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КЫЗМАТТАШТЫГЫ
DEUTSCHE ZUSAMMENARBEIT

Implemented by:

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Development of wheat value chain on rain-fed land

Innovations: winter wheat, minimum tillage, advice on
GAP, revolving funds to increase outreach

October 2023





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Integrated Rural Development Programme (IRDP)

- **Implementing Agency: GIZ = Gesellschaft für Internationale Zusammenarbeit**
- **Combined Financing through the European Union (EU) and the German Federal Ministry of Economic Cooperation and Development (BMZ)**
- **Implementation of value chain development via Grant Agreements with national, local and/ or international NGOs = implementing partner organisations,**
- **Grants were awarded to participating NGOs in competition through “Calls for proposals” (CfP)**
- **Grant Agreements from Autumn 2019 to autumn 2022, accompanied and followed by consulting contracts and advice by the project**
- **Total Implementation Period incl. preparation of CfP: October 2018 to November 2023**



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Integrated Rural Development Programme (IRDP)

Overall objective: contribute to the reduction of poverty in rural areas through economic and social development initiatives

Specific objective: is the improvement of income opportunities of the rural population in southern Kyrgyzstan with a focus on Jalal-Abad Oblast to stimulate the local economy and social development

OUTPUT 1

OUTPUT 2

OUTPUT 3

Sectoral approach
value chain promotion in
agriculture and tourism, increase of
income and creation of jobs
through improved efficiency
through competitiveness,
cooperation

Private services against payment for
value chains = integral part of the
value chains, leads to income and
more jobs.
Public services for businesses and
civil society

Integrated approach:
Enable local governments to elaborate
development measures in a
participative manner and support their
implementation.
Bring local stakeholders together –
Public-Private Dialogue



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Characteristics of rain-fed land (bagarra) used for wheat production

Bazar-Korgon district

The average annual precipitation rate in rainfed areas
180-240 mm

Average annual temperature

Winter: 6°
Spring: 19°
Summer : 32°
Autumn: 21°

Average yield

1,5 t per hectare



Suzak district

The average annual precipitation rate in rainfed areas
250-300 mm

Average annual temperature

Winter: 5°
Spring: 19°
Summer: 32°
Autumn: 20°

Average yield

1,54 t per hectare



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Problems identified for Wheat Value Chain on rain-fed Land

- small plots of land (1-2 ha per farmer)
- low level of GAP knowledge
- using low quality seeds and fertilizers
- lack of access to services
- depreciated equipment /machinery
- outdated technology
- lack of access to affordable leasing or credits to renewal outdated equipment
- lack of knowledge of MTSs in cost calculation and pricing

Consequences

- Low yields and as result low profit
- Degradation of rainfed lands





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IRDP approach on Development of Wheat Value Chain on rain-fed Land (bagarra)

1. Innovations aimed at higher incomes

- use high quality seeds, fertilizer and plant protection means
- increase yields and improve soil fertility
- use functioning modern machinery
- skip ploughing
- reduce mechanical pressure on the soil
- keep moisture in the soil = be adaptive to climate change

2. How?

Group farmers of value chains and convince them to cooperate informally

- to buy input in bulk
- to share machinery
- to produce higher and constant quality
- to sell larger amounts
- to become more competitive

3. Project Support: Funds

Provision of funds through Grants to NGOs for

- input
- Machinery

4. Multiple use of funds

Establish an input revolving fund managed by local MCA:

Sell high quality seeds and input to farmers at 50% of the price and get 50% + of the price after harvest

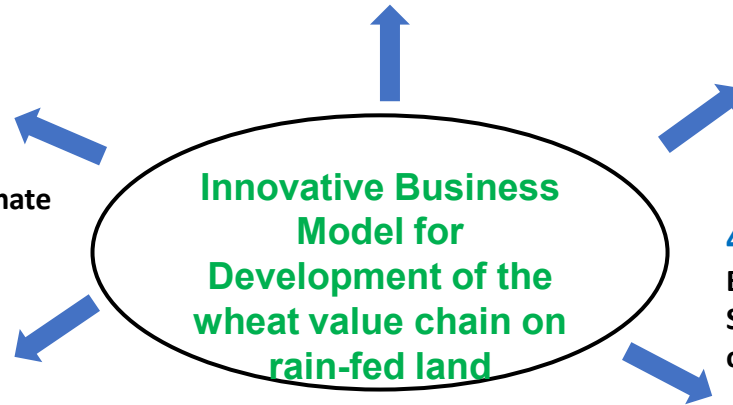
Establish a machinery revolving fund managed by partner NGOs:

Provide leasing mechanism for machinery & tractors to local MTS (and later to new cooperatives) with reduced interest rates

5. Project Support: Knowledge

Train farmers and MTS owners in GAP, in IPM, organic methodologies, cost calculation

Innovative Business Model for Development of the wheat value chain on rain-fed land





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FINANCING INNOVATIONS

- In general, increasing income of farmers requires investment for innovations and higher operational costs
- Necessary agricultural practices for minimum tillage and GAP requires relatively more investment in quality seeds, fertilizers, and the use of modern agricultural machinery including special seeders.
- For both, farmers and machinery service providers would need credits at very high interest rates (from MCA) and/ or provide collateral and pay high interest rates to commercial banks
- The project provided financial means for such investments via Grant Agreements with local “NGOs” – non-profit advisory organizations- who would invest a part of the grant in CD of farmers and in machinery
- Innovations bear risks – switch from summer wheat to winter wheat: risk of animals tramping on fields, other unknown risks





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WHY REVOLVING FUNDS?

- **Users of the investments are requested to pay the funds back into a revolving fund, which they can use continuously**
- **Large grants to the private sector trigger market distortion – request for repayment reduces such distortions**
- **Multiple use of grant funds increase the value for money**
- **The repaid funds provide access to financial means for running costs to farmers – soft loans and soft leasing conditions to machinery service providers - the machinery service providers must at least earn the depreciation**
- **From the revolving funds more innovations like new technology or special input can be financed**
- **The capacity of implementing NGOs and MFA in managing such funds is strengthened**





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WHY IS FINANCIAL SUSTAINABILITY OF THE REVOLVING FUND NOT A PRIORITY?

Purpose of the revolving fund:

- Optimal demonstration of the Innovation = minimizing the risk during implementation
- Revolving Funds provide multiple use of funds and keep the investment process cyclical
- The payments of the service providers to the revolving fund are available for further development of the value chain
- The task of the revolving fund is rather those of a development bank - promotion of **IMPORTANT** developments, such as
 - ✓ Food security
 - ✓ Sustainable use of resources
 - ✓ Adaptation to climate change
 - ✓ Promotion of disadvantaged regions



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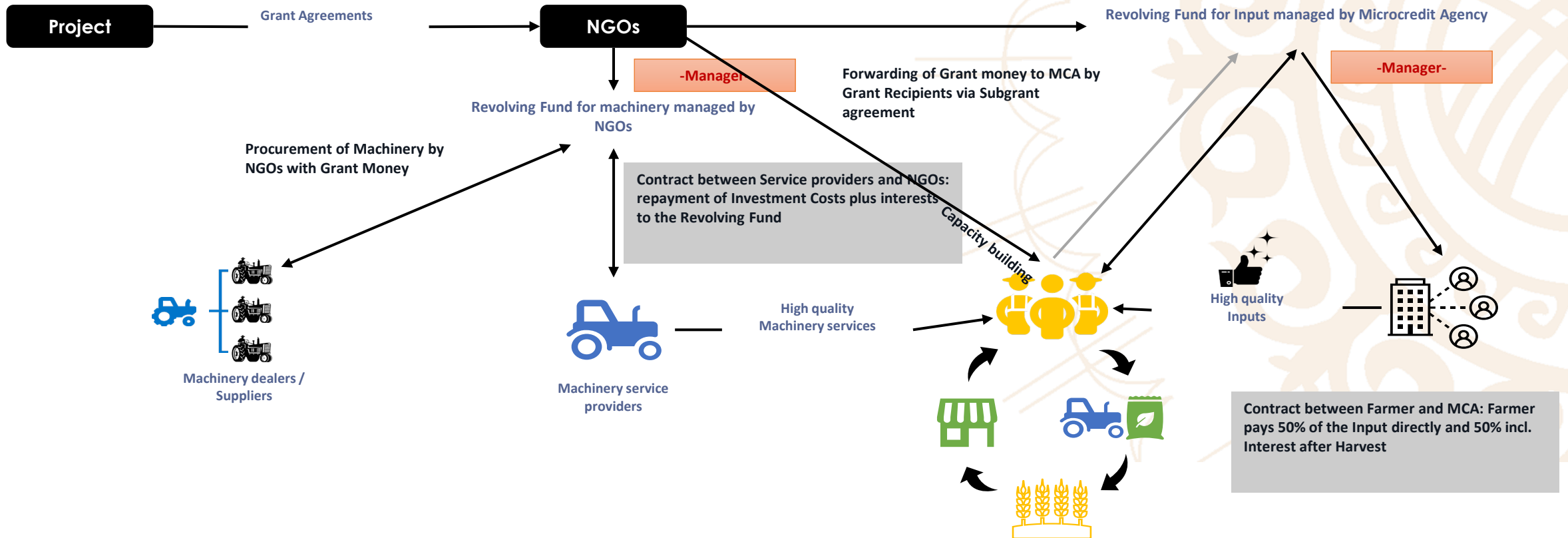


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START: WORK WITH INFORMAL PRODUCER GROUPS AND MACHINERY SERVICE PROVIDERS





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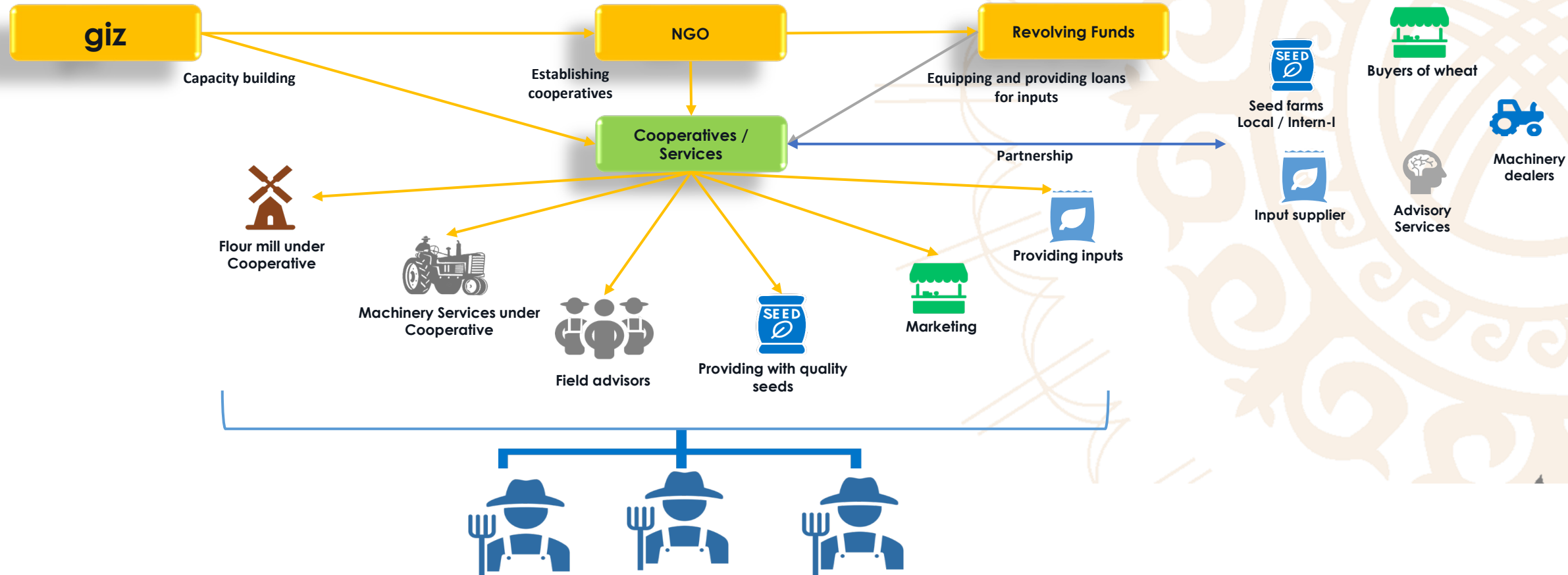


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SECOND STEP: FORMALIZE PRODUCER GROUPS INTO COOPERATIVES AND INTEGRATE ALL SERVICES





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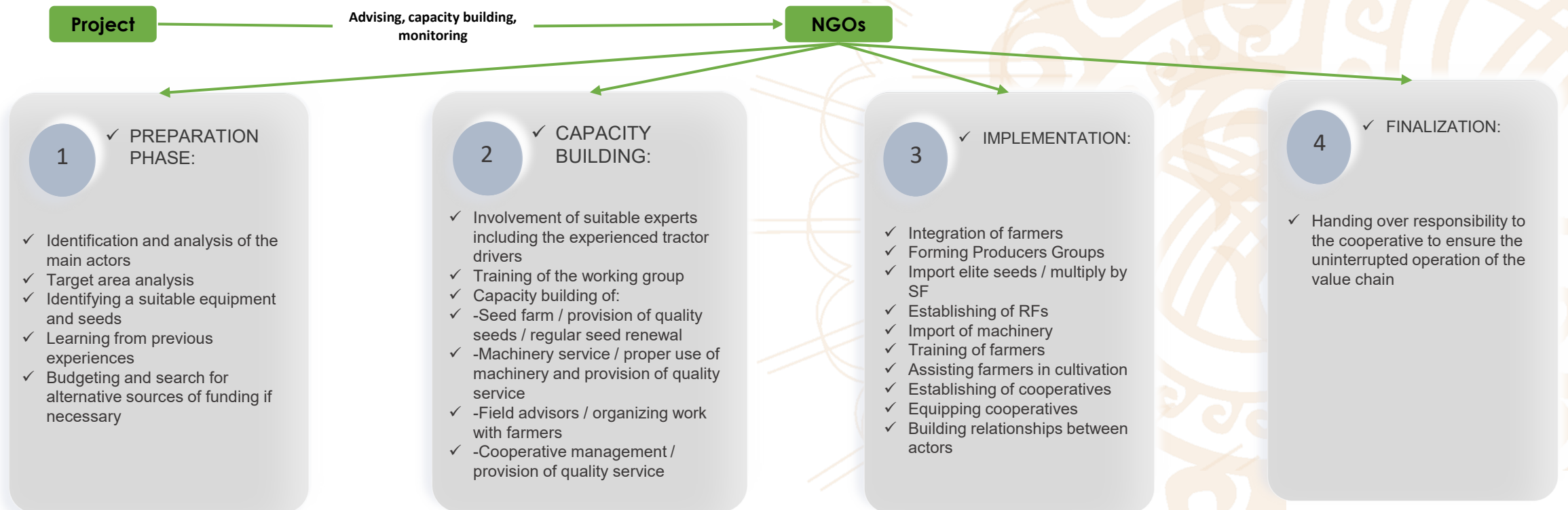


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Work package done by project





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IRDP Results

Bazar-Korgon district

- Yield increased from 2 t/h to 2,5 t/h
- Additional income per farmer – EUR 388, increased by 68%
- Volume of rainfed fields covered by the project – 837 hectares

Suzak district

- Yield increased from 2 t/h to 2,6 t/h
- Additional income per farmer – EUR 674, increased by 75%
- Volume of rainfed fields covered by the project – 830 hectares



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Thank you for your attention!

Aibek Abdyrakhmanov - Rural Development Advisor
GIZ GmbH
October 2023