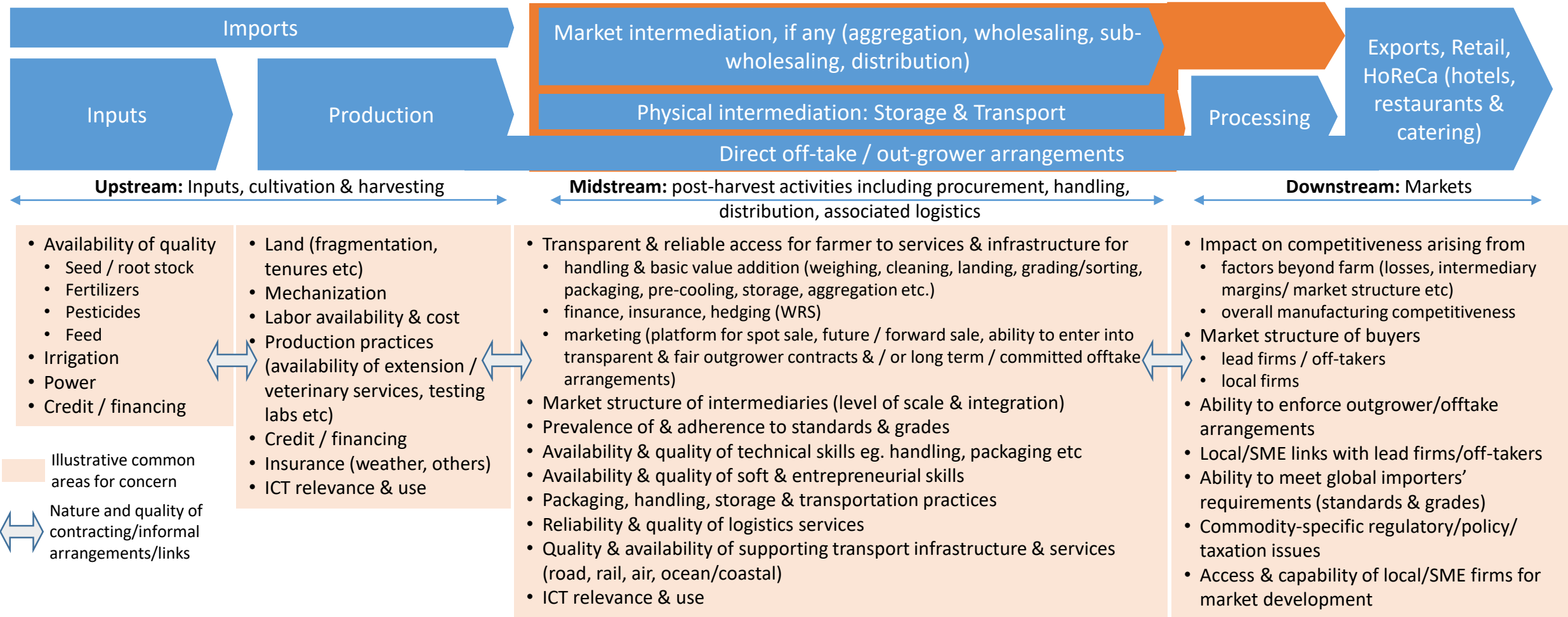




Prioritizing actions to maximize shared impact

**Almaty-Bishkek Economic Corridor Strategic Planning Meeting
Kuala Lumpur, 1-2 March 2017**

Agriculture value chains in emerging economies face several common challenges



Policy actions, investments and institutional development needed to address respective issues in agri-value chains across Kazakhstan and Kyrgyzstan can create shared value for both nations if carried out in coordination

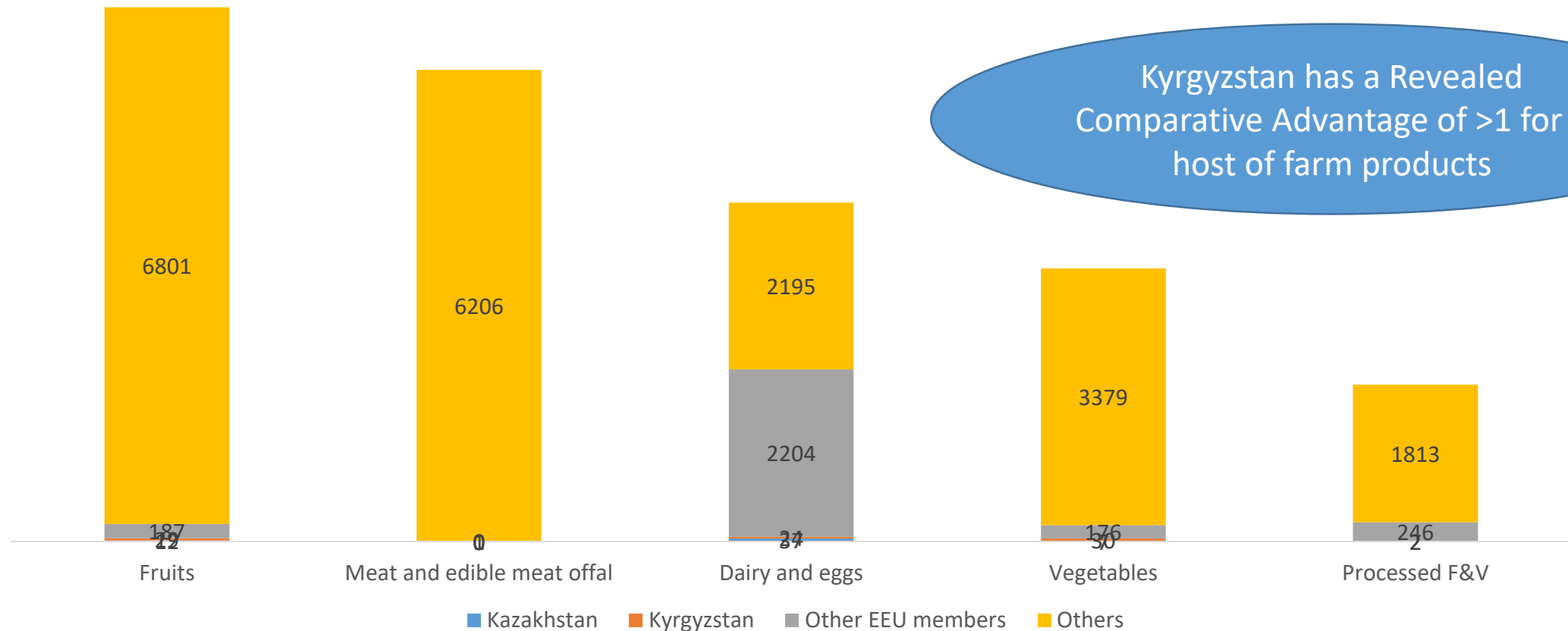
Which may be magnified in the case of cross-border value chains

- Lack of institutions and regulations for trade
 - Limited / no standardization in agro processing (labelling standards; agricultural chemicals; compliance with international quality and sanitary standards)
 - Lack of testing facilities for disease identification and validation, quality control and inspection of slaughterhouses, limited veterinary services, and limited monitoring and supervision of animal health
- No services to facilitate trade
 - connects / partnerships with large buyers
 - trainings / capacity building for meeting international requirements
 - Constrained international connectivity, poor logistics infrastructure & access to port for landlocked countries
- Customs facilitation
 - Cumbersome procedures and downtime leading to service quality issues at buyer end
 - Inconsistent application of customs procedures and facilitation payments / corruption raising costs
- Cross-border challenges impact not only outputs but also inputs – feed, equipment, fertilizers, seeds, pesticides
- Successful cross-border corridors involve value chains that enable / require not just the flow of goods but also of investments

Resolving constraints to development of regional value chains is a necessary, though not sufficient, condition for global competitiveness

Kazakhstan and Kyrgyzstan cater to a negligible share of EEU member countries' imports of selected products despite the latter's competitiveness in the same

Source of imports of selected commodities by Eurasian Economic Unit countries (USDmn)



Kyrgyzstan has a Revealed Comparative Advantage of >1 for a host of farm products

Opportunity to leverage complementary strengths to penetrate deeper into the relatively more accessible EEU market

The two countries' strengths and challenges are complementary

Kazakhstan

- Strengths
 - large farms
 - scaled agro and retail enterprises
 - better access to markets
- Weaknesses
 - relatively less efficient enterprises
 - less diverse and competitive agro production
 - policies limit investment in land
- Potential areas of support
 - Building outgrower models
 - Land policy reform

Kyrgyzstan

- Strengths
 - more diverse production
 - more efficient and market oriented SMEs
- Weaknesses
 - small farms with low productivity
 - small agro enterprises and retail
 - land policies discourage scale
- Potential areas of support
 - Outgrower programs/cooperative setups
 - Market / lead firm linkages
 - Trade facilitation and customs reform/upgrade

Leveraging cross-border productive capacities and taking a corridor approach to prioritize infrastructure and policy reform can accelerate development

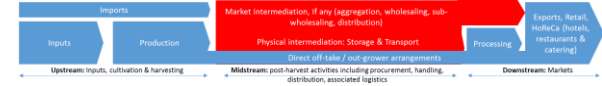
Illustrative project concept 1: Kazakhstan's better market access and Kyrgyzstan's upstream strengths can come together for competitiveness



- Base of donor-supported pilots of outgrower / contract farming arrangements
- Sporadic successes in beans and tomatoes, albeit with international enterprises
- Need for support to create demonstration effects for sustainability and institutionalization
 - Kazakhstan's agro-enterprises in forging outgrower arrangements with Kyrgyz growers
 - Kyrgyz growers' collectivization into cooperatives / FPOs and their capacity development
 - Meeting international requirements for exports – across improved inputs/feed, better cultivation/rearing and harvesting practices, SPS etc requirements
 - Financial support for upgradation of outgrower / cooperatives' farms
 - Policy rethink on land lease requirements
 - SME support / PPP for near-farm grading/sorting/cleaning/slaughtering infrastructure
 - Facilitate Kyrgyz SME to function as intermediaries / agents / contract suppliers of these enterprises
- Already taking place at a transactional level
 - Kazakhstan-based food processing firms establishing branches in Bishkek city
 - Turkish importer working with farmers for improved beans cultivation
 - GIZ worked in a similar manner with tomato farmers in Kyrgyzstan

Sporadic successes connecting Kyrgyz farmers & SMEs with large agro enterprises driven by individual effort can be institutionalized through a corridor approach

Illustrative project concept 2: Targeted infrastructure development along the chain can be prioritized with a value chain approach



- First level near-farm infrastructure for value preservation / addition can be supported by individual offtakers in conjunction with development partners as part of outgrower programs
- However, as scale builds up along the chain larger infrastructure is needed for storage, primary processing, consolidation, delivery scheduling etc.
- Case for agro/food park for consolidation, storage and primary processing (if needed) to create regular critical mass for cross border procedures before being delivered to Kazakhstan enterprises for secondary processing, packaging, marketing and distribution for local consumption / re-export
- Given SME nature of Kyrgyz agro enterprises, shared facilities across firms can yield agglomeration benefits not achievable by individual firms
- Need for support to
 - Forge private partnerships for developing common infrastructure for food / agri park
 - Identification and allocation of contiguous land
 - Feasibility studies and identification / mobilization of anchor tenants for food / agri park
 - Coordination amongst various government agencies for synchronized land use, utilities provision, road / connectivity development for park

Development of food / agri parks with shared infrastructure in collaboration with the private sector can catalyze the corridor's impact

Other illustrative interventions

- Credit enhancement and capacity development for financial institutions to facilitate working capital and equipment purchase lending to farmers / farmer groups / SMEs
- Farmer training and extension services; MSME and farmer groups training and capacity building for financial management, business planning, marketing
- Forging collaborations with large buyers from high value markets to bring about recognition and capacity for meeting SPS requirements
- Facilitate rationalization and harmonization of standards for food safety, logistics etc
- Setting up of a body comprising commerce ministries of both countries and key representatives of private sector with periodic schedule of meetings to example non-tariff barriers and procedural challenges at the border
- Setting up of a common export promotion agency to provide ongoing support and impetus to boosting common exports

Thank you