing financial services</b>				M&E system			
	Men in rural areas accessing financial services - credit - Males	0	2 160	5 400				
	Women in rural areas accessing financial services - credit - Females	0	1 440	3 600				
	Young people in rural areas accessing financial services - credit	0	1 080	2 700				
	Total persons accessing financial services - credit	0	3 600	9 000				
	Enterprises – Enterprises		30	1 000				
	<b>2.1.2 Persons trained in income-generating activities or business management</b>				M&E system			

	Males - Males		2 800	7 200				
	Females - Females		1 920	4 800				
	Young - Young people	0	1 440	3 600				
	Persons trained in IGAs or BM (total)	0	4 720	12 000				
<b>Output</b> Output 3.2 Agricultural value chain development fund (AVCDF) is established and functional	<b>Number of Households benefiting from marketing agreement of their cooperatives with lead enterprises</b>							
	Households - Number	0	1 000	2 500				
<b>Output</b> Output 3.3 Eligible cooperatives access financing from the Agricultural Value Chain Development Fund on a sustainable basis.	<b>2.1.1 Rural enterprises accessing business development services</b>				M&E system			AOs integrate employment and entrepreneurship targets explicitly for the most vulnerable groups into their PLMP, SEDP, and NRMP planning processes
	Size of enterprises - Enterprises	0	750	1 500				
	Rural enterprises - Enterprises	0	50	100				
	Women in leadership position	0	300	600				



# Integrated programme risk matrix

## Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
<b>Country Context</b>	<b>Substantial</b>	<b>Substantial</b>
Political Commitment	Low	Low
Governance	High	High
Macroeconomic	Substantial	Substantial
Fragility and Security	Substantial	Substantial
<b>Sector Strategies and Policies</b>	<b>Substantial</b>	<b>Substantial</b>
Policy alignment	Moderate	Moderate
Policy Development and Implementation	Substantial	Substantial
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Substantial</b>
Project vulnerability to environmental conditions	Substantial	Substantial
Project vulnerability to climate change impacts	Moderate	Moderate
<b>Project Scope</b>	<b>Moderate</b>	<b>Moderate</b>
Project Relevance	Low	Low
Technical Soundness	Moderate	Moderate
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Moderate</b>
Implementation Arrangements	Moderate	Moderate
Monitoring and Evaluation Arrangements	Moderate	Moderate
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Substantial</b>
Project Organization and Staffing	Moderate	Moderate
Project Budgeting	Substantial	Substantial
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Project Internal Controls	Substantial	Substantial
Project Accounting and Financial Reporting	Moderate	Moderate
Project External Audit	Moderate	Moderate
<b>Project Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
B.1 Assessment of Project Complexity	Moderate	Moderate
B.2 Assessment of Implementing Agency Capacity	Substantial	Substantial
Project Procurement Overall	Moderate	Moderate
A.1 Legal, Regulatory and Policy Framework	Moderate	Moderate
A.2 Institutional Framework and Management Capacity	Moderate	Moderate
A.4 Accountability, Integrity and Transparency of the Public Procurement System	Moderate	Moderate
A.3 Public Procurement Operations and Market Practices.	Moderate	Moderate
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Moderate</b>
Biodiversity Conservation	Moderate	Moderate
Resource Efficiency and Pollution Prevention	Moderate	Moderate
Cultural Heritage	Low	Low
Indigenous People	Low	Low
Labour and Working Conditions	Moderate	Moderate
Community health, safety and security	Low	Low
Physical and Economic Resettlement	Low	Low
Financial intermediaries and direct investments	Moderate	Moderate
Climate change	Moderate	Moderate
<b>Stakeholders</b>	<b>Moderate</b>	<b>Moderate</b>
Stakeholder Engagement/Coordination	Moderate	Moderate

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
Stakeholder Grievances	Moderate	Moderate
<b>Overall</b>	<b>Moderate</b>	<b>Moderate</b>

<b>Country Context</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Political Commitment</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> Kyrgyzstan's history of political upheaval poses a risk to consistent policy support. The country has seen multiple revolutions and leadership changes (five presidents since 1991) leading to periodic instability. Most recently, protests in 2020 led to a new president and a switch to a presidential system in 2021. While the situation has since stabilized under the stronger executive authority, underlying factors like corruption and ethnic tensions continue to simmer. There remains a moderate risk that sudden political shifts or government reshuffles could disrupt project priorities or commitment.	Low	Low
<b>Mitigations:</b> The project is anchored within established government structures to ensure continuity despite high-level political changes. Implementation is also through local self-government agencies (Aiyl Okmotus). IFAD maintains active government engagement so that incoming officials remain aware of and committed to LMDP-III's objectives. Key reforms (e.g. pasture management re-centralization) have broad stakeholder buy-in, making them less prone to reversal. Continuous capacity building of local institutions and community empowerment will help buffer the project from national political instability.		
<b>Governance</b>	<b>High</b>	<b>High</b>
<b>Risk:</b> Despite a formal decentralization framework (enshrined in the 2021 Constitution and earlier laws) that empowers local self-governments, achieving sound governance remains challenging. Local administrations (ayil okmotus) often lack experience and resources, and the territorial consolidation in 2022–23 merged many smaller AOs into larger ones, straining their capacity. Political volatility has undermined governance in the past (e.g. the 2020 turmoil revealed structural weaknesses in public administration). Weak accountability and the risk of elite capture or corruption at local levels could hinder transparent project implementation, especially in resource allocation.	High	High
<b>Mitigations:</b> LMDP-III will strengthen local governance through intensive institutional support and community engagement. The project supports bottom-up planning – helping communities prepare integrated pasture/livelihood plans – which increases transparency and local oversight. Training and mentoring for AO officials will improve administrative capacity in the newly consolidated local governments. The project also facilitates policy feedback loops, so local governance issues encountered are flagged to higher authorities for corrective action (e.g. refining pasture regulations to close governance gaps).		
<b>Macroeconomic</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> The national economy faces significant external and fiscal risks. In 2022–2023, regional sanctions and supply shocks (due to the Russia–Ukraine crisis) slowed growth and drove inflation to around 15%. Public debt was about 50% of GDP in 2022, reflecting constrained fiscal space. High dependence on the Russian economy (trade, remittances) means any downturn there could reduce Kyrgyz growth and household incomes. That said, a recent surge in growth (≈9% in 2024) temporarily improved the outlook, with inflation dropping to ~5% and public debt falling below 40% of GDP. The sustainability of this upswing is uncertain – it was driven by exceptional re-exports and gold sales – and underlying vulnerabilities (small export base, large import needs) persist. Overall, there is a substantial inherent risk that macro instability (high prices or budget shortfalls) could erode farmers' purchasing power and government co-financing capacity.	Substantial	Substantial
<b>Mitigations:</b> The government has launched an anti-crisis action plan and fiscal reforms to stabilize the economy, including measures to diversify import sources and boost private sector activity. IFAD-supported interventions under LMDP-III emphasize diversification of income sources and food systems to reduce rural reliance on any single market. The project promotes value chain development and market linkages for livestock products, which will help rural communities better withstand external price shocks. Close monitoring of macro trends – such as exchange rates and fuel prices – will inform timely adaptation of project plans (for example, scaling subsidies or adjusting credit terms) to protect beneficiaries.		

<b>Fragility and Security</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> Kyrgyzstan is not classified as a fragile state, but it exhibits elements of fragility. Internal ethnic and regional divides (notably between Kyrgyz and Uzbek communities in the south) and a history of social unrest threaten stability. Governance weaknesses (corruption, weak rule of law) contribute to public distrust. The country has also experienced security incidents, such as border conflicts in Batken, which could disrupt project areas. Additionally, climate-related shocks (droughts, floods) can exacerbate food insecurity and social tension, contributing to fragility in rural communities. Without proactive measures, these factors could ignite local conflicts or reduce the willingness of communities to collaborate, thus posing substantial risk to project implementation.	Substantial	Substantial
<b>Mitigations:</b> The COSOP and LMDP-III strategy explicitly address root causes of fragility by fostering inclusion and resilience. Project activities prioritize the most vulnerable groups – including women, youth, and ethnic minorities – in economic opportunities, which helps reduce grievances. LMDP-III works in many border and high-risk communities, where it will promote resource-sharing agreements and dialogue (e.g. equitable pasture use plans) to pre-empt conflicts. To bolster security, the project will coordinate with local authorities and other partners. By improving community infrastructure, creating jobs, and strengthening local governance, LMDP-III contributes to social stability. The project will also monitor conflict dynamics (through its M&E system and field staff) and adapt interventions or seek mediation support if tensions rise.		
<b>Sector Strategies and Policies</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Policy alignment</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The project is broadly aligned with Kyrgyzstan's development policies, which lowers the risk of misalignment. The National Sustainable Development Strategy (NSDS) 2018–2040 and the medium-term agricultural programs emphasize inclusive growth, regional equity, and sustainable resource use – goals that LMDP-III directly supports. Government strategy is pro-poor and prioritizes agriculture and food security, so there is low risk of a policy conflict. One area of concern is the level of government ownership and resourcing of these strategies: if the Strategy for Agricultural Development (or similar sector plans) lacks funding or political backing, it could slow down the project's policy-related interventions.	Moderate	Moderate
<b>Mitigations:</b> IFAD will reinforce policy dialogue and advocacy to maintain strong alignment between LMDP-III and government priorities. The project works closely with the Ministry of Agriculture and other agencies to ensure that new initiatives (e.g. breeding improvements, veterinary reforms) are embedded in national plans. Regular consultations and joint reviews (e.g. through the Project Steering Committee and sector working groups) will secure continued government buy-in. Where the government's own strategies face resource constraints, LMDP-III can demonstrate successful pilots and encourage budget allocations or donor support to scale up those initiatives, thus keeping policy objectives on track.		
<b>Policy Development and Implementation</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> There are gaps in the government's capacity to develop and roll out effective agricultural and rural development policies. The Ministry of Agriculture has limited resources and extension reach, which hampers support to rural communities in accessing credit, markets, and new technologies. Key policy reforms in pasture management have devolved responsibilities to local bodies, but if those local institutions fail to implement the reforms properly, it could render policies ineffective. For example, without strong local enforcement, pasture laws may not prevent overuse, and without MoA support, efforts to link farmers to markets or finance may stall. Thus, a substantial risk is that well-intended policies are not effectively translated into action on the ground, undermining project innovations.	Substantial	Substantial

<b>Mitigations:</b> LMDP-III is designed to bridge the implementation gap by building capacities at both national and local levels. At the national level, the project will work with the MoA and related agencies (e.g. the veterinary department) to develop practical guidelines and tools, and provide training to staff, thereby strengthening the ministry's outreach to communities. IFAD will also facilitate donor coordination and South-South exchanges for Kyrgyz officials to learn from countries with similar reforms. At the local level, the project invests heavily in training Aiyl Okmotu authorities and community organizations (Pasture Committees, cooperatives) to effectively carry out policy reforms – for instance, training on enforcing grazing plans or managing veterinary services. By improving the “last-mile” delivery of policy (through funding positions like community veterinarians or para-vets, and supporting local land management committees), LMDP-III ensures that national policies are implemented and sustained. Continuous policy engagement by IFAD, as outlined in the COSOP, will address higher-level issues such as land tenure conflicts or regulatory bottlenecks that the project alone cannot solve.		
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Project vulnerability to environmental conditions</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> LMDP-III targets regions with some sizeable environmental pressures. Rangeland degradation is the main concern – overgrazing and poor pasture management have led to soil erosion and reduced vegetation cover in many areas. The project's mountain ecosystems are also prone to natural hazards like landslides and mudflows (especially during heavy rains). In 2024, for example, intense early-summer rains caused mudslides and floods that were 30% more damaging than those in the previous year. Such events can damage infrastructure, reduce productive land, and setback project gains. The inherent risk is high that without intervention, environmental conditions (poor soil, water scarcity, disasters) could undermine agricultural productivity and livelihoods.	Substantial	Substantial
<b>Mitigations:</b> The project directly tackles these environmental risks through its sustainable landscape management focus. Community-led Pasture and Livelihood Management Plans will introduce rotational grazing, reseeding of pastures, and controlled stocking rates to allow land regeneration. Investments in green infrastructure (e.g. small check dams, erosion barriers, tree planting) will reduce soil erosion and buffer against landslides. All civil works (water points, storage facilities) will include standard environmental protection measures – such as drainage management and proper waste disposal – to prevent localized pollution. By rehabilitating degraded land and improving water resource management, the project lessens the impact of adverse environmental conditions. Ongoing environmental monitoring will be conducted with community participation, enabling early warning and response (for instance, adjusting grazing plans in response to drought conditions).		
<b>Project vulnerability to climate change impacts</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> Climate change poses a moderate but significant risk to project success. The project areas are inherently sensitive to climate variability – higher temperatures, shifting precipitation, and more frequent extreme events are already evident. Projections indicate increased incidence of droughts, seasonal water shortages, and flash floods in Kyrgyzstan's pasturelands and mountain catchments. These changes could directly reduce pasture productivity, water availability for livestock, and increase pest/disease pressures on animals. Over the project horizon, such impacts might disrupt agricultural cycles and harm incomes, especially if extreme weather events occur in consecutive years.	Moderate	Moderate

<b>Mitigations:</b> The project is proactively designed to build climate resilience. LMDP-III's adaptation measures include promoting drought-tolerant fodder crops, supporting water infrastructure like small-scale irrigation and rainwater harvesting, and climate-informed afforestation in degraded areas. Community pasture management plans incorporate climate risk information – for example, identifying reserve pastures for use in drought years. The project also strengthens local early warning systems by collaborating with national hydrometeorological services (e.g. training communities to interpret weather forecasts and plan accordingly). By diversifying livelihoods under Component 3 (e.g. introducing agri-processing or non-farm income), households become less dependent on climate-sensitive activities alone. These efforts collectively maintain the residual climate risk at a moderate level, as the increased capacity to adapt should offset much of the climate-related vulnerability.		
<b>Project Scope</b>	Moderate	Moderate
<b>Project Relevance</b>	Low	Low
<b>Risk:</b> The relevance risk is very low. LMDP-III is firmly rooted in the country's development priorities and in the expressed needs of rural communities. It scales up successful elements from LMDP-II and I, and responds to persistent challenges in the livestock sector (such as low productivity and limited market access). The project's goal – to improve livestock-based livelihoods and resilience – aligns with government strategy and beneficiaries' aspirations. Unless the project were to deviate significantly from its design, there is little risk of it not addressing the right problems. The only slight concern could be if external conditions change drastically (e.g. a disease outbreak or market collapse outside the project's scope), but even then the design is broad enough to adjust.	Low	Low
<b>Mitigations:</b> Relevance is maintained through strong stakeholder engagement at all levels. During implementation, regular consultations with community groups and local authorities will ensure the project activities remain on target and can be adjusted to emerging needs. IFAD will conduct supervision missions and implementation support visits to keep the project focused on its development objective. The project's results framework is aligned with the IFAD Country Strategic Opportunities Programme (COSOP), ensuring that it continues to contribute to higher-level strategic goals even if some activities are tweaked. In sum, LMDP-III's built-in flexibility and participatory planning processes act as safeguards so that the project stays relevant throughout its life.		
<b>Technical Soundness</b>	Moderate	Moderate
<b>Risk:</b> The project's technical design is comprehensive, integrating natural resource management, animal health, and value chain development. This multi-sectoral approach is appropriate but requires effective coordination and expertise, hence a moderate inherent risk. All interventions are based on tested models (e.g. community pasture management, cooperative development), yet implementation challenges could arise. One risk is elite capture or unequal participation – better-off individuals might try to corner project benefits like grants or equipment if checks are weak. Another is capacity: some innovative elements (digital monitoring tools, improved breeding techniques) may face adoption barriers if not well understood by local partners. Moreover, corruption remains a general threat in the public sector, which could undermine technical activities (for instance, if procurement of equipment is compromised). Overall, while the design is sound, these factors make the inherent risk moderate.	Moderate	Moderate

<b>Mitigations:</b> The project embeds several measures to ensure technical soundness and equity, bringing the residual risk low. First, IFAD and the government will closely supervise project implementation, including oversight by the Ministry of Agriculture, to prevent any deviation or misuse. The PMU staff and key implementing partners are receiving training in critical areas (procurement, financial management, M&E) to maintain high implementation standards. The project has clear eligibility and selection criteria for all investments (e.g. competitive grant awards, community infrastructure) to guarantee transparency and fairness – these are detailed in the PIM and will be rigorously followed. To address potential capacity gaps, LMDP-III engages technical service providers and mentors: for example, experienced NGOs or research institutes will support farmer training, and international TA will guide the rollout of any new technologies. Finally, by leveraging synergies with other projects, the project can apply proven solutions and troubleshoot issues collaboratively. These mitigation steps ensure that the project's innovative approaches remain on solid technical footing.		
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Implementation Arrangements</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The execution of LMDP-III depends on effective coordination among implementing entities and sufficient management capacity. In earlier projects, overlapping roles between agencies (e.g. APIU and the community development agency ARIS) led to confusion and delays. Learning from this, LMDP-III has centralized key functions within the APIU. However, there is still a moderate risk that bureaucratic procedures or limited capacity within APIU and partner ministries could slow implementation. The PMU is government-hosted, and changes in its structure or staffing (e.g. turnover of project staff) could disrupt progress. Additionally, while using a single agency improves accountability, it puts the onus on APIU to cover a wide geographic area; any weaknesses in their field presence or coordination with local authorities could affect delivery. Corruption or lengthy decision-making in public institutions remains a concern that could impact procurement and fund flow.	Moderate	Moderate
<b>Mitigations:</b> The project has taken clear steps to streamline and strengthen implementation. Responsibility is focused in the APIU, with roles and expectations formalized through agreements (e.g. a Memorandum of Understanding between the Ministry of Agriculture and any partner agencies clarifying roles). Key staff positions in the PMU (project director, financial controller, procurement officer, etc.) are filled with experienced personnel from previous IFAD projects to ensure continuity. To avoid coordination breakdowns, LMDP-III established a robust governance structure: a Project Steering Committee at national level will resolve inter-agency issues promptly, and regional coordination meetings will include oblast-level authorities to align field activities. The project also invests in institutional capacity building – training PMU and local government staff in project management, fiduciary topics, and safeguards. IFAD will provide close implementation support, especially in the start-up phase, to mentor the PMU and help instill efficient workflows. By maintaining a tight focus on one lead agency and continuously strengthening it, the project keeps implementation risks at a moderate level.		
<b>Monitoring and Evaluation Arrangements</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> A sound Monitoring and Evaluation system is crucial for adaptive management and learning in LMDP-III. The inherent risk is moderate, considering that M&E in decentralized projects can be challenging – data must be gathered across 4 regions (Batken, Osh, Naryn, Talas) and numerous communities, requiring diligent coordination. If M&E capacity or systems are weak, there is a risk of delayed or poor-quality data, which could obscure problems until too late. Past projects sometimes struggled with timely baseline surveys and consistent reporting. Additionally, the project's ambition to use digital tools for M&E (e.g. an online dashboard) might face initial technical or user adoption issues.	Moderate	Moderate

<b>Mitigations:</b> The project is putting in place a robust M&E framework from inception to minimize these risks. The PMU will have a dedicated M&E unit staffed with trained officers who will coordinate all data collection and reporting. Monitoring responsibilities are clearly delineated down to the community level – for example, Pasture Committees will track grazing plan indicators, and veterinary units will report on service delivery. LMDP-III is leveraging digital solutions (smartphone apps for field data collection, GPS mapping of investments, etc.) to enhance accuracy and timeliness of data. Training on these tools will be provided to field staff early on. By centralizing M&E coordination within APIU and using unified templates and software, the project ensures consistency. IFAD will also review M&E outputs during supervision missions, providing feedback and helping to course-correct if indicators are off-track. These measures should bring residual M&E risk down to low, as real-time tracking and adaptive management become integral to implementation.		
<b>Project Financial Management</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Project Organization and Staffing</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> APIU is growing in terms of the number of donors funded projects it is implementing. With LMDP III, the unit will be working on four investment projects funded by IFAD, WB and ADB. This could create risk of incomplete staffing or overload on the finance team to work and deliver the project financial requirements. -There will be various implementing agencies included in the project. Under some components, funds will be decentralized to implementing partners especially under the financing public infrastructure investments and the revolving fund facility.	Moderate	Moderate
<b>Mitigations:</b> - The Finance Manager shall supervise all donor funded projects and the finance staff recruited under each project. There shall be a dedicated Disbursement Officer and a dedicated accountant working full time on this IFAD project. APIU currently manage an ADB project, IFAD RRCP Adapt project and an upcoming new World Bank project. The unit has long experience implementing IFAD funded projects and it has the required financial management systems and procedures. Clear roles and responsibilities should be developed in the MOUs/agreements with all implementing agencies with focus on the reporting requirements, frequency, templates and deadlines. In addition, APIU finance staff should include clear roles and responsibilities on managing the implementing agencies to ensure timely monitoring and tracking of the investments and the revolving fund.		
<b>Project Budgeting</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> - Delays in the preparation and submission of the annual work plan and budget (AWPB). - Risk of irregular monitoring of the AWPB and untimely decisions on budget variances due to irregular of preparation and submission of the variances reports to project management. - Risk of overstated budgets that do not include reasonable plan due to over-ambitious planning that does not consider updates and changes at country and project level.	Substantial	Substantial
<b>Mitigations:</b> -Ensure more accurate and reasonable budget estimates. -Monitor budget versus actual performance on monthly basis. -Upload the budget in the accounting software for timely and efficient monitoring. -Analyse budget planning on annual basis to avoid committing same shortcomings for next year planning.		
<b>Project Funds Flow/Disbursement Arrangements</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> -Delays in opening separate DAs for IFAD loan and Adaptation Fund grant which could affect project liquidity. This could be due to delays in preparedness for project at APIU. -Project will be disbursing using the report-based disbursement mechanism, hence there is a risk of inadequate cash forecast due to lack of cash forecast skills. - Exchange rate losses experienced by other Kyrgyz projects due to loans/grants being denominated in SDR.	Substantial	Substantial
<b>Mitigations:</b> Provide training to finance staff on the report based disbursement mechanism at project start-up -Analyse cash forecasts versus actual cash outflow for each quarter to enhance cash management skills. -PMU to work as a team to prepare the cash forecasts each quarter (procurement, project coordinator and finance) -The IFAD loan/grant will be denominated and disbursed in USD.		



<b>Project Internal Controls</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> -Risks of weak internal control measures identified for the Revolving Fund Facility. This risk could result from untimely or incomplete reporting on the credit and repayment to APIU or from not following the criteria and arrangements identified in the developed manual. -Lack of internal audit function within APIU. -Establishing a revolving fund facility for the second phase of the project with the aim to keep it sustainable after project closure. Some of the risks that might arise would include: - Risk of weak institutional set up of the revolving fund including legal, operational and governance aspects. -Risk of weak oversight by APIU (and the ministry at later stage), this could be impacted by weak financial management system and technical expertise to manage the fund. -Risk of weak tracking, monitoring & evaluation system to track principal payments and repayment. -Absence of grievance redress mechanisms to allow for community feedback. -Weak capacity by the cooperatives to manage the borrowed funds and the repayments. -Risk that there is no clear sustainability strategy that would allow the ministry to keeping the revolving fund operational.	Substantial	Substantial
<b>Mitigations:</b> -Draft and finalize the finance manual section of the PIM at design. -APIU to draft and add to the internal control section so it is tailored to provide more details on the APIU internal control measures to control payments including the Revolving Fund. -APIU should consider to either establish an internal audit unit to work on all donor funded projects or to seek the services from an external firm which could be appointed to perform internal audit functions, specifically focussed on activities of the down streamed funds, investments and revolving funds. APIU is subject to a review by the Chamber of Accounts which considers compliance with systems and processes. -The overall process of managing the revolving fund should be clear and established within an independent unit within the ministry with possibility of engaging a financial institution to support in the fund management (disbursement and repayments). -APIU should work on setting up a sound financial management system that clearly defines the arrangements of disbursement, repayments, collaterals, etc. -There shall be monthly financial reporting on the revolving fund facility monitored by both the Component Manager and the Finance Manager at APIU. -The project audit should include some tasks to check and review transactions under the revolving fund facility. -There should be clear eligibility criteria identified on who can access the revolving fund mechanism. -While establishing the facility, financial literacy & business development training to the cooperatives should be considered (if needed) to reduce risk of default risk and to maximize the fund impact. -Ensure that there is long-term sustainability plan to ensure gradual handover and transitioning of the facility to the ministry toward the project completion.		
<b>Project Accounting and Financial Reporting</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> -Late installation and/or procurement of an accounting software due to delays at in APIU preparedness. -Low reliability of the project financial reports due to lack of new staff experience. -Delayed submission of IFRs. -Risk of delayed reporting on the revolving fund credit and repayments.	Moderate	Moderate
<b>Mitigations:</b> -Training to the new finance staff on the IFRs preparation at project start-up - Automation of the IFRs templates in the accounting software at the time of purchase. -Project to follow accounting standards acceptable to IFAD. -Agree on the accounting software specifications with IFAD. -Finalize accounting software set-up at project start-up. -There shall be monthly financial reporting on the revolving fund facility monitored by both the Component Manager and the Finance Manager at APIU.		
<b>Project External Audit</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> IFAD funded projects are audited by a private audit firm selected on competitive basis. Normally, the audit reports are submitted on time (within 6 months of the year-end). However, there is always a risk of new auditors that are not informed of IFAD guidelines and procedures.	Moderate	Moderate
<b>Mitigations:</b> -Clear the audit TOR at project start-up to ensure understating of audit scope and requirements. -Share and discuss the cleared audit TOR with the auditors and include it as an annex to the contract.		

<b>Project Procurement</b>	<b>Moderate</b>	<b>Moderate</b>
<b>B.1 Assessment of Project Complexity</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The adopted procurement methodologies align with IFAD Procurement Guidelines and Handbook, making new procurement methodologies unnecessary. Project investment value does not include substantial inter-dependent and high-volume estimated procurements that require advanced sequencing and coordination skills.	Moderate	Moderate
<b>Mitigations:</b> Capacity building is essential for the Procurement staff to enhance coordination and expedite implementation. Plans and activities should be organized in stages to timely reach various locations. Ensure that procurement involving community participation adheres to IFAD guidelines. Compliance with SECAP standards must be maintained at all stages of procuring goods, works, or services that may have social, environmental, or climate-related impacts. The criteria for evaluating SECAP requirements should be applied and clearly outlined in the bidding documents or requests for proposals. All procurement processes and procedures within LMDP-III should align with IFAD Procurement Guidelines and Handbook.		
<b>B.2 Assessment of Implementing Agency Capacity</b>	<b>Substantial</b>	<b>Substantial</b>
<b>Risk:</b> The selection and awarding processes consider SECAP criteria, but there is lack of monitoring of its provisions in procurement contracts. The APIU fully implements IFAD standards for prequalification documents and qualification criteria. Bid evaluation criteria are mostly objective, proportionate, or value-based, although no evidence clarification procedures are applied in some tenders. There were also some cases of missing NOITA for informing awarded contracts, including public advertising. The Procurement Department is staffed one procurement specialist, who is not a certified practitioner. APIU's regular annual procurement volume exceeds expected project procurement in value and complexity. APIU is not staffed with sufficient procurement specialists with sufficient experience to undertake additional procurement in line IFAD funded procurement procedures.	Substantial	Substantial
<b>Mitigations:</b> The SBDs must adhere to SECAP standards, and evaluation criteria should incorporate SECAP guidelines. A monitoring process is required. The APIU should make sure prequalification documents align with IFAD's standards and qualification criteria. APIU needs to keep records of communications and clarifications, and issue NOITA and NOA as per IFAD guidelines. Develop professional capacity through trainings and workshops organized by IFAD, as well as on-the-job training. It is highly recommended that procurement staff participates in all the BUILDPROC Programme launched by IFAD and implemented by ITCILO. Hiring of additional procurement staff is essential for the project implementation and completion.		
<b>Project Procurement Overall</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The Law of the Kyrgyz Republic 'On Public Procurement' lays out the basic principles and general framework of the procurement process, makes it operational and indicates how the law must be applied to specific circumstances. PPL stipulates that electronic means is the primary method of conducting public procurement and of communication between procuring entities and tender participants. Standard Bidding documents exist for goods, works, services and consultancy services. The PPL does not provide any sustainability evaluation criteria that allows procurement processes to consider to some extent environmental and economic aspects. Obligations deriving from international agreements are reflected in the primary legislation. The PPL does not contain provisions on mechanisms for consultation, dialogue and partnerships between public and private sector. There is no evidence of any analysis by the Government of Kyrgyzstan of the supply market for defining the key sectors for public procurement, as well as of any efforts to proactively develop the competitiveness of enterprises in sectors of importance to public procurement. There is a limited civil society organizations involvement in monitoring public procurement, helping to adjust the legislative framework, identify irregularities, etc.	Moderate	Moderate

<p>The selection and awarding processes consider SECAP criteria, but there is lack of monitoring of its provisions in procurement contracts. SECAP standards are included in the evaluation process. However, there is no defined procedure for monitoring SECAP compliance in contract management. The project hires firms to audit overall activities, including finance, but not specifically procurement. APIU utilizes an accounting software for payments and role management in contract administration, but it doesn't have a dedicated contract management module. No evidence clarification procedures are applied in some tenders. There were also some cases of missing NOITA for informing awarded contracts, including public advertising.</p> <p>APIU is not staffed with sufficient procurement specialists with sufficient experience to undertake additional procurement in line IFAD funded procurement procedures.</p>		
<p><b>Mitigations:</b></p> <p>The project must follow IFAD's Procurement Guidelines, Handbook, and Project Implementation Manual (PIM), using IFAD's methods, thresholds, and time-limits. Use IFAD Standard Bidding Documents and train procurement staff on evaluation criteria, focusing on value for money and sustainability per IFAD and SECAP guidelines. Apply IFAD's debriefing, protest, appeal mechanisms, and standstill period. Contract management should comply with IFAD's standards, with staff trained on roles, responsibilities, and dispute resolution. Use the OPEN and Contract Monitoring Tool (CMT) systems for record retention and compliance. Enhancing procurement staff coordination and expediting project implementation through staged activities and adherence to IFAD guidelines for community participation and SECAP standards is crucial.</p> <p>The project must adhere strictly to the AWPB, procurement strategy, and Procurement Plan preparation and updates in line with IFAD templates and guidelines. Comprehensive training on IFAD regulations, including anti-corruption policies, will be provided to the project team. Collect more detailed and reliable data on actual procurement practices, and use for improving policies and procedures as well as documentation, information and training; Examine in further detail the reasons why economic operators would or would not participate in public procurement, and change policies and practices accordingly in order to raise the level of trust in the system and encourage wider participation. IFAD's complaint mechanisms, including NOITA and standstill period, must be observed, and all bidding documents should reflect IFAD's policies against fraud, corruption, sexual harassment, and money laundering. Any corruption allegations must be reported to IFAD promptly, with self-certifications verifying cross-debarment. All procurement activities must comply with IFAD's ethics and accountability standards. The IA shall hire at least one additional procurement specialist and ensure that Project staff participate regularly participate in the training sessions organized by IFAD on OPEN, IFAD Project Procurement Guidelines and a Handbook (BuildProc program).</p>		
<p><b>A.1 Legal, Regulatory and Policy Framework</b></p>	<p><b>Moderate</b></p>	<p><b>Moderate</b></p>
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>-The latest revision to the Law of the Kyrgyz Republic 'On Public Procurement' is dated April 14, 2022, No.27, as amended on January 20, 2023, No.19. There is also a secondary legislation (23 by-laws) that lays out the basic principles and general framework of the procurement process, makes it operational and indicates how the law must be applied to specific circumstances.</li> <li>-PPL stipulates that electronic means is the primary method of conducting public procurement and of communication between procuring entities and tender participants.</li> <li>-Standard Bidding documents exist for goods, works, services and consultancy services.</li> <li>-The PPL does not provide any sustainability evaluation criteria that allows procurement processes to consider to some extent environmental and economic aspects. Obligations deriving from international agreements are reflected in the primary legislation.</li> </ul>	<p>Moderate</p>	<p>Moderate</p>
<p><b>Mitigations:</b></p> <p>The project must follow IFAD's Procurement Guidelines, Handbook, and Project Implementation Manual (PIM), using IFAD's methods, thresholds, and time-limits. Bid opportunities should be posted on the Ministry's and IFAD's websites for equal participation. Use IFAD Standard Bidding Documents and train procurement staff on evaluation criteria, focusing on value for money and sustainability per IFAD and SECAP guidelines. Apply IFAD's debriefing, protest, appeal mechanisms, and standstill period. Contract management should comply with IFAD's standards, with staff trained on roles, responsibilities, and dispute resolution. Use the OPEN and Contract Monitoring Tool (CMT) systems for record retention and compliance. Enhancing procurement staff coordination and expediting project implementation through staged activities and adherence to IFAD guidelines for community participation and SECAP standards is crucial.</p>		

A.2 Institutional Framework and Management Capacity	Moderate	Moderate
<b>Risk:</b> -Procurement planning is carried out for 3 years based on the need for the purchase of goods, works, services and consulting services in accordance with the cost rationing, taking into account strategic development and actual balances for the period established by the budgetary legislation of the Kyrgyz Republic. -PPL stipulates that procurement process should not normally be initiated until the appropriate financial resources have been identified. - Procurement is not recognized as a profession, although according to Article 45, all procurement-related complaints shall be reviewed/assessed by an independent commission members who shall be professionals certified in public procurement. -The PPL (Article 3) establishes a single official point of access (i.e. an online portal) for all procedures and information related to public procurement	Moderate	Moderate
<b>Mitigations:</b> The project must adhere strictly to the AWPB, procurement strategy, and Procurement Plan preparation and updates in line with IFAD templates and guidelines. It is crucial to continuously monitor the alignment between the PP and AWPB, as well as regularly update the procurement strategy. Comprehensive training on IFAD regulations, including anti-corruption policies, will be provided to the project team. The PIM should clearly outline the roles and responsibilities, and the project will utilize the OPEN and CMT systems for data collection and management. Project staff are required to participate in IFAD-organized training sessions, including BUILDPROC, to enhance their professional skills. Regular performance monitoring will help identify additional training needs.		
A.4 Accountability, Integrity and Transparency of the Public Procurement System	Moderate	Moderate
<b>Risk:</b> -The PPL does not stipulate public control of procurement procedures and there is no evidence whether a transparent and consultative process is followed when changes are formulated to the public procurement system. - The official public procurement portal is a website ( <a href="http://zakupki.gov.kg">http://zakupki.gov.kg</a> ) maintained by an authorized body that provides electronic viewing of the most recent information on public procurement announcements, public procurement results, proposals of participants and other information provided for by law, as well as collection of information entered by (sent) by operators of electronic public procurement systems on conducted electronic public procurement. - There is a limited civil society organizations involvement in monitoring public procurement, helping to adjust the legislative framework, identify irregularities, etc	Moderate	Moderate
<b>Mitigations:</b> The project must adhere to IFAD's debriefing, standstill provisions, and guidelines, ensuring transparency by making procurement information accessible. The PIM should specify publication rules for project information and stakeholder interactions, following IFAD guidelines. IFAD's complaint mechanisms, including NOITA and standstill period, must be observed, and all bidding documents should reflect IFAD's policies against fraud, corruption, sexual harassment, and money laundering. Any corruption allegations must be reported to IFAD promptly, with self-certifications verifying cross-debarment. All procurement activities must comply with IFAD's ethics and accountability standards.		
A.3 Public Procurement Operations and Market Practices.	Moderate	Moderate
<b>Risk:</b> -PPL defines procurement planning as the first step of public procurement process and it shall be carried out for 3 years based on the need for the purchase of goods, works, services and consulting services taking into account strategic development goals and actual balances established by the budgetary legislation of the Kyrgyz Republic for the period. -The PPL does not contain provisions on mechanisms for consultation, dialogue and partnerships between public and private sector. -There is no evidence of any analysis by the Government of Kyrgyzstan of the supply market for defining the key sectors for public procurement, as well as of any efforts to proactively develop the competitiveness of enterprises in sectors of importance to public procurement.	Moderate	Moderate

<b>Mitigations:</b> The project's procurement planning should conform to IFAD's Handbook and templates, including compliance with AWPB preparation. A procurement strategy needs to be created, regularly updated, and fully in line with IFAD guidelines and SECAP standards. Contract management must adhere strictly to IFAD's Procurement Handbook, and the project should use the CMT. Collect more detailed and reliable data on actual procurement practices, and use for improving policies and procedures as well as documentation, information and training; Examine in further detail the reasons why economic operators would or would not participate in public procurement, and change policies and practices accordingly in order to raise the level of trust in the system and encourage wider participation.		
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Biodiversity Conservation</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The project operates in diverse ecosystems (mountain pastures, forest areas) with important biodiversity. In general, project interventions aim to restore and protect these ecosystems, but some risks exist. Without care, activities like reseeded pastures or introducing tree species for afforestation could inadvertently affect local biodiversity (e.g. if non-native species were used). Additionally, if grazing pressure is not actually reduced, pasture degradation could continue to drive loss of flora and fauna. However, these risks are limited and localized. There are no critical habitats under threat from project works, and any biodiversity impacts are expected to be positive or minor with mitigation.	Moderate	Moderate
<b>Mitigations:</b> The project will actively promote biodiversity conservation as part of its nature-based solutions. Pasture management plans include designating and protecting reserve areas to allow regeneration of native plant species and habitat for wildlife. All species used for replanting or fodder are vetted to ensure they are indigenous or well-adapted and non-invasive. For example, local forage plant varieties and native tree species will be prioritized for reseeded and reforestation. Training for communities will cover the importance of biodiversity (such as pollinators, wild herbs) and encourage community guards or rangers to monitor illegal hunting or overharvesting in project sites. By improving habitat quality through reduced overgrazing and reforestation, the project will have a net positive effect on biodiversity. Any unforeseen impacts will be caught through annual environmental audits and addressed (e.g. adjusting species mix in seeding). With these measures, the residual risk to biodiversity is low.		
<b>Resource Efficiency and Pollution Prevention</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> Project activities could pose minor pollution risks if not well-managed. Construction of facilities (e.g. milk collection centers, water points) might generate waste, and increased use of agricultural inputs (vaccines, feed supplements, etc.) could lead to packaging or chemical waste. Similarly, if farmers adopt more intensive practices, there could be localized water pollution (nutrient runoff) or soil contamination. Resource use efficiency is another concern: irrigation for fodder crops, if any, could strain local water sources if not optimized. While these risks are moderate in scale – given the project's generally small infrastructure and focus on sustainable practices – they need attention to ensure the project's environmental footprint remains low.	Moderate	Moderate
<b>Mitigations:</b> LMDP-III integrates pollution prevention and resource efficiency into its design. For any small works or facilities, contractors are required to implement waste management plans (safe disposal of construction debris, proper sanitation at work sites, etc.). The project will support local veterinary offices with protocols for disposing of medical waste (like vaccine vials and syringes) in line with national regulations to prevent environmental contamination. Through training, farmers will learn improved manure management – for instance, composting – which both recycles nutrients and curbs pollution of water sources. The project also emphasizes efficient water use: any irrigation demos for fodder crops will use water-saving techniques (drip irrigation, water harvesting) and will be vetted to avoid depleting community water supplies. By focusing on recycling, safe waste disposal, and efficient resource use, the project ensures that any pollution or resource strain is minimized. The residual risk in this domain is low, as these mitigation measures are expected to effectively manage the scale of activities envisaged.		

<b>Cultural Heritage</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> There is little risk of negative impact on cultural heritage, as project activities are not located near known historical or cultural sites. The project largely works in existing pasture and farming areas. However, chance finds of archaeological artifacts during earthworks are possible anywhere in a country with long history. The risk is low but present that an unaware contractor could inadvertently damage a buried cultural resource. On the social side, respecting local cultural practices (e.g. traditional norms around land use or sacred sites like cemeteries near pastures) is important to avoid community friction.	Low	Low
<b>Mitigations:</b> The project includes measures to safeguard cultural heritage. As part of the ESMF, a Chance Find Procedure will be implemented: contractors and communities have been briefed that if any potential cultural artifacts (bones, pottery, structures) are encountered during excavation, work must stop and local authorities/museums notified immediately. This procedure is built into contract clauses. Moreover, site selection for infrastructure will avoid any areas that local communities identify as culturally or spiritually significant – the participatory planning process will flag such sites. The project team will also coordinate with the Ministry of Culture if any heritage issues arise. By adhering to these precautions, LMDP-III ensures cultural heritage is respected and preserved, keeping this risk at a low level.		
<b>Indigenous People</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> The Kyrgyz Republic does not have identified Indigenous Peoples (as per IFAD's definition) who are distinct from the mainstream population – the vast majority of project beneficiaries are ethnic Kyrgyz or other local groups integrated into the national socio-political context. Therefore, no specific IP risks are triggered. However, the project works in multi-ethnic communities (including Kyrgyz and Uzbek households, for example), and it must ensure inclusive participation so that minority groups are not left out. The risk of exclusion or negative impact on any particular ethnic group is low but something to be consciously managed.	Low	Low
<b>Mitigations:</b> The project applies the principles of free, prior, and informed consultation in all community engagement, ensuring that all ethnic groups have a voice. Communication and training materials will be provided in appropriate languages (both Kyrgyz and Uzbek in areas where communities are mixed) to facilitate understanding. The targeting approach explicitly includes vulnerable and marginalized groups, irrespective of ethnicity. Traditional community decision-making structures are being engaged so that project interventions are culturally appropriate. While no Indigenous Peoples Plan is required (given the absence of a distinct IP group), these actions mirror best practices in inclusion. As a result, the residual risk related to Indigenous Peoples or ethnic minority exclusion remains low.		
<b>Labour and Working Conditions</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The project will create various short-term and long-term employment opportunities (e.g. construction jobs, roles in cooperatives, community animal health workers). There is a moderate inherent risk that labor and working condition standards might not be fully upheld, especially with local contractors or community labor where awareness of international standards is limited. Potential issues include the use of child labor or unpaid family labor in on-farm activities, lack of proper protective equipment for workers, or excessive working hours during peak construction/farming periods. Ensuring OHS (Occupational Health and Safety) and fair labor practices in a rural context requires attention.	Moderate	Moderate

<b>Mitigations:</b> LMDP-III will enforce compliance with national labor laws and IFAD's core labor standards in all its activities. All works contracts financed by the project include clauses prohibiting child labor and forced labor, ensuring fair wages, and mandating safe working conditions (e.g. first aid availability, safety training). The PMU's supervision engineers will regularly inspect work sites for OHS compliance and can halt work if serious breaches are observed. For activities involving community contributions (such as communal pasture improvements), the project will provide guidance to make sure such labor is truly voluntary and does not negatively impact those who contribute (for example, by rotating labor duties and providing refreshments or small incentives for volunteers). The project also promotes equal opportunity hiring – encouraging contractors to hire locally and pay equal wages to men and women for similar work. Through these measures, the residual risk to labor and working conditions is kept low, ensuring that the project's economic benefits are not achieved at the expense of workers' rights or safety.		
<b>Community health, safety and security</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> Community health and safety could be moderately affected if certain project activities are not carefully managed. For example, as livestock production intensifies, there could be an increased risk of zoonotic disease transmission (brucellosis, anthrax) if vaccination and hygiene do not improve concomitantly – Kyrgyzstan has had recurrent outbreaks of such diseases due to gaps in veterinary coverage. Small-scale construction (water points, rehabilitation of veterinary labs) brings typical construction hazards (risk of injury to workers or nearby residents, contamination of water if works are not done properly). Additionally, improved road access or increased traffic from value chain development could raise accident risks. Socially, if project benefits are perceived as unfair, it could create community tension, indirectly impacting safety. Overall, these risks are moderate and localized, mostly preventable with good practices.	Low	Low
<b>Mitigations:</b> LMDP-III incorporates measures to protect community health and safety. Under Component 2, the project strengthens veterinary services, which will directly improve disease surveillance and vaccination rates – mitigating the risk of zoonoses in communities. The project supports public awareness campaigns on topics like brucellosis prevention (proper milk boiling, animal vaccination schedules) to further safeguard human health. For infrastructure activities, contractors will be required to implement site-specific Health and Safety Plans: fencing off construction sites, posting warning signage, providing workers with protective gear, and managing debris to avoid hazards. Water points will be constructed following standards to prevent contamination of drinking sources. To handle the social aspect, the project emphasizes equitable access to benefits and has set up a grievance redress mechanism to promptly resolve any conflicts or complaints, helping maintain communal harmony. By improving overall services and enforcing safety protocols, the project keeps community health and safety risks at a moderate, controllable level.		
<b>Physical and Economic Resettlement</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> LMDP-III is not expected to involve any physical relocation of people. The infrastructure financed (such as veterinary clinics, milk collection centers, water infrastructure) will be built on public land or land voluntarily provided by communities, avoiding involuntary resettlement. Economic resettlement risk (loss of access to resources) is minimal; the project's pasture management might introduce grazing exclusions in certain degraded areas, but these are community-agreed and rotational. Still, there is a low risk that a few individuals could perceive loss – for instance, if someone's animals can't graze in a protected area temporarily, or if land tenure is unclear and a structure is built. Such cases are expected to be very limited and manageable.	Low	Low

<b>Mitigations:</b> The project adheres to a “no involuntary resettlement” policy. During the design of each infrastructure subproject or conservation measure, thorough consultations are held to ensure no one’s land or assets are taken without consent. If land is needed for a facility, it will either be government-owned land or given willingly by the community under documented voluntary land donation protocols. For pasture management, the community-based plans ensure that any temporary grazing restrictions are paired with alternatives (like cut-and-carry feeding, or opening other areas) so that livelihoods are not adversely affected. A Resettlement Framework is in place in case a minor land acquisition or economic impact is identified; it details compensation measures consistent with IFAD standards (e.g. compensating for any lost crops or providing equivalent grazing access elsewhere). By proactively planning and involving all users in decision-making, the project keeps the risk of displacement or loss of livelihood at a negligible level.		
<b>Financial intermediaries and direct investments</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> The project will provide financial support from the revolving fund scheme under component 3. The Agricultural Value Chain Development Fund (AVCDF) will be a dedicated financing mechanism to support agricultural cooperatives with interest free reimbursable financing leading to investments in strengthening rural value chains with explicit focus on financing climate-resilient investments.	Moderate	Moderate
<b>Mitigations:</b> <ul style="list-style-type: none"> <li>• APIU to establish an ESMS at the early stage of the establishment of the Revolving Fund, including screening, categorization, and monitoring mechanisms to identify and manage environmental and social (E&amp;S) risks associated with cooperative investments.</li> <li>• Develop and apply clear eligibility criteria for cooperatives and investments</li> <li>• IFAD’s Exclusion list to be systematically applied for all loans.</li> <li>• Proactive recruitment of qualified finance staff, installation of robust financial software, clear reporting mechanisms, and establishment of internal control functions, including internal audits.</li> </ul>		
<b>Climate change</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> Given its focus on livestock sector growth, LMDP-III has an inherent moderate risk of increasing greenhouse gas (GHG) emissions. Livestock (especially cattle and sheep) produce methane, and improving productivity could lead to modest herd growth or more intensive feeding, potentially raising emissions. IFAD’s SECAP assessment noted that a primary environmental risk of livestock-focused projects is higher GHG emissions. Without interventions, better animal survival and productivity might encourage farmers to keep larger herds, thereby emitting more methane and nitrous oxide (from manure). Although the project will not finance any activity with a large carbon footprint (no large infrastructure or land-use change causing emissions), cumulatively the agricultural GHG output could rise slightly, hence a moderate risk.	Moderate	Moderate
<b>Mitigations:</b> The project incorporates climate-smart practices to ensure net emissions are minimized. A major mitigation is improving feed quality and veterinary care – healthier, better-fed animals emit less methane per unit of product, thus lowering emission intensity. By promoting reduced herd sizes at higher productivity (i.e. “fewer but better” livestock), the project discourages unnecessary herd expansion. Manure management interventions (such as compost pits or biogas units where feasible) will capture methane that would otherwise be released. Additionally, Component 1’s afforestation and pasture restoration activities will sequester carbon in soils and biomass, offsetting a portion of the livestock emissions. An in-depth climate risk assessment was done, and its recommendations (like integrating GHG accounting into M&E) are followed to monitor the project’s carbon footprint. With these measures, the residual GHG emission risk is expected to be low – any increase in emissions should be marginal and counterbalanced by mitigation actions and carbon sequestration.		



<b>Stakeholders</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Stakeholder Engagement/Coordination</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> Multiple stakeholders must work in concert for LMDP-III's success, introducing a moderate inherent risk of coordination breakdowns. Key actors include the Ministry of Agriculture (lead agency), the Ministry of Finance (for funds flow), local government administrations (Aiyl Okmotus implementing activities on the ground), community-based organizations (Pasture Committees, water user groups), and private sector entities (veterinary associations, dairy processors). Without clear delineation, there could be duplication or gaps – a risk evidenced in the past when overlapping mandates between APIU and ARIS caused inefficiencies. There's also the engagement risk that some stakeholders (e.g. private sector or certain community groups) might initially be less active if they don't see immediate benefits. Ensuring consistent, collaborative engagement across this spectrum is challenging but crucial.	Moderate	Moderate
<b>Mitigations:</b> LMDP-III has been structured to foster strong stakeholder coordination from the outset. The Project Steering Committee (PSC), chaired by the Government, includes high-level representatives from all relevant ministries and meets regularly to provide strategic guidance and resolve inter-agency issues. At the working level, the APIU (PMU) acts as a central hub for coordination, organizing monthly coordination meetings among stakeholders. Formal agreements (MoUs) have been signed with each major partner (e.g. with the Livestock Research Institute for breeding activities, with the Veterinary Chamber for vet services) to specify roles, deliverables, and information-sharing protocols. The project also utilizes a digital management platform where stakeholders can upload and review work plans and progress (as mentioned, a GIS-linked planning tool is being introduced), improving transparency and joint monitoring. To engage the private sector and communities, the project sets up stakeholder forums – such as value chain roundtables and pasture management conferences – allowing these groups to voice feedback and stay committed. These efforts create a well-oiled coordination mechanism, bringing the residual risk down to low by maintaining alignment and avoiding duplication or conflict among stakeholders.		
<b>Stakeholder Grievances</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Risk:</b> In any complex project, grievances can arise – perhaps a community feels a neighbouring village got more support, or a contractor disputes a payment, or a local leader disagrees with a targeting decision. If not effectively addressed, such grievances can lead to dissatisfaction, non-cooperation, or even public disputes that hinder progress. Kyrgyzstan has both formal and informal grievance redress traditions, but they need to be accessible and trusted. The moderate inherent risk is that without a clear grievance mechanism, issues could fester or escalate, affecting project reputation and stakeholder relationships.	Moderate	Moderate
<b>Mitigations:</b> LMDP-III has established a clear, multi-level Grievance Redress Mechanism (GRM) to handle complaints and feedback. Building on existing structures, communities are informed that they can submit grievances through their Aiyl Okmotu offices or pasture committees, which will be recorded and forwarded to the PMU. The project also provides a hotline and an email contact for direct grievance submission, ensuring accessibility. At the national level, the PMU assigns a Social Safeguards or M&E officer to manage the GRM database – logging each grievance, categorizing it (e.g. procurement issue, benefit targeting, environmental concern), and tracking its resolution. Project-specific arrangements (like grievance focal points in each region) supplement local processes to ensure timely handling. The GRM is publicized widely during community meetings and on information boards so that stakeholders know how to use it. The PSC will receive a summary of grievances and resolutions at each meeting, enabling high-level oversight. With this robust GRM in place, most issues can be resolved quickly and amicably, preventing escalation. Consequently, the residual risk from stakeholder grievances affecting the project is low.		