



KYRGYZSTAN LOCAL DEVELOPMENT PROGRAM

A TASK ORDER UNDER THE SEGIR/GBTI II IQC

FINAL REPORT

February 28, 2014

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. in partnership with International Fertilizer Development Center and Berman Group s.r.o. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Contract No. EEM-I-09-07-00008-00

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Cover: Workers at the Mol Tushum Co-op sort dried apricots. The Local Development Program provided washing, drying, and sorting equipment that enabled the co-op to export dried apricots directly to regional buyers.

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The LDP Story in Numbers

\$20.9M	Increase in farmers' sales due to land consolidation and irrigation canal rehabilitation
\$24.5M	Increase in sales revenues of agricultural processing as a result of technical and equipment assistance provided by LDP
\$2.9M	Total value of contracts facilitated through the Portal to Kyrgyz Businesses
\$6.8M	Tourist spending and sales by tourism enterprises attributable to LDP support to the tourism sector
\$8.1M	Reduction in costs for 17 garment companies to which LDP provided equipment
\$13.3M	Increased sales by garment producers as a result of LDP assistance
\$950K	Savings for entrepreneurs in two pilot cities as a result of the introduction of one-stop shops
\$831K	Increased income for more than 4,000 farmers who received extension services
\$8.2M	LDP partners' contributions to joint activities
\$9.8M	Increase in target municipalities' aggregate revenues over three and one-half years
\$4.2M	Funds made available through activities to improve access to finance for micro and small enterprises and new short-term financing tools introduced by LDP
75,679	Farmers in seven oblasts assisted through extension services, direct training, and land improvement activities
67,269	Employees in the public and private sectors who benefited from workforce development activities
15,755	Agricultural producers whose incomes were increased due to access to irrigation through pilot land improvement activities
841%	Average increase in farmers' sales due to improved access to irrigation
61%	Average annual increase in new revenues in LDP target municipalities
7,600	Tourists attracted to the Kyrgyz Republic through program support to the tourism sector
210	Companies assisted by LDP through in-kind support, tailored training, and firm-level consultancies
134	Small and medium-sized enterprises that received additional collateral via a guarantee provided by four LDP-supported guarantee funds
54	Partner municipalities that worked with LDP to improve their local economic development (LED) performance
5	Major bottlenecks that LDP identified in existing legislation; also, the number of new policies and recommendations or government programs the program developed to further LED

EXECUTIVE SUMMARY

The USAID-funded Local Development Program (LDP) stimulated rapid, diversified, and sustained economic growth in the Kyrgyz Republic through strategic partnerships with local governments, the private sector, and other stakeholders by providing direct support to target municipalities. When the program began in September 2010, the Kyrgyz Republic was recovering from a period of civil unrest and sought guidance and assistance to re-energize its local governance and economy. To support these goals, LDP connected and leveraged existing capacities and built relationships to produce significant, objectively measured, sustainable results. By facilitating economic growth through innovative approaches and investing heavily with in-country partners and resources, the program surpassed nearly every goal it set, including support to local, regional, and national government partners. The total return on USAID's \$15.7 million investment was nearly \$116 million, a ratio of 7.3:1.

LDP activities took place in 70 municipalities throughout all seven oblasts (regions) of the country as a result of collaboration with partners across a broad spectrum of public and private actors (Annex B). The program had a profound effect on the lives of the Kyrgyz people. Program efforts in workforce development through conferences, roundtables, domestic study tours, public hearings, and learning-by-doing pilot programs increased access to information, knowledge, and skills for more than 120,000 citizens throughout the country. Among the project's most significant efforts was the assistance provided to more than 75,000 farmers through extension services, direct training, and land improvement activities. These innovative activities helped farmers increase average annual sales by more than 800 percent; incomes increased for more than 15,000 agricultural producers whose access to irrigation through pilot land activities enhanced their profitability.

Program accomplishments paved the way for strengthening local economic development (LED) through an improved regulatory environment, including proposing five new national-level policies and making recommendations for state programs. One groundbreaking example was the Draft Law on the State Fund for Agricultural Land. The program partnered with the Ministry of Agriculture and Melioration to draft a law to provide a framework for managing the fund, clarify the ways in which the fund can be used for land consolidation, and expand the fund's composition to include lands with indefinite legal status. The draft law eliminates gaps and contradictions in current, differing legal norms and will significantly improve the government's ability to address the problems that the agrarian sector experiences. Support to the textiles industry enabled significant improvements in manufacturing quality and marketing products within a new regulatory environment. Seventeen beneficiary firms that LDP assisted experienced a combined average increase in revenues of 12 percent over the life of the project. Improvements in the tourism sector laid the foundation for increased investment from outside sources.

These remarkable achievements will assist the Kyrgyz Republic in strengthening its local economy and expanding to international markets.

To achieve program goals most effectively, LDP helped establish working groups in 24 target municipalities throughout the country (see box) that were essential to building and maintaining relationships. Those working groups assisted the municipalities by prioritizing activities with the greatest potential to have positive impact on local populations and businesses. The most successful activities were then expanded and replicated across the country, with some activities resulting in the creation of national-level policy. LDP expanded its reach to populations outside its target municipalities through work with 30 partner municipalities as opportunities for activities arose. This multiplied impact, enabling the program to support more citizens than originally envisioned. Partner municipalities, which did not have working groups, received program assistance to improve their performance in facilitating LED through training, technical assistance, and support to other private sector beneficiaries.

Target Municipalities	
Batken	Kyzyl-Kyia
Bazaar-Korgon	Kyzyl-Kyshtak
Belovodskoe	Logvinenko
Cholpon-Ata	Mirmakhmudov
Gulistan	Naryn
Jalal-Abad	Nookat
Jany-Nookat	Sarai
Joosh	Sokuluk
Kant	Suzak
Kara-Balta	Talas
Karakol	Tokmok
Kara-Suu (Osh)	Zulpuev
Partner Municipalities	
Aknazarov	Otuz Adyr
Cholpon	Papan
Kara-Suu (Jalal-Abad)	Savai
Mailuu-Suu	Sary Kolot
Mambetov	Toloikon
Min-Bulak	Shark
Osh city	Kara-Djal
Uchkun	Boz-Uchuk
Ak-Tash	Ananyevo
Jani Aryk	Djargylchak
Taldyk	Kyzyl-Suu
Kashkar Kyshtak	Tyup
Kyzyl Suu	Aral
Mady	Taldy-Suu
Nariman	San-Tash

The program also worked with 16 non-partner municipalities where activities were promoted through countrywide solicitations, without the need for working groups. Interventions were identified, designed, and implemented through the strategic activities fund mechanism and supported target value chains.

In the capital city, Bishkek, LDP forged close working relationships with multiple government bodies, nongovernmental organizations, associations, and financial institutions. These alliances were instrumental in facilitating activities and successes during the program life cycle.

The program comprised diverse activities in 21 key sub-sectors. The list below corresponds to the activities on the maps on pages 3, 6, and 16.

Key LDP Sub-Sectors
Finance and municipal governance: Local economic development, one-stop shops, guarantee fund, finance and investment, foreign direct investment, utilities, municipal finance
Water management and land consolidation: Land, irrigation, expansion
Agriculture: Livestock, dairy, poultry, fish, fruits and vegetables, field crops
Business and industry: Trade facilitation, finance facilitation, tourism, information communication technology, textiles

SECTION I. REFORM AGENDA

Locally Driven with National Impact

Context and Challenges

After independence in 1991, the Kyrgyz Republic's fledgling democracy faced significant obstacles to enabling a better business environment and improving economic development in municipalities. Laws governing banking and credit, land rights, and international trade were taking shape, but constraints on economic growth were huge. Kyrgyz businesses struggled to compete in regional and international markets. As the economy declined and opportunities for income narrowed, many members of the educated elite and skilled workers emigrated in search of employment and better livelihoods. Adding to these challenges was the revolution in April 2010 — only five years after the 2005 Tulip Revolution.

Civil unrest stemming from these events eroded previous social and economic progress. The Kyrgyz Republic was in need of political and economic reforms and a partner that could help implement comprehensive, long-lasting, and sustainable initiatives.

Approach

To address these challenges, LDP partnered with municipalities that were receptive to implementing innovative pilot activities. LDP identified 24 target municipalities using 22 selection criteria, including potential for providing a high return on USAID's investment, willingness to co-finance LED activities, potential for productive collaboration between the public and private sectors, capacity to mitigate potential conflict and security risks, and the presence of businesses in competitive sectors and value chains. LDP also worked with partner municipalities as opportunities arose (instead of establishing working groups) and to ensure geographic reach. Some partner municipalities were clustered together because of similar shared needs for

Program Results

Helped establish 24 target LED offices and trained staff from 54 municipalities on LED basics, finance, and land management

Trained and supported 24 LED specialists responsible for economic development opportunities in their municipalities

Established one-stop shops in Naryn, Talas, Kara-Suu and Tokmok municipalities

Helped landowners consolidate nearly 800 hectares of land and irrigate more than 2,505 hectares with 21 kilometers of new irrigation canals and infrastructure

Supported the design of a road map for the creation of a 20-year economic development strategy for the Kyrgyz Republic to ensure the extension of LED efforts to the national level

Developed five new national-level policies and state program recommendations designed to strengthen local economic development

Partnering and Collaborating for Success

Development practitioners understand the importance of developing partnerships and gaining consensus at the local level to support startup and make initiatives sustainable. LDP leaned heavily on cooperation and leadership from local, regional, and national government bodies — in particular, Parliament and the president's offices. Partnerships existed along value chains throughout all sectors — across suppliers, processors, transportation services, financial institutions, and centers of academic and vocational training excellence. The program leveraged these relationships to support sustainable economic growth and expansion.

land consolidation and irrigation activities. LDP leveraged these commonalities to maximize financial resources. Annex A summarizes activities for the target municipalities.

Working groups help municipalities identify their needs. As a first step, LDP helped establish a working group in each target municipality. The groups comprised municipal officials, business owners, and invested citizens who could play major parts in implementation. The working groups managed identification of approaches and activities to meet their own LED challenges. They selected possible projects, sought and incorporated public feedback, and designated priority projects. Then they created action plans to guide their partnerships with LDP to prioritize activities. Utilizing public and private actors resulted in a bottom-up approach that brought to light such activities as improving access to finance, enhancing LED capacity, synchronizing municipal databases to create transparent systems, establishing one-stop shops to efficiently connect local state agencies to the private sector, and consolidating and managing resources such as irrigation infrastructure and farmland.

Program-sponsored training programs prepare LED officers to steward economic growth. The program helped establish LED offices (Exhibit 2) that were responsible for economic development and could act as engines of growth and economic catalysts throughout the Kyrgyz Republic’s seven regions. LDP also collaborated with the municipalities to identify LED specialists who could help attract investments with the potential to generate new revenue. Program-sponsored training activities provided LED specialists with knowledge and skills in spatial organization of multinational enterprise activities, strategic decision making, project management, and financial and asset management.

Exhibit 2. Locations of Local Governance and Business Environment Activities



Local Governance and Business Environment

The objective of the Reform Agenda was to improve the local business environment and expand pilot activities throughout the Kyrgyz Republic. Below we highlight activities that exemplify the program’s work in these areas and their results of those interventions.

One-stop shops save time and money for Kyrgyz entrepreneurs. In the Kyrgyz Republic, as everywhere, time is money. Yet entrepreneurs needing to register their businesses as legal entities spent far too much time traveling to different parts of a city to apply to different institutions for single services — for example, to the statistics authorities for registration certifications, the tax department to register as a taxpayer, the state social fund for additional business registration, and to a bank to pay for each service. Registration and payment took at least two and one-half hours; travel and waiting time could extend the process to as much as two days.

LDP’s approach to such development opportunities was to collaborate with a working group to identify a gap, bridge it by implementing an appropriate activity, and then monitor progress and outcomes. One example occurred in Karakol (see box). Another was the development of a one-stop shop in Naryn municipality. The program and the Naryn working group identified a significant opportunity to streamline the administrative procedures that entrepreneurs needed to complete. With the assistance of its local partners, LDP brought representatives from the State Tax Service Department of Naryn city the Naryn Rayon Social Fund Department and Department of Statistics, and a local bank’s cash department together in a single location — a one-stop shop — saving time and money for businesspeople. Consolidating all relevant stakeholders reduced the time needed to register businesses and make mandatory payments. The program replicated this activity in Talas municipality. The total economic benefit in terms of reduced travel costs and monetized time savings for the two cities was \$245,943. The program opened two additional one-stop shops at the request of the target municipalities of Kara-Suu and Tokmok.

LED Case Study: Synchronizing Municipal Databases in Karakol

Karakol’s working group, with LDP staff, identified the need to improve the billing systems of a solid waste utility that collected fees from just 43 percent of users and a sewage and water utility collecting from only 60 percent. Municipal officials were skeptical of LDP’s proposed changes to traditional — but time-consuming and opaque — data collection and entry processes.

LDP assisted in designing a new municipal database and installing it in eight administrative offices in Karakol, and program IT specialists synchronized the database with the utilities’ billing systems. The program also trained local database operators to use the database and enter data collected from residents.

Now data for the city is in the municipal database. This activity helped the utility companies track customer payments and increase their revenues. Outcomes like this demonstrate that shifts in approach can benefit everyone involved by providing reliable service to citizens and increasing revenues for municipalities.

A survey of 300 respondents who utilized one-stop shop services found the greatest benefit was the savings in time. Kyrgyz entrepreneurs now spend much less time registering their businesses and making associated payments. The survey found that



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SNAPSHOT

Saving Time is Priceless

The one-stop shop improves efficiency and transparency in local administrations



Photo: USAID Local Development Program

Residents paying taxes and other mandatory fees at the Naryn one-stop shop.

“The One-Stop Shop is very helpful for the city of Naryn and the surrounding area. It saves not only money but time and our nerves. This is priceless.”

— Naryn entrepreneur **Kalyikul Ysraliev**

“Before, [paying my taxes] was difficult. I had to travel to multiple places around the city. I used to spend up to two days trying to make all the mandatory payments. Now it takes me 10 minutes,” says Kalyikul Ysraliev, an entrepreneur in Naryn, Kyrgyzstan. The newly established one-stop shop in Naryn, established with USAID support, is the first of its kind in the Kyrgyz Republic. The one-stop shop streamlines administration of tax and other payments.

The one-stop shop is the result of a joint effort by relevant stakeholders including the State Tax Service Department of Naryn city and the Naryn Rayon departments of Social Funds and Statistics. Each entity re-located at least one staff member with access to their databases to a single location to provide better service to clients. As a result, this innovative integrated system simplified and increased tax and other fee collection from businesses and individual entrepreneurs.

To improve state services, USAID provided technical assistance and design, refurbished the premises, and purchased all the equipment required for one-stop shop operations. The one-stop shop is expected to contribute to more favorable conditions for business investment in Naryn and the surrounding region.

The Naryn one-stop shop has been an unprecedented success since its inception in May 2012. Entrepreneur patent registrations alone, which contribute to municipal-owned revenue, jumped from 91 in July 2011 (before installation) to 1,458 in July 2012 (after installation). Municipal revenue in Naryn increased from 321,100 KGS to 477,400 KGS during the same period.

Enhancing state services to create favorable business conditions is one of USAID’s main goals. With the one-stop shop, the city of Naryn hopes to serve the public efficiently and increase the municipal budget. Entrepreneur Kalyikul Ysraliev commented, “This is good for entrepreneurs, businessmen, and residents of Naryn; I really do wish that places like this open throughout Kyrgyzstan.”

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the time required to complete the entire process after implementation of the one-stop shops was no more than one hour (and sometimes as little as 10 minutes), compared to more than two days before the introduction of one-stop shops — a much-needed improvement to the Kyrgyz business environment.

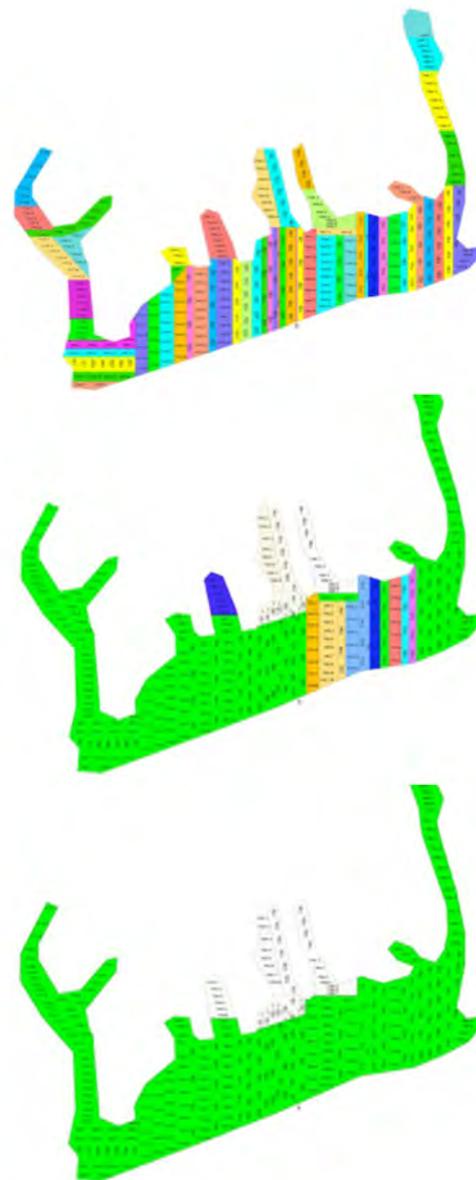
Land consolidation activities help local farmers reclaim lost land. Post-Soviet land reform redistributed 75 percent of arable land to private owners of small-scale farms and larger agricultural enterprises, making about 2 million people responsible for the primary production of agricultural products for the country. Although individual, privatized ownership was seen as a positive, the resulting fragmentation of land was not. Efficiencies did not exist among farmers who grew the same or similar crops, and the poor state of irrigation channels prevented equal distribution of water. Farmers turned to subsistence farming in the aftermath of redistribution.

LDP worked with municipal working groups to examine those constraints. Together, they developed an effective way to use land resources by combining fragmented plots into larger, more economically viable tracts. Working with the Ministry of Agriculture and Melioration, LDP created an institutional base for land consolidation for which buy-in from public and private stakeholders was essential. Through public forums, roundtable discussions, and one-on-one conversation, the program fostered support and agreement, and worked with local stakeholders to identify approaches to improve land resource management.

LDP linked five investors with the owners of 33.5 hectares of fallow land in Zulpuev, one of a cluster of municipalities in the larger Nookat municipality. Following a six-month consolidation effort, (Exhibit 3), 55,000 kilograms of wheat were harvested from land that had been unused for 20 years. In the first year, the investors and farmers realized \$21,000, and land owners and the municipality received lease payments for the land.

To find a sustainable connection between effective land and water management in the municipality of Tepke, LDP implemented a joint pilot to consolidate land and rehabilitate

Exhibit 3. Land Consolidation in Zulpuev Municipality, Osh Oblast



Original, fragmented parcels (top); consolidation after four months (center) and two months later (bottom).

irrigation facilities. LDP helped Tepke consolidate nearly 80 hectares and increase water to 72 hectares, assisting 197 farmers. This activity exemplifies LDP's simultaneous implementation of land and water management activities assisting multiple beneficiaries.

Effective water management makes land productive again and increases income for farmers. Poor irrigation remains a major impediment to economic development in rural regions of the Kyrgyz Republic. With the dissolution of the Soviet regime, which provided resources to maintain irrigation facilities, more than

100,000 hectares in the south and the north of the country were deprived of water. Over the last 30 years, neglect and lack of funding caused mass malfunctions of irrigation and drainage facilities. Fragmented farming plots created competition for water both within farms (in-farm) and between neighboring regional farms (intra-farm). Yet the poor operation and maintenance of irrigation facilities made distribution of water both inequitable and inefficient.

The program examined these impediments in collaboration with local governments, communities, and water users' associations of the Kyrgyz Republic and identified six pilot projects that, if successful, could be expanded upon. Those six projects ultimately laid the foundation for future irrigation projects nationwide.

As LDP progressed with these activities, the connection between in-farm and intra-farm plots became clearer: Local and regional (*rayon*) governments each had jurisdiction over farms. LDP helped launch a joint effort between local and *rayon* governments to rehabilitate a canal between bordering farms in Mady and Savai municipalities, increasing water for nearly 330 hectares of land in Mady and 350 in Savai (see photos below). This joint effort, led by LDP, assisted 6,415 farmers who previously had little or no access to water for irrigation.

In total, the program and its partners completed six irrigation activities in the Issyk-Kul and Osh oblasts and obtained commitments from local governments and citizen groups to make further financial investments and to monitor and maintain the newly rehabilitated irrigation systems. As a result, more than 15,000 farmers were able to bring water to nearly 3,000 hectares of new irrigable land. Those farmers also realized \$3.1 million in new revenue.

Economic Benefits of Land Consolidation

"Transparent and clear procedures for land provision and use and its investment and development potential are important factors for attracting investment resources, increasing revenues to the local budget, and improving employment opportunities for the local population."

— Erkin Abdrakhmanov, vice mayor, Kant

Water Management Case Study: Lipenka Municipality

In 2012, the program collaborated with the municipality of Lipenka to rehabilitate a local runoff pond that collected water for local farmers to use for irrigation. New outlet canals and release gates benefitted 1,132 private land owners and expanded the water supply to nearly 1,500 hectares of land. Farmers harvested 5.2 million kilograms of crops that delivered \$805,550 in increased revenues — five and one-half times their total income in 2011.



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SNAPSHOT Water is Life

**USAID helps irrigate
183 hectares, helping
2,700 farmers**



The new canal with distribution outlets in Mady village, constructed with USAID support.

“Our common goal is to bring water to arable land and thus create favorable conditions for farmers to achieve good harvests and provide for their families.”

**— Kuttubai Irisaliev, chief engineer
Kara-Suu Water Resources
Department**

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Photo: USAID Local Development Program

Arapbay Satybaev, head of the Water Users Association in Mady rural municipality, gravely reminds Local Development Program representatives “No water, no life.” The job of *murab* (irrigator) in Kyrgyzstan has been a respected profession since ancient times. Communities understand that even a poor harvest is impossible without enough water, as the sun can scorch crops as early as late spring.

“Difficult times arrived 15 years ago when water stopped flowing through the old canal. The main reason for this was the long low-water season in the Kurshab river. This was exacerbated by the poor condition of the old Otuz Adyr canal, which could not bring water to our land,” recalls Ruslan Abibillaev, a local resident, water engineer, and head of the Osh oblast Department of Water Resources. When insufficient water for irrigation caused more than 180 hectares of arable land to be withdrawn from use within a short period, local residents started to abandon their homes.

Mr. Abibillaev proposed a plan to obtain irrigation water from a source two kilometers away from the old canal. However, external assistance was needed to finance the project.

In partnership with the USAID Local Development Program, the Kara-Suu Rayon Water Resources Department used its own funds to construct the headwater supply intake and water metering station. USAID rehabilitated a 2.8-kilometer stretch of irrigation canal, constructed a 35-meter aqueduct, and installed eight water outlets. These improvements made it possible to return more than 180 hectares of arable land to use and increase water supply to 145 hectares of conditionally arable land. From 2012 to 2013, 2,700 local farmers saw increases of up to 400 percent in their incomes.

From 2011 to 2013, the USAID Local Development Program implemented six similar irrigation projects in southern and northern parts of the Kyrgyz Republic that improved 3,310 hectares of irrigated lands and brought more than 800 back into use. These interventions benefitted more than 15,000 people and returned a priceless resource to local communities.



The irrigation canal bordering Savai and Mady municipalities before (left) and after rehabilitation increased the flow of water to surrounding farm land.

Countrywide Expansion

LDP’s mandate was to expand the most effective pilot activities countrywide to achieve maximum development impact. Therefore, it presented its successful LED model and training programs to the administrations of selected *rayons* — the most appropriate level of government to reach rural municipalities that lack the resources to promote LED meaningfully. Concurrently, LDP engaged national government structures in areas critical for LED, including regional economic development, guarantee funds, land consolidation, and irrigation. Highlighted activities are discussed below.

Road map for the design of a 20-year national economic development strategy gives the Kyrgyz Republic an economic plan for the future. While economic development at the local level was integral to achieving measurable results early in the project’s life, LDP acknowledged that a private sector-focused national economic development strategy would be vital to continued economic growth in the Kyrgyz Republic. A consortium of local partners led by the International Business Council was awarded a grant to define a strategy using the media and social media networks to bring transparency to the strategy development process and build a more informed citizenry. The consortium also analyzed the strengths, weaknesses, opportunities, and threats of economic reform processes in the Kyrgyz Republic and used focus groups of public and private sector stakeholders throughout the country to learn how existing legislation and regulations are viewed.

Additionally, the program supported a study tour to Mongolia and Malaysia for 15 key stakeholders from the public and private sectors. Tour participants met with representatives of the Parliament of Mongolia, both countries’ ministries of economy, investment and business councils, Chambers of Commerce and Industry, and other stakeholders in the business communities. LDP also conducted desk research on processes used to develop national economic strategies in countries

Study Tour Builds Bridges

“We learned about national economic development strategies in Malaysia and Mongolia, and the role of business associations and NGOs in developing those strategies. The tour also helped us make connections with representatives of other Asian countries. These will facilitate more efficient cooperation in international trade in the future.”

— Gulnara Uskenbaeva, president, Association of Suppliers (Manufacturers and Distributors)

including Georgia and Moldova — post-Soviet states that successfully implemented long-term economic development strategies. The result of these efforts is a road map for the design of a long-term national economic development strategy that identifies key milestones necessary to sustain long-term economic development.

National-level laws ensure codification of successful LED interventions. With input from local experts, government counterparts, and private sector stakeholders, the program facilitated the development of three national-level policies and two policy recommendations to assist the Kyrgyz Republic in identifying the primary constraints to its local economic development. Those policies and recommendations are discussed below.

- *Law on Guarantee Funds.* The Kyrgyz Republic had no law on managing guarantee fund loans. With program support, and after a series of public hearings before Parliament, President Atambayev signed the Law on Guarantee Funds in the Kyrgyz Republic on July 30, 2013. The new law, which entered into force on August 27, 2013, provides a legal framework for the administration of loan guarantees to private banks by guarantee funds. The formalized legal framework is expected to further promote the expansion of guarantee funds in the Kyrgyz Republic, thereby increasing the access to financing for Kyrgyz SMEs.
- *Law on State Fund of Agricultural Land.* As a developing state, the Kyrgyz Republic faces financial constraints that limit its ability to address the problems that the agrarian sector experiences. At the request of the Parliamentary Committee on Agrarian Policy, Water Resources, Ecology, and Regional Development, LDP partnered with the Ministry of Agriculture and Melioration to draft a law on the State Fund for Agricultural Land. The program contributed substantially to the draft law and designed it to expand the fund's composition to include lands with indefinite legal status. As of December 2013, the draft law was with the Parliament for consideration. It will define the role of the state authorities managing the fund, set terms and regulations for budget allocation, and describe ways in which the fund can be used for land consolidation. In essence, the new law will eliminate gaps and contradictions in differing legal norms.
- *National bank regulations.* LDP identified purchase order financing as one avenue for SMEs to obtaining better access to finance. However, regulatory issues in prudential regulations limited the potential of purchase order financing. In partnership with five major banks throughout the country, the program initiated discussions with the Union of Banks and the National Bank on proposed reforms to current regulations. The National Bank agreed in principle to initiate a number of reforms to ease SMEs' access to loan products, with less prohibitive restrictions on the need for real estate as collateral — a requirement that has been impossible for many small businesses. Approval of these reforms was expected in the first or second quarter of 2014.
- *Strategic plan for modernizing the national laboratory system for the textile sector.* As part of its efforts to support the continued growth of the Kyrgyz textile manufacturing sector, the program looked to the national laboratory testing system in the first quarter of 2013 as a key area for investment and

conducted a comprehensive study to identify a strategic partner. As of December 2013, the Bishkek Centre for Testing and Certification had been identified as the best potential candidate for facility and technology upgrades and staff capacity building. These activities will provide textile sector stakeholders a testing facility that meets Customs Union testing and certification requirements (page 23) and enable continued export of Kyrgyz textile products. LDP provided a strategic framework for the Kyrgyz government to utilize as it develops a strategic plan for a textile national laboratory system. In addition, the program coordinated closely with peer donor institutions, including the Japan International Cooperation Agency, to initiate discussions and plan for a laboratory and testing regime that will reach beyond textile products to cover food safety, another important export sector for the Kyrgyz economy.

- *Recommendations for the Strategy on Land Consolidation.* With independence in 1991 came the fragmentation of cooperative farms, and two million people became land owners overnight. They had no knowledge of or legal framework for consolidating those farms, and many farmers turned to subsistence farming. The program determined that institutionalization of land consolidation was necessary to stabilize the Kyrgyz Republic's agricultural base. LDP worked with the Ministry of Agriculture to draft a five-year plan for consolidation that was submitted at the end of December 2013. The draft plan describes the process of consolidating lands across the state to maximize the efficiency and production of consolidated farms.

LDP also helped develop high-level policy recommendations on one-stop shops and local economic development offices as well as a manual for domestic garment producers on exportation to the Customs Union. These documents, with the five implemented national policies, gave the government of the Kyrgyz Republic a firm foundation to further its LED initiatives.

Although local economic development in the Kyrgyz Republic is still nascent, LDP helped foster cooperation and partnerships among stakeholders from the government, the private sector, and civil society. Collaboration and commitment from all remain essential for Kyrgyz businesses and local government to achieve their potential. With pilot activities that proved successful, and new policies to provide a framework for economic development in place or under consideration, the future of rapid, diversified, and sustained economic growth is an achievable goal for the Kyrgyz Republic.

SECTION II. PRIVATE SECTOR COMPETITIVENESS

Focused Support to Key Kyrgyz Industries

Context and Challenges

Decades of donor-led economic development assistance in the Kyrgyz Republic have benefitted numerous populations but have not created systemic change. This is due, in large part, to instability at all levels of government. Furthermore, the absence of a comprehensive economic development plan for the Kyrgyz Republic left municipalities to support economic development in isolation — if they were able to do so at all. To spur economic development, the Local Development Program supported efforts to formulate stronger agricultural value chains, expand opportunistic ventures to drive garment industry production and exports, and spearhead initiatives to further build the tourism sector with the goal of attracting more tourists. The program’s approach to these opportunities focused on strengthening Kyrgyz enterprises, developing the country’s workforce, and improving access to finance for SMEs.

Program Results

Established partnerships with approximately 100 business leaders across the agriculture, textiles, and tourism value chains

Assisted 210 new firms and more than 75,000 farmers; increased farmers’ sales by 841 percent with better irrigation techniques

Provided support to 17 textile firms that resulted in average sales increases of 12.7 percent (\$1.8 million)

Provided support to the tourism sector that resulted in more than \$6 million in revenues

Facilitated approval or disbursement of six purchase order finance loans valued at approximately \$3.9 million

Helped LDP-established guarantee funds obtain 134 loan guarantees totaling \$317,854 to finance SMEs

Approach

Working with partners from the public and private sectors, LDP provided enterprise strengthening interventions that were complemented by its efforts in workforce development and access to finance. To strengthen enterprises throughout the Kyrgyz Republic, LDP and its partners (Annex B) collaborated with business leaders across the agriculture, textile, and tourism sectors. LDP used its Strategic Activities Fund — a mechanism to support beneficiaries through in-kind assistance agreements, grants, and subcontracts — to promote cost-share contributions from selected businesses throughout the 70 target, partner, and non-partner municipalities. These contributions supported investments in new equipment that improved production, productivity, quality, and competitiveness. LDP and its partners rigorously examined beneficiary firms’ viability and developed business health reports that included recommendations for each business that would aid expansion, profitability, and competitiveness. Exhibit 4 shows the locations of LDP’s countrywide private sector competitiveness activities.

To further develop the workforce, beneficiary firms were offered seminars, workshops, and in-firm technical assistance. These interventions helped them to secure market share; access new markets; improve enterprise competitiveness in cost and quality; increase productivity, effectiveness and efficiency; and aid senior management in their strategic approaches to business planning.

To improve access to finance, the program worked with municipalities to identify effective financial instruments for SMEs, resulting in implementation of guarantee funds and purchase order finance loans. At the national level, policy restrictions on

collateral prevented many Kyrgyz businesses from accessing funding. LDP worked with policy makers to revisit these limitations and ease loan acquisition requirements.

Exhibit 4. Locations of Private Sector Competitiveness Activities



Through partnerships with strategic associations, roundtables, and gap analyses, LDP helped increase the competitiveness of the Kyrgyz Republic’s private sector. A discussion of highlights and case studies for these interventions follows.

Enterprise Strengthening

At LDP’s inception in 2010, the Kyrgyz Republic’s economy was weak and fragmented. During project startup, LDP staff performed 20 critical industry-level assessments in sectors including livestock, dairy, aquaculture, poultry, fruits and vegetables, textiles and garment production, and tourism. These studies revealed the greatest gaps among value chains that were critical to economic growth prior to provision of technical and financial assistance in these areas. This approach enabled the program to focus on core value chains that would enhance productivity most quickly and would affect the national economy directly.

LDP invested \$4.1 million in private sector enterprises to support development of the agricultural, textile, and tourism sectors. Beneficiary firms made cost-share contributions. LDP investments were in the form of new equipment that enhanced productivity and product quality and increased sales and profitability, and enterprise strengthening initiatives in marketing, management, export market targeting, and outreach to suppliers as a means to improve the quality of product inputs.

To leverage program investments beyond expanding production capacity, LDP conducted detailed diagnostics of its beneficiaries’ business and strategic planning, financial positions, sales and marketing, operations, and organizational and workforce development. All beneficiaries supported through grants, in-kind assistance, and

subcontracts were given the opportunity to take part in the diagnostic process. The reviews identified areas of the firms with the potential for expansion, profitability, and competitiveness, and provided them with individualized road maps for making changes. The reviews were conducted as a final step in LDP's support to assess beneficiaries' capacities following interventions that included technical assistance, equipment, and training.

LDP also worked with government and private sector partners on a crosscutting initiative to examine bolstering the Kyrgyz national laboratory system and developing a manual for Kyrgyz producers that wished to export to the Customs Union. Both activities supported textile and agriculture producers, with implications for other industries that could lead to national-level expansion.

Agriculture

Agriculture accounts for about 30 percent of the Kyrgyz Republic's GDP and is the main source of income for 60 percent of the population. Historically, herders roamed the foothills without staying in one place long enough to grow crops for sale. This changed with the Soviet collective farming system. However, the sector still suffers from land fragmentation, which has caused many farms to be abandoned. Other problems include degrading land plots and irrigation channels. Government services to address these issues are limited.

Workforce development and marketing assistance were crosscutting interventions in the agricultural sector. To achieve the highest possible return on USAID's investment, the program helped processors reach out to their suppliers (farmers) and to domestic, regional, and international markets to strengthen the value chain as a whole. LDP's training interventions helped processors better understand and promote their products to reach their target markets effectively. The program used grants for educational pilots through which stakeholders and other participants in selected sub-sectors observed the organization and management of input supply, processing technology, operations management, marketing, and sales management.

Equipment and training for the Kyrgyz dairy industry. Milk production is an important segment of agricultural production in the Kyrgyz Republic. However, the lack of enough milk collection and cooling points to meet local demand creates a critical gap in the value chain. At these points in central locations, milk from small-scale dairy farmers can be collected and cooled immediately, reducing the losses that occur when fresh milk is transported to larger processors more than 30 minutes away. The program helped 14 small enterprises install collection and cooling points on a cost-share basis and provided access to an extension agent who provided technical assistance and liaised with local veterinarians to ensure the health and productivity of dairy cows.

This activity benefitted 6,637 farmers and created 41 jobs. The total increase in sales for beneficiary producers was \$1,019,041, with a further indirect impact of \$866,185 on the local economy. The majority of firms saw an average sales increase of 749 percent. Some beneficiary firms introduced new products with LDP assistance, so there is no baseline from which to compare their achievements; therefore, not all were included in the average. One firm increased its sales by 3,721 percent from 2012 to 2013.

Support to the fruit and vegetable sub-sector. LDP focused some of its agricultural activities in the fruit and vegetable sub-sector, which demonstrated the highest potential to profitably engage large numbers of farming households and to compete effectively in domestic and regional markets. The program assisted seven fruit and vegetable processing companies in the Batken, Jalal-Abad, Osh, Issyk-Kul, and Chui oblasts with an innovative, three-pronged approach. First, through grants or in-kind agreements, LDP provided processing equipment tailored to meet beneficiary's current and future needs. Equipment assistance was complemented by support to establish in-house agricultural extension services, which enabled processors to deliver targeted technical assistance to farmers in addition to finding new suppliers. Finally, each enterprise's cost share paid for improving the sanitary conditions of its operations and premises; one beneficiary received hazard analysis and critical control points (HACCP) training.

LDP assisted four dried fruit enterprises in Batken oblast, a region famous for its apricots. Program efforts focused on improving production, drying, and processing to increase overall sales. Support included upgrades to washing and drying equipment and, through a partnership with an Austrian firm, production training and field manuals for 248 farmers. Apricot processors received marking and labeling assistance to enhance their brands and align them with international standards.

These activities assisted seven fruit and vegetable processors; six cold storage facilities; six grading, sorting, and packaging lines; and four apricot processors. The firms' total sales increased by more than \$1.3 million. More than 10,000 farmers benefitted from these activities, and 117 jobs were created.

Textiles

The Kyrgyz textile industry has evolved significantly since independence. Originally, items such as Kyrgyz-style carpets and woven items dominated the market. In time, the garment manufacturing industry became a critical and growing export-dominated part of the Kyrgyz economy. Today garment manufacturing accounts for approximately 200,000 jobs (held primarily by women) and 3 to 6 percent of the \$25 billion Russian apparel market.

Providing support to this sector was a high priority from the start of the project. With assistance from an expatriate textile specialist, LDP began by assessing the garment manufacturing value chain and identifying areas with the potential for highest return on investment over the life of the project. At the completion of the in-depth assessments, the program identified 17 beneficiary firms to receive technical and material assistance based on their potential. Support through the Special Activities Fund — which included equipment and technical training valued at more than \$600,000 — focused on improving the quality of manufacturing, marketing of products in primary markets and the sector's ability to work within new regulatory changes. The new equipment enhanced productivity, product quality, and variety. The 17 beneficiary companies experienced a combined average increase in revenues of 12.7 percent (\$1.8 million) over the life of the project.



SNAPSHOT

Stitching Their Way to Success

Program client increases profit, production, and quality



Photo: USAID Local Development Program

Employees work with new sleeve setting machines that USAID provided to the E-Line Moda production facility.

“Key constraints to enhancing E-Line’s competitiveness in quality, capacity, and capability were all addressed due to our partnership with USAID. We look forward to a new season.”

— Elena Dobryak, owner and director
E-Line Moda

At the entrance to the office of the leading Kyrgyz clothing company E-line Moda hangs a banner that displays the firm’s motto and key values of quality, design, fairness, and capacity orientation.

Elena Dobryak, owner and director of E-Line Moda, explains, “Since operations began in 1997, our company has continually strived for new knowledge, innovation, and advanced technology.” But recent years have proven difficult for the jacket producer. Demand from Russian wholesale and retail consumers has slowed due to increasing competition.

Looking to international best practices to increase the company’s competitiveness, E-Line Moda partnered with the USAID Local Development Program and hosted an international textile consultant to assess the company and its performance needs. Initially, company managers wanted to replace almost 70 outdated lock-stitch sewing machines to boost productivity. However, the USAID consultant’s recommendations guided E-Line Moda company toward procuring and installing four computer-controlled sleeve setting machines at the facility. This modern technology could significantly improve product quality and cost savings across the production portfolio. The results were impressive. Sleeve insertion was reduced from by 90 seconds — a 38 percent increase in efficiency that translates to a total sustained economic impact of nearly \$1 million over a five-year period.

To provide new market linkages, USAID also sponsored E-line Moda’s participation at the Collection Premier Moscow International Fashion Trade Show in February 2013, where the firm finalized new orders from boutique customers totaling more than \$40,000. From 2012 to 2013, sales increased by 38 percent, and the company’s work force increased 4 percent.

The successful partnership between the Local Development Program and E-line Moda has attracted industry recognition. Recently, the company was named the best fast-growing exporter of Central Asia 2013 at the third annual Central Asia Trade Forum. E-Line Moda continues to stitch its way to success with the company motto in mind.

Telling Our Story

U.S. Agency for International Development
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Assistance to woman-owned businesses. New equipment and targeted technical assistance helped woman-owned businesses become more competitive. One example is Dinara Omonova, a Kyrgyz entrepreneur from the southern region of Osh. She saw an opportunity to capitalize on the Kyrgyz people's pride in incorporating traditional designs into contemporary fashions.

After the revolution and civil unrest of 2010 that interrupted operations, closed borders, and created transport, logistics, and financial management issues, Ms. Omonova sought program assistance to help address the business problems she experienced. LDP's diagnostic examination of her business showed it to be viable and sustainable, but it lacked production

capacity and product quality was poor. The program procured and supplied modern embroidery, pressing, and steam equipment that significantly increased production capacity and product quality. Program-supported staff training and capacity building brought increased efficiencies and cost savings of more than \$63,000 per year. The partnership with LDP also increased sales by 58 percent. Ms. Omonova's more diverse product line, enhanced product quality, and increased product volume make her business prospects bright.

Women-Owned Businesses Key to LDP's Success in Private Sector Competitiveness

When LDP retained an international textile expert to examine the sector, women-owned businesses were a topic of discussion. The conversation continued when the expert found that 14 of the 17 firms that were suitable for program support were owned by women. Of the 922 employees who benefitted from program assistance, 783 were women.

Russia's fast-growing economy provides a market for nearly all Kyrgyz garment exports. This creates an opportunity for the Kyrgyz Republic to become a primary supplier to the Russian market and deliver long-term, sustainable impact for the Kyrgyz Republic. One approach is participation in international fashion industry trade fairs to promote Kyrgyz brands. LDP worked directly with Legprom, organizer of the Sixth Annual International Fashion Industry Trade Fair: Textile Products and Equipment 2012, to maximize impact. An important garment manufacturing association, Legprom's members include 570 of about 900 firms registered in the Kyrgyz Republic. It represents its members to the government on taxation and other issues, organizes exhibitions, and helps members export to Russia and Kazakhstan. Yet the non-commercial organization found renting exhibition prohibitively expensive. LDP covered the cost of 700 square meters of exhibition space — enough for 112 booths. The fair served as a marketing platform for Kyrgyz textile and garment manufacturers to build contacts and partnerships and promote their products internationally.

Attendees included representatives of Kyrgyz, Kazakh, Russian, and Turkish companies. Results were seen almost immediately. A survey of 51 exhibitors found that 18 (35 percent) of the participants signed annual sales



Mirzalim Asrankulov, of Batken oblast, at ProdExpo 2013 in Russia. LDP support helped improve his sales of apricots.

agreements with visitors to worth \$70,000 to \$240,000; 94 percent realized actual sales between \$49,500 and \$112,500 during the show.

Throughout the life of the project, LDP supported participation in other trade fairs, including for fruit and vegetable processors at ProdExpo in February 2013.

Tourism

Tourism is important to the identity of the Kyrgyz Republic, a country with high peaks and the world's tenth largest lake, Issyk Kul. Drawing on experience from other donor programs, LDP focused on key goals such as improving travel access to the Kyrgyz Republic, increasing its global visibility as a tourism destination, raising awareness of attractions, and adding activities for tourists to popular destinations. In coordination with municipal working groups, LDP and its partners conducted industry assessments and implemented targeted interventions, such as increasing tourist demand from Kazakhstan and Russia, which account for the overwhelming majority of tourism revenues. The program also supported attendance at international trade fairs and other events involving international tour operators. Program support to the tourism sector resulted in total revenues of \$6.8 million.

New flight route between Kazakhstan and the Kyrgyz Republic. Lake Issyk-Kul is one of the country's major destinations. Most visitors are tourists from neighboring Kazakhstan, but the drive from its largest city, Almaty, takes up to eight hours. The lack of direct flights was a significant impediment to expanding tourism for Lake Issyk-Kul, which LDP saw an opportunity to address.

LDP worked with the Kyrgyz government; airports in Almaty, Kazakhstan, and Tamchy, Kyrgyz Republic; tour operators from both countries; and local airlines and hotels to establish linkages. These relationships eventually led to a new flight route between Almaty and Tamchy, for which the program provided marketing and outreach support. The 45-minute flights began in June 2011, and tickets sold briskly.

With the success of the new flight route came demand for additional seats. In 2011, Kazakh airline SCAT received permission to use larger planes to transport twice as many passengers. Manas International Airport Authority invested \$5.2 million in Tamchy to extend the runway. One year later, in 2012, the first medium-range jet from Almaty landed at Tamchy with 102 passengers. In the same year, ticket sales jumped approximately 250 percent. From 2011 to 2013, direct flights between Almaty and Tamchy served 7,630 customers, generating revenues of \$2.6 million in ticket sales and tourism packages.



Tourists arrive at Tamchy International Airport on the first commercial flight from Almaty, Kazakhstan, in June 2011.

Participation in international tourism fairs. The Kyrgyz Republic is not well known as a tourism destination. To raise its international tourism profile, the program helped develop a tourism website for the country and in 2012 paid for booth space for members of the Kyrgyz Association of Tour Operators at three international tourism fairs in Germany, Japan, and the United Kingdom. Kyrgyz tour operators marketed tourism opportunities and provided information to other operators and potential visitors.

Through LDP's support, participants developed new communication tools including travel guides, brochures, books, CD-ROMs, and DVDs. At the tourism fairs, association members established key linkages with other global tourism providers and facilitated sales contracts of \$264,993.

Regular ferry services ease access to popular tourist destinations. Cholpon-Ata, on the shore of Lake Issyk-Kul is a launching point to popular tourist destinations in the Kyrgyz Republic including Zolotye Peski beach. To get there, travelers needed to endure heavy traffic on dusty roads. The poor condition of a ferry eliminated one option for more convenient and pleasant boat travel to the popular beach.

In partnership with a local entrepreneur, the program restored the ferry and introduced regular service. The ferry, the largest vessel on Lake Issyk-Kul, makes daily round trips between the Goluboi Issyk-Kul resort in Cholpon-Ata and Zolotye Peski hotel in Bosteri Cholpon-Ata. This route was selected because of the range of tourist services at both destinations and parking at the beach. Cholpon-Ata offers museums, parks, and dozens of cafes and restaurants; Bosteri boasts the largest amusement park in the region and other entertainment facilities. From 2011 to 2012, ferry passengers increased from zero to 2,100.

National Laboratory System and Textile Export Manual

A national laboratory system tests export products for quality and conformity with legal standards. Certification of products enables exporters to sell to international markets. Thus, a strong, accredited national laboratory system is critical for competitiveness in international markets. Because the Kyrgyz Republic lacks an adequate laboratory, all products exported to the regional Customs Union must be certified by laboratories in Kazakhstan or Russia. This increases the cost to producers, reducing their competitive advantage and export potential. Many Kyrgyz producers are unfamiliar with Customs Union regulations or the benefits of membership. LDP worked with counterparts in the Kyrgyz government and private sector to address these two key issues that hinder economic development at the national level.

Developing a national laboratory system reduces costs for Kyrgyz textile manufacturers. Between 2011 and 2013, Russia and Kazakhstan adopted laws and regulations associated with their membership in the Customs Union. The changing regulatory regime posed a challenge to the Kyrgyz textile sector, as enterprises, business groups, and Kyrgyz government bodies had to meet new standards for export products. The implications for the Kyrgyz economy were substantial, because the Kyrgyz Republic exports more than 90 percent of its textile products to Russia and Kazakhstan. The textile sector provides significant base employment throughout the country, and particularly for women. As part of its efforts to support the continued growth of the Kyrgyz textile manufacturing sector, LDP identified the national

laboratory testing system and framework as a key area for investment. Development of a national laboratory system that adheres to modern standards, such as the amount of cotton in clothing approved for export, will enable continued export of Kyrgyz textile products.

The program conducted a comprehensive analysis of key public and private sector institutions, textile firms, industry groups, and other stakeholders. The existing facility, the Bishkek Centre for Testing and Certification, was identified as a potentially viable program partner and best-positioned for facility and technology upgrades and staff capacity building. However, it could test textiles for only four of the 40 certification requirements. LDP made recommendations for developing a three-year National Laboratory Strategic Plan to support the textile industry. The future laboratory system will enable Kyrgyz enterprises to meet the certification requirements of the Customs Union and other markets and provide credible proof that their textile products conform to technical regulations and international standards.

Manual on textile exports to the Customs Union. The Customs Union of Belarus, Kazakhstan, and Russia is one export avenue for the Kyrgyz Republic and other former Soviet countries. Strategically and geographically it made sense for the Kyrgyz Republic to explore this export market opportunity. The program partnered with Smart Business Solutions Central Asia LLC, which had developed a draft manual on textile exports to the Customs Union. LDP hosted a roundtable event at which 38 Kyrgyz textile companies provided feedback on the draft manual and discussed improvements to current export processes and procedures. LDP incorporated the feedback into a final draft of the manual. After finalization, the program entered into an agreement with the Ministry of Economy to produce 500 copies for distribution to garment manufacturing associations Legprom and Souztextile, the Chamber of Commerce and Industry, freight companies and customs brokers, selected state authorities, and participants in the workshop where the export manual was presented. The manual was also promoted on the Ministry's website.

The manual informs textile companies about customs clearance guidelines, technical regulations of textile production for Customs Union countries, production safety standards, and branding and marking guidelines. It was well received by the Kyrgyz government, and representatives of the private sector lauded its well-timed development and publication as the Kyrgyz Republic seeks to bolster its national laboratory system and increase exports to international markets.

Workforce Development

Workforce development is an integral crosscutting element of all USAID projects in agriculture, textiles, and tourism activities. LDP developed a strategy to build linkages among educational institutions and businesses to respond effectively to the workforce needs of the target sectors. The program's agriculture activities linked farmers to training through extension agents embedded in supported enterprises. Textile companies received

Engaging Youth Is Essential to Workforce Development

LDP strove to include youth-friendly programming in workforce development activities, including linking universities with businesses for better labor market forecasting and incorporating young business owners in working groups. The program also supported the American University of Central Asia internship program by hosting five interns for three months, helping them develop and enhance their employment prospects.

skills building training, and municipal leaders in the 24 target municipalities received training in local economic development and foreign direct investment methodologies. Tourism entrepreneurs attended practical workshops on business plans, market research, and outlets for promoting their products. In these ways, the program incorporated workforce development across sectoral activities. LDP's efforts in workforce development, conferences, roundtables, domestic study tours, public hearings, and learning-by-doing pilot program replications reached more than 120,000 citizens throughout the Kyrgyz Republic.

Program assistance to more than 75,000 farmers. Kyrgyz farmers often lack awareness and knowledge of international best practices in horticulture and cultivation of dwarf apples, beans, apricots and grains — products with a high rate of production and low costs for them. Poor product quality yielded low sales, a key constraint to developing these value chains across the broader spectrum of agricultural sub-sectors. A major goal for the Local Development Program was to provide assistance to more than 70,000 farmers and demonstrate improvement in those areas.

Throughout the life of the project, LDP offered direct training, access to extension agents and international experts, and additional training required as part of grant or in-kind assistance agreements. The training reached 75,679 farmers and covered topics such as new technologies for growing dwarf apples, bean cultivation, post-harvest handling, drip irrigation, modern techniques and technology for apricots, and livestock and dairy management. With higher quality products and increased knowledge of new techniques and technologies, those farmers are better prepared to compete both domestically and internationally.

Beach improvement activity. Municipal beaches in the Kyrgyz Republic are rented to local entrepreneurs, who are responsible for equipping, beautifying, and maintaining them. As part of the project's workforce development initiative, LDP provided basic equipment such as umbrellas, trash cans, dustbins, and changing cubicles. However, the highlight of this activity was organizing beach business development training for local beach entrepreneurs. The program helped improve the quality of service and products offered, which increased revenues for local business owners and municipalities.

Access to Finance

A main task for the program was to clearly identify at least one financial instrument needed in the Kyrgyz Republic and demanded by SMEs. By all accounts and research, the local banking sector had been relatively unresponsive to the needs of SMEs. Up to 50 percent of applications were rejected due to insufficient collateral. In partnership with the municipal working groups, the program helped identify proven loan products on which Kyrgyz businesses could capitalize. These included purchase order finance and guarantee funds. LDP also helped eliminate communication gaps

Praise for LDP's Access to Finance Efforts

"The USAID Local Development Program is one of the few programs implemented by international organizations that has made a significant contribution to the development of small and medium-sized enterprises in our country. The mechanism of your organization's work and the approach you have chosen to address the problems faced by enterprises and municipal bodies are very efficient."

— A. K. Abdraev, president
Union of Kyrgyz Banks

between the local Kyrgyz business community and U.S. government contracting bodies by leveraging local business associations to provide Kyrgyz suppliers with information on business opportunities. The result was the Portal to Kyrgyz Businesses, a private entity that digitally disseminates information on U.S. government business opportunities to Kyrgyz businesses. This highly effective mechanism exposed Kyrgyz businesses to new revenue streams.

Purchase order finance loans with local and national impact. To further determine the needs of SMEs, LDP hosted a three-day training activity for banks in Bishkek in 2011. The event, led by an international banking consultant, attracted 168 bank employees. A subsequent survey of SMEs identified their financial needs and potentially appropriate bank products. As a result, LDP implemented training for banks in purchase order finance, a common financial tool that provides businesses worldwide with operating capital to execute signed purchase orders and complete transactions.

This initial work resulted in the launch of LDP access to finance activities. Five partner banks expressed interest in participating in the introduction of purchase order finance in the country on a pilot basis. The banks received technical assistance and training in purchase order finance and credit, including a review of credit and risk management; loan and collateral agreements; and credit review, approval, and monitoring processes. From March to December 2013, six purchase order finance loans totaling approximately \$3.9 million were approved and disbursed, supporting \$10.3 million in sales and turnover.

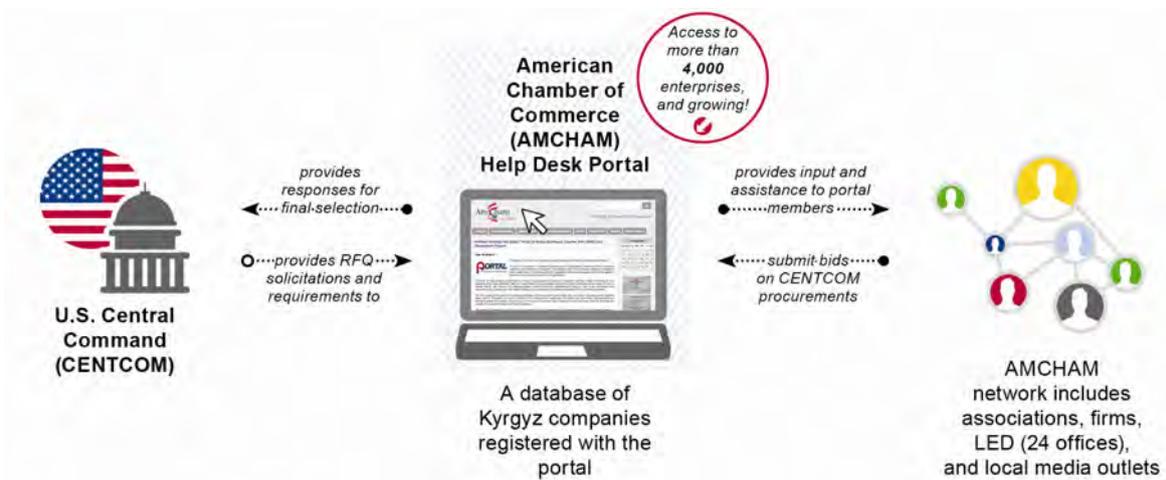
To continue developing the range of short-term working capital loan products, including inventory financing and USAID Development Credit Authority guarantees, LDP and its partner banks initiated discussions with the Union of Banks and National Bank on proposed reforms to current prudential regulations. The National Bank agreed in principle to initiate a number of reforms that will ease SMEs' access to loan products with less prohibitive restrictions on the need for real estate as collateral — a near-impossibility for many small businesses. These reforms were expected to be officially approved in the first half of 2014.

Portal to Kyrgyz Business helps local businesses receive millions in new contracts. The Portal to Kyrgyz Business was originally intended to bridge communication gaps between the Kyrgyz business community and the U.S. government Central Command (CENTCOM) contracting office. U.S. CENTCOM is responsible for procuring goods and services for peacekeeping efforts in Afghanistan. Despite the long-term U.S. presence in the region, business ties between CENTCOM and Kyrgyz businesses had suffered due to poor understanding and communication. Challenges as basic as language and as complicated as knowledge of the solicitation process were significant barriers for local companies. To address these issues, the program issued a subcontract to the American Chamber of Commerce in the Kyrgyz Republic to facilitate partnerships between Kyrgyz businesses and through the Portal to Kyrgyz Business website. After completion of the subcontract, the Chamber runs the portal sustainably.

The Portal to Kyrgyz Businesses website promoted demand for goods and services being procured through U.S. CENTCOM for use in Afghanistan. As an association supporting Kyrgyz businesses, the American Chamber of Commerce in the Kyrgyz

Republic used its network of members to place information, knowledge, and skills in the hands of local Kyrgyz businesses to make them aware of and better prepared to respond to CENTCOM solicitations for goods and services for Kyrgyz businesses in one year — six months earlier than anticipated (Exhibit 5). The activity’s accomplishments include the registration of 144 Kyrgyz companies; submission of 220 bids; award of 140 contracts in excess of \$2.8 million; presentation of 12 training and other education activities for 250 representatives of Kyrgyz vendors and business associations; help desk support to 168 firms; 4,721 unique visitors to the portal’s website, www.portal.amcham.kg, in one year; and implementation of two major public relations campaigns, including publication of 122 sets of materials as part of a public awareness campaign. Due to the portal’s success, the American Chamber of Commerce in the Kyrgyz Republic is in the process of expanding it to the regional level.

Exhibit 5. Portal System in the Kyrgyz Republic



Guarantee funds offering new loan options for Kyrgyz business owners. Because access to finance for SMEs was such a significant barrier to economic development for the Kyrgyz Republic, the program considered multiple avenues to address this challenge. In addition to purchase order financing, LDP also introduced the concept of guarantee fund institutions in 2011.

A credit guarantee fund is an innovative public-private partnership between a municipality and a bank that benefits multiple stakeholders, including small businesses previously unable to secure financing and the municipalities whose tax bases increase when businesses grow as a result of their ability to secure credit.

The program helped local officials develop this public-private partnership model, overcome legal hurdles, and negotiate beneficial terms — including below-market interest rates — with a financial-sector partner, RSK Bank. LDP worked with the partners to establish the regulations and procedures to run the guarantee fund and helped it issue its first credit guarantees to local banks. The guarantee fund model was replicated in the municipalities of Jalal-Abad, Karakol, and Sarai.

Three substantial challenges threatened to impede maximum impact: lack of bank diversification, non-transparent accounting, and legal and regulatory barriers.

Diversifying banks' products. LDP's efforts to promote the fund at the headquarters of seven major banks in Bishkek were well-received. The aim of this activity was to inform and offer a chance to all interested banks in the country to become strategic partners of the guarantee funds in Jalal-Abad and Kara-Balta. At the same time, it allowed banks to diversify their products and widen their pools of SME clients.

Supporting transparent accounting practices. A proper accounting system enables the transparent exchange of information between local municipal governments that provide financial support to guarantee funds and the lending banks that execute guaranteed loans. LDP hired an accounting and audit specialist who trained guarantee fund accountants and developed and installed financial tracking software, helping to mitigate the risk of default for guarantee fund participants. Between the inception of the guarantee fund in 2011 and project closeout in early 2014, the default rate for guarantee loans was zero.

Addressing legal and regulatory issues. Because a legal framework for guarantee funds did not exist in the Kyrgyz Republic, legal and regulatory issues arose throughout implementation of the guarantee fund activity. LDP organized a study tour for a delegation of high-level Kyrgyz government employees and private sector representatives. Italy was selected as the model for local-, regional-, and national-level implantation because guarantee funds have functioned there for more than 40 years. The country's legal framework for guarantee funds is one of the world's most advanced.

In Italy, study tour participants observed the practicalities of guarantee funds and discussed the need for such tools in the Kyrgyz Republic. One participant, the Minister of Economy and Antimonopoly Policy, became a vocal supporter of the guarantee fund concept upon his return to the Kyrgyz Republic.

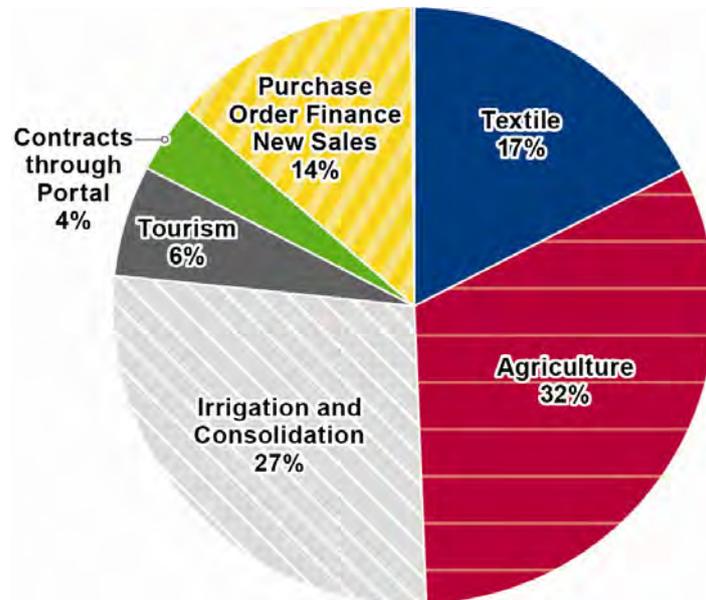
On March 1, 2013, LDP program specialists who had contributed to the development of the Draft Law on Guarantee Funds, with the Parliament's Committee on Budget and Finance, presented the draft law to Parliament at a public hearing for the northern regions of the Kyrgyz Republic. The presentation was met with resounding support from members of Parliament. Following two additional hearings, President Atambayev signed it into law on July 30, 2013.

The guarantee fund activity resulted in total capitalization of all four guarantee funds of \$339,919. From May 2011 to December 2013, the guarantee funds disbursed 134 loan guarantees to finance the expansion of SMEs throughout the Kyrgyz Republic. Revenues for those entrepreneurs totaled \$1.5 million. Loan guarantees were issued for production (11 percent), agricultural products processing (28 percent), services (13 percent), and trade (48 percent). The activity's greatest success was 100 percent on-time repayment of loans and guarantees, demonstrating strong motivation to strengthen and build the economy of the Kyrgyz Republic.

Ultimately, the Local Development Program was able to enhance competitiveness in the Kyrgyz Republic by collaborating with the Kyrgyz government and its private sector partners. Through all of the activities discussed in this report, LDP strengthened enterprises in the agriculture, textiles, and tourism industries, among others; provided access to new financial instruments; and developed the workforce of

key industries. LDP's interventions helped increase sales for Kyrgyz enterprises by more than \$76 million (Exhibit 6).

Exhibit 6. Sales Increases for Kyrgyz Enterprises Due to Program Interventions



Although the private sector has become more competitive, the Kyrgyz Republic needs to take advantage of future partnerships with donors and public and private actors to meet its economic development goals. Projects such as LDP are one facet of a multi-dimensional approach that will propel Kyrgyz businesses to the next level of economic viability and sustainability — supplying the needs of a demanding global market.

SECTION III. LOOKING TO THE FUTURE

As the USAID Mission for the Kyrgyz Republic, which was established in 2013, finalized its five-year Country Development Cooperation Strategy, LDP was especially effective in preparing the foundation for future USAID and donor efforts in strengthening economic growth by building on business enabling environment efforts and moving nascent strategic partnerships forward. The program's achievements and associated impact centered on the recognition that each activity and partnership was designed to evolve through LDP's life cycle. Project planning demanded periodic evaluation and collaborative decision making with implementing partners and stakeholders to determine how best to address new opportunities and respond to unforeseen challenges.

Lessons Learned and Recommendations

Strategic partnerships are critical for sustainable impact. The program set out to promote local economic development through strategic partnerships among local governments, the private sector, and civil society organizations and through direct support to target municipalities. Its main objective was to find ways to connect and leverage existing capacity and to introduce innovative means to stimulate rapid, diversified, and sustained economic growth. However, the program and its activities evolved and were informed by and guided in their evolution through a vigorous monitoring and evaluation program. The strategic nature of relationships with LDP partners required effective communication of expected changes to the project's design to ensure that partners understood and had the opportunity to help influence and participate in evolving activities.

To implement projects with numerous stakeholders and activities operating in different sectors and sub-sectors, we recommend reinforcing the value of strategic partnerships with relevant members of the public and private sectors, civil society, and professional associations. Such targeted outreach will help further economic growth, stability, and expansion and align all parties with priorities and goals.

A holistic approach to land consolidation can help stakeholders embrace change. The program took a holistic approach to the institutionalization of land consolidation, as the government is ultimately responsible for deciding on overall policy and identifying and funding mechanisms to drive those activities. The Ministry of Agriculture was a willing and able partner in fostering policies that will enable the country to address issues related to fragmented land. LDP's technical experts and senior management advocated for foundational mechanisms such as the five-year plan for land consolidation and the State Fund for Agricultural Land, which informed local residents and encouraged consolidation.

LDP's technical experts recognized early on that citizens (especially in rural areas) needed a holistic understanding of the land management value chain to comprehend, trust in, and support land consolidation. Activities such as large informational campaigns detailing the process and economic benefits of land consolidation proved essential to instill broad-based understanding of and advocacy for this process. Participants and stakeholders expect openness and transparency throughout the land consolidation process — for example, clear communication regarding rental fees and expected revenues.

Lastly, the program realized and embraced the essential role of local authorities throughout land consolidation activities. Municipal authorities acted as intermediaries between farmers and investors and provided local citizens a voice in the larger discussion of project implementation. For example, local departments of the Ministry of Agriculture promoted the benefits of land consolidation to municipalities by helping farmers understand the capacity of investors and local government to implement land consolidation.

Therefore, where possible, we recommend a holistic approach to land consolidation activities that includes incorporating key government counterparts at the start of an activity, disseminating information to citizens who will be affected by proposed activities, and embracing the roles of local authorities during implementation.

Joint implementation of similar activities maximizes limited resources. Limited resources hinder implementation of land consolidation and land irrigation activities. As seen in the case of Tepke municipality (page 9), however, leveraging synergies across land management and irrigation activities can help conserve scarce resources, thereby benefiting overall program goals.

Based on the success of the Tepke pilot activity, we recommend thorough analysis of proposed activities to identify areas of resource collaboration and evaluate options for implementing activities jointly, as appropriate.

Business diagnostics help identify viable partners. Funding from sources such as the Strategic Activities Fund must be seen as investments in partnerships with local governments or the private sector. Thorough analysis of prospective partners, then, is an important aspect of fund disbursement. For example, in issuing requests for applications from the private sector, LDP designed a process to qualify applicants. This involved a subjective evaluation based on applicants' strengths and weaknesses in seven key areas: strategic visioning, financial condition/literacy, sales and marketing, operations, organization/human resources, business processes, and growth potential. As a result of this diagnostic activity, LDP identified beneficiaries that were better positioned to capitalize on technical assistance, develop more quickly, and have a larger impact on the local economy.

We recommend deep analysis of businesses and their viability before disbursing programmatic funds. This critical step in due diligence helps build a better understanding of the investment-worthiness of all applicants that should inform and guide a program's decision to invest in potential partners.

Regional coordinators can spearhead activities quickly. With the establishment of LED offices in 24 target municipalities, the program identified a need for a network of regional coordinators who could assist directly in the implementation of key activities and promote the program's interests throughout the regions. The regional coordinators were consistently attentive to myriad demands from every aspect of the program. They were expected to work independently as program "ambassadors" in their oblasts, with little supervision. Working with program staff as well as the LED officers of the 24 target municipalities, the regional coordinators assisted with events, organized training activities, arranged study tours, and collected data for monitoring and evaluation.

For any program with a broad geographic focus, we recommend using regional coordinators to provide timely feedback and information in remote areas. LDP's regional coordinators contributed to efficient and timely information dissemination and data collection and the deeper understanding and greater knowledge among the local authorities and business owners who took part in program initiatives.

Effective leveraging of local business contacts can lead to substantial return on investment. The Portal to Kyrgyz Businesses was a highly focused and effective initiative designed to facilitate the U.S. government's interest in procuring Kyrgyz goods and services. Through the use of a local business association and its network of Kyrgyz businesses, the program disseminated information and provided training to local businesses on procurement opportunities and the preparation and submission of proposals for goods and services. From October 2012 until December 2013, contract awards worth more than \$4 million were made to Kyrgyz and other Central Asian businesses as a result of the portal approach. After nine months of program support to the Portal to Kyrgyz Businesses, the U.S. government and its partners expanded the effort into the Portal to Central Asian Businesses.

An important lesson is that success depended on rapid identification of a local organization with an extensive database of local partners to receive information and training in doing business with a U.S. government contracting or procurement office. The program identified the American Chamber of Commerce in the Kyrgyz Republic and provided technical assistance to build its capacity. The chamber, now self-sustaining, disseminates information on business opportunities to potential suppliers.

To further enhance the successes of local businesses and help widen program impact, we recommend incorporating linkages and facilitating communication with other project initiatives.

An inclusive approach with stakeholders can mitigate risk for new activities. Launching a new product requires significant time, manpower, and other resources. The endeavor may be risky, and success is not guaranteed. However, the program saw a high return on investment by implementing activities with two or more partners that were willing to share the risks. For example, on the successful Tamchy flight project (page 21), risks were distributed among hotels, travel agencies, and the airport. To foster buy-in and collaboration, we recommend an inclusive approach that brings stakeholders together as early as possible. When all participants understand the risks and know their role in the activity, there is a greater probability of a high return on investment.

Additional short-term loan products will further improve access to finance for SMEs. The program witnessed a high level of success stemming from purchase order finance and guarantee fund activities. More should be done to satisfy demand and build on the measurable impact of those two initiatives. For greater impact and to gain better traction nationwide, there is a desperate need for additional short-term working capital loan products offered by more banks and microfinance institutions. Further participation from the financial sector will increase competition, leading to lower interest rates and more favorable loan terms and conditions. Ultimately, this will improve access to finance for enterprises of all sizes — micro, small, medium, and, ultimately, large ones.

To improve the availability of loan products for SMEs, we recommend introducing other short-term working capital loan products such as inventory financing or the USAID Development Credit Authority, an option that USAID was exploring at the end of 2013.

Constant communication can mitigate low motivation for activities that change the status quo. Karakol is the only city in the Kyrgyz Republic with an electronic database of residents linked to utility firms' billing systems. This enables more efficient, transparent, and effective collection of service fees. However, although Municipal Territorial Administration staff entered the data, the utility companies did not synchronize their systems with the municipal database. LDP learned in this instance that better communication on behalf of all stakeholders — and perhaps some initial conditions for use of the data — could have made this activity far more successful over the life of the project. For projects implementing similar scopes of work, we recommend setting expectations for communication and information sharing for all stakeholders as well as conditions and parameters for data use.

Early identification and concurrent implementation of key activities improves chances of sustainability. As the textile sector's activities geared up and returns for the 17 participating firms became more tangible, the importance of the national laboratory system became clear. To export manufactured clothing, producers need to test products in a legally recognized laboratory. We recommend modernizing the national laboratory system so at least one accredited laboratory can provide these services to more than 100 companies within the Kyrgyz Republic, with potentially major economic results.

For future projects that work to modernize the national laboratory system of the Kyrgyz Republic, we recommend implementing this activity as early as possible for maximum impact.

Conclusions

LDP aimed to further the Kyrgyz Republic's development goals by establishing firm partnerships with local, regional, and national government officials and key members of the private sector. The program's relationships with those partners helped produce significant, measureable results that laid the groundwork for subsequent donor programs. LDP conducted successful pilot activities (and expanded many of them nationwide) and worked with government counterparts to introduce new policies. By continually building relationships, establishing new partnerships, and learning from experience, the Kyrgyz Republic can take the next step in its path toward rapid, diversified, and sustained local economic development.

SECTION IV. MONITORING AND EVALUATION

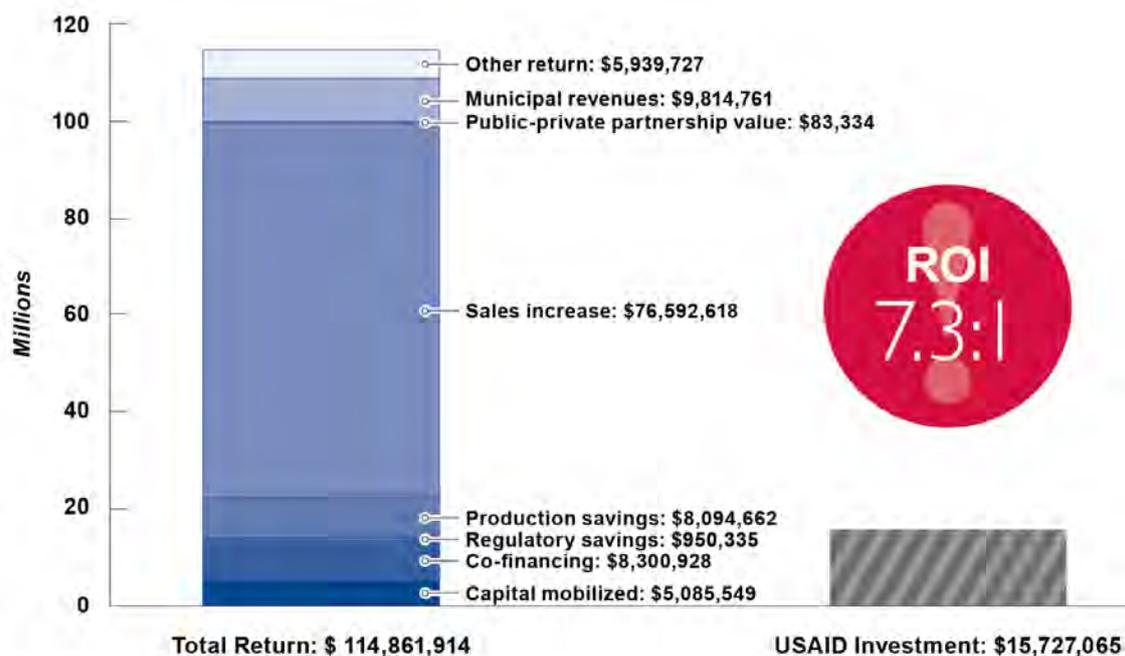
The strength of a monitoring and evaluation (M&E) system lies in its ability to provide timely performance information, which is essential to manage for results and improve project performance. The program's award monitoring plan facilitated reporting of results attributable to LDP and established a means for providing critical information to help decision makers guide the implementation of activities toward achieving project goals. The M&E system was an effective management tool because it enabled tracking of resource allocation and monitoring of the results of those investments. The program's senior management could then determine whether to continue investing in a given activity or to reallocate resources if an activity did not deliver the desired return on investment.

Collaborative M&E system. The program's M&E system leveraged collaboration among technical specialists, counterparts, and M&E staff. Technical specialists and a network of regional coordinators collected data and information from activities and sent to the M&E team. The M&E team reviewed the information for quality control and to ensure activities delivered the desired impact. Program staff also visited the selected counterpart organizations quarterly to reconcile data with their recordkeeping systems. In this way, data was kept clean from bias, allowing for accurate capture and reporting.

Involving project beneficiaries in M&E provided opportunities to build their capacity in this key management skill, which is important to effective LED. Project staff helped counterparts create data spreadsheets and databases to monitor results. While counterparts contributed to the project's M&E system, they also acquired valuable skills. During the planning process, program staff discussed M&E responsibilities with counterparts and documented them in signed memoranda of understanding with target municipalities or letters of intent with other counterparts. These agreements detailed what was expected of the counterpart organizations, including regular reporting to help track the progress of activities. Discussion of those responsibilities and their formalization through letters of intent with the partner organization at the outset of partnership was essential to achieving common understanding about the data requested from partners, data collection responsibilities, and frequency of reporting.

Comprehensive and easy-to-use methodologies for calculating impact. To accurately capture the full impact of interventions on the local economy, program staff developed several methodologies for calculating return on investment. The first was to determine supply stream effects. In Year 2, it became clear that data collected from beneficiary businesses inadequately captured the project's true impact. It was necessary to capture the indirect impact on upstream suppliers. The program used a set of multipliers based on data from the Kyrgyz Republic's National Statistics Committee. By applying a multiplier specific to each sector of the economy, it was possible to quantify the true impact of increased production on counterpart organizations' supply chains. A second methodology was required to consistently capture increased production capacity over the life of capital investments made by LDP. Results stemming from such investments were estimated for the lesser of five years or the life of the equipment, and benefits were measured in discounted present value terms. Exhibit 7 illustrates the total return on investment for USAID.

Exhibit 7. Total Return on USAID's Investment



Internal data quality assessments. The program's M&E team increased the frequency of data quality assessments from annual to quarterly. These internal assessments served as the basis for discussion of the project's development impact during quarterly reviews. Increasing the regularity of those assessments also identified data quality issues more promptly, and proper solutions were implemented in real time.

Active dissemination of results. Analysis and communication are other important elements of performance management. Project staff added value to the raw performance and impact data that they collected by performing appropriate analysis and providing context for interpretation, thereby transforming data into information. The program's communications specialists then disseminated the information to target audiences to inform them, generate feedback, or elicit recommendations for change. In particular, M&E findings were instrumental in demonstrating program impact during quarterly stakeholder check-ins.

Communications — especially through success stories — was critical to the program's approach, increasing interest in replicating project activities and enhancing development impact. Twelve success stories submitted to USAID detailed the results of activities with the greatest impact.

Senior management and the program's M&E team designed the award monitoring plan with key performance indicators used to track project activities in each component. The plan went beyond the assumption that program outcomes produce impact, allowing the M&E team to identify areas that required greater focus or additional interventions. Overall, full comprehension and appreciation of the system by all parties both within and outside the program, was a result of the program's successful implementation of its M&E system.

Exhibit 8 presents the program's key indicators and final results.

Exhibit 8. Tracker for Award Monitoring Plan Indicators

Indicator	Target	Cumulative Result	Progress/ Deviation from Target	Notes
1. Ratio of return on USAID's total investment	8:1	7.3:1	91%	USAID's total investment was \$15,727,065
1a. Value of capital mobilized in target municipalities, partner businesses, or both to achieve program-related goals		\$5,085,549		Includes value of bank guarantees and purchase order finance loans enabled through LDP assistance
1b. Value of co-financing for program activities		\$8,300,928		Includes monetary value of in-kind contributions made by partners for joint activities
1c. Value of business savings resulting from reduced regulatory burden on businesses		\$950,335		Represents monetized value of time and cost savings in two pilot cities as a result of introduction of one-stop shops
1d. Value of business savings resulting from improvements in production process		\$8,094,662		Cost savings realized by 17 textile companies through use of improved equipment over a five-year period
1e. Value of change in annual sales of partner businesses, value chains		\$76,592,618		Includes increase in sales of all partners, including new sales along supply stream, and sustained impact of capital investments on sales that will accrue to partners over five-year period
1f. Value of public-private partnerships or Global Development Alliances formed that are directly attributable to project assistance	Contributes to Indicator 1	\$83,334		Represents total value of cash and in-kind contributions of partners to public-private partnerships; includes funds remaining in guarantee fund capital not disbursed as guarantees
1g. Value of change in local own municipal revenues in target municipalities		\$9,814,761		Corresponds to the difference in percentage increase in revenues between 24 target municipalities and control group of Chuy oblast municipalities
1h. Other return		\$5,939,727		Includes revenues of guarantee fund borrowers, LED offices' investment facilitation fees, tourists' spending, and other partners' revenues that do not fall under other categories
		Total Return: \$114,861,914		

Indicator	Target	Cumulative Result	Progress/ Deviation from Target	Notes
2. Number of public-private partnerships or Global Development Alliances formed as a result of program assistance	5	7	140%	LDP formed seven public-private partnerships
1.1. Number of municipalities benefitting from program assistance to improve performance in facilitating LED	52	54	104%	Includes 24 target municipalities and 30 partner municipalities
1.2. Percent change in local own municipal revenues in target municipalities	10% per year	61% per year	610%	Represents average annual increase over 3.5 years across 24 target municipalities
2.1 Number of firms receiving program-supported assistance to improve their management practices	100 (25 women-owned)	210 (42 women-owned)	210% 168% women	Includes the core group of 100 firms, which received in-kind, technical and workforce development assistance, and more than 100 firms assisted through the Portal to Kyrgyz Businesses
2.2 Number of farmers and others who benefitted directly or indirectly from program assistance	70,000 (17,500 women)	75,679 (31,661 women)	108% 181% women	Represents all farmers benefitting from land improvement activities and training and extension services, and 9,471 farmers who benefitted indirectly
2.3 Percent change in annual sales of partner businesses, value chains	6% per year	230%	3,833%	Represents average percentage increase in annual sales of all private sector partners
2.4. Number of people participating in program-supported workforce development programs	630 (200 women)	67,269 (30,449 women)	10,678% 15,224% women	Includes farmers trained by LDP (also reported under Indicator 2.2)
3.1. Number of successful pilots replicated	3	12	400%	Includes best practice contest winners and number of replications of guarantee fund and one-stop shop activities
3.2. Number of projects implemented in cooperation with the national government and/or a regional government that demonstrates support for LED	2	3	150%	Includes activities to which regional or national government partners made in-kind contributions
3.3. Number of policies, regulations, procedures, and programs or strategies developed with program assistance	3	5	167%	Includes two laws, one national strategy, and two policy improvements developed with LDP assistance

ANNEX A. SUMMARY OF ACTIVITIES BY TARGET MUNICIPALITY

A. Target Municipalities

To achieve rapid, diversified, and sustained economic growth in the Kyrgyz Republic, the Local Development Program identified and partnered with key municipalities that were receptive to implementing innovative pilot activities. LDP developed selection criteria and processes for identifying sectors and activities and applied five principles in selecting target municipalities:

1. Existing or potential competitiveness of sectors of local economic value; potential for their development and ability to serve as engines of growth for the municipality
2. Likelihood that program interventions would lead to rapid and sustained economic growth in the target municipality
3. Demonstrated capacity and support from local governments and business leaders, and potential for public-private partnerships
4. Potential for establishing mutually beneficial linkages within sectors and value chains and for formation of clusters of municipalities around common economic needs and interests
5. Potential for expanded economic opportunities to serve as mitigating factors around conflict and human security risks

Target Municipalities	
Batken	Kyzyl-Kyia
Bazaar-Korgon	Kyzyl-Kyshtak
Belovodskoe	Logvinenko
Cholpon-Ata	Mirmakhmudov
Gulistan	Naryn
Jalal-Abad	Nookat
Jany-Nookat	Sarai
Joosh	Sokuluk
Kant	Suzak
Kara-Balta	Talas
Karakol	Tokmok
Kara-Suu (Osh)	Zulpuev

B. Activities in Target Municipalities

LDP worked with stakeholders in each target municipality to identify at least one economic sector — and several economic value chains within it — with the potential for rapid development and growth. The program worked closely with local governments, private sector partners, donors, and other interested partners in the target municipalities to set priorities and develop action plans for achieving results jointly.

LDP and its local partners planned interventions across economic sectors and chains, appropriate sequencing of interventions, timelines, and anticipated results. The table below summarizes the economic sector and value chain approaches undertaken in each target municipality.

Summary of Activities by Municipality

Reform Agenda Interventions	Private Sector Competitiveness Interventions
Batken	
<ul style="list-style-type: none"> Developed an electronic billing system for the drinking water users' association Built capacity of LED office experts 	<ul style="list-style-type: none"> Led business planning training and local investment forum Provided equipment and marketing and branding support to apricot processor Mol Tushum cooperative Provided solar drying racks for apricot farmers through Batken business incubator Established conference hall in Batken
Bazar-Korgon (clustered with Jalal-Abad and Suzak)	
<ul style="list-style-type: none"> Built capacity of LED office experts 	
Belovodskoye	
<ul style="list-style-type: none"> Built capacity of LED office experts Provided equipment that resulted in the municipality's entry on waste management being named a winner in the National Best Local Economic Development Practice contest 	<ul style="list-style-type: none"> Provided feed analyzer equipment to livestock feed mill producer Tyan Yuan LLC Provided advanced garment manufacturing equipment, workforce development, and marketing assistance to PE Domashova Provided technical support to milk collection and cooling point for Ursus
Cholpon-Ata	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided umbrellas, trash cans, lounge chairs, and changing cabins for beach improvement and preparation for 2012 tourist season Promoted the annual Oimo crafts festival Organized and promoted annual bike tour around Issyk-Kul's north shore Negotiated memorandum of understanding between the airline, travel agencies, and airport authority for sales of Almaty-Tamchy flights and packages Rehabilitated ferry and supported regular transport service
Gulistan	
<ul style="list-style-type: none"> Built capacity of LED office 	<ul style="list-style-type: none"> Provided a grading, sizing, and packaging line for Sahovat Peasant Farm
Jalal-Abad	
<ul style="list-style-type: none"> Established a guarantee fund Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided technical support to fruit and vegetable processor Lesnoy Product LLC Conducted feasibility study on installation of lab equipment at the veterinary service Conducted feasibility study on industrial meat processing
Jany Nookat	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Supported the consolidation of agricultural land by obtaining public consensus to collectively lease economically viable plots and providing legal support to lessors Provided equipment to poultry feed mill to establish a pullet barn

Reform Agenda Interventions	Private Sector Competitiveness Interventions
Joosh	
<ul style="list-style-type: none"> Built capacity of LED office experts Identified unused municipal land 	<ul style="list-style-type: none"> Provided grading, sizing, and packaging line to Turkbay Ata Farmers' Union
Kant	
<ul style="list-style-type: none"> Built capacity of LED office experts Identified and allocated unused municipal land plots 	<ul style="list-style-type: none"> Provided technical support to livestock feed mill producer Mansuza co-op
Kara-Balta	
<ul style="list-style-type: none"> Established a guarantee fund Renovated a conference hall for business meetings Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided equipment to fruit and vegetable processor Dessert LLC Provided grading, sizing, and packaging line to Slavnyi Uspeh Cooperative
Karakol	
<ul style="list-style-type: none"> Introduced a municipal database and linked it with the billing systems of two utility companies Built capacity of LED office experts Established a regional guarantee fund 	<ul style="list-style-type: none"> Developed a brand identity for the city of Karakol Equipped and staffed the Tourist Information Centre in Karakol Provided equipment necessary for Karakol airport to legally receive international Almaty-Karakol flights Led roundtable and familiarization tour for Kazakhstani tour operators in Karakol Provided milk collection and cooling point for equipment for Ak Bulak and Ishenov private enterprises Provided equipment to flour mill operators for Abdybekov and Omurkanov private enterprises
Kara-Suu	
<ul style="list-style-type: none"> Built capacity of LED office experts Established regional-level economic development office Established municipal one-stop-shop 	<ul style="list-style-type: none"> Provided grading, sizing, and packing equipment to fruit and vegetable enterprise KSU
Kyzyl-Kiya	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided equipment and marketing and branding support to fruit and vegetable processor Agroplast LLC and apricot processor Kok Chapan Cooperative
Kyzyl-Kyshtak	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided technical support to fruit and vegetable processor for PE Rakhmonberdiev
Logvinenko	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided technical support to livestock feed mill producer for Erkin LLC
Mirmakhmudov	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided technical support for fruit and vegetable cold storage for PE Alimjanov
Naryn	
<ul style="list-style-type: none"> Introduced municipal one-stop-shop Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided technical assistance to dairy processor Tendesh Zaman

Reform Agenda Interventions	Private Sector Competitiveness Interventions
Nookat	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided equipment and renovated fruit and vegetable cold storage facility for four beneficiary organizations
Sarai	
<ul style="list-style-type: none"> Built capacity of LED office experts Established a guarantee fund 	<ul style="list-style-type: none"> Provided a grading, sizing, and packing line for Munavar NGO
Sokuluk	
<ul style="list-style-type: none"> Built capacity of LED office experts 	<ul style="list-style-type: none"> Provided equipment for a milk collection and cooling point for Djal Livestock Farm
Suzak (clustered with Jalal-Abad and Bazar-Korgon)	
<ul style="list-style-type: none"> Built capacity of LED office experts 	
Talas	
<ul style="list-style-type: none"> Built capacity of LED office experts Introduced a municipal one-stop shop 	<ul style="list-style-type: none"> Provided equipment to bean processors Kyrgyz Buuchagy LLC, Toktonazar Farm, and Beren Cooperatives Provided equipment for milk collection and cooling points for PE Tuuganbaev and Talas Sut Ltd
Tokmok	
<ul style="list-style-type: none"> Identified municipal land for potential foreign direct investment and created an information packet for investors Built capacity of LED office experts Introduced a municipal one-stop shop 	<ul style="list-style-type: none"> Provided equipment to fruit and vegetable processor Tokmokplodoovosh Provided equipment for a milk collection and cooling point for Ak-Djal peasant farm
Zulpuev	
<ul style="list-style-type: none"> Built capacity of LED office experts Supported the consolidation of agricultural land by obtaining public consensus to collectively lease economically viable plots and providing legal support to lessors Rehabilitated Tash-Koroo irrigation canal 	<ul style="list-style-type: none"> Provided equipment for fruit and vegetable cold storage facility for Erjigit Cooperative

ANNEX B. PROGRAM PARTNERS

Government Sector Partners
National Level
Government of the Kyrgyz Republic
State Agency on Local Self-Government and Inter-ethnic Relations
Apparatus of the First Vice-Prime Minister
Department of Economy and Investments
Parliament of the Kyrgyz Republic
Committee on Budget and Finances
Committee on Agrarian Policy, Water Resources, Ecology, and Regional Development
Office of the President
Investment Council of the Kyrgyz Republic
National Ministries
Ministry of Economy
Ministry of Finance
Ministry of Agriculture and Amelioration
Kyrgyzgiprozem Project Institute of the Ministry of Agriculture and Amelioration
Other Government Entities
National Bank of the Kyrgyz Republic
Chamber of Audit
Department of Cadastre and Real Property Rights
State Tax Service
Social Fund
National Statistics Committee
Council on Business Development and Investment Attraction
Oblast Level
Government plenipotentiaries
Issyk-Kul Oblast Development Fund
Rayon (regional) Level
Rayon state administrations
Rayon departments of cadastre and real property rights registration
Rayon departments of agrarian development
Rayon departments of water resources
Rayon departments of the State Tax Service
Rayon departments of the Social Fund
Rayon departments of the National Statistics Committee
Local Level
City halls and city councils
Local village governing officials and village councils

Public and Private Sector Partners	
Commercial banks	
Union of Banks	
International Business Council	
Chamber of Commerce and Industry of the Kyrgyz Republic	
American Chamber of Commerce in the Kyrgyz Republic	
Association of Young Entrepreneurs	
Association of Suppliers	
Association of Food Processors	
Association of Light Industry Enterprises (Legprom)	
Association of Tour Operators	
Ayil Demilgesi Public Association	
Agricultural cooperatives	
Water users' associations	
Agricultural farms	
Atlas Plus LLC	
Private entrepreneurs	

ANNEX C. PROGRAM DELIVERABLES

Annex C lists all completed program deliverables from Section C.4, Statement of Work, and Section F.6, Reports and Deliverables or Outputs, from the original contract, with the dates they were submitted to USAID. All technical program deliverables, including reports and assessments, are organized according to the tasks set forth in Section C.4, Statement of Work. Tasks that did not yield deliverables are marked with an asterisk (*).

Deliverables from Section C.4, Statement of Work

Crosscutting Tasks

Description	Date Delivered
Task 1. Develop selection procedures and criteria for target municipalities and sectors/chains	
Selection of partner municipalities: methodology and selection	July 24, 2012
Task 5. Develop Strategic Activities Fund program plan	
Strategic activities fund manual	November 17, 2010

Component 1: Local Governance and Business Environment

Description	Date Delivered
Task 7. Help target municipalities improve local environment for business and investment	
1. LED-foreign direct investment program description: LED and foreign direct investment training plan	September 1, 2011
2. LED and foreign direct investment assistance through certification	September 1, 2011
3. Municipal services assessment	May 25, 2012
4. Methodology to address improvements of municipal services	May 25, 2012
5. Economic impact assessment of Kara Balta and Tokmok sites	August 19, 2012
6. Foreign direct investment PowerPoint presentation on Kara Balta	August 19, 2012
7. Foreign direct investment PowerPoint presentation on Tokmok	August 19, 2012
8. Generic investor website outline and content for Kara Balta and Tokmok	August 19, 2012
9. Draft action plans for Tokmok and Kara Balta to develop investment sites	August 19, 2012
10. Guidelines regarding negotiations with investors	August 19, 2012
Task 8. Help target municipalities optimize existing resources in support of LED	
1. Guarantee fund capitalization report	December 15, 2011
2. Property tax assessment	May 17, 2012
3. Analysis of Karakol municipal database and Batken utility billing system	May 25, 2012
4. Foreign direct investment/LED progress report	May 25, 2012

Component 2: Private Sector Competitiveness

Description	Date Delivered
Task 9. Help increase agricultural trade	
1. Livestock sector assessment	August 1, 2011
2. Horticulture marketing assessment	August 1, 2011
3. Poultry sector assessment	August 1, 2011
4. Aquaculture sector assessment	August 1, 2011
5. Beef fattening feedlot report	September 1, 2011
6. Dairy business model	September 1, 2011
7. Model beef breeding farm report	September 1, 2011
8. Model slaughterhouse report	September 1, 2011
9. Flour milling review	December 18, 2011
10. Fruit and vegetable sector report	May 17, 2012
11. Milk cooling assessment and recommendations	May 17, 2012
12. Dried apricot sub-sector report	June 8, 2012
13. Fruit and vegetable cold storage report	June 8, 2012
14. Report on Zheldon Ata fruit and vegetable processing plant	June 12, 2012
15. Feasibility study of slaughterhouse and meat processing facility: Jalal-Abad	August 1, 2012
16. Naryn dairy feasibility study	August 1, 2012
17. Feasibility study of slaughterhouse and meat processing facility: Chuy Valley	October 1, 2012
Task 10. Help non-agricultural target sectors/chains increase sales and expand their business	
1. Tourism strategy	August 1, 2011
2. Textile sector assessment	September 16, 2011
3. Textile company assessment	May 17, 2012
4. Silk Road tourism report	May 25, 2012
5. Textile sector site visit report	July 24, 2012
6. International textiles consultant trip report	March 28, 2013
Task 11. Facilitate access to finance for select target sectors/chains	
SME Finance report	May 17, 2012
*Task 12. Improve workforce education and skills for selected target sectors	

Component 3: Countrywide Expansion

Description	Date Delivered
Task 13. Expand networking and information dissemination	
Outreach and communications strategy	March 14, 2011
Task 14. Help partner municipalities replicate best practices and develop successful pilots	
Recommendation on a national land consolidation program in the Kyrgyz Republic	February 7, 2013
*Task 15. Facilitate national and regional government support to LED	
*Task 16. Facilitate national reforms that are critical for LED	

Deliverables from Contract Section F.6

Description	Date Delivered
A. Award Monitoring Plan	
1. Award monitoring plan	January 28, 2011
2. Revised award monitoring plan	July 19, 2011
B. Annual Work Plans	
1. Year 1 work plan	November 30, 2010
2. Year 2 work plan	September 1, 2011
3. Year 3 work plan	July 31, 2012

Description	Date Delivered
C. Performance Reports	
Monthly Progress Reports	
1. September 2010	October 10, 2010
2. October 2010	November 11, 2010
3. December 2010	January 11, 2011
4. January 2011	February 7, 2011
5. March 2011	April 8, 2011
6. April 2011	May 10, 2011
7. June 2011	July 10, 2011
8. July 2011	August 9, 2011
9. September 2011	October 7, 2011
10. October 2011	November 10, 2011
11. December 2011	January 4, 2012
12. January 2012	February 9, 2012
13. March 2012	April 10, 2012
14. April 2012	May 10, 2012
15. June 2012	July 10, 2012
16. July 2012	August 10, 2012
17. September 2012	October 10, 2012
18. October 2012	November 7, 2011
19. December 2012	January 10, 2012
20. January 2013	February 8, 2013
21. March 2013	April 9, 2013
22. April 2013	May 12, 2013
23. June 2013	July 10, 2013
24. July 2013	August 10, 2013
25. September 2013	October 10, 2013
26. October 2013	November 11, 2013
27. December 2013	January 10, 2014
Quarterly Progress Reports	
1. September – November 2010	December 13, 2010
2. December 2010 – February 2011	March 10, 2011
3. March – May 2011	June 8, 2011
4. September – November 2011	December 9, 2011
5. December 2011 – February 2012	March 10, 2012
6. March – May 2012	June 12, 2012
7. September – November 2012	December 12, 2012
8. December 2012 – February 2013	March 11, 2013
9. March – May 2013	June 10, 2013
10. June – August 2013	September 10, 2013
11. September – November 2013	December 11, 2013
12. December 2013 – March 2014	February 28, 2014
Annual Progress Reports	
1. Year 1 annual performance report	September 15, 2011
2. Year 2 annual performance report	August 15, 2013
D. Special Reports	
1. Environmental compliance manual	January 12, 2011
2. Communications and outreach plan	March 14, 2011
3. Program gender strategy	July 1, 2011
4. Strategic activities fund manual	November 17, 2011
E. Demobilization Plan	
Closeout plan	November 21, 2013

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