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United Nations Development Programme

Naryn Area-Based Development Programme, Kyrgyzstan

Bishkek 2013

This document presents more detailed project proposal related to the concept Naryn Area-Based Development Programme, which was submitted, along with other proposals, to the Ministry of Foreign Affairs (MFA) of Russian Federation in March 2012.

The proposed project proposal meets priorities of cooperation between Russian Federation and the Kyrgyz Republic to full extent. It was reflected in the Joint Statement on results of the official visit of the President of Russian Federation V.V.Putin to the Kyrgyz Republic during September 19-20, 2012, and the Saint-Petersburg Development Strategy adopted by the leaders of G-20 countries with regard to provision of assistance to the developing countries, in particular, the low-income countries (including Kyrgyzstan). This strategy was adopted by results of the Summit of the Heads of the states and governments “G-20” held on September 5-6, 2013 under the chairmanship of Russian Federation.

The Programme contains a complex of interlinked components, which realization will promote achievement of principal goal – promote poverty alleviation in the Naryn province. Comprehensiveness of the programme is in following key factors reflected in its content:

a) **meet priorities of the national and regional development**, defined in the National Sustainable Development of the Kyrgyz Republic for 2013-2017, approved by the Decree of the President of the Kyrgyz Republic as of January 21, 2013; in the Mid-term Development Programme of the Naryn province (prepared under UNDP’s support), **high level of political support from the Government of the Kyrgyz Republic;**

b) **partnership and involvement in a process of implementation** i) the state administrations of the province and pilot rayons (districts); ii) the aйл okmotu (rural authority) and local council); iii) the local communities; iv) the non-governmental organizations and associations (farmers, water users, etc.); v) the farmers, private entrepreneurs, small and medium-size business, other beneficiaries;

c) **the programme is directly linked with results of the UNDP projects completed in the Naryn province and other provinces of the Kyrgyz Republic, in the course of which an institutional and conceptual basis has being formed for the considered programme.** It is related to social mobilization of the citizens, local communities, farmers and individual entrepreneurs, representatives of the small and medium-size business, their involvement in development processes at local level including job creation, vocational training, labor intensity and increasing of yield of agricultural products, using of microfinancing system, small grants to support the micro and small social infrastructure projects (nurse-obstetrician facilities, repair and rehabilitation of water-pipe network and small irrigation facilities (drainage and cleaning)). Input of the local communities in a form of labor provision and some available materials, simple instruments and mechanisms;

d) **the Programme is linked with the current and future UNDP programmes and projects, and projects supported by other donors**, for example, the project Aid for Trade, UNDP Programme on Democratic Governance and Local Self-Governance Development (including issues of elaboration of the local development plans and local budgets), UNDP Programme on Emergency Prevention for Poverty Reduction; future projects on tourism development and so on;

e) **Creation of additional opportunities for close connection of the programme's results with big investment projects on construction of the Upper Naryn Cascade of the hydropower plant launched this year and financed by Russian Federation.** Results of the programme focusing on development of agriculture, processing of agricultural products and vocational training have a complementary nature (increasing of yield of food products and volume of services in the region, scaling-up training of the skillful labor, etc.), which will be demanded due to promotion of the large-scale investment hydropower and other projects;

f) **The programme has mechanisms ensuring sustainability of results** including use of small grant system, support / institutional capacity building of the microfinancial institutions in the region, establishing of 15 advisory-marketing centers (AMCs) and the provincial informational-marketing center (IMC), and financing of initiatives in development sphere from the local budgets (this work will be carried out through support in elaboration of the local development plans, assistance in preparation of the local budgets, organization of budgetary hearings and work with the deputies of the local councils implemented by UNDP in Kyrgyzstan within the Programme on Democratic Governance and Local Self-Governance Development);

g) **The proposed programme has a catalyst and pilot features related to development of economic growth entry points, poverty reduction, and creation of conditions for improvement of living standard.** Anticipated interventions will be the catalyst for improvement of situation in interrelated sectors of economy, broadening of services and social sphere;

h) **UNDP will continue its work in the Naryn province after termination of this programme.** Next phases of similar programme in future will be closely linked with current situation both in the country and the Naryn province, new challenges and risk, and priorities of development. Further negotiations with the interested donors will be held in order to follow up this work. For example, similar programme in the Batken province of Kyrgyzstan had two phases; the first phase was funded by the European Union (2,7 million EURO) and the second phase – by the Government of South Korea and UNDP (1,8 million USD). As a result of the programme implementation, poverty rate was halved in the Batken province. At present, we continue work with the donors in the third phase of the programme of comprehensive development of the Batken province.

The proposed programme has a catalyst and pilot features related to development of economic growth entry points, poverty reduction, and creation of conditions for improvement of living standard. Anticipated interventions will be the catalyst for improvement of situation in interrelated sectors of economy, broadening of services and social sphere. Progress will be tracked through a system of indicators and thoroughly monitoring. Set of indicators for each area of activity will be proposed at stage of drafting of the project document and annual working plans.

The Programme is linked with the current and future UNDP programmes and projects, and projects supported by other donors, for example, the project “Aid for Trade”, UNDP Programme on Democratic Governance and Local Self-Governance Development (including issues of elaboration of the local development plans and local budgets), UNDP Programme on Emergency Prevention for Poverty

Reduction; future projects on tourism development and so on. Moreover, UNDP will closely cooperate with the programmes and projects funded by other donors and implemented in the Naryn province. Overall coordination of activity of the development partners will be ensured through the provincial and national coordination mechanisms.

1. Introduction

Kyrgyzstan, one of the poorest post-soviet states, gained its independence in 1991 after collapse of the Soviet Union. During last 20 years, the country experienced numerous political and socio-economic shocks. In accordance with the Constitution, the Russian language has status of the official language.

Economic situation in the country is difficult. GDP per capita in Kyrgyzstan (by purchasing-power parity) is 2 200 USD (2010); Kyrgyzstan is one of two countries with the lowest income rate in European and CIS's countries region. Annual growth rate of economy was 3,9% in 2000-2005 and 3,7% in 2005-2010.

Overall situation in the country can be characterized by a number of other ratings and indexes calculated by the international agencies:

- According to the corruption perception index (Transparency International), Kyrgyzstan takes 164 place from 183 countries;
- in the international rating of economic freedom for 2012 (Heritage Foundation), Kyrgyzstan went down to 88 position;
- in the rating Doing Business (the World Bank), Kyrgyzstan lost three positions and took 70th place from 183 countries;
- in the international rating of peaceful and stable life (OSCE), Kyrgyzstan takes 114th place from 153 countries;
- in the report on Global Competitiveness Index 2011-2012, prepared by the World Economic Forum Kyrgyzstan has following indicators among 142 countries: global competitiveness – 121 place; easiness of customs procedure execution - 134 place; criteria of easiness to get credits - 131 place; protection of intellectual property - 138 place.

Kyrgyzstan receives substantial aid from the world community in a form of preferential loans and grants. During years of independence, the country accumulated huge state debt, which reached 2,803 billion USD at the beginning of 2012 that is about 47% of GDP.

Major part of foreign aid is allocated to maintain general expenditures of the public budget, and as input in the public investment programme. Due to some reasons and because of limited information, the citizens of the country are less aware about volumes and areas of the foreign credit and grant-based aid provided by the donors through the public budget (Annex 1).

Why is the Naryn province?

In the national strategic documents, regional development is one of priorities outlined by the Government of Kyrgyzstan. Main areas of socio-economic development of each province of Kyrgyzstan are defined in the regional development strategies for mid-term period.

Selection of the Naryn province as a pilot province to apply model of the territory comprehensive development was justified by its substantial backlog related to majority of indicators compare to other provinces. As a result of conducted analysis, it is obvious that key systematic problem of the Naryn province is disparity high poverty rate, which is expressed in poor quality of life, incompliance with basic social and economic rights, poor quality of the public / municipal services provision. Thus, low economic growth and weak social and production infrastructure are observed in the country, which do not allow ensuring growth of living standard of the population. Additionally, its geographic position restrains development of the province.

2. Naryn province



The Naryn province¹ is located in south-east part of the republic. Its territory is located at a distance of 180 km from the nearest railway station. Area of the province is 45,2 thousand km² (22,6% of whole territory of the republic). Whole province is a mountainous region with complex terrain and it is located at altitude of 1500 m above sea level. About 70% of its territory is covered by mountain range. Prevailing heights of the ranges is 3000—4000 m, the highest point — Dankov's Peak (5982 m), is located on the Kakshaal Mountain. Mountain ridges are divided by numerous valleys. The largest valley is the Naryn valley (Annex 2). Climate of the province is continental; winter is cold and long.

Assessment of development of the Naryn province

Number of the population at the end of 2011 was 264, 4² thousand people (about 5% of total population of the republic). Numerically, the Kyrgyz are prevailing (99%), besides, the Uzbeks, Dungans, Uigurs and some other ethnic groups live in the Naryn province (Annex 3).

On January 1, 2012, 44,5 thousand economic entities operated in the Naryn province. Industrial production exceeded amount of 1 billion som (about 21,9 million USD³) in 2013. Investment in basic

¹ <http://www.welcome.kg/ru/kyrgyzstan/region/sswj/>

² Hereinafter: The National Statistical Committee/Socio-economic situation of the Kyrgyz Republic, January-February 2011. Annex 1 (In Kyrgyz and Russian languages).

³ Under exchange rate 47 som for 1 USD.

capital on territory of the province was 963 million som in 2011 (about 20,5 million USD), only one third of investment ⁴ is the foreign investment (two third of them are foreign loans).

Poverty rate in the Naryn province was 39,9% in 2012.

The Naryn province possesses a number of strategic competitive advantages (Annex 3) and limiting factors. At the same time, some opportunities for development determine the Naryn province as an ideal province for implementation of this programme.

Objectives of socio-economic development of the Naryn province till 2014

Under the UNDP's Technical Assistance, the oblast administration has elaborated the Development Strategy of the Naryn province for 2012-2014. Other public administration institutions having their representation in the province, local self-governance bodies, civil society and NCOs, representatives of the local communities and experts have being involved in drafting and discussion of the strategy. This document is still under discussion, however, we can state out that the Programme "Comprehensive Development of the Naryn province" proposed by UNDP will allow joining implementation of the oblast strategy in time and adequately (Annex 4).

3. Goal of the Programme and Main Components

The Strategy⁵ proposed by the Naryn Area-Based Development Programme meets national priorities reflected in the Development Strategy of the Kyrgyz Republic for 2012-2014 and the draft Development Strategy of the Naryn province for 2012-2014.

Aim of the Programme is to reduce poverty in the Naryn province through creation of conditions for balanced sustainable socio-economic development. This goal will be achieved through capacity building of the state and local institutions in 2-3 regions of the province – their challenges are to create enabling environment for business development, design and implement the projects aimed towards socio-economic development of the province, and ensure active cooperation with the local communities, farmers, enterprises of small and medium size business.

Components of the proposed comprehensive Programme are designed considering key priorities of **the Development Strategy of the Naryn province⁶ for 2012-2014**. Key strategic **components** of the Programme are:

- Agrobusiness development.
- Improving of the vocational education.
- Support of the local initiatives through financing from the small grant fund.

⁴ Herewith, proportions are provided for whole country.

⁵ UNDP Area-based development programme was adapted to conditions and context of the Naryn province. Being implemented in other area, the realization strategy will be looked in different way.

⁶ Development Strategy of the Naryn province for 2012-2014 was designed under assistance of the UNDP Programme "Localization of the Millennium Development Goals" and "Poverty and Environment".

Naryn Area-Based Development Programme will be built upon achievements and lessons learned from previous experience of UNDP in Kyrgyzstan during last few years (Annex 5).

Beneficiaries: about 30 000 people from poor community of the Naryn province, with specific focus on women and youth (2-3 rayons, 30 villages, especially in areas with low indexes of development and capacity).

Component “Agrobusiness Development”

UNDP Programme will provide assistance to the farmers in capacity building, broadening of marketing possibilities and, hence, ensuring higher income. Activities of the component will be targeted towards institutional capacity building of the community-based organizations (CBOs) through provision of small grants for initial activity with simultaneous technical and advisory support for further modernization and enhancing of effectiveness of agricultural production. This area of activity might be well integrated in future in the CAREC’s regional initiative on transformation of the transport corridors into economic ones. Besides, the Programme will help to improve approaches in management and technical assistance for the irrigation systems in order to reduce water losses and increase agricultural yield. Interventions will be aimed at improvement of the irrigation and drinking water supply systems.

Programme is focused on implementation of the following **areas of activity (Annex 6):**

- Establishing and development of the inter-farming cooperatives in following key areas:
 - *processing of agricultural products;*
 - *supply and marketing activity;*
 - *handicraft development (especially among women-entrepreneurs) – various national goods produced from felt – shyrdaks (national carpets), pictures, national cloth, souvenirs and so on (specific type of processing cooperatives);*
 - *production of the livestock and crop products.*
- Creation of favorable conditions to increase number of the livestock and extension of veterinary service network.
- Development of the selection and breeding activities through establishing stations of artificial insemination based on the associations and cooperatives.
- Helping the agricultural producers to enhance material-technical base of agricultural production, processing, storage and marketing of the goods through procurement of the agricultural equipment and machinery, mainly from Russian Federation.
- Development of rural infrastructure through establishing and enlargement of trading firms, wholesale agro-markets and warehouses for agricultural goods (in order to reduce losses of harvest and selling crops by the most acceptable market prices).
- Improving operation of the water use system through rehabilitation of existing irrigation network.
- Support production of the export-oriented and export-substituting goods.
- Improve logistics and leasing in agrobusiness.

- Improve interaction between the agricultural commodity producers and agricultural processing firms, promote integration structure formation.
- Ensure access of the farmers to information about market through establishing of a network of advisory-marketing centers and the centralized informational-marketing center at oblast level.
- Building of entrepreneur capacity of CBOs through training courses and consultations on issues such as business planning, organizational development, taxation, marketing, processing, storing, packing, innovation technologies of production and processing including use of renewable / alternative energy, etc.
- Ensuring of access to financial resources including grants and microfinancial products by accessible interest rates will be one of key areas of activity. The Programme will support existing microfinancial organizations in order to develop their capacity and extend access of poor people to such services. It will guarantee that microfinancial products will be available for the most vulnerable groups of the population. For these purposes, the Programme will help to establish the revolving financial fund based on existing institution, which will be involved in accessible loans lending, and promoting other microfinancial services – micro-leasing, etc.
- Institutional support of existing business associations in order to enhance their roles in lobbying of initiatives undertaken by various communities developing income-generating activities. Role of the associations will be crucial in terms of activation of economic relations at different levels. They will also play important role in development of the local social initiatives and corporate responsibility. Merged with existing centers on business promotion, these mechanisms will ensure institutional base for support and development of the entrepreneurship at local level.
- Support of the micro-projects on packaging, branding and franchising and the most successful initiatives in partnership with other development partners.
- Support the local authorities in the most efficient use of already existing official mechanisms for building of a dialogue with the entrepreneurs, simplifying registration procedures and complying with principles of entrepreneurship development.
- Popularizing and introducing alternative sources of energy (micro hydropower plants, solar panels, biogas installations).
- Establishing of the long-term sustainable pasture management system which will meet needs of the population and facilitate protection of the ecosystem integrity at the same time.
- Promote institutional development of the water user associations (both irrigation and drinking water) at district and dwelling level in order to ensure their sustainability. Special attention will be paid to introduction of new water management technologies, and improvement of operational rules. One of existing elements of these interventions is targeting towards ensuring of timely response on natural disasters and effects of natural factors (waterlogging, mudflows, etc.).
- Rehabilitation of infrastructure of irrigation and drinking water supply in the pilot ayil okmotu (including water supply systems, wells, springs, etc.). As a result, the citizens will have an access to clean drinking water; it will allow reducing number of water-borne diseases. Rehabilitation of the irrigation system will help to increase substantially level and quality of agricultural production in the most remote and vulnerable settlements.
- Capacity building and technical assistance of the sanitation-epidemiological facilities (SanEpid) at rayon level to ensure high quality of water resting. Special attention will be paid to improvement of hygienic standards in rural area through large-scale informational campaigns devoted to sanitation and hygiene issues and the small grant projects for local infrastructure in selected ayil

okmotu based of elaborated criteria (medical facilities, latrines and other elements of hygiene and sanitation).

Component “Access to Vocational Education and Training”

Naryn Area-Based Development Programme focuses on improvement of the vocational education and training system through support of the vocational schools that they can meet needs of the labor market.

The Programme focuses on implementation of the following **activities (Annex 9)**:

- Create new specialties and curriculums of vocational education based on market needs (including those demanded at the labor market of Russian Federation if the potential migrant makes decision to leave the country of origin), and development of quality assurance system within the vocational education and training.
- Improve qualification and skills of the teachers and trainers of the vocational schools in terms of new learning content and methods.
- Establish close relations between the vocational education schools and potential employers. The small grant system will be used in order to provide jobs to the best graduates of the vocational schools and give them a chance to start their small business.
- Improve technical base, libraries and automation of classrooms.

Component “Support of local initiatives through financing from the Small Grant Fund”

The province faces problem of substantial deterioration of the socio-economic infrastructure such as the schools, medical facilities, roads, water supply facilities, etc.

To address these issues, the Programme will use existing mechanism of the small grant provision to support the local authorities and communities in implementation of the projects in priority sectors (Annex 10). This mechanism will be guided by the Grant Manual, which defines key approaches how to prepare projects, selection criteria, formats and templates for grant-based projects and reporting requirements. In addition, the Grant Appraisal Committee composing of representatives of the province’s administration, local and national governance institutions, communities and international agencies will be set up to ensure transparency of grant lending and supervision of progress of the grant-based projects realization.

Funds of the Small Grants will be used for:

- Implementation of the projects aimed to improve the irrigation systems and drinking water supply systems.
- Development of the socio-economic infrastructure in rural communities.
- Formation of the start-up capital for individual and small business.
- Implementation of the projects to improve agricultural production, processing, efficiency and effectiveness.

- Procurement of equipment for technological lines, alternative energy and other modern technologies using less energy.

The UNDP has the Grant Manual, which contains key selection criteria for grant proposals, approval procedures and further monitoring of grants. Rural coordination committee was formed in each target village. At primary level, these committees prioritized and selected the project proposals, defined responsibilities of the parties who would execute the projects. Rural coordination committees were responsible for the project implementation and reported to the community and the Programme as well.

To ensure transparency of process of consideration and approval of the project proposals, a Grant Appraisal Committee will be established which will be comprised of representatives of the local administration, the regional department of the Ministry of Economy, the Department of Migration and Employment, the oblast and rayon departments of water management, the oblast and rayon departments of architecture and construction, the representatives of international projects implemented in the Naryn province, the staff of the Programme and profile specialists in various areas of activity. More detailed information about selection process for the grant projects was described in enclosed UNDP's Grant Manual (Annex 15).

4. Needs Assessment

In its activity, the UNDP applies various methodologies of need assessment through participatory techniques. Need assessment in development, and more focused selection of the targeted groups are launched at the beginning of the project realization during preparatory stage (as a rule, 3-6 months). For example, "Poverty Pyramid" helps to identify categories of beneficiaries depending on size of income generation – the extremely poor, poor, middle income and rich. The extremely poor, poor and middle groups having capacity and willingness to develop business, increase productivity of agriculture and create additional jobs are main target group of the Programme. Besides, the Programme will identify and prioritize challenges of development and ways of their solutions together with the communities and local administrations. Similar work will be conducted in all directions of the programme – development of agriculture, small and medium size business development, ensure access to vocational education and training, access to natural resources. Based on thoroughly analysis, the Programme specialists will design detailed plan on capacity building of the beneficiaries.

5. Use of experience of Russian Federation

The Programme will use extensive experience of Russian Federation in field of enhancing of agricultural production and processing of its products. Knowledge transfer will be conducted through exchange visits of the Naryn's farmers to successful farms of Russian Federation, short-term training at the leading Russian agricultural educational institutions, **inviting the Russian experts as the consultants, trainers and coaches to share advanced experience.** **There is an intention to possibly engage Russian producers for supplying fertilizers, seeds, assembled green-houses and processing equipment and machinery.** Moreover, the project will provide support in development and promotion of brand – "Clean ecology – clean product from Naryn" and facilitate supply of agricultural products of the Naryn province at the markets of Russian Federation, and entities of Russian Federation in Kyrgyzstan.

The programme will also use experience of Russian Federation how to create enabling conditions for the entrepreneurship development, especially in rural area. Introduction and institutionalization of renewable sources of energy (RSE)⁷ through the regulatory-legal acts and broad dissemination of RSE among the vulnerable communities of the Naryn province are one of main interventions. Besides, possibilities of supply of the Russian equipment on use of renewable energy and micro hydropower plants will be taken into account.

The Programme will use experience of successful functioning of the vocational education and training system of Russian Federation. The short-term experts from Russian Federation will be invited to train the teachers of vocational schools. Based on need assessment and labour market demand of Kyrgyzstan and Russian Federation support will be provided including expert support. Russian textbooks (**deficit of any specialty at the labor market of Kyrgyzstan will be the key selection criteria**) and educational equipment manufactured in Russia will be used. The short-term courses of Russian language will be held for these purposes.

Based on identified needs and the most priority areas for capacity building of the farmers, entrepreneurs of the pilot dwellings of the Naryn province, considering quality and prospective business-projects, groups will be formed for exchange / study tours. To identify specific organizations / business structures where the study tours can be held, the UNDP will request assistance of the Embassy of Russian Federation in the Kyrgyz Republic and the Embassy of the Kyrgyz Republic in Russian Federation. Since the Russian party provided recommendations to visit certain sites in course of study tours, the organizations would hold additional consultations on agenda of study tours, dates and other technical details. After completion of each of the study tours, seminars, workshops and roundtables will be organized in the Naryn province to disseminate information broadly and learn experience of the Russian entrepreneurs. To ensure sustainability of results of the study tours, 1-2 specialists of relevant profiles from the local administrations will be included in the groups as participants from Kyrgyzstan.

Selection and invitation of the specialists and experts from Russian Federation to Kyrgyzstan will be conducted based on detailed Terms of Reference, which will be drafted considering results of need assessment. The Programme will generate requests for the profile specialists in various spheres of activity such as development of small and medium-size business, modernization of agricultural production, water management and so on.

After completion of the capacity building plan, the UNDP will request the Embassy of the Russian Federation in the Kyrgyz Republic to establish direct contacts with the authorized bodies of Russian Federation and the Embassy of the Kyrgyz Republic in the Russian Federation. After getting appropriate recommendations on contacts in Russia, the UNDP will continue to keep direct consultations on broad range of issues with them.

⁷ Solar, wind energy and energy of geothermal water, small water streams and biomass are attributed to the renewable sources of energy (RSE). Due to their capacity, they can compete with traditional sources. However, the consumers do not pay sufficient attention to them currently. It is explained by long-term tradition of use of the fuel and energy from the state systems and relative availability of energy carriers. Besides, public awareness on possibility to use energy installations operated by RSE and their technical-economic parameters is low. RSE potential resources, by assessment of the specialists, in Kyrgyzstan are quite strong and they can address challenges of optimization of fuel-energy balance and energy saving under their effective use. At present, practical use of RSE is insufficient, and it covers only 0,17% in energy balance of the country.

It will be useful to discuss a question of building direct and long-term relations with one of the regions of Russian Federation and the Naryn province. It will give an opportunity to extend and enhance direct contacts after completion of the project – additional sustainability of its results. The UNDP in Kyrgyzstan is ready to provide assistance in establishing of such contacts in a framework of this Programme.

6. Strategy of delegation of authority to the local partners after the project completion

Naryn Area-Based Development Programme is an integrated model of the local socio-economic development. All components of the Programme are focusing on further sustainability of results. In general, the Programme is aimed at enhancing of relations between the government and non-government institutions (Annex 9). Appropriate informational support of the project implementation will allow raising awareness of all partners and citizens of Kyrgyzstan (Annex 11).

7. Financial Management

Mechanism of design and execution of specific activities included in indicated components were developed considering long-term working experience of UNDP in Kyrgyzstan and the best practice of other countries covers following mandatory phases in general:

- a. the UNDP's specialists together with the partners will make thorough situation analysis in the province to figure out local peculiarities, challenges, comparative local advantages and opportunities for development, selection of the most priority actions taking into account the regional and local plans and strategies of development (that gives in some cases an opportunities to attract additional internal resources for implementation of the specific projects);
- b. discussion of results of the analysis and working plans together with the oblast and rayon state administrations, local communities, associations of entrepreneurs and other traditional national partners; preliminary selection of the beneficiary groups, assessment of their capacity, etc.;
- c. elaboration of specific working plans on priority areas with the beneficiary groups; provision of consultations and other assistance in drafting of business proposals, which will be studied during competition taking into account the UNDP's procedures;
- d. conclude the contracts between the UNDP and relevant beneficiaries, which an essential part is procurement of equipment, services and so on;
- e. financing and procurement will be in line with the UNDP's procedures ensuring continue based control on targeted use of obtained funds and resources;
- f. provision of assistance to the beneficiaries in time and in full extension of the business-projects implementation, help in prevention of potential risk and achievement of planed results;
- g. monitoring of implementation of the individual projects and assessment of quality of obtained results;
- h. facilitate preparation of the interim and final reports on implementation of specific interventions and projects;

- i. financial and narrative reports on results of annual work and whole project life submitted to the donors.

All stages of mechanism of preparation and execution of the projects will be accompanied by broad informational campaign using visual aids of the donor.

The Programme will be implemented by UNDP Area Office in Naryn province. The office staff will be responsible for daily programme, financial and procurement activity based on approved work plans, budgets and procurement plans.

UNDP Financial Rules and Regulations is the fundamental document regulating principles of financial management in UNDP. More detailed information, guidelines, procedures and rules, and references to relevant provisions of UNDP operational procedures are contained in special section of UNDP Programme and Operations Policies and Procedures.

Up to December 31, 2011, UNDP applied the United Nations System of Accounting Standards – UNSAS. These standards presented specially adapted system considering non-commercial nature of activity of the organization. These standards were based on modified cash method of accounting. Since January 1, 2012, UNDP switched to the International Public Sector Accounting Standards – IPSAS. IPSAS are fully based on accrual method and they are used by majority of the public and international organizations. These standards are based on international accounting standards and they allow presenting more transparent financial information comparative with other similar organizations and institutions (for detailed information, please visit website http://www.ipsas.org/en/ipsas_standards.htm).

To ensure transparency and operational programme and financial monitoring, the UNDP uses system of Enterprise Resources Planning (ERP) known as ATLAS, which is an accounting management system based on Internet. This system presents two-fold system of budget control of the project: approved budget → actual available cash.

It is necessary to indicate that all UNDP payments are non-cash and they are paid only after completed fact of service / work provision and in presence of all required financial documents (invoice, act of fulfilled works, etc.). To check quality of payment documents, multilevel control system is applied both in the project and country office.

Moreover, the projects are subject of regular scheduled audit held by the independent auditors in line with the UNDP rules and procedures.

UNDP's key principle is effective use of funds. In practice, certain rules and procedures of procurement activity stipulated for implementation of the programmes and projects, depend on specific circumstances in every case; nevertheless, UNDP is always guided by *four principles* in procurement: cost saving and effective use of funds including purchase of required goods, works and services (quality-price ratio); all interested and meeting requirements actors from any country of the world have an opportunity to participate excluding cases when criteria set by the UN Security Council and UN General Assembly are applied; provision of same information and equal opportunities to all the participants for competition in tender related to offering goods, works or services; transparency of procurement process.

8. Programme's Management Structure

General strategic and operational management of the Naryn Area-Based Development Programme will be carried out in the UNDP Country Office through **the UNDP Deputy Resident Representative** and **Assistant Resident Representative**. **Assistant Resident Representative** will also ensure coordination of the programme areas of activity with other UNDP initiatives. **Team of the UNDP programme analysts** will be responsible for synergy and coherence implementation of various components of the Programme meeting priorities of the country, the Country documents and UNDP's mandate. Structure of **the UNDP Operational Unit** will guarantee compliance with UNDP's local and global rules and procedures.

At implementation level, the Programme will be managed by **the Programme Management Unit** in accordance with following structure (Annex 12). 3,5 million US dollars are required for the programme implementation for 24 months (Annex 13).

Background Information



Kyrgyzstan, is one of the poorest post-soviet states, gained its state independence in 1991 after collapse of the Soviet Union. During last 20 years, the country experienced numerous political and socio-economic shocks.

As a result of dissatisfaction with increased authoritarianism, high level of corruption, violation of human rights and decline of standards and living standards, violent removal of ruling regimes took place in 2005 and 2010. These events were accompanied by

death of people and escape of the presidents outside the country. In 2010, situation had further negative development which was transformed into interethnic clashes in south of the country, where several serious cases on interethnic conflicts happened (between the representatives of the Kyrgyz and Uzbek nationalities – the citizens of Kyrgyzstan).

As a result of clashes, about 420 people died, 2000 people were injured and wounded, 2000 houses and 300 business objects were destructed and destroyed. At present, the country experiences difficult period of political transformation to the parliamentary form of ruling anticipated by the existing Constitution of the country adopted at the Referendum on June 27, 2010.

In accordance with the Constitution, the Russian language has status of the official language.

Situation in economy of the country is still difficult. GDP per capita in Kyrgyzstan (purchasing-power parity) is 2 200 US dollars (2010), Kyrgyzstan is one of two countries with lower rate of income in Europe and CIS countries. Annual growth rate of economy was 3,9% in 2000-2005 and 3,7% in 005-2010. In 2011, economic growth reached 5,7%. However, in the first half of 2012, GDP was declined by 5,6%, and industrial production was reduced by 32,6% (it is determined by insufficient diversification of economy and problems with the biggest gold mining Canadian enterprise “Kumtor” in the country). Inflation rate is low (in June 2012 – 0,9% by December 2012).

In the country, considerable informal sector exists, especially in service sphere and agriculture. At the same time, in 26% of households, at least, one member of the family works abroad. Total number of the labor migrants from Kyrgyzstan varies from 700 thousand to 1 million people according to various assessments (about 20% of total population), including approximately 500 thousand people – in Russian Federation. Remittances of the migrants have being increased in 2011 up to 1,7 billion USD, that is about 30% of GDP.

Risk associated with substantial depreciation of the energy and social infrastructure is attributed to serious internal challenge for sustainable social and economic development. Significant funds are required to maintain the infrastructure in operational mode.

Poverty rate was reduced from 62% in 2000 to 32% in 2009; however, after events of 2010 the poverty rate was increased up to 33,7%. Proportion of women in the poor families is increased. According to the UNICEF assessment, every second child in the country lives in poverty.

Lifetime of the women is 73,5, and lifetime of men is 65,3.

About 32% of population of Kyrgyzstan is young people at age of 15-25 years old. The youth does not have full access to education, employment, health, entrepreneurship, and equal decision making on family issues. Because of insufficient level of education and upbringing and poor economic prospective, many young people are engaged in criminal environment or start to use drugs. There is well-developed network of educational and vocational-technical institutions in Kyrgyzstan. Nevertheless, in spite of conducted reforms, the system was not able to be adapted quickly to the market economy, and education still matches the old, command-planned, soviet concept.

Quality of the public services, especially in sphere of health and education, is extremely poor. In spite of quite high rate of literacy of the population (98%), clear trend of loss of educational potential is observed in the country, which was generated before collapse of the Soviet Union. First of all, it relates to professional, scientific and production spheres. Man-made and natural disasters including earthquakes, mudflows and floods have more threats for sustainable human development; they lead to occurrence of emergency cases having severe effects both to human beings and economy of the country in general. Inadequate exploitation of natural resources leads to their gradual depletion, and the country needs to carry out additional nature protection activities. It requires resources, which can be directed towards development processes.

According to index of human development (UNDP), Kyrgyzstan takes 126th place of 187; it means that the country is placed in lower part of the group of the countries with middle level of human development. Kyrgyzstan takes 66th place from 146 countries in terms of the UNDP's index of gender inequality.

As it is seen from the national report on progress in achieving Millennium Development Goals in 2010, it is unlikely to achieve a number of targets such as reduction of maternal and infant mortality, TB and HIV, sanitation and gender inequality. Indicators on maternal mortality (51,2 deaths per 100 000 newborns in 2010) and infant mortality (37 per 1 000) are relatively high even in the region. Along with that, the country reached required figures in terms of reduction of extreme poverty, access to basic secondary education, and access to clean drinking water. However, quality of services is very poor.

General situation in the country can be characterized by a number of other ratings and indexes calculated by the international agencies:

- According to the corruption perception index (Transparency International), Kyrgyzstan takes 164 place from 183 countries;
- in the international rating of economic freedom for 2012 (Heritage Foundation), Kyrgyzstan went down to 88 position;
- in the rating Doing Business (the World Bank), Kyrgyzstan lost three positions and took 70th place from 183 countries;
- in the international rating of peaceful and stable life (OSCE), Kyrgyzstan takes 114th place from 153 countries;
- in the report on Global Competitiveness Index 2011-2012, prepared by the World Economic Forum Kyrgyzstan has following indicators among 142 countries: global competitiveness – 121 place; easiness of customs procedure execution - 134 place; criteria of easiness to get credits - 131 place; protection of intellectual property - 138 place.

Foreign aid

Kyrgyzstan receives substantial aid from the world community in a form of preferential loans and grants. During years of independence, the country accumulated huge state debt, which reached 2,803 billion USD at the beginning of 2012 that is about 47% of GDP. While the Government of Kyrgyzstan holds negotiations on the state debt restructuring and its write-off, its pressure on the public budget is increased. Deficit of the budget for 2012 is forecasted in amount of 5,7% of GDP.

Major part of foreign aid is allocated to maintain general expenditures of the public budget, and as input in the public investment programme. Due to some reasons and because of limited information, the citizens of the country are less aware about volumes and areas of the foreign credit and grant-based aid provided by the donors through the public budget.

Lack of publically available information about aid provided by the donors including Russian Federation, poor attention to these issues from side of the authority, substantially reduces political and socio-economic effect of such aid provision.

The international community under active involvement of Russian Federation has allocated humanitarian and technical assistance to those affected during political crisis in 2010.

Russian support of Kyrgyzstan

First time in 2010, Russian Federation provided financial aid on grant-basis to those suffered in south of Kyrgyzstan in amount of 5 million USD. This aid was realized through a system of UN agencies in Kyrgyzstan. This aid was allocated to the local communities and citizens suffered in a course of interethnic conflict.

Distribution and realization of the grant aid was done in transparent way, in consultation with the public services, local authorities and communities. Implementation of events funded by Russian Federation was accompanied by broad information campaign.

After severe conflict in south of the country in June 2010, major part of aid from the international community was allocated to the south region for stabilization of situation and provision of immediate humanitarian aid to the victims, among which more than 70% were ethnic Uzbeks – the citizens of Kyrgyzstan. In order to keep balance in the regions and avoid new escalation of political crisis, question related to allocation of aid to other regions, where socio-economic situation is very unfavorable, is on agenda.

Kyrgyzstan is a member of the United Nations (since 1992), CIS, EurasEC, SCO, CSTO, WTO and number of other international and regional organizations. At present, active negotiations are held with Russian Federation, Kazakhstan and Belorussia regarding joining of Kyrgyzstan to the Customs Union. An issue on allocation of grant-based financing from Russian Federation to support the programmes and projects directed to promote sustainable development in the most problematic sphere and regions of Kyrgyzstan, has discussed during meetings and negotiations with the representatives of Russian Federation. These meetings were held at different levels – the UNDP's headquarter, UNDP Regional Office in Bratislava, UNDP Representation in Kyrgyzstan. These negotiations were successful and, as a result, principal consent on grant-based financing of the projects was received.

Background information

Geographic location and natural-climate conditions of the Naryn province



The Naryn province⁸ is located in south-east part of the republic. Its territory is situated 180 km far from the nearest railway station. Total area of the province is 45,2 thousand km² (22,6% of total area of the republic). Whole province is a high mountain region with complex relief and it is located at altitude of 1500 m above sea level. About 70% of its territory is mountain ridges. Prevailing height of the ridges is 3000—4000 m, the highest point is Dankov's Peak (5982 m), located on the Kakshaal Mountain. Mountain ranges are divided by numerous valleys. The largest valley is the Naryn

Valley.

Territory of the province is rich of the minerals. Big coal deposits are concentrated in the Kabak basin of the Jumgal rayon. Within a head water of the Eki-Suu river, the Jetim deposit of iron ore – the only deposit in Central Asia – is located. There are other deposits: The Sandyk deposit – syenite nepheline, lead, zinc (Arsy, Ak-Tash-Koro, Kubaky, Ak-Kol sites), gold (Solton-Sary), etc. In the Kochkor valley, large deposits of rock salt are situated. Everywhere, the deposits of various building materials (clay, sand, detritus, gravel and marble) are located; there are numerous thermal and mineral water springs.

Climate of the province is continental, winter is cold and long. Duration of winter is six months in th Jumgal valley, and other rayons – up to 8 months. An average January temperature is -15°C. Absolute minimum temperature (-50°C) was registered in the Aksai valley, where the average annual temperature is -6°C, as in the arctic zone of Russian Federation. Summer is short and cold; average July temperature is + 15 °C. Drastic changes of temperature are typical during whole day; frosts may occur even in summer time. Winter is cold and summer is short near the Chatyr-Kol lake, the Ak-Say and Arpa valleys upstream the Naryn river and the Son-Kol lake. Average annual precipitation in the valleys is 200—300 mm, in the mountains – little more. Period of abundant rainfall is observed in the second half of spring and the first half of summer, when 30— 60% of annual rainfall precipitates. In the valleys, volume of precipitation is increased from west to east. Snow cover in the Naryn and Jumgal valleys is 15—20 cm, and in the Arpa valley – up to 60 cm. In the Kochkor valley, snowfalls are rare because of strong winds, and snow cover is not stable.

Rivers of the province flow into the basins of the Syr-Dariya, Tarim, Chu rivers and the Chatyr-Kol lake. The longest river is the Naryn river, its length within the province is over 400 km. Hydropower resources of the republic for 1/3 are from water of the Naryn province. Only the Naryn river and its tributaries can provide 36477 million kilowatt/hour of electric power annually. The Son-Kol and Chatyr-Kol lakes are the biggest lakes.

Glaciers are located at the altitude of over 4000 m above sea level. Total area of the glaciers is about 500 km². Majority of the glaciers is located at the Kakshaal ridge. The Ak-Say, Ay-Talaa and Orto-tash are the biggest glaciers.

⁸ <http://www.welcome.kg/ru/kyrgyzstan/region/sswj/k/>

Soil and vegetation cover is diverse. Vertical zones are observed on the mountain slopes. Zones of the mountain deserts and semi-deserts cover bottom of the Kochkor, Jumgal and At-Bashy valleys; their foothills - riverside of the Ak-Say river, lower parts of the basin of the Chatyr-Kol lake. There is a grey desert soil (sierozem) where the wormwood growths mainly; sometimes, the feather-grass, Russian thistle and other plants can be met. Riparian woodland is growing in the high-water bed of the Naryn, At-Bashy, Jumgal, Kokomeren, Kochkor and Alabuga rivers. Major part of area of the valleys – Ak-Say , Arpa, At-Bashy, Kara-Kuzhur and Naryn and Son-Kol lake – are attributed to the mountain-steppe zone. Here, mountain steppes are spread with prevailing of the feather grass, wheat grass, wormwood and others on chestnut and light chestnut soil. Mountain slopes surrounding the valleys are attributed to sub-alpine zone. Sub-alpine motley meadows are located on the mountain-meadow soil; northern slopes are covered by shrubberies. Here, the mountain-steppe soil dominates; low motley meadows and fescue steppes. Forests and shrubberies cover 3% of area of the province.

The province borders with China, the Republic of Kazakhstan, the Issyk-Kul, Jalalabad, Chuy and Osh provinces and unites one city, two towns, five administrative rayons and 61 ayil okmotu (local self-governance bodies including 2-15 villages), which are composed of 134 villages totally. There are five rayons in the province: the Ak-Tala (with administrative center – Baetov village), At-Bashy (At-Bashy village), Jumgal (Chaek village), Naryn (Naryn city), Kochkor (Kochkor village). Naryn city is also the center of the province.

Assessment of level of development of the Naryn province

Population at the end of 2011 was 264, 4⁹ thousand people (about 5% of total number of population of the republic). Numerically, the Kyrgyz are prevailing (99%), besides, the Uzbeks, Dungans, Uigurs and some other ethnic groups live in Kyrgyzstan. In 2011, 27 citizens of the province immigrated and 423 - emigrated. During same period, 675 crimes were registered in the province. Size of index of human development was 0,650¹⁰. Poverty rate was 39,9% in the Naryn province in 2012.

On January 1, 2012, there were 44,5 thousand acting economic entities in the Naryn province. They are mostly farms and individual entrepreneurs. In 2011, volume of industrial production was slightly more than 1 billion som (about 21,9 million USD¹¹). Gross output of the agricultural, gaming and forestry products was slightly less than 10 billion som (about 211 million USD).

Production of main types of the livestock products within the province: the livestock and poultry for slaughter (live weight) – 48,5 thousand tons, unboiled milk - 117 thousand tons, eggs – 6.6 million, wool – 1,8 thousand tons.

Investment in basic capital in the province in 2011 reached 963 million som (about 20,5 million USD), it is only one third¹² – due to foreign investment (two thirds of which are foreign credits). Volume of provided market services on territory of the province is equal to 5,6 billion som (about 119 million USD). Turnover of trade, car repair, household items and personal belongings is 4,3 billion som (about 92 million USD). Turnover of retail trade excluding selling of cars and engine oil was 3,4 billion som (about 72 million USD). At the same time, volume of services of the hotels and restaurants achieved only 40 million som (about 0,9 million USD).

Transportation of cargo by all types of transport is 1,2 million tons. All types of transport means transported 5,8 million passengers in 2011.

An average monthly nominal actual salary (without consideration of small enterprises) was 8274 som (about 176 USD) in January-November 2011. Total debt on salary payment in the province reached 11,9 million som. Number of the unemployed registered in the state employment service was 10438 people on January 1, 2012. In the Naryn province, the highest poverty rate was recorded in the Kyrgyz Republic – it was 53,5% in 2010.

The province possesses huge natural potential for successful development of the livestock-breeding – vast territories of seasonal pastures. The livestock-breeding in the Naryn province maintains historic trend (sheep-breeding, cattle-breeding and horse-breeding). Favorable natural-climate conditions and numerous seasonal pastures allowed specializing upon production of fine-fleeced wool and mutton. Within structure of agricultural land, the pastures occupy 95,3% or 2535,5 thousand hectares. Population mainly breeds coarse-wooled and fat-tailed sheep. The population uses mainly pastures near dwelling for grazing purposes, especially in spring and autumn. The province breeds 16,5 % of whole republican stock of sheep.

⁹ Hereinafter: National Statistical Committee / Socio-economic situation of the Kyrgyz Republic, January-February 2011. Annex 1 (in Kyrgyz and Russian languages).

¹⁰ National report on human development 2012 in Kyrgyzstan (in publishing house)

¹¹ Under exchange rate 47 som per 1 USD

¹² Proportions are shown for whole republic

Mountainous pastures (area is 1157,4 thousand hectares) are very favorable for breeding of yaks – these animals have valuable and diverse products: meat, milk, wool, meat and bone powder, and organs of internal secretion, which are valuable for medicine.

Current situation in the livestock-breeding sector does not allow using natural pastures, especially remote and mountainous pastures to full extent. As a result of non-systematic use and lack of land development, especially near the settlements, yield of natural fodder land was decreased, contamination by weeds and pasture degradation was increased.

Territory of the Naryn province is an area of formation of the largest transboundary water course of the Naryn river. River basin of the Naryn river, which includes glaciers and snow fields, mountain forests and other natural ecosystems of the Inner Tien-Shan, provides water resources to almost one third part of the country and millions of hectares in the neighboring states.

The Naryn province possesses large energy resources, which are underused substantially. Share of electric power is about 2,2% of GDP and 54% of whole industrial production of the region. The biggest hydropower resources are concentrated within basins of the Naryn river, which annual water flow is 10-14 billion cubic meters. Potential of hydropower resources of small rivers and water courses of the region with average multi-year water discharge in a range from 3 to 50 cubic meters per second is approximately 5-8 billion kilowatt per hour per annum. The province is characterized by beautiful natural-climate conditions for successful development of renewable sources of energy. Broad introduction of small bio-fuel installations processing the livestock waste into energy and valuable organic fertilizer for development of plant cultivation in the province is very prospective.

The Naryn oblast possesses unique biodiversity. Natural resources of the province are mainly characterized by the mountain ecosystems of the Tien-Shan, with the peaks at altitude of 7 thousand meters and higher above sea level. High mountains are considered as islands of biological diversity in a middle of relatively poor plains. Two reserves and national park are organized on territory of the province. They form a system of the protected areas.

Relict spruce forests (*Picea schrenkiana*) are endemic and they have global significance since they are in the list of last world tracts of virgin coniferous forests. They form a habitat of snow leopard (*Uncia uncia*), which represent here the largest population in Central Asia due to fact that these mountains are the highest in the world and hard to reach. There are hoofed animals (ungulate), prey of the snow leopard, such as rare argali (*Ovis ammon*), wild ibex (*Capra ibex*), and the Tien-Shan marals (*Cervus elaphus*). The International Union of Conservation of Nature (IUCN), registering rare endangered species of mammals in this region, includes the brown bear in its list (*Ursus arctos isabellinus*), stone marten (*Martes martes foina*), and red creeper (*Ochotona rutila*). The Inner Tien-Shan is a home for whole number of rare species of birds and invertebrates.

Such natural biodiversity creates significant capacity for development of ecological and scientific tourism in the province.

Competitive advantages

Although the Naryn province drops behind by its socio-economic indicators compare to other provinces, nevertheless, it is characterized by following competitive advantages:

- Territory of the province is crossed by important strategic automobile highways. Road Bishkek – Balykchy – Torugart has a good prospective as it is the only nearest entry to vast region of the Eastern Tien-Shan at present. UNDP can develop and support the sub-projects of socio-economic development around this transport corridor (within the Central-Asian Regional Economic Cooperation - CAREC¹³).
- Products produced without chemical fertilizers in the Naryn province are natural and environmentally friendly.
- The Naryn river is the longest and abundant river of Kyrgyzstan. Based on existing hydropower potential, it is possible to construct 27 small and 8 big hydropower plants on territory of the Naryn province.
- High mountainous part of ridges is covered by glaciers, which feed numerous rivers flowing outside the province. Total area of the glaciers is about 500 km².
- Natural conditions and vast abundant pastures create unique conditions for the livestock breeding.
- Rich biodiversity and mountain landscape for tourism development.
- Substantial potential for mining sector development.
- High potential for development of agricultural and processing sector.
- High potential for development of individual, small and medium size entrepreneurs.
- Development of the livestock provides certain potential for promotion of bio-fuel.
- In general, the Naryn province is ideal “area” for implementation of priorities “RIO+20”.

Limiting factors

There are some limiting factors at the same time, which should be taken into account under the programme implementation:

- High corruption in all echelons of the political authority of the Kyrgyz Republic, lack of effective management and division of functions between the state, oblast/rayon and municipal institutions. For example, the corruption perception index of Transparency International was 2,1 in 2011 (164 place from 183 states)¹⁴.
- Depreciation of main assets in the sectors of economy, engineering and transport infrastructure along with lack of financial resources bring to standing idle of the enterprises in the province.
- Limited access of the individual, small and medium entities to cheap credit resources.
- Increasing degradation of the educational system including vocational training during last 20 years.
- Severe climate; winter lasts up to eight months in some places.

¹³ http://www.unescap.org/tid/itt/mtg/kyrgyz06_cmr.pdf

¹⁴ <http://cpi.transparency.org/cpi2011/results/>

- Remoteness of the province from the administrative and economic center of the republic, poor quality of roads.
- Depreciation of agro-industrial equipment and use of outdated methods and technologies, which lead to high production cost of the goods and services produced in the province and their low competitiveness.
- Degrading pastures and poor soil for crop development.
- Poaching caused by seasonal unemployment and lack of other livelihoods.

Opportunities for development

Based on competitive advantages, opportunities appear for development of the province, and the programme of comprehensive development will help to use them:

- Create “entry points” of economy in the real sector of the Naryn province considering competitive advantages of the region.
- Develop and use new high technological production in the industrial sector through attraction of domestic and foreign investors.
- Attraction of investors for construction of the hydropower plant and implementation of the projects on development of alternative energy with further export of electric power outside the province.
- Development of the tourism with creation of new goods and services such as alpinism and rock climbing, paragliding, ecological tourism, winter tourism with reconstruction of cable road in Naryn city, and adventure hiking tourism.
- Capacity building of agriculture with improvement of irrigation system of the province and lending of credits with low interest rate for the farmers.
- Capacity building of the livestock with parallel improvement of services for the cattle-breeding – selection work, veterinary, zoo-technical services including establishing of the stations of artificial insemination to disseminate seminal material of new high productive breeds.
- Growth of investment attractiveness of the Naryn province, attraction of strategic investors in the economy and social sphere with creation of favorable conditions including use of “one stop-shop”.
- Development of small business in sphere of innovation, services, housing and utilities, lending of low interest rate credits.
- Development of business linked with transport system, improvement of road connecting districts of the province between each other and with other provinces.
- Introduction of new technologies on deep processing of agricultural products for broader use of raw materials of the Naryn province in production chain. For example, production of milk products, starch from potato, sausage, bottled mineral water, etc.

- Branding and franchising of the successful enterprises (probably, close cooperation with the European Bank of Reconstruction and Development).
- Provision of high quality public and municipal services (including electronic) to the population of the Naryn province with introduction of electronic management system in the local self-governance and improvement of tax collection and administration system.
- Provide the management system and economy of the Naryn province with high qualified and skillful young personnel.
- Development of vocational-technical education.
- Promotion of use of bio-fuel installations to generate energy and organic fertilizer.
- Promotion of yak-breeding and development of primary processing at household and community level.
- Development of green-house entities to supply local market and improve diet of the citizens of the province.

Objectives of socio-economic development of the Naryn province till 2014

Under UNDP's technical assistance, the oblast administration has elaborated the Development Strategy of the Naryn province for 2012-2014. Other governmental institutions having their representation in the province, the local self-governance bodies, civil society including non-profit organizations, representatives of the local communities and experts took part in drafting and discussion of the Strategy. Currently, this document is still discussed; however, it can be stated out that the proposed Naryn Area-Based Development Programme will allow joining to implementation of the oblast strategy in time and adequately. Following main area of activity are identified in the discussed strategy.

Economy:

- Improvement of regional distribution of productive forces, economic mapping, designing and enhancing of “entry points” of the economy of the Naryn province.
- Development of agricultural processing sector.
- Establishing of marketing system linked with potential markets for the entrepreneurs of the province in order to sell their goods by profitable price.
- Promotion of brand “Clean environment – clean product” in Kyrgyzstan and countries of the Customs Union.
- Formation and promotion of positive image of the Naryn province as the region prospective for investment and with favorable conditions to do business.
- Formation of innovation system of the Naryn province (increase yield of products using high technological production, development of innovative and active companies).
- Organization of the industrial-production special economic zone (development of high-technological production) including the small processing industrial facilities.
- Cluster-based development of key sectors of the economy (tourism, agro-industrial, mining, energy complexes, small and medium size business).
- Development of individual, small and medium-size business including processing of agricultural products (establishing of infrastructure and conditions for stimulation of business activity);
- Development of foreign economic activity, inter-regional cooperation of the Naryn province, use of existing capacity in a sphere of inter-regional cooperation considering strategic areas of development of the Naryn province and neighboring regions.

Social sphere:

- Steady rise of income of the population of the Naryn province (rising of salary of budget institutions, legalization of payment of salary, elimination of debts and delays with payments).
- Improvement of demographic situation in the Naryn province.
- Ensure labor rights and employment and enhance level of professionalism and skills.
- Develop system of social support of the population.
- Improve targeting of provision of social services.

- Develop social infrastructure considering required optimization of the network of institutions paid from budget.
- Growth of quality and accessible services of education and health (priority regional projects are implemented in the province).
- Create conditions for sport and physical culture at large scale.
- Capacity building in culture.
- Improvement of housing conditions (implementation of the priority national project “Available and cheap mortgage for the citizens of Kyrgyz Republic”, capital repair including use of new energy saving technologies and further construction of the social housing for the employees of budget institutions. Construction will be funded by the Development Fund of the Naryn province).

Environment:

- Improvement of nature resources management at province, district and local community level.
- Inventory of pastures and introduction of ICT in management at local level (electronic Jait (Pasture)¹⁵ Committee).
- Introduction of basin-oriented water management plan in the Naryn province through approaches of integrated water management.
- Promote natural forestation through planting of seedlings by the communities for commercial purposes.
- Promotion of agro-forestry as adaptation of the local communities to climate change
- Promotion of biodiversity conservation through support of the protected areas of the province through creation of conditions of getting income from tourism
- Facilitate use bio-fuel installations for energy generation and organic fertilizers via piloting and training
- Support of environmental education starting from the kindergartens to the Aga-Khan University.

Thus, key systematic problem of the Naryn province is disparity high poverty rate expressed on poor living standard, non-compliance of basic social and economic rights, and poor quality provision of the public /municipal services. As a result, low economic growth and weak social and industrial infrastructure are observed, that do not allow ensuring growth of livelihoods and living standard.

¹⁵ Pasture – translation from the Kyrgyz language.

Information on results of UNDP's work in the Kyrgyz Republic

The UN Development Programme started its activity in the Kyrgyz Republic in 1992 by request of the Government of the Kyrgyz Republic and after signing the Bilateral Agreement on Cooperation between the UNDP and the Kyrgyz Republic on September 14, 1992. This agreement defines main procedures, mechanisms of project and programme implementation, and confirms UNDP's privileges and immunity as the UN system's agency.

During last years, the UNDP in the Kyrgyz Republic within programme cycles has prepared and realized a number of big programmes and projects aimed to ensure conditions for sustainable human development, and supporting of the Kyrgyz Republic in implementation of the international commitments.

For instance, the UNDP Country Programme Document (CPD) for the Kyrgyz Republic for 2005-2011 included following areas of activity: a) poverty reduction through sustainable development; b) encouraging democratic governance; c) enhancing human security; d) regional cooperation in enhancing of security and improvement of cooperation at regional level.

Indicative volume of financing for the programme realization must be about 60 million USD. Actually, grant assistance provided to the Kyrgyz Republic within CPD was about 116 million USD in 2005-2011.

Since January 2012, UNDP in the Kyrgyz Republic started new programme cycle within the UNDP Country Programme Document and joint Action Plan of the Government of the Kyrgyz Republic and UNDP for 2012-2016 signed jointly with the Government of the Kyrgyz Republic. Key areas of assistance in next five year programme cycle will target to support sustainable human development in the Kyrgyz Republic.

UNDP CPD/CPAP for 2012-2016 includes the following areas:

1. Poverty reduction and achievement of the Millennium Development Goals;
2. Reduction of burden of HIV/AIDS, tuberculosis and malaria;
3. Democratic governance;
4. Environment and sustainable development;
5. Natural disaster risk management;
6. Peace and development, conflict prevention;
7. Border management and cooperation

Preliminary planned volume of financing of the UNDP CDP considering additional resource mobilization will reach 85 million USD for 2012-2016.

Results of work within main areas of the UNDP activity during last few years (including the Naryn province) are following:

UNDP Programme “Poverty Reduction” (PRP) – carries out its activity at central and local level since 1999 in order to reduce a poverty through provision of access of the poor in both rural and urban areas to employment and resources. Due to efforts of the Government, thousands of self-support groups were formed in the dwellings; attention is paid to economic problems. Later, the self-support groups were united in the self-support associations, which are fully involved in processes of social mobilization and improvement of socio-economic infrastructure of the villages. All Associations of self-support groups have their own offices, organizational chart, internal savings – about 2,3 million som – allocated for internal crediting, development of small and medium size business and holding of charity campaigns. Under support of the UNDP CDP, important interventions on strengthening of diversification of rural entrepreneurship have being undertaking. Majority of the households, especially the beneficiaries, combine several “production profiles” in parallel – crop cultivation, cattle-breeding, poultry, and non-farming income generating business.

The Programme achieved following **key results**:

- Basis for sustainable development of process of social mobilization with broad involvement of the public institutions, local self-governance bodies and non-governmental organizations was formed;
- Service facilities were established such as stations of artificial insemination of the cattle and sheep, seed stocks, advisory-marketing centers (AMCs). Service facilities became the most important foundation of the market institutions in rural area. Basis of sustainable business activity was laid down in sphere of of cattle-breeding and crop cultivation.
- Size of land cultivated by the beneficiaries has being increased during last five years, and in some provinces – substantially: in 10 times in the Osh province, in 5 times – in the Naryn province, in the Talas province – more than in 9 times. Area of cultivated land was increased from 5,1 hectares in 2005 to 6,2 hectares in 2011 in the entities of beneficiaries
- Within business initiatives, 2182 small business entities were opened, where 5346 jobs were provided, including processing of agricultural products, household services, manufacturing of garment items, handicrafts, trade, etc.
- Since 2006, 1443 beneficiaries were given loans under technical assistance.
- Within activity of the Programme during last five years, social infrastructure in rural area has being changed significantly – the kindergartens, schools, nurse-obstetrician (feldsher) facilities, internet-café, NGO centers were repaired; roads and water supply networks were rehabilitated. Only in 2011, 24 schools, 19 kindergartens, 2 cultural-educational clubs, 7 feldsher facilities, 3 hospitals, 21 sport grounds, 27 other socio-educational objects, 15 irrigation canals were repaired, over 30000 meters of rural roads paved with gravel.

UNDP Programme “Comprehensive Development of the Batken province”¹⁶. Model of comprehensive integrated development proved its effectiveness in solution of problems of individual province. The Comprehensive development programme of the Batken province was extremely successful since it allowed addressing the most urgent challenges of development in the province through adaptation of various instruments and approaches to specific context of this province. This region was the poorest in the country prior beginning of the programme in 2005, when 59% of local population was below the poverty line. In 2008, poverty rate in Batken was reduced by half and reached 20%; it is less than an average poverty rate in the country (31%).

The Programme has achieved the following **key results**:

- Access to the collateral-free crediting using funds of the Kyrgyz Agricultural Financial Corporation (KAFC) allowed improving living standard of about 2 thousand rural families, which were able to purchase the livestock and other required assets. Number of the beneficiaries who receive beneficial loans will be increased even after completion of the programme since money of the Revolving fund will be left with the financial corporation;
- Volume of supplied water for irrigation will be increased by 20-25% on 2806,2 hectares of land; it will bring to increasing of crop yield by 10-15%;
- 105 hectares of arable land were transformed into category of irrigation land;
- In 10 targeted villages, the farmer supporting centers are successfully run. All centers have their own offices, human and production resources to render agricultural advisory services such as plant spraying, services, agricultural consultations, dissemination of literature about best practice, introduction of innovation technologies, and extension of access to means of production. Over 2000 farmers used services of the centers;
- In 9 dwellings, water pipelines were extended up 14,6 km, 66 stand-pipes were installed and water collecting facilities were rehabilitated – it allowed supplying additionally 1125 households or 4450 people with clean drinking water;
- Activities on decreasing of groundwater level at 1514 households were undertaken. 195 hectares of arable land were reclaimed and re-introduced in farming activity, land alkylation was prevented;
- Over 10 thousand people received access to the digital telecommunication with connection to Internet. Also, important social objects like schools, hospitals, maternity hospitals were connected to telecommunication;
- Obviously, awareness of rural people on basics of sanitation and hygiene was raised and. as a result, reduced number of infection disease cases;
- Water supply infrastructure of the targeted villages was improved considerably; the local communities got access to clean drinking and irrigation water; area of cultivated land was enlarged.

UNDP Programme “Democratic Governance” actively promoted development of effective governance providing crucial services to the citizens and facilitating involvement of the civil society in

¹⁶ During the first phase (2005-2007), the development programme of the Batken province was financed by the European Commission, and then the second phase (August 2008 – June 2010) was financed by the Government of Korea and UNDP on equal base with total budget in amount of 1 800 000 USD.

elaboration of the local plans / strategies and decision-making. This work was conducted through formation and capacity building of the public administrations, local self-governance (rural municipalities) and representatives of the local communities.

The Programme has achieved the following key results:

- Analysis of quality of provided vital services to the citizens was made. For these purposes, they used methodology of the Citizen Reporting Cards. By results of the survey, plans on improvement of quality of provided services were drafted and training for the municipal and public servants was held;
- Specific training modules for the staff of the rural municipalities and separately for the deputies of the local councils were designed;
- Within the Programme, “Methodology of Strategic Planning in rural municipalities” was designed and approved, which envisages broad participation of the citizens in decision formulation and making on grounds including aspects of budget planning, land management and management of municipal property, youth, gender and so on. The handbook was published both in Kyrgyz and Russian languages, disseminated in the province. Training was held and development plans were worked out in the pilot municipalities of the province.
- In a framework of the programme, in particular in the Naryn province, wide introduction of designed automated informational system of electronic municipality “”Ayil” and portal “Electronic region” was launched. They are components of “E-Governance” at local level. The Programme installed designed software in all municipalities of the province and trained the responsible persons of the public administrations and municipalities. Necessary manuals and handbooks were designed and published including CDs. The Programme also trained the health workers of the Naryn province how to introduce telemedicine system. Currently, this system is successfully operated in the Batken province thanks to the Programme “Democratic Governance”. The Guidelines “On Access to Justice under resolution of land disputes” was published in two languages for the poor and vulnerable groups. This document was disseminated over whole province through the representatives of the civil society.
- The Programme facilitated capacity building of regional units of the Central Election Commission (CEC) of the Kyrgyz Republic in the Naryn province through installation of necessary equipment and holding of training. Also, the CEC Resource Center was opened and equipped in Naryn for further use to build capacity of the staff in the Naryn province.

Environmental Protection Programme. The UNDP Environmental Programme (EP) started implementation of the project “Institutional capacity building for sustainable development”. Within this project, a dialogue between various groups of interests was initiated. It is anticipated that the project will apply interagency approach to improve sustainable nature resources management and environmental protection.

UNDP supports promotion of ecological issues of development of Kyrgyzstan ensuring sustainable development for all stakeholders. The State Agency of Environmental Protection and Forestry of the Kyrgyz Republic (SAEPF) is key partner of the United Nations Development Programme. Recognizing importance of environmental aspects of economic development, UNDP mainstreams principles of sustainable management into practice of other agencies via its own projects: the Ministry of Agriculture

and reclamation, Ministry of Energy and Industry, State Agency on Construction and Regional Development, Ministry of Emergency.

In this connection, the UNDP Programme supports the nature protection sector of the country. This phase of the project is aimed towards capacity building of the country in three areas:

1. promotion of the projects aimed to enhance resilience of development process to climate change;
2. promotion of projects aimed to encourage low-carbon green development;
3. promotion of projects aimed to sustainable management of natural resources and biodiversity conservation.

Due to existence of such positive experience and established partnership, available infrastructure of local communities and experience of capacity building, the UNDP will start implementation of the Programme immediately as soon as financing will be secured. UNDP works with the community based organizations in the Naryn province since 2000 and covers 10 villages in 3 districts at present. The supposed programme will cover three rayons but with larger number of villages what allows establishing critical mass for successful demonstration of efforts.

The following things can be mentioned among main achievements of the environmental programme relevant for further promotion in the Naryn province:

- Sustainable management of the mountain pastures in Suusamyр recommended by the Ministry of Agriculture and Reclamation to be disseminated in Naryn. Inventory was held and introduced by “Electronic Jaiyt Committee”.
- Integrated water management through support of the water user association and training of the farmers how to use water saving technologies.
- Improvement of energy effectiveness of buildings of social infrastructure and private households through improvement of heating insulation.
- 13 micro hydropower plants were installed in the republic – there is experience of the pilot projects working for supply of the nurse-obstetric facilities with renewable sources of energy (micro hydropower plants + photoelectric panels). One of the nurse-obstetric facilities is located in Kochkor rayon, and micro hydropower plant – in Jumgal rayon of the Naryn province.
- Forestation as promotion of biodiversity conservation and creation of biological resources for local development.
- Support of biodiversity conservation through enhancing of economic opportunities of the protected areas attracting tourists and creating tourist routes and establishing contacts with tourist operators.

Component “Agrobusiness Development”

Agriculture is a priority sector of the economy of the Naryn province. The province possesses a substantive potential of pasture resources. Total area of the pastures is 2586,2 thousand hectares, 721,4 thousand hectares of them are village pastures, 707,4 thousand hectares are intensive pastures and 1157,4 thousand hectares – the remote pastures. Use of the remote pastures will play significant role in increasing of number of livestock and development of prospective sector as yak-breeding along with traditional sectors (sheep-breeding, horse-breeding and cattle-breeding). At present, number of yaks is only 5,2 thousand heads, and natural-climate conditions, fodder capacity of the pastures of the region allow grazing of dozen thousands of heads of the livestock. Existence of a stud-farm in the Naryn rayon gives an opportunity to develop breeding, sport and user horse-breeding along with productive horse-breeding. There is a possibility to increase number of sheep up to 1,5 million heads, cattle – to 300 thousand heads, horses – to 600 thousand heads in the province.

Current situation in the Naryn province is aggravated by a loss of the pasture management practice what creates a threat of their further degrading. It can lead to drastic regional ecological effects including those of transboundary water resources, climate change and biodiversity losses. In spite of fact that the remote pastures are used insignificantly and trend of their restoration is indicated, obvious characteristics of degradation of those pastures which are mostly accessible to the rural citizens are observed. Fact that process of degradation of the village pastures is still at early stage, gives a chance to undertake necessary steps to prevent deterioration of situation in general.

Key goals of agricultural sector development in the region are defined in the Development Strategy of the Naryn province:

- Increasing of proportion of the province in a process of sustainable supply of the population of the country with good quality food products, industrial raw materials, considering resources, peculiarities and opportunities of the province;
- Development of processing of agricultural products;
- Ensure marketing and export of agricultural products;
- Establishing and development of the market infrastructure in the sector.

The Strategy of socio-economic development of the Naryn province for 2012-14, along with identification of main areas of agriculture development, proposes following prospective projects of development of the agro-industrial complex:

- Increasing production yield of milk products and increasing of export potential, designing of pilot cluster for milk in the At-Bashy rayon and Naryn city based on existing dairy what will ensure market for milk for the citizens of the Naryn, Ak-Tala and At-Bashy rayons – the cattle owners.
- Increasing production yield of meat products and increasing of export potential, designing of pilot cluster for meat in Naryn city what will ensure market for meat for the farmers and citizens of three rayons.

- Addressing problems of the starch import and export substitute outside the province through construction of plant manufacturing starch from potato cultivated by the citizens of the At-Bashy and Naryn rayons.
- Establishing of the procurement center and warehouses for storage of agricultural products based on the municipal and mixed property form fulfilling purchasing functions buying wheat and potato from farmers by good price, and providing services of its storage for further profitable marketing.

Main **development goals** of the small and medium size business in the region according to the Development Strategy for 2012-2014 are:

- Development of the infrastructure supporting small business, networking for the business-incubators in Naryn city and rayon centers of the Naryn province.
- State support of the small innovation entrepreneurship entities.
- State support of the small enterprises producing export-oriented goods (work and services).
- Identify and eliminate existing administrative barriers of the small business development.
- Improve the legislation, taxation system for small entrepreneurs.
- Development of financial-crediting forms of the small business development.
- Organizational and informational support of the small business activity

Underdevelopment of services of the microfinancing in the province is one of impeding factors for business development. Under provision of the credit resources for development and support of export-oriented goods in the Naryn province, a remoteness of the region, severe climate conditions, insolvency and needs of the region are not taken into account. High interest rates, red-tape in getting loans and low assessment of the collateral are serious challenges.

Energy problems in Kyrgyzstan are quite urgent; and existing trend of deterioration of power supply has negative impact on business development. Transition of the local business to renewable or alternative sources of energy is one of solutions of the problem. Use of solar energy is the most prospective thing for Kyrgyzstan, which characteristics are very good for heating energy generation. Cost parameters of the solar collectors are quite reasonable. By data of the national researchers, the country possesses substantive potential of solar power, over 300 solar days a year, particular, in the mountain areas including the Naryn province. Small hydropower facilities are also feasible for use in remote and hard to reach sites. Under conditions of shortage of electric power currently, use of micro and small hydropower plants is quite efficient. Energy based on organic waste, i.e. bio-energy is very promising. First operated biogas installations were created by specialists in Kyrgyzstan to produce gas, electricity and organic fertilizers at the farms. Sources of energy from pellets (granules) extracted from agricultural waste is also prospective. Wind energy did not get adequate development, although constant move of air mass in the mountains, especially in the Kochkor valley, is good grounds for its use. At the same time, use of renewable sources of energy (RSE) contributes in environmental protection. Use of RSE will help to address not only energy and ecological challenges but also social problems to large extent. Introducing relevant technologies, first of all in remote rural area, we can save substantial financial means spent for their power supply, and also to create new jobs for the local citizens.

Water supply to irrigated land in the Naryn province is ensured through irrigation system, which is composed of distribution network of canals and facilities. Majority of hydro-technical facilities require

capital repair. Every year, due to depreciation, full capacity discharge of canals is reduced. As a result, 50% of water is lost. Often, accidents take place, which lead to long interruptions in irrigation water delivery and under-irrigation of crops. Because of under-irrigation, annual losses of crops achieve over 20%.

At present, following rural water user institutions operate in the country:

- The Association of Water Users (AWUs) formed based on the Law “On Water” №21-1 as of September 26, 1995 and the Law “On Water User Associations” approved on March 15, 2002. Today, whole in-farming irrigation network is delivered to the AWUs. All established AWUs are the public independent associations and they have legal registration.
- Rural public associations of drinking water (RPDWUAs) were formed based on the Law “On water” №21-1 as of September 26, 1995, the Law “On drinking water” as of February 19, 1999 and updated on September 29, 2000. Currently, whole water pipe network of the dwellings was delivered to RPDWUAs. All established RPDWUAs are independent public associations and they have legal registration.

Naryn Area-Based Development Programme will help to improve approached in management and technical maintenance of the irrigation system to reduce water loss and increase level of yield in agriculture. Besides, interventions will be directed to improve drinking water supply system, and improve public knowledge in field of sanitation and hygiene.

Naryn Area-Based Development Programme will support farmers in capacity building, enabling environment to goods marketing and, hence, ensure higher income. Component’s activities will be directed towards institutional capacity building of the community based organizations through provision of small grants for initial activity. At the same time, they will receive continue based technical and advisory assistance for further modernization and increasing of effectiveness of agricultural production. This area of activity can be well integrated in future in the CAREC’s regional scope initiative on transformation of transport corridors into economic ones. Individual interventions will be aimed towards improvement of irrigation and drinking water supply systems.

The programme focuses on implementation of following **areas of activity (Annex 6)**:

- Establishing and development of intra-farming cooperatives on following key areas of activity:
 - *processing of agricultural products;*
 - *supply and marketing activity;*
 - *development of handicrafts (especially, among women-entrepreneurs) – various national items manufactured from felt – shyrdaks (sort of national carpets), pictures, national cloths, souvenirs and so on (as specific type of processing cooperatives);*
 - *production of the livestock farming and crop production.*
- Create favorable conditions for increasing of number of the livestock an extension of network of veterinary services.
- Development of selection and breeding works through establishing of the artificial insemination facilities based of the associations and cooperatives.

- Provide assistance to the agricultural producers in enhancing of material-technical base of agricultural production, processing, storage and marketing of goods through procurement of agricultural equipment and machinery, mainly, from Russian Federation.
- Development of rural infrastructure via formation and strengthening of trading-purchasing firms, wholesale markets and warehouses for agricultural products (in order to reduce losses of crops and selling them by the most acceptable market prices).
- Improving of use of the water supply system through rehabilitation of existing irrigation network.
- Support of production of export-oriented and import-substituting goods.
- Speed up technical maintenance, leasing development.
- Improve interaction between the rural producers and processing enterprises; facilitate formation of integration structures.
- Ensure access of the farmers to market information through a network of advisory-marketing centers and unified informational-marketing center al province level.
- Strengthen entrepreneurs' capacity through holding of various trainings and consultations on business-planning, organizational development, taxation, marketing, processing, storing, packing, innovation technologies of manufacturing and processing including use of renewable / alternative energy, etc.
- Ensuring access to financial resources including grants and microfinancial products by accessible interest rates will be one of key pillars. The Programme will provide support to existing microfinancial organizations in order to build their capacity and extend access of the poor to such services and guarantee that microfinancial products will be available to the most vulnerable groups of the population. For these purposes, the Programme will help to establish the revolver financial fund based on existing institution, which will issue accessible loans and develop other microfinancial services – micro leasing and other.
- Institutional support of existing business-associations to enhance their role on lobbying of initiatives undertaken by various communities regarding income-generating activity. Role of the associations will be important in terms of activation of economic relations at various levels. They will also play important role in development of local social initiatives and corporative responsibility. Merged with existing centers on business promoting, these mechanisms will ensure institutional base for supporting and development of the entrepreneurship at local level.
- Support of micro projects on packing, branding and franchising of the most successful initiatives in partnership with other development partners.
- Provide assistance to the local administrations how effectively use already existing formal mechanisms on building a dialogue with the entrepreneurs, simplifying registration procedures and compliance with principles of entrepreneurship development.
- Popularization and introduction of the alternative sources of energy (micro hydropower plants, solar panels, biogas installations).
- Formation of long-term system of sustainable pasture development, which will meet needs of the population, simultaneously contributing to conservation of ecosystem integrity.
- Promote institutional development of the water users associations (both irrigation and drinking) at level of district and village, to ensure more their sustainability. Special attention will be paid to introduction of new technologies on water management, and improvement of operational rules.

Timely emergency response (logging and mudflows) will be one of significant elements of these interventions.

- Rehabilitation of infrastructure of irrigation and drinking water supply in the pilot ayil okmotu (including systems of water supply, wells, water springs, etc.). As a result, the citizens will have access to clean drinking water that will allow reducing cases of water-borne diseases. Rehabilitation of irrigation system will help to increase level and quality of agricultural production in the most remote and vulnerable settlements.
- Capacity building and provision of technical assistance to the sanitation-epidemiological stations (SanEpid) at rayon level in order to guarantee high quality of water testing. Special attention will be paid to improvement of hygienic standards at level of settlement through holding of broad informational campaigns on sanitation and hygienic issues and implementation of small grant projects for the local infrastructure in selected ayil okmotu based on developed criteria (medical facilities, toilets/latrines and other elements of hygiene and sanitation).

Within the programme, it is planned to form 15 advisory-marketing centers (ANCs) in three pilot rayons (At-Bashy, Ak-Tala and Jumgal) and one provincial informational-marketing center (IMC).

Rural AMC will play a role of “liaison” entity bringing together further initiatives / interventions such as establishing and development of the service organizations (stations of artificial insemination, agro-veterinary pharmacies, cooperatives, etc.), formation and management of the Revolving fund. Number of formed service entities will be defined in a course of rural integrated assessment (methodology used by UNDP to identify priorities for development in rural area based on participatory methods).

The local administration will act as the partner helping to build the advisory-marketing center. They will provide office premises and cover cost of communication services. The advisory-marketing centers will mobilize funds for communication services in line with business-plans. The programme will provide AMCs with the office equipment, furniture and literature. Also, the Programme will organize events (workshops, trainings) helping to build capacity of the AMCs’ consultants.

All AMCs will be integrated in the provincial informational-marketing network (IMN) in Naryn city, which will deal with marketing of products produced by the farmers and farming associations, extension of their access to operational information on changes at the market of agricultural products, means of production and equipment. IMN will fulfill functions of the basic organization for existing rural centers of consultative services. The project will also support the farmers in rapid market assessment. The agricultural and commodity-service cooperatives, non-governmental organizations and associations of self-supporting groups will be founders of the informational-marketing centers (IMCs).

Rural advisory-marketing centers and the Naryn Youth House will be the founders of the Informational-Marketing Center. The Naryn Youth House will provide premises for office of the oblast IMC, and also cover communal services. The Programme will provide the Center with computer equipment and furniture.

Activity and services of the Informational-Marketing Center (IMC)

IMC will provide following services:

- Collection and delivery of information about agricultural production to the producers, processors and wholesale buyers.
- Creation and maintenance of database on producers and consumers of agricultural products, means of production and equipment, banking-crediting institutions, leasing, consultative centers, etc.
- Dissemination of information about new achievements in agricultural sectors and agricultural services including new varieties of crops and animal breeds, fertilizers, means of plant protection, veterinary and chemical substances, agricultural inventory, mini-processing lines among the agricultural producers.
- Based on analytical materials – forecast of production and pricing of the agricultural products.
- Placing information on agricultural products (types, quality, prices and volumes) and agricultural producers in the market internet-sites.
- Communicate with other informational centers of the country, big producers and processors and their associations, various service organizations and so on.
- Reporting news and events (forums, exhibitions/fairs, trainings, conferences, etc.).
- Implementation of activity on franchising through international donor organizations, big enterprises and associations and private investors.

Creation of brand “Clean ecology – clean product from Naryn” will be composed of the following components:

- a. Analysis of specific features and characteristics of the Naryn province including territory-geographic, climate, natural, historical, mental, ethnic and social characteristics;
- b. Identification of comparative advantages and competitive opportunities for production of specific types of products and service provision;
- c. Identify and establish direct contacts with the groups of entrepreneurs, farmers, representatives of the non-governmental organizations, local communities, state administrations interested in creation of the brand and its further use to promote goods and services under the regional brand, consultations and joint works;
- d. Support in branding activity through attraction of professional designers, consultations and approval of the regional brand and facilitate its registration in the Kyrgyzpatent. Designing of the manual on branding for the entrepreneurs, helping in designing of package for various types of products.
- e. Attraction of PR and other specialists on brand promotion. Help in organization of trading fair. Public events on brand promotion both at the regional and international markets.

Simultaneously, this work will help in implementation of the national documents. In particular, the National Action Plan on development of organic agricultural production in the Kyrgyz Republic, which is a part of the Plan of the Government of the Kyrgyz Republic on implementation of the National Sustainable Development Strategy for 2013-2017, was elaborated under auspices of the Ministry of Agriculture and reclamation of the Kyrgyz Republic and Federation “Organic Future” in Kyrgyzstan. The project “Clean ecology – clean product from Naryn” will be implemented in accordance with strategic

pillars defined in the Action Plan and in close coordination with the national partners. Besides, the UNDP has relevant experience on promotion of brand “Gifts of Batken”.

Mechanism of establishing of the Revolving Fund for microcrediting extension in a framework of the Programme on Comprehensive Development of the Naryn province

Main challenge the rural commodity producers are facing is insufficient access to credits. In spite of sufficient number of existing microfinancial institutions (320 microfinancial institutions and 183 credit unions), existing crediting/financial base is an inadequate to cover growing needs of the sector. Therefore, establishing of the Revolving fund in amount of 187,500 USD will be aimed towards *extension of opportunities for targeted assistance to the vulnerable groups through implementation of the microcrediting programme*. According to the UNDP global policy, the Revolving fund will be established based on the local microfinancial institution having licensing on provision of microfinancial services and positively recommended itself at the market.

Tender on receiving of grant money will be announced to select institutions for establishing and management of the Revolving fund. They will provide microfinancial services to the physical persons and legal entities involved in the micro, small and medium-size business in rural area among the financial institutions registered in line with the legislation of the Kyrgyz Republic. Appropriate announcement will be placed in the mass media and the UNDP official website in Kyrgyzstan.

Standard *package of application to participate in tender (bidding)* includes the following:

- Description of supposed programme of microcrediting, methodology, activities and budget with detailed breakdown and deadlines of the programme implementation;
- Detailed description of the company / organization and profile including history of the company, legal form of property, number of the staff, CV of the top management and organizational chart;
- Detailed description of previous experience in provision of microfinancial services, spectrum of services and products including working experience in the regions;
- Historical and forecast indicators;
- Audit of financial reporting during last three years including report on income and financial balance;
- List of international quality certificates.

Commission will be set up to select the microfinancial institution. This commission will be composed of the UNDP representatives, donor and external experts. Selection will be conducted by following *criteria*:

- Legal status and registration in line with the legislation of the Kyrgyz Republic;
- Working experience in provision of microfinancial services to the rural entrepreneurs (at least three years);
- Existence of methodology of microfinancing including full package of policies and procedures, and plan on implementation of the microcrediting programme;
- Positive indicators of performance based on following criteria: coverage of clients, financial stability, quality of crediting portfolio and effectiveness;

- Deep knowledge of the regions, socio-economic situation in rural area, issues of small and medium-size business in rural area and understanding of financial requirements and preferences of the rural entrepreneurs;
- Willingness to provide full administrative assistance to the project;
- Willingness to invest own funds in the Revolving fund to ensure wider coverage (% of contribution will be defined during preparation of the tender documents, but it will be equal at least to 50% of total amount of the fund);
- Potential and opportunities for substantial regional coverage, increasing of number of clients and influence;
- Existence of the affiliate network and high qualification and skillful personnel to serve the clients in rural area;
- Existence of accounting system in line with the international financial reporting system (IFRS);
- Existence of reliable and transparent reporting system;
- Existence of system of effective management, procedure and automated management system.

Cost of administrative expenses on serving of the Revolving fund will be included in bidding; however, it can be covered at expenses of UNDP and own money of the microfinancial institution as well, as additional contribution.

By results of selection, *the grant agreement* will be concluded with the selected microfinancial institutions, which will stipulate mutual duties and rights of the parties. All grant money reserved to establish the Revolving fund and received from Naryn Area-Based Development Programme will be allocated to provide micro-credits to the farmers and entrepreneurs – target beneficiaries of the Programme according to conditions envisaged in the grant agreement.

Till the end of implementation of the Naryn Area-Based Development Programme grants provided within the project will be a *property of UNDP*. After termination of the Programme and getting of positive results of *the mandatory financial audit on grant funds use*, the Revolving fund will be delegated in full administration to the selected microfinancial institution. For these purposes, the microfinancial institution should submit detailed business plan for three years minimum. Business-plan includes a budget of credit lending considering paid back money, indicators of scheduled growth of the credit portfolio including gender disaggregation in order to take into account growth of women participation in microcrediting within the fund in the Naryn province. At the same time, UNDP will be entitled to carry out an audit on funds use in any time during three-year period.

It is supposed that during the Project implementation, 1,5-2 thousand beneficiaries will be financed from the Revolving fund; however, it is necessary to take into account that this figure is an indicative one.

Component “Access to Vocational Education and Training”

Budgetary needs of the Naryn province are covered for 87% from subsidies and the republican budget. Number of the unemployed is 10438 people in the province. The agriculture and service sectors, which are strategically priority for economic development, need well-trained professional staff from the local population. There are five vocational schools properly operated since the soviet time in the province: vocational school №30, Dobolu village and school №86, Kulanak village of the Naryn rayon, school №32, At-Bashy village of the At-Bashy rayon, school №86, Aktala village of the Aktala rayon and school №87 in Naryn city. At these vocational schools, the unemployed are trained in various specialties. However, material-technical base of the institution is outdated and it requires modernization. Besides, the curriculum and methodology of teaching do not meet requirements of the market, and they need to be revised. Besides, short-term commercial training courses are opened at the schools including: computer courses, courses of secretary-referent, seamstress-embroiders, computer operators, welders, electro-gas welding, radio-mechanics, etc. Payment for training is 700-1200 som (3-6 month courses). They are financed by the Regional Employment Centers from the Republican Employment Promotion Fund. Development of the vocational education and training system and its re-orientation towards demanded specialties under the market economy will allow using the vocational schools of the province to educate modern staff. It will create conditions for diversification of the economy and sustainability of results of the Programme as well.

Naryn Area-Based Development Programme focuses on improvement of the vocational education and training system through support of the vocational schools that they can meet needs of the labor market.

The project focuses on implementation of the following **areas of activity**:

- Development of new specialties and curriculum for vocational education based on needs of the market (including those demanded at the labor market of Russian Federation, if potential migrant made decision to leave the country of origin), and development of quality control system within vocational education.
- Improving of qualification of the teachers and coaches working in the vocational education system in terms of new content and teaching methods.
- Establish close links between the vocational schools and the potential employers. In order to provide assistance in employment of the best graduates and give them an opportunity to start small business, system of small grants will be used.
- Improving of technical base, libraries and automation of the vocational schools.

Exit Strategy after the project completion

The Naryn Area-Based Development Programme presents an integrated model of the local socio-economic development. All components of the Programme are aimed to ensure further sustainability of results. Sustainability will be achieved through harmonization of the project with policy of the Government at central and local levels, capacity building of the public administration institutions, self-governance bodies and civil sector, involvement of private sector in dialogue and provision of delegated services. In general, the Programme has goal to enhance links between the governmental and non-governmental institutions.

It is worth to mention that the Programme was elaborated considering previous experience and learned lessons under implementation of the UNDP Programmes and projects, and it has all key elements, which proved already their sustainability.

Sustainability will be also achieved through enhancing of links between individual components of the Programme. For example, rehabilitation of water supply system is closely linked with comprehensive capacity building of members of the water user association how to attract internal financial resources for current operation and technical maintenance of these systems. Trainings on income diversification will train the clients how to use various microfinancial products and establish new enterprises beyond life cycle of the project. Different funds formed within the microfinancial projects will be operated in line with revolving principle and complemented by relevant methodologies and mechanisms.

Educational events ensuring comprehensive capacity building of the beneficiaries will be key factors of success and further sustainability. These events will be accompanied by consistent dialogue and consultations with the local authorities in order to develop feeling of ownership and responsibility for effective use of established institutions among the local authorities, and guarantee sustainability of results of the implemented projects.

Measures on capacity building of the local authorities and communities will be directed to joint setting of priorities and ways of solution of challenges related to improvement of living standards. This goal will be achieved with the help of active participation of the local authorities and local communities in planning, realization and assessment of every activity of the programme including need analysis, drafting of project proposals, implementation and monitoring of projects dealing with infrastructure and small business.

Whenever it is possible, anticipated actions and activities must be built on a basis of already functioning local or national institutions, in order to minimize operational costs, prevention of parallel structures formation. For instance, the Small Grant Fund is a mechanism, which will complement resources of local budgets for execution of various development projects and enabling environment. Therefore, the Fund will be administrated by the partners – representatives of the local authorities and civil society under fixed control of UNDP at all phases of realization. Co-financing of the projects from side of the local state administrations, local self-governance bodies and communities will also enhance feeling of ownership of the partners and executors. Definitely, it will have positive influence on sustainability of the Naryn Area-Based Development Programme

Informational support of the Project Implementation

UNDP will develop and implement an informational campaign to ensure informational and PR-support of the project.

Main goal of campaign is systematic dissemination of information on progress of the project, its achievements and principles. In particular, the campaign will be directly linked with goals and objectives of the Project – facilitate replication of positive experience of comprehensive development of the regions.

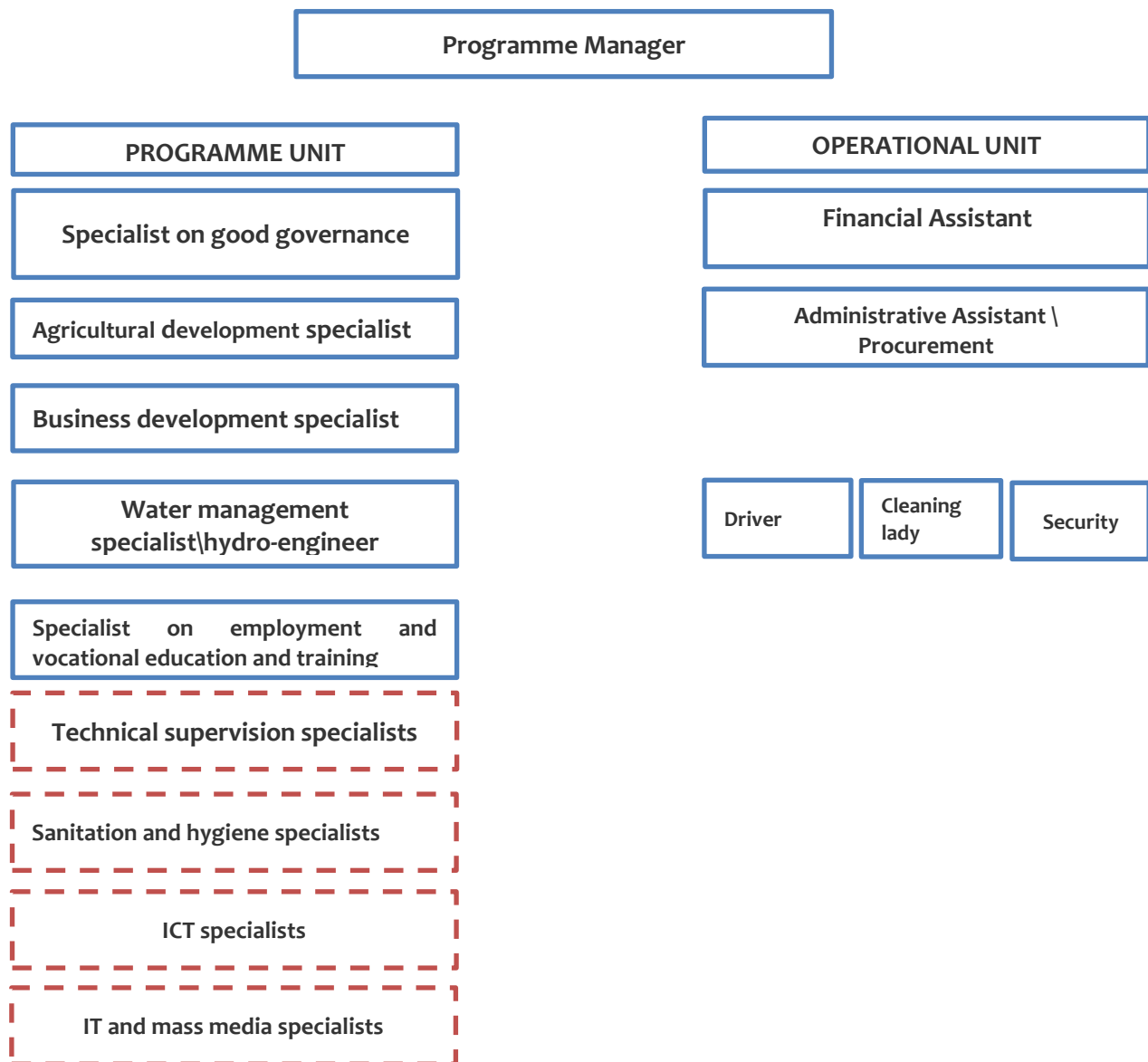
In particular, the document will contain main events on image formation of the project, raising public awareness on conducted works, financial assistance of the donors and its results, involvement of the partners and all stakeholders in project activities, dissemination of information and promotion of principles of regional development at national level.

Communication products such as the press-conference, regular writing of press releases, work with mass media editors, drafting and dissemination of promotion materials will be a part of the plan on implementation of the campaign. Main focus is on image building of key donors and partners both in the region and outside. Russian mass media will be invited to highlight main achievements of the project.

Programme's Management Structure

General strategic and operational management of the Naryn Area-Based Development Programme will be executed at level of the **UNDP's Country Office in Kyrgyzstan through the UNDP Deputy Resident Representative and Assistant Resident Representative**. The **Assistant Resident Representative** will also ensure coordination of programme areas with other UNDP initiatives. **The UNDP Team of Programme Analysts** will be responsible for coherence in implementation of various components of the Programme with priorities of the country, the country documents and UNDP mandate. Structure of **the UNDP Operational Unit** will ensure a guarantee of compliance of operational management of the Programme with internal and global UNDP rules and procedures.

The Programme will be managed by the **Programme Operational Unit** in accordance with the following structure:



List of equipment that will be procured within the Programme¹⁷

Component	Recipients	Equipment
Agriculture development	15 AMCs	Set of computer equipment (computer, MFU, USB modem, memory stick)
	15 AMCs	Furniture (2 tables, filing cabinet, 6 chairs)
	1 IMC	Additional equipment for the oblast IMC (office equipment)
"Access to vocational education"	Vocational school At-Bashy rayon	<ol style="list-style-type: none"> 1. Set of computer equipment for classrooms (computer, printer, projector) 2. Furniture for classrooms 3. Equipment for the workshop classes (sewing machines, welding aggregates, wood-processing and turning machines, etc.)
	Vocational school Ak-Tala rayon	<ol style="list-style-type: none"> 1. Set of computer equipment for classrooms (computer, printer, projector) 2. Furniture for classrooms 3. Equipment for the workshop classes (sewing machines, welding aggregates, wood-processing and turning machines, etc.)
	Vocational school Jumgal rayon	<ol style="list-style-type: none"> 1. Set of computer equipment for classrooms (computer, printer, projector) 2. Furniture for classrooms 3. Equipment for the workshop classes (sewing machines, welding aggregates, wood-processing and turning machines, etc.)
	Vocational school Naryn city	<ol style="list-style-type: none"> 1. Set of computer equipment for classrooms (computer, printer, projector) 2. Furniture for classrooms 3. Equipment for the workshop classes (sewing machines, welding aggregates, wood-processing and turning machines, etc.)

¹⁷ List of equipment by components contains mainly required equipment, which is linked with institutional development of relevant structures within the Programme, and general information on equipment for industrial purposes, which will be demanded in any case for development of entrepreneurs in the pilot settlements of the Naryn province based on previous experience of UNDP's work in Kyrgyzstan. It relates to components of the Programme by items 3,4,5,6 of total budget of the Programme. At the same time, part of equipment will be additionally procured to individual entrepreneurs within business-projects and grants. These business-projects and grant applications will be drafted taking into account specific priorities of development at stage of the programme implementation. Expenses for such equipment are reflected in total amount of coming costs by item "Grants" of total budget of the programme. **List of specific types of equipment can be prepared and presented to the interested suppliers from Russian Federation after approval for financing from the Small Grant and Revolving Funds.**

"Water Management"	30 WUAs in three pilot rayons	Portable spill weir
		Set of devices for projecting (leveling instruments and theodolites)
		Portable generator with welding unit
		Computer equipment for the WUA and RDWUPA offices
		Furniture for the WUA and RDWUPA offices
"Small and Medium-size business development"	Cooperatives, business associations in three pilot rayons, which will be selected after launching of the project	Equipment for processing of the livestock products: - Cutters, vacuum units, meat mince mixers, block-cutters, - devices for wool processing - butter-making plants, pasteurizing tanks
		Equipment for processing of fruit and vegetable products: - drying apparatus - autoclave - steaming plants - vacuum units