

TECHNICAL COOPERATION PROGRAMME

INSTITUTIONAL CAPACITY BUILDING IN SMALL-SCALE ENTERPRISE DEVELOPMENT IN MOUNTAIN REGIONS

KYRGYZ REPUBLIC

Terminal Statement
prepared for
the Government of the Kyrgyz Republic
by
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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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1. INTRODUCTION

Since declaring independence from the former Soviet Union in 1991, Kyrgyzstan has undergone drastic political, social and economic changes, causing considerable hardship. As a result of radical reforms, the bases for a democratic government and a market economy have been introduced in the country. However, despite considerable achievements in the political sphere, the economy is still in crisis. The previous state-managed economy has been destroyed and the new market economy is still in the process of being developed. Some parts of the country are in serious economic difficulty, particularly the communities in high mountainous areas where the abolition of the state-farm system – which was the only source of employment for the local population – has left people without any income at all.

The government of Kyrgyzstan, with the support of many partners, has been undertaking several initiatives to enhance economic development, social welfare and ecological sustainability in mountain regions. It was the Government of Kyrgyzstan that proposed to the UN General Assembly to devote a UN International Year specifically to mountain areas. It was again the Government of Kyrgyzstan that hosted and organized the Bishkek Global Mountain Summit, from 28 October to 1 November, as the final event of the International Year of Mountains. In 2002 the Government of Kyrgyzstan approved the National Strategy and Action Plan on sustainable development in mountain areas. An important focus of the Strategy and Action Plan is the promotion of production and marketing of both primary and processed products to integrate the mountain farming population more effectively into the national economic system.

The Government, however, lacked the technical capacity, expertise and knowledge to implement such a programme for improved production, processing and marketing of high-value mountain products. FAO assistance was requested to address the critical need for building institutional capacity (at national, district and local levels) in identifying and developing viable income-generating small-scale enterprises for poor inhabitants of mountain areas in the country.

The Project Agreement for such assistance was signed by FAO in XXX and by the Government in XXX. FAO contributed US\$244 000 to the project, of which US\$ X 000 were allocated for personnel. The National Centre for Development of Mountain Regions (NCDMR) was designated as the government counterpart agency. A large contract was given to an NGO - the Rural Development Centre (RDC-Elet) - to supervise field activities (US\$ XXX). External technical support was provided to the project by inmissions and by FAO inmissions. The project began work on 17th May 2005 with the arrival of the FAO inception mission and ended on 30 September 2007. The objective of the project was to build institutional capacity at national, regional and local levels in development of viable small-scale enterprises in mountain communities through the implementation of a training programme based on the Market Analysis and Development (MA&D) methodology, an innovative participatory planning process developed by FAO's Forestry Department.

2. RESULTS AND CONCLUSIONS

2.1 Training of staff of government and non-governmental agencies in identification and development of small-scale enterprises

Staff of government agencies (National Centre for Development of Mountain Regions), NGOs (RDC-Elet, Community Development Alliance, “Onor-Bulagy” and “Too Jyldyzdary”), as well as the Kemin District Rural Advisory Service were trained in the following areas using the Market Analysis and Development (MA&D) approach:

- Assessment of natural resources, skills and market opportunities of mountain communities and short-list potential products for development of income-generating activities;
- Conducting surveys (including market surveys) for final selection of products;
- Organization of farmers/community members into self-help groups for enterprise development;
- Development of Enterprise Development Plans;
- Identification of market distribution channels and commercialization strategies;
- Establishment of linkages with appropriate business development service providers.

Three staff of RDC-Elet (who supervised project field activities throughout the duration of the project) possess a thorough understanding of the MA&D approach for development of community-based enterprises and are capable of training others in the process. They therefore form a small pool of resource people that could be involved in potential up-scaling or replication activities. The staff from the other agencies attended training session in a non-continuous manner and their capacities would need to be strengthened further.

2.2 Establishment of model enterprise groups in the pilot region

Participatory market surveys and feasibility studies led to the creation of 7 enterprise groups involving 40 households in 3 villages of Kemin District. The enterprise groups are based on the following products: medicinal herbs (calendula and chamomile), wild berries (raspberries and barberries), mushrooms, community-based tourism and handicrafts (felt products).

All enterprise groups received training in:

- registration as legal associations
- book keeping
- development of saving schemes
- improved and sustainable production methods
- processing (e.g. drying of medicinal plants, processing of wild berry jam, salting and canning of mushrooms, improved design of felt slippers, jackets and other souvenirs)
- development of business plans, including financial projections as well as market, social and environment strategies of the enterprise

Meer Chop” Enterprise Group

This Enterprise Group of Tegirmenti village consists of 6 households and 9 members and is specialized in cultivating medicinal herbs. This group registered in the village administration with their own Charter and currently has a legal status of community-based organization. The legal status of CBO (“jamaat” in Kyrgyz legislation) gives them opportunity to develop

further their farming activities and make contracts on behalf of the group with other partners including pharmacy companies and input suppliers.

The group members received training on collection and drying of wild and cultivated medicinal herbs from the Phyto Pharma Association. A study tour was organized for the members of this group to the specialized farm in Issyk-Kul region to gain knowledge and experience on cultivating camomile, calendula and valeriana. A marketing trip to Bishkek markets and visits to selected pharmacy companies were also facilitated by the project.

The project financed construction of the drying and storage room and funded purchase of the input supplies such as camomile and calendula seeds, mineral fertilizers and flower collecting tools for around 150.000 soms/USD 4300. During the summer of 2007 (up to 30 September 2007) the group generated income for 105.000 soms/USD 3039. They planned to collect and dry more calendula flowers till end of October 2007 for an additional 30.000 soms/USD 869.

Overall, there is a good and growing market mainly for export, therefore the production of medicinal plants should be sustainable. Although this enterprise is considered a group enterprise, it appears in reality to be more the initiative of an individual farmer who is trying an alternative crop to potatoes and who is hiring “members” for labour. If his enterprise is successful then it is possible that other farmers may switch to producing medicinal herbs and the formation of an association or group will then be useful for marketing.

“Ak-shola” Enterprise Group

This Enterprise Group of Tegirmenti village is composed of 6 households and 7 members and is specialized in the production of felt handicrafts. The group registered in the village administration with their own Charter and currently has a legal status of community-based organization. The legal status of CBO (“jamaat” in Kyrgyz legislation) gives them opportunity to develop further their handicraft activities and make contracts on behalf of the group with other partners including handicraft developing organizations and input suppliers.

Group members received training in production and design of felt handicrafts like slippers, felt pictures, small souvenirs etc. A study tour was organized to visit the NGO “Altyn Kol” in Kochor district to learn about their more advanced production and marketing techniques. Marketing trips to handicraft shops and fairs in Bishkek and Almaty (Kazakhstan) were also organized by the project.

Group members were supplied with raw materials such as wool, dyes, felt and boot-trees. The Project provided a grant of 200 USD to produce 5000 product labels containing contact details of the group and the handicraft trainer. As an additional promotion strategy, RDC-Elet has dedicated a section of their website to the handicraft items made by this group. The group has produced and generated felt handicrafts for amount of 40.000 soms/USD 1158. Future plans of this group are to prepare more souvenirs and small felt handicrafts by November and sell them via the handicraft trainer, who regularly participates in fairs in Almaty. Good results have been achieved through collaboration with the “Ashuu” guest house, which is located in the neighboring village. This guest house sells handicrafts to visiting tourists and staff of international organizations who use the guest house conference facilities.

Since the group was created at a late stage in the project, it will require much attention and time to develop sufficient skills to produce quality products. Competition from well

established producers is high in the country and constitutes a risk. However, some of the members seem to be very motivated so the project should try to establish linkages with some successful handicraft cooperatives that could support the group after the phasing out of this project.

“Keremet” and “Shirin” Enterprise Groups

“Keremet” and “Shirin” are two enterprise groups (12 households) specialized in processing wild raspberries and barberries into jam. This group has also registered with the village administration as community-based organization.

Both group members received training in processing of berries into jam. The project provided funding to purchase equipment such as jars, sugar, labels etc for total amount of 2.000 USD.

The first harvest in 2006 produced 3000 jars of 400 gr. each for a total value of 138.000 soms/USD 3995. The consignment of jam was delivered to the “Gold of Issyk-Kul” cooperative in November 2006 and according to the contract made between them the payment had to be done by January 2007. However due to the problems with the client in Kazakhstan the payment was delayed and by October 2007, the cooperative owed around 90.000 soms/USD 2600 to the groups.

“Salkyn-Tor” and “Kaiyndy” Enterprise Groups

“Salkyn-Tor” and “Kaiyndy” groups (composed of 11 households and 12 members) are specialized in wild mushroom collection and cultivation. Both groups have registered as community-based organizations with the village administration. Both groups received training in cultivation and canning techniques from experts who are currently also the buyers of canned mushrooms (embedded business services).

During the first harvesting season, both groups generated income of about 50.000 soms/USD 1450. The project provided 1300 USD to purchase 1000 blocks with mushroom seeds, jars and lids and co-financed the construction of the growing room (65.000 soms/USD 1880 was the in-kind contribution from members). Groups’ plans for the future are to enlarge the number of mushroom seeds blocks up to 2000 units and to prepare larger quantity of canned mushrooms as the demand is expected to increase during the Christmas period.

Overall, mushroom production seems to be a viable and promising product with a good demand. One of the groups (on private premises) is willing to invest in building a cellar to increase production. The groups have relied entirely on the facilitators’ contacts to market their mushroom and some support in marketing should be provided to strengthen the groups.

“CBT Chong-Kemin” Enterprise

“CBT Chong-Kemin” enterprise group (6 households and 8 members) offers tourist services such as bed and breakfast, guiding, horse riding and trekking. This group has been registered with the Ministry of Justice as a non-profit organization. In December 2006 it also became a member of the Kyrgyz Community Based Association (which is supported by Helvetas, a Swiss NGO). The group has to pay from 5% up to 10% from revenue generated by tourists sent by KCBA to benefit from the marketing and training offered by KCBA. Group members have received training in community- based tourism, international catering, customer care,

guiding and camping in mountain conditions, accommodation in guest houses and price calculation of the services provided.

The group has been supported by the project for a total amount of about 3500 USD, which was spent to purchase equipment such as tents, mobile fuel stoves, sleeping bags and saddles needed for trekking in mountains, produce 800 copies of brochures in English, install six sign-boards on the high way and internal roads and refurbish the village Tourist Information Office. A study tour to Kochkor rayon, where the first established CBT groups have been working for several years, was also organized to learn from the experience of the Kochkor CBT group in organizational management and tourism service provision. From June to September 2007 (tourist season) the group provided services to 53 tourists and generated around 2000 USD.

Overall, this group seems well motivated and established. Its affiliation to KCBTA offers a real potential for sustainability and growth. Although one of the members, the owner of the guest house and of an accredited vehicle, is currently benefiting most from the enterprise, other members have also real opportunities for additional income. However this type of activity cannot, for the time being, be replicated as the market for CBT seems to be saturated.

2.2 Development of MA&D training material for development of small-scale enterprises in mountain communities

The MA&D training material is composed of: i) An introduction booklet, which describes the principles of MA&D and gives an overview of the main phases of the methodology; ii) the Field Facilitator Guidelines, which contains a step-by-step practical description of how to go about identifying and developing the enterprise groups and building the capacity of enterprise group members (including field forms and practical examples). Both documents were translated by RDC-Elet into Russian and Kyrgyz and partially adapted to fit the local situation.

RDC-Elet has also developed an attractive communication folder containing a booklet describing how the MA&D process was applied in Kemin District (methodology and results), as well as 7 separate leaflets with information on the progress of each enterprise group. The folder is aimed at donors and other international agencies working in the field of development of small-scale enterprises.

3. RECOMMENDATIONS

- i. The main government counterpart of this project was the National Centre for Development of Mountain Regions (NCDMR). It is recommended to carry out awareness-raising on the Market Analysis and Development (MA&D) methodology for development of small-scale enterprises amongst other government agencies, especially the Forestry Department in the Ministry of Agriculture. This could be done through national workshops organized by NCDMR and facilitated by RDC-Elet staff with expertise in MA&D.
- ii. The project was successful in setting up seven enterprise groups (community-based tourism, handicrafts, mushrooms, berries and medicinal herbs) and providing them with a solid basis (official registration as community-based organizations, market appraisal, training in production, processing and marketing issues). However, enterprise groups need several years before they can run as established businesses

so further support to the new enterprises should be provided. It is recommended the GEF small-grants programme which supports community-based organizations be approached for this purpose.

- iii. The project funded the translation and adaptation of MA&D training material (in particular the Field Facilitator Guidelines) to the Kyrgyz context. It also funded the development of a communication folder targeted at potential donors containing a brochure on the MA&D process and separate illustrated leaflets on each individual enterprise group. It is recommended that RDC and NCDMR use this folder to approach potential donors, such as SDC and Aga Khan foundation, to obtain funding for up-scaling of project activities to other mountain regions in the country.

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