

Kyrgyz Agro-Input Enterprise Development Project
First Quarterly Report for 2008
January 1–March 31, 2008

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By



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Acronyms and Abbreviations

| | |
|----------|--------------------------------------------------------------------------------------------------------------------------|
| AAK | Association of Agribusinessmen of Kyrgyzstan |
| AAT | Agribusiness Association of Tajikistan |
| ACTED | Technical Cooperation and Development Aid Agency |
| ADB | Asian Development Bank |
| AgLinks | Agriculture Linkages Project |
| BEI | Business Environment Improvement |
| BSAIDD | Batken and Sugd Agri-Input Dairy Development Project |
| CAMFA II | Central Asia Micro-Finance Alliance |
| CAP | Certified Agribusiness Professional |
| COP | Chief of Party |
| CPP | Crop Protection Products—includes both chemical and biological |
| GTZ | German Agency for Technical Cooperation |
| IFDC | An International Center for Soil Fertility and Agricultural Development |
| KAED | Kyrgyz Agro-Input Enterprise Development |
| LSP | Local service providers |
| NSVRC | National Seed Variety Registration Committee |
| PSES | Private Sector Extension Services |
| RAS | Rural Advisory Services |
| RI | Results Indicator |
| SIDA | Swedish International Development Agency |
| STC | Short-Term Consultant |
| SVTC | State Variety Testing Committee |
| TES | Training and Extension System |
| TTC | Technology Transfer Center—a field center featuring new practices and technologies to provide training to agribusinesses |
| PERSUAP | Pesticide Evaluation Report and Safety Use Action Plan |
| USAID | United States Agency for International Development |

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Introduction

For consistency and ease of understanding, the quarterly reports largely follow the format of the work plan submitted to the United States Agency for International Development (USAID) in October 2006. Progress is reported for each of the six program areas:

- Strengthening Input Supply Systems and Markets.
- Technology Transfer and Private Sector Extension Services (PSES).
- Linking Farmers to Output Markets and Value Chain Development.
- Strengthening Business Skills and Services for Kyrgyz Entrepreneurs and Improve Access to Credit.
- Promoting Policy Changes that Benefit the Agricultural Sector and Build Public-Private Partnership.
- Strengthening Local Service Providers (LSP).

Annex 1 of this report contains detailed information on the Kyrgyz Agro-Input Enterprise Development (KAED) project activities and progress made for the reporting period.

Program Achievements

All of the proposed results indicators (RIs) for the project are encompassed by the six program areas described in the introduction section of this report. The main objective of the extended KAED project is to strengthen its focus on the entire agro-input sector in northern Kyrgyzstan via expansion of the Association of Agribusinessmen of Kyrgyzstan (AAK) and the strengthening of other local service providers (LSP) as a vital tool to promote democracy and economic development. In October 2006, USAID agreed to provide an 18-month extension to IFDC for the KAED project to conduct similar agro-input market development activities in the

north of the country and shape a national network. A recent review of project achievements reveals that KAED has made significant progress in a range of interlinked issues critical to the development of agriculture and agribusiness in Kyrgyzstan including:

- Total sales of mineral fertilizers in Kyrgyzstan increased by 58% during fiscal year 2007. Despite higher world prices, 87,000 mt sold in 2007 compared with 55,000 mt in 2006. For the first time, AAK members imported 6,000 mt of compound fertilizer for commercial sale, indicating an increased demand for quality inputs.
- Sales for both hybrid and improved varieties of imported certified seed increased by 48% in 2007. Certified seed produced domestically increased by 24% in 2007.
- The AAK customer base in 2007 increased to 330,000 farmers compared with 140,000 in 2006, due mainly to the new KAED work in the north.
- Average incomes for AAK farmer customers increased in 2007 by 48% (about \$100), whereas for non-customers the increase was 23%.
- Ten new retail farm stores opened during 2007 with the assistance of KAED. They are serving 22,000 additional farmers. There are now a total of 33 KAED-assisted retail farm stores in the country (21 in the south and 12 in the north). As a result, the distance traveled by farmers to buy quality inputs in 2007 was reduced to 3.2 miles for AAK farmer customers; non-customers had to travel 9.5 miles.
- Project-supported dealers invested \$11 million in new facilities (e.g., warehouses) in 2007.

IFDC has begun work to address problems in the vital feed sub-sector and will use the current planting season to advance field demonstrations. Some years ago, KAED began promoting alfalfa as an ideal fodder; and partially as a result of these efforts, both acreage and yields have increased.

Partners in technology transfer to KAED are a number of Local Service Providers such as AAK, Training and Extension System (TES) Center and Central Asia Breeding Services. The Project is working with AAK on advocacy, communication, and education along with providing support mechanisms such as access to credit, development of market linkages, and networking opportunities for the entire agricultural value chain.

KAED has started working with the recently launched agriculture Linkages Project (AgLinks) to help this project prioritize areas of activities and commodity chains by sharing with AgLinks team the experience gained in Central Asia over the last 5 years.

During the reporting quarter, the KAED project staff committed significant efforts that contributed to achieving each of the strategic objective areas in the work plan. Some of the more significant activities are highlighted in this report for each of the program areas. Annex 1 contains specific activities directly related to the strategic objectives of the project.

Strengthening Input Supply Systems and Markets

In February, KAED organized a ceremony of opening a farm store in Tokmok region. The new store will serve around 1,500 market-oriented farmers that produce vegetables and dairy products for Bishkek market. More than 40 farmers, consultants, and governmental officials attended the ceremony.

The same month KAED staff facilitated the opening of a retail farm store in Chaldavar. This is the first farm store to open in this important agricultural area. More than 30 farmers, consultants and governmental officials attended the opening ceremony. The number of farm stores opened since October 2006 in the north of KG reached 12, while the total number reached 33. KAED estimates that during the no cost extension time frame (April–August 2008), at least 12 additional retail farm stores will open in northern Kyrgyzstan.

Despite the high prices, sales of fertilizers increased significantly. During the period January–March 2008, dealers sold 13,000 mt of ammonium phosphate or 22% more than the same period of last year.

Sales of CPP and veterinary supplies increased by 10% compared with the same period of last year, whereas sales of seed for major field and vegetable crops increased by 18%. KAED is expecting these figures to be higher as the planting season continues. The final figures on sales of agri inputs for this spring season will be reported in the second quarter.

“Agrovita,” a wholesale seed company based in Bishkek, recently signed a contract for supplying four new varieties of cabbage seed from Israel. Cabbage production is an important activity for vegetable farmers around Bishkek.

“Agrohimiya,” a wholesale CPP company, signed a contract for supplying the Kyrgyz market with 10 types of quality products from Turkey. This outcome was a result of the recent trade mission that KAED organized in Turkey

KAED is leading efforts in developing the market for animal feed in Kyrgyzstan. Part of these efforts is the establishment of the first demonstration on cattle feeding and management in a private farm in Sokuluk region (near Bishkek). The demonstration will feature advanced feed rations, proper veterinary medicine to address the issues of animal health, and milking equipment. KAED is expecting significant milk increase, good quality of dairy products, and better incomes for the farm as a result of demonstrated interventions.

Technology Transfer and Private-Sector Extension Service

Agronomy unit has introduced 11 new hybrids of corn from Kazakhstan. The seeds were provided to the State Commission on Variety Testing and will also be planted in KAED demonstration sites.

The location to set up demonstrations on potato in Tallas and Issy-Kul oblasts were identified. NUKOK, a seed potato production company based in Kyrgyzstan that works on royalty basis with Dutch companies was contacted regarding supply of seed for KAED demonstration sites. NUKOK, which has been working with KAED in the last 6 years, has committed to supply new varieties of potato for fresh consumption and processing.

Soybean seeds for demonstration purposes were purchased from Kazakhstan and Tajikistan. A total of six soybean varieties will be introduced in Chui valley and their performance in terms of yield and maturity cycle will be evaluated. Given the importance of livestock for Kyrgyzstan, soybeans represent a real potential to improve the protein balance in feed rations. In Kyrgyzstan, feed rations contain 1.5–2.0 times less protein than recommended rates. In addition to contributing to an improved feed ration, properly cultivated and processed soybeans are an important source of nitrogen that contribute to soil fertility maintenance and/or

restoration. KAED strongly recommends that soybeans be part of crop rotation schemes in farming systems in Kyrgyzstan.

The following seminars and trainings were conducted by KAED agronomy team during the quarter:

- “Animal Parasitic Diseases and Veterinarian and Sanitary Examination” with 43 attendees, including 8 women.
- “Integrated Crop Protection Practices.” A total number of 57 participants attended this activity, including 10 women.

The following booklets have been published and distributed:

- 5 brochures printed in 100 copies each on the results of crop yields in demonstration fields.
- 200 booklets providing information on various project activities.
- An illustrative map of retail farm stores network was prepared and displayed in the AgroExpo 2007. The map was transferred to the KAED office in Bishkek after the Expo.

A report on potato and vegetable field results was prepared and submitted to State Variety Testing Committee for further evaluation. This government agency is considering KAED demonstration field data to assess the performance of new varieties entering Kyrgyzstan for registration purposes.

Several handouts on agronomy and veterinary issues were published and distributed to farmers through the network of retail farm stores.

Linking Farmers to Output Markets and Value Chain Development

“KOOS Cooperative” a Kyrgyz enterprise finalized negotiation with the German company “KWS Seed Ltd.” to test new varieties of fodder beet in Kyrgyzstan and in case of successful outcome, KOOS will be licensed by KWS Seed Ltd. to produce fodder seed for the domestic market and export. KOOS purchased 2 planters from “Amazoni” Company in Germany valued at 30,000 Euro. The General Manager of “KOOS” signed an agreement for exportation of alfalfa seeds to Penza oblast, Russia with a Russian Company. The linkage was established during a January trade mission to Germany organized by KAED.

“Agrochimiya” Ltd. Kyrgyzstan recently signed a contract to supply 10 new CPP from the Turkish company, “Hektash.” The value of the contract signed was US \$50,000.

The representative of Seed Association of Kyrgyzstan finalized negotiations with a Turkish Company “Chim Technick” for exportation of 20,000 kg of alfalfa seeds to Turkish market valued at US \$37,000. The association purchased 2 tractor sprayers from “Taral” Company amounting to US \$4,500. In addition to this deal, “Mol Tushum” cooperative from Batken oblast in Kyrgyzstan signed a contract with the same Turkish company for purchasing 3 types of sprayers to Kyrgyzstan totaling US \$9,000.

The Turkish company “Tarmak” expressed interest to supply seeds of corn and potato to Kyrgyz Company “Zolotaya Niva” for testing purposes. Provided the results are positive, “Tarmak” has agreed to assign “Zolotaya Niva” as representative for Kyrgyzstan and will grant the rights to produce seed on a royalty basis for domestic market and export. A representative of “Tarmak” will soon visit Kyrgyzstan for further assessment of the seed market.

The manager of the sugar beet department of “Syngenta Ltd.,” a multinational seed company that does not have a presence in Kyrgyzstan, finalized an agreement with Seed Association of Kyrgyzstan to produce sugar beet seed on a royalty basis to supply needs for Kyrgyzstan market and to export the remaining quantities to Turkey. The value of the contract signed with “Syngenta” totals US \$250,000. Several Turkish companies working in the sugar industry have expressed interest in rehabilitating the sugar production factory in Kyrgyzstan.

All business links with Turkish companies were established during the trade mission organized by KAED in March.

Private entrepreneur Habbibula Halikov, a member of AAK “Jer Azygy” and owner of the farm store “Orunbai” based in Osh, participated in the AgroExpo 2007 for the first time. He signed several contracts with companies such as “ROSINK,” “Singles Internationals,” “Agrovita,” and “Holland Seeds” for supplying the Kyrgyzstan market with quality seed and

CPP. An additional 250 farmers expressed interest in purchasing his products during the 2008 cropping season.

In close cooperation with the Local Market Development Project implemented by Helvetas (Switzerland Government), KAED project facilitated linkages with processors from northern oblasts and assisted in promoting the Agro-Asia website which provides information on market opportunities for companies working in agriculture in Central Asia.

Two trade missions (Germany and Turkey) with Kyrgyz entrepreneurs were organized by the KAED Project during the quarter. “The Greek Week” annual trade fair in Berlin was an opportunity for Kyrgyz businesses (including veterinary medicine) to establish linkages with reputable European suppliers and explore the potential for exportation of agricultural Kyrgyz products to Europe.

Linkages were established not only with German companies, but also with companies from Russia, Ukraine, and Eastern Europe.

In Turkey, in addition to finalizing several contracts with Turkish counterparts, Kyrgyz businessmen had the opportunity to attend “Antalya Fresh,” an annual fair devoted to the production of vegetable in greenhouses, post harvest technology, processing, biotechnology, and integrated pest management in fruits and vegetables. Kyrgyz entrepreneurs signed preliminary contracts for building greenhouses for production of vegetables in Bishkek using geothermal waters as a source of heating. Also, they identified several small-scale cooling units (fruits, vegetables, and dairy products) for future purchasing.

Strengthen Business Skills and Services for Kyrgyz Entrepreneurs and Improve Access to Credit

The KAED project, in cooperation with AAK, organized the trade fair “AgroExpo Silk Road 2008” from February 28–March 1, 2008 in Osh, Ferghana valley of Kyrgyzstan. This was the fourth AgroExpo since October 2004, when this event was organized by KAED for the first time. The main objective of the event was to expose to international and regional agricultural sector, trade opportunities that exist in Kyrgyzstan and facilitate business contact for Kyrgyz

entrepreneurs with enterprises in regional markets of Kazakhstan, Uzbekistan, Tajikistan, Turkey, Russia, China, and India.

More than 2,000 people visited “AgroExpo Silk Road” 2008 and 43 companies from Germany, Ukraine, Iran, Kazakhstan, Netherlands, Russia, India, and Uzbekistan displayed their products during three days of this event. Products displayed and sold included: seeds, compound fertilizers, CPP, agricultural equipment, veterinary medicine, animal feed products, and services such as leasing, financial counseling for producers, legal advice, technical education, etc.

Business contracts amounting to US \$100,000 were signed during AgroExpo 2008. Expectation is that this initial amount will increase over time.

“AgroExpo Silk Road 2008” was a major event for the agricultural sector of Central Asia where local and regional producers and the farmers had a chance to meet and network, buy goods prior to starting of planting season, obtain market information which is key to successful business management, and establish long lasting business linkages.

KAED Project used AgroExpo Silk Road 2008 as a venue to provide special technical training on Integrated Pest Management for 57 agri input dealers, owners of farm stores, CPP suppliers, and AAK members.

In addition to training activities that took place during AgroExpo Silk Road, KAED organized a one-day training program in northern Kyrgyzstan on using personal computers, internet, and Agro-Asia website for 40 farmers. The main purpose of this training program was to provide guidance to farmers and entrepreneurs in using the internet and the recently built website Agro-Asia to search information on agricultural commodities and prices for Central Asia.

The percentage of dealers who received loans in 2007 declined slightly this year due to the increase of interest rates (to a range of 26%-30%) by financial institutions. However, Micro Credit Company Bai Tushum & Partners signed a contract with AAK which makes provisions for AAK members to borrow at a 22% interest rate. Although these interest rates are below the

market average, they are 6% higher compared with what the same financial institution offered last year. As a result during the reporting period, no AAK members had received loans.

During the quarter, KAED staff members worked with financial institutions and micro credit organizations to facilitate access to credit necessary for opening farm stores by AAK members and extending the production credit to AAK farmer customers. Efforts are continuing to broaden the sources of credit supply for AAK members who plan to open new retail farm stores. Several partner projects, such as Technical Cooperation and Development Aid Agency (ACTED), Asian Development Bank (ADB), and Mercy Corps, have expressed serious interest in supporting the retail farm store network established by KAED with the necessary initial capital.

Promoting Policy Changes That Benefit the Agricultural Sector and Build Public-Private Partnership

Under a grant awarded to AAK in December 2007, KAED extended the existing contract with AAK to address the issue of amending the Land Law which would consider land as a capital for commercial producers. The Investment Committee chaired by the President of the Republic has included the discussion and amendment of Land Law in its working agenda for the second quarter. Expectations are that the Law will be amended and this will result in removing a serious constraint to credit access by producers. In elaborating this initiative, AAK has had strong support from KAED and good cooperation from other partner projects such as BEI and Chemonics Land Reform Project.

Strengthening Local Service Providers

In March, the KAED Project facilitated a business trip to Turkey for the management of Seed Association of Kyrgyzstan to establish links with Turkish seed companies and finalize pending contracts on seed production and distribution. The association was able to finalize pending contracts and sign additional ones amounting to US \$300,000.

Miscellaneous

a. Media

During the quarter the two success stories:

1. Talas farm store opening which was used in the USAID newsletter and placed on the website.
2. AgroExpo 2008—placed on the www.donors.kg website and USAID/CAR website and included in USAID February–March report
 - Two TV commercials on AgroExpo (in Russian and in Kyrgyz languages): One of 10 seconds duration and the second of 50 seconds were produced. Both commercials were aired on OshTV and EITR. There were also 2 commercials on radio which were re-broadcast via the radio booth during the exhibition.
 - The AgroExpo event was covered in the newspaper “Echo Osh.”

Following the results of the round table held during the AgroExpo, KAED organized a press conference with participation of **TVs**: OshTV, Keremet, EITR, KTR, Dastan, and Mezon; **print media**: Echo Osh, Vecherniy Bishkek, and Ush Sadosi; and **electronic media**: 24KG, Akispress.

b. Meetings and Round Tables

The KAED COP attended a meeting organized by the Minister of Agriculture to discuss the issues of production and quality of potential export commodities. This meeting followed the attendance of the Minister in the “Green Week” European Fair in Berlin, Germany where he had a chance to meet KAED staff and a group of businessmen whose visit to the fair was facilitated by the KAED Project. The Minister was impressed with KAED results and was interested to learn more about the project’s experience in facilitating trade linkages with international partners.

KAED COP met on a regular basis with the staff of seed projects funded by the Swedish International Development Agency (SIDA) to discuss ways to implement the regional Seed Conference scheduled for June 2008. The Minister of Agriculture asked KAED assistance and contributions in organizing this event which is perceived as an opportunity to bring more private

seed companies into the Kyrgyzstan market thus improving the availability of quality seeds for farmers and increase seed trade in Central Asia

The KAED General Manager attended a seminar organized jointly by CAMFA and AgLinks projects on rural finance and related issues.

The KAED COP attended the Partners Meeting organized by the USAID office in Bishkek and commented on the issues related to livestock development in Kyrgyzstan.

The COP met with two Parliamentarians (members of Agricultural Committee in Kyrgyz Parliament) to discuss the progress and lessons learned from implementing the KAED Project in Central Asia.

KAED submitted an official request to USAID for a no-cost extension through August 2008. KAED will use the additional time to complete the second growing cycle for major crops, achieve additional results in building retail store network, and collaborate with Ag Links Project to transfer the experience and knowledge gained in the last 5 years in Central Asia. The request was officially approved by the USAID in March 2008. KAED is working on scheduling activities during the no-cost timeframe.

The project staff and its LSP continued to provide support to various activities that contribute to cost-sharing and leveraging of project funds (**Annex 2**).

Annex 1. KAED Extension Result Framework

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| Indicators | | | | Year 1 | Year 2 (6 Months) | | |
| 1. Program Area I: Strengthening Input Supply Systems and Markets | | | | | | | |
| <p>IR 1.1 Sale of agri inputs nationwide increased.</p> <p>26th Quarter Results Sale of fertilizers despite the high prices increased significantly. During the period January–March 2008, dealers sold 13,000 mt of ammonium phosphate or 22% more than the same period of last year.</p> <p>Sales of CPP and veterinary supplies increased by 10% compared with the same period of last year, whereas sales of seed for major field and vegetable crops increased by 18%. KAED is expecting these figures to be higher as the planting season is not over. The final figures on sales of agri inputs for this spring season will be reported in the second quarter.</p> | \$ million | 2.11 | 5.4 | 0.4 | 0.41 | 6.21 | +15 |
| <p>IR 1.1.2 Sale of agri inputs in northern project areas increased (baseline for this IR is 2007).</p> <p>26th Quarter Results Reported in the annual survey.</p> | \$ million | TBD | TBD | TBD | TBD | TBD | TBD |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 1.2 Additional retail stores opened.</p> <p>26th Quarter Results In February, KAED organized a ceremony of opening a farm store in Tokmok region. The new store will serve around 1,500 market-oriented farmers that produce vegetables and dairy products for the Bishkek market. More than 40 farmers, consultants, and governmental officials attended the ceremony.</p> <p>The same month KAED staff facilitated the opening of a retail farm store in Chaldavar. This is the first farm store to open in this important agricultural area. More than 30 farmers, consultants, and governmental officials attended the opening ceremony. The number of farm stores opened since October 2006 in the north of Kyrgyzstan reached 12 while the total number reached 33. KAED estimates that during no cost extension time frame (April–August 2008), at least 12 additional retail farm stores will open in northern Kyrgyzstan.</p> | # | 0 | 21 | 4 | 6 | 31 | +47 |
| <p>IR 1.3 AAK and other businesses that generate revenue more than \$10,000/year increased.</p> <p>26th Quarter Results Reported in the annual survey.</p> | # | 9 | 19 | 2 | 2 | 23 | +21 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 1.4 Dealers certified.</p> <p>26th Quarter Results The Certified Agribusiness Professional (CAP) has changed the implementation approach for 2008. The program is focused on specific topics with greater interests for entrepreneurs such as Marketing and Safety Use of CPP.</p> <p>Sixty-three percent of surveyed KAED dealers received specialized agribusiness training in 2007. This is an increase of 13% from the 30 dealerships who received specialized agribusiness training in 2006.</p> | # | 0 | 0 | 10 | 7 | 17 | + 1,700 |
| <p>IR 1.5 Average compound fertilizer sales by AAK members and other entrepreneurs increased.</p> <p>26th Quarter Results Sales of compound fertilizer this quarter increased by 18% compared with the same period last year.</p> | mt | 116 | 228 | 20 | 30 | 278 | +22 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 1.6 New agri inputs introduced to the Kyrgyzstan market.</p> <p>26th Quarter Results “Agrohimiya” a wholesale CPP company signed a contract for supplying the Kyrgyz market with 10 types of quality products from Turkey.</p> <p>Agrovita” a wholesale seed company based in Bishkek, recently signed a contract to supply 4 new varieties of cabbage seeds from Israel. Cabbage production is an important activity for vegetable farmers around Bishkek.</p> <p>KAED is leading efforts in developing the market for animal feed in Kyrgyzstan. Part of these efforts is the establishment of the first demonstration on cattle feeding and management in a private farm in Sokoluk region (near Bishkek). The demonstration will feature advanced feed rations, proper veterinary medicine to address the issues of animal health, and milking equipment. KAED is expecting significant milk increase, good quality dairy products, and better incomes for the farm as a result of demonstrated interventions.</p> | # | 0 | 22 | 3 | 3 | 28 | +27 |
| <p>IR 1.7 Certified seed sold increased.</p> <p>26th Quarter Results Reported in the annual survey.</p> | mt | 575 | 584 | 40 | 60 | 684 | +17 |
| <p>IR 1.7.1 Certified seed sold increased (northern project areas).</p> <p>26th Quarter Results Reported in the annual survey.</p> | mt. | TBD | TBD | TBD | TBD | TBD | TBD |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| IR 1.8 Elite seed transaction cost reduced. | \$ | 0.17 | 0.25 | 0.0125 | -0.0125 | 0.23 | -10 |
| 26th Quarter Results Reported in the annual survey. | | | | | | | |
| IR 1.9 AAK customers' base increased | # | 13,847 | 90,895 | 6,600 | 7,000 | 104,500 | +15 |
| 26th Quarter Results Dealerships indicated a 26% increase in the number of customers served during FY 07, reaching approximately 146,000 customers in 2007 (an average of 2,700 customers per dealership). | | | | | | | |
| IR 1.10 Milk production increased. | l. | TBD | | TBD | TBD | TBD | TBD |
| 26th Quarter Results Reported in the annual survey. | | | | | | | |
| IR 1.11 Farmers exposed to advanced livestock management practices. | # | | | 100 | 200 | | 300 |
| 26th Quarter Results In February 2008 KAED organized a one-day training program on Integrated Pest Management Issues with 57 AAK members, market farmers, and extension agents attending. | | | | | | | |
| IR 1.12 Unit sales of certified seed from all sources will be increased. | mt | 3,000 | 4,700 | 1,000 | 1,000 | 6,700 | +42 |
| 26th Quarter Results Reported in the annual survey. | | | | | | | |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| 2. Program Activity Area II: Technology Transfer and PSES | | | | | | | |
| IR 2.1 Productivity of maize increased. | mt (grain) | 4.0 | 5.4 | 0.5 | 0.7 | 6.6 | +22 |
| 26th Quarter Results It will be reported at the end of 2008 harvesting season. | | | | | | | |
| IR 2.2 Productivity of potato increased in project areas. | mt | 9 | 14 | 3 | 4 | 21 | +50 |
| 26th Quarter Results Potato yields in demonstration plots showed an increase by 150%–200% in Aksy and Sokuluk fields compared with average potato yields in the region. | | | | | | | |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 2.3 Farmers adopting cereal-legume production systems.</p> <p>26th Quarter Results Agronomy unit has introduced 11 new hybrids of corn from Kazakhstan. The seeds were given to the state commission on variety testing and will also be planted in KAED demonstration sites.</p> <p>The location to set up demonstrations on potato in Tallas and Issy-Kul oblasts were identified. NUKOK, a potato seed production company based in Kyrgyzstan, which works on royalty basis with Dutch companies, was contacted regarding supply of seed for KAED demonstration sites. NUKOK which has been working with KAED in the last 6 years has committed to supply new varieties of potato for fresh consumption and processing.</p> <p>Soybean seed for demonstration purposes were purchased from Kazakhstan and Tajikistan. A total of 6 soybean varieties will be introduced in Chui valley and their performance in terms of yield and maturity cycle will be evaluated. Given the importance of livestock for Kyrgyzstan, soybeans represents a real potential to improve the protein balance in feed is rations.</p> | % | N/A | TBD | TBD | TBD | TBD | +10 |
| <p>IR 2.4 Yield of tomato for processing increased.</p> <p>26th Quarter Results Demonstration tomato yields increased by 500%–700% compared to average tomato yields in the region.</p> | mt | N/A | TBD | TBD | TBD | TBD | +15 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| Indicators | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 2.5 Potato varieties for chips production identified and submitted to National Seed Committee for registration and certification.</p> <p>26th Quarter Results Karlena, Fontane, Delicat, and Fazane were identified as best potato varieties for processing in Kyrgyzstan climatic conditions (chips, mashed potato, and dry products). Recommendations for registration of these varieties will be sent to State Variety Testing Committee.</p> | # | 4 chip varieties have been registered according to the 2006 official list of varieties published by National Variety Testing Committee | | 1 | 1 | 2 | +200 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
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| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 2.6 Technology packages for three major commodities (e.g., wheat, maize, triticale, potato, and tomato) developed by KAED and introduced to farmers in project areas.</p> <p>26th Quarter Results The following seminars and trainings have been conducted by the KAED agronomy team during the quarter:</p> <ul style="list-style-type: none"> • On veterinary area: “Animal Parasitic Diseases and Veterinarian and Sanitary Examination” with 43 attendees 8 of which were women. • On agronomy issues: “Integrated Crop Protection Practices. A total number of 57 participants, 10 of which were women attended this activity. <p>The following booklets have been published and distributed:</p> <ul style="list-style-type: none"> • 5 brochures printed in 100 copies each on the results of crop yields in demonstration fields. • 200 booklets providing information on various project activities. • An illustrative map of retail farm stores network was prepared and displayed in the AgroExpo 2007. The map was transferred to the KAED office in Bishkek after the Expo. <p>A report on potato and vegetable field results was prepared and submitted to State Variety Testing Committee for further evaluation. This government agency is considering KAED.</p> | # of participants | 100 | 3,000 | 1,000 | 1,000 | 5,000 | +66 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
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| | | | | Year 1 | Year 2 (6 Months) | | |
| Program Activity Area III: Linking Farmers to Output Markets and Value Chain Development | | | | | | | |
| <p>IR 3.1 New business linkages with international and regional input suppliers established.</p> <p>26th Quarter Results</p> <p>“Agrochimiya” Ltd. Kyrgyzstan recently signed a contract for supplying 10 new CPP from the Turkish Company, Hektash. The value of the contract signed amounts to US \$50,000.</p> <p>The representative of the Seed Association of Kyrgyzstan finalized negotiations with the Turkish Company, “Chim Technick” for exportation of 20,000 kg of alfalfa seeds to Turkish market worth of US \$37,000. The association purchased 2 tractor sprayers from “Taral” Company amounting to US \$4,500. In addition to that, “Mol Tushum” a cooperative from Batken oblast in Kyrgyzstan, signed a contract with the same Turkish company for purchasing 3 types of sprayers to Kyrgyzstan totalling US \$9,000.</p> <p>The Turkish company, “Tarmak” expressed interest to supply seeds of corn and potato to Kyrgyz Company, “Zolotaya Niva” for testing purposes. Provided the results were positive “Tarmak” has agreed to assign “Zolotaya Niva” as a representative for Kyrgyzstan and will grant the rights to produce seed on a royalty basis for domestic market and export. A representative of “Tarmak” will visit Kyrgyzstan soon for further assessment of the seed market.</p> <p>The manager of the sugar beet department of “Syngenta Ltd.”—a multi-nation company that does not have a presence in Kyrgyzstan on the seed sectors, finalized the agreement with Seed Association of Kyrgyzstan to produce sugar beet seed on a royalty basis to supply needs for the Kyrgyzstan market and export the remaining quantities to Turkey. Several Turkish companies working on sugar industry have expressed interest in rehabilitating the sugar production factory in Kyrgyzstan. The value of the contract signed with “Syngenta” totals US \$250,000.</p> | # | 0 | 8 | 3 | 4 | 15 | +90 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 3.2 Foreign companies assessed the Kyrgyzstan market and expressed an interest in long-term investment on quality input supply facilities.</p> <p>26th Quarter Results Reported in the annual survey.</p> | # | 0 | 3 | 1 | 2 | 6 | +100 |
| <p>IR 3.3 Small holders linked to processors as a result of application of advanced technologies and high quality inputs.</p> <p>26th Quarter Results KAED has organized 3 meetings with participation of farmers, dealers, processors, consultants, and other interested parties to strengthen the value chain links.</p> | # | 0 | 500 | 200 | 300 | 1,000 | +100 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
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| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 3.4 Working with other USAID/international development agencies KAED will work with processing facilities to develop niche market commodities (e.g., tomato for industry, potato for chips production, baby red beets, peanuts) in an effort to link processors with small producers.</p> <p>26th Quarter Results Working with the Local Market Development Project funded by the government of Switzerland, the KAED project has facilitated linkages with processors from the northern oblasts and trained dealers and producers on using market information website build by LMD project.</p> <p>Two trade missions (Germany and Turkey) with Kyrgyz entrepreneurs were organized by the KAED Project during the quarter. “The “Greek Week” annual trade fair in Berlin was an opportunity for Kyrgyz businesses (including veterinary medicine) to establish contacts with reputable international companies.</p> <p>Linkages were established not only with German companies, but also with companies from Russia, Ukraine, and Eastern Europe.</p> <p>In Turkey, in addition to finalizing several contracts with Turkish counterparts, Kyrgyz businessmen had the opportunity to attend “Antalya Fresh,” an annual fair devoted to production of vegetables in greenhouses, post harvest technology, processing, biotechnology, and integrated pest management in fruits and vegetables.</p> | # of processing companies | 0 | 3 | 1 | 2 | 6 | +100 |
| <p>IR 3.5 AAK members assets increased.</p> <p>26th Quarter Results Reported in the annual survey.</p> | \$ | 23,000 | 26,000 | 2,000 | 1,000 | 29,000 | +11,5 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| IR 3.5.1 Northern business assets increased. 26th Quarter Results Reported in the annual survey. | \$ | 2007 baseline will be established | TBD | TBD | TBD | TBD | TBD |
| Program Activity Area IV: Strengthening Business Skills and Services for Kyrgyz Entrepreneurs and Improve Access to Credit | | | | | | | |
| IR 4.1 AAK member domestic investment in upgrading input infrastructure increased 26th Quarter Results Dealers indicate that the average investment in each dealership in 2007 increased by 60% over the last year. The 54 surveyed dealers have invested over \$11 million in new warehousing space and offices. 8 dealers invested \$1–\$1,000 while another 8 invested \$5,001–\$10,000. | \$ | 13,000 | 17,000 | 2,000 | 1,500 | 20,500 | +21 |
| IR 4.1.1 Northern domestic investment increased. 26th Quarter Results Reported in the annual survey. | \$ | 2007 baseline will be established | TBD | TBD | TBD | TBD | TBD |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
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| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 4.2 Input dealers upgrade business skills through trainings nationwide.</p> <p>26th Quarter Results Sixty-three percent of surveyed KAED dealers received agribusiness training in 2007: a 13% increase from 2006. KAED project in cooperation with AAK organized the trade fair “AgroExpo Silk Road 2008” from February 28–March 1, 2008 in Osh, Ferghana valley of Kyrgyzstan. This was the fourth AgroExpo since October 2004 when this event was organized by KAED for the first time. The main objective of the event was to expose the international and regional agricultural sector trade opportunities that exist in Kyrgyzstan and facilitate business contact for Kyrgyz entrepreneurs with enterprises in regional markets of Kazakhstan, Uzbekistan, Tajikistan, Turkey, Russia, China, and India.</p> <p>More than 2,000 people visited “AgroExpo Silk Road” 2008 and 43 companies from Germany, Ukraine, Iran, Kazakhstan, Netherlands, Russia, India, and Uzbekistan displayed their products during three days of this event. Products displayed and sold included: seeds, compound fertilizers, CPP, agricultural equipment, veterinary medicine, animal feed products, and services such as leasing, financial counseling for producers, legal advice, technical education, etc.</p> <p>Business contracts amounting to \$100,000 were signed during AgroExpo 2008. Expectation is that this initial amount will increase over time.</p> | # | 0 | 150 | 130 | 120 | 400 | +100 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 4.3 AAK members received loans from the commercial banking sector</p> <p>26th Quarter Results The percentage of dealers who received loans in 2007 declined slightly this year due to increase of interest rates in the range of 26%-30% by financial institutions. However Micro Credit Company Bai Thushum & Partners signed a contract with AAK which makes provisions for AAK members to borrow at a 22% interest rate. Although these interest rates are below the market average, they are 6% higher compared with what the same financial institution offered last year. As a result during the reporting period none of AAK members received loans from Bai Tushum.</p> <p>During the quarter, KAED staff members worked with financial institutions and micro credit organizations to facilitate access to credit necessary for opening farm stores by AAK members and extending the production credit to AAK farmer customers.</p> | \$ | 4000 | 30,000 | 13,000 | 17,000 | 60,000 | +100 |
| <p>IR 4.4 AAK members extend loans to farmers' customers.</p> <p>26th Quarter Results The average number of loans provided by dealers increased by 36%. Of those dealerships that provided loans to customers, they provided 49 loans on average.</p> | % | 30 | 33 | 5 | 5 | 43 | +30 |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| Program Activity Area V: Promoting Policy Changes That Benefit the Agricultural Sector and Build Public-Private Partnership | | | | | | | |
| IR 5.1 Input regulatory policy changes advocated. | # | 0 | 1 | 1 | 1 | 3 | +200 |
| <p>26th Quarter Results</p> <p>Under a grant awarded to AAK in December 2007, KAED extended the existing contract with AAK to address the issue of amending the Land Law which would consider land as a capital for commercial producers. The Investment Committee chaired by the President of the Republic has included the discussion and amendment of Land Law in its working agenda for the second quarter. Expectations are that the Law will be amended and this will result in removing a serious burden on the way to access reasonable finance by producers. In elaborating this initiative AAK has had strong back up by the project and good cooperation by other partner projects such as BEI and Chemonics Land Reform Project.</p> | | | | | | | |
| IR 5.2 Legal business transactions in project areas increased for agri inputs. | mt | 40 | 4,500 | 500 | 850 | 5,850 | +30 |
| <p>26th Quarter Results</p> <p>Reported in the annual survey.</p> | | | | | | | |
| IR 5.2.1 Legal business transactions in northern project areas increased. | Mt | TBD | TBD | TBD | TBD | TBD | TBD |
| <p>26th Quarter Results</p> <p>Reported in the annual survey.</p> | | | | | | | |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| <p>IR 5.3 New seed varieties from international companies submitted to National Seed Registration Committee.</p> <p>26th Quarter Results Four new potato varieties for processing have been submitted to National Seed Testing Committee for registration.</p> | | 0 | 8 | 3 | 3 | 14 | +75 |
| <p>IR5.4 Input companies adopting international accepted labeling standards in the project areas increased.</p> <p>26th Quarter Results Reported in the annual survey.</p> | # | N/A | 2 | 2 | 2 | 4 | +400 |
| Program Activity Area VI: Strengthening Local Service Providers | | | | | | | |
| <p>IR 6.1 LSP(s) supported by KAED.</p> <p>26th Quarter Results In March, the KAED Project facilitated a business trip to Turkey for the management of Seed Association of Kyrgyzstan to establish links with Turkish seed companies and finalize pending contracts on seed production and distribution. The association was able to finalize pending contracts and sign additional ones amounting to \$300,000.</p> | # | N/A | 1 | 3 | 3 | 6 | |
| <p>IR 6.2 Facilitated linkage discussions between LSP and business enterprises.</p> <p>26th quarterly results KAED organized a round table with major LSPs aimed at strengthening cooperation among them and using resources more efficiently.</p> | # | 0 | 0 | 8 | 6 | 14 | |

| Program Activity Areas | Unit of Measure | 2001/02 Original Baseline | Results to Date | Increase/Decrease in Proposed Extension | | End of Project Total | % Increase/Decrease Relative to Results to Date |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------|-----------------|-----------------------------------------|-------------------|----------------------|-------------------------------------------------|
| | | | | Year 1 | Year 2 (6 Months) | | |
| Indicators | | | | | | | |
| IR 6.3 Agricultural partner projects introduced to LSP/LSP introduced to agricultural partner projects. 26th Quarter Results Reported in the annual survey. | | N/A | 0 | 2 | 2 | | |
| IR 6.4 LSP expands their market for services. 26th Quarter Results: Reported in the annual survey. | # | N/A | 1 | 8 | 4 | 12 | |
| IR 6.5 International company contracts services from LSP. 26th Quarter Results: Reported in the annual survey. | # | N/A | 1 | 5 | 3 | 8 | |

Annex 2. Cost Sharing and Leverages—2008

| No. | Activity | Jan. | Feb. | March | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|-----|----------------------------------------|--------------|--------------------------------|---------------------------------|-------|-----|------|------|------|-------|------|------|------|
| | | (US \$) | | | | | | | | | | | |
| 1 | Association meetings/member visits | | 1,060 | | | | | | | | | | |
| 2 | Field days/advisory meetings | | | | | | | | | | | | |
| 3 | Trade missions/study tours | 3,250 | | 3,000 | | | | | | | | | |
| 4 | Seminar attendance/business counseling | | 12,875 | | | | | | | | | | |
| 5 | Transportation | | 2,835 | | | | | | | | | | |
| 6 | Media coverage | 350 | 795 | | | | | | | | | | |
| 7 | Credit obtained | | 5,479 | 33,736 (commodity credit AN) | | | | | | | | | |
| 8 | Internships | | | | | | | | | | | | |
| 9 | Grant obtained | | 10,106 (Grant for AgroExpo) | | | | | | | | | | |
| 10 | Domestic investment by entrepreneurs | | | | | | | | | | | | |
| 11 | Membership registration dues | | | | | | | | | | | | |
| | Total | 3,600 | 33,150 | 36,736 | | | | | | | | | |
| | Grand Total | | | 73,486 | | | | | | | | | |