

Workshop: Agricultural export promotion in Kyrgyzstan

Bishkek, 18-19 of October, 2016

Summary and follow-up

Background

In support of the implementation of the Export Development Plan (EDP) for 2015-2017 adopted by the Government of Kyrgyzstan in March 2015, the goal of the export promotion seminar¹ was to contribute to the operationalization of the EDP for the agricultural and food exports from Kyrgyzstan through knowledge and experience sharing among national and international experts and authorities.

The seminar was organized jointly by FAO, under its Regional Initiative on Agri-food trade and market integration, the Ministry of Agriculture and Melioration and the Ministry of Economy of the Kyrgyz Republic. More than seventy representatives from public and private sector, academia and international organizations from Kyrgyzstan participated in the event that also included experts from Kazakhstan, Switzerland, Ukraine and the EU Delegation to the Kyrgyz Republic.

The seminar aimed to achieve two following goals:

- Provide inputs for refining and developing further the instruments of the EDP with specific focus on the agri-food sector;
- Facilitate the exchange of information between national and international experts, government agencies and the private sector with a view to further cooperation and joint actions targeting expansion and diversification of Kyrgyzstan's agri-food exports.

During the two days, the seminar explored such key areas related to agricultural exports as competitiveness of agri-food products, diversification of exports for different products and markets, agricultural finance and investments, trade infrastructure, utilization of trade agreements and unilateral preferences as well as institutional arrangements for trade promotion. The workshop agenda and presentations can be found on the website of the Regional Initiative².

Three key areas for improvement were identified in the course of the discussions. These included the need to (i) improve competitiveness of agri-food products for export, (ii) strengthen sanitary and phytosanitary (SPS) systems in order to comply with the requirements

¹ <http://www.fao.org/europe/news/detail-news/en/c/449493/>

² <http://www.fao.org/europe/events/detail-events/en/c/434413/>

in the export markets and (iii) improve access to resources and tools intended to help Kyrgyz current or aspiring exporters to sell their products abroad. At the end of the second day, seminar participants formed working groups to offer specific recommendations as they related to the above areas.

Discussions and findings

The main goal of the EDP is to develop the competitive export potential for sustainable economic growth. Raw and processed meats, milk and dairy products, as well as fruits and vegetables were identified by the Kyrgyz government as priority product groups for exports.

The main tools that EDP uses include access to trade information, improvement of capacity of entities and institutions, trade promotion, in particular export support and promotion, trade facilitation, development and support of a quality infrastructure, decreasing the tax burden, and providing exporters with access to financial resources.

Since the adoption of the EDP in March 2015, the Kyrgyz Government introduced a number of initiatives with the goal of strengthening agricultural export potential of the country. These included simplification of export procedures, signing memorandums of understanding with the major business associations and providing support for the private sector to participate in trade fairs. As an additional example, in August 2016 the government of the Kyrgyz Republic approved the Action Plan for the creation and development of the Trade and Logistics Centres in the Kyrgyz Republic. One of such centres was already built in the Chui region.

Despite the achieved progress, there are still, however, a number of problems that constrain export development. These could be broadly divided into three categories:

(i) Increasing competitiveness of agri-food products:

Dominated by small-scale agricultural producers and underdeveloped trade infrastructure, the agricultural sector in Kyrgyzstan would require a number of improvements along the entire value chain together with the strengthening of the institutional and legal frameworks in order to become more export oriented. Four key disincentives for the Kyrgyz producers to scale up and/or diversify their operations at the production level were identified during the workshop. These included: 1) insufficient productive resources at the disposal of producers; 2) limited knowledge about the most efficient and modern methods of production; 3) no price premiums for higher quality produce; and 4) substantial losses during storage and transportation. Lack of stable commercial relationship with processors together with limited road and market infrastructure were also mentioned among additional bottlenecks on the way to increasing competitiveness of agri-food products in both domestic and international markets. In addition, lenient approach to quality control, insufficient knowledge and skills among staff for sanitary and phytosanitary (SPS) certification of agricultural products further lower the export potential of the Kyrgyz agricultural products. Unfavourable macroeconomic

situation in Kyrgyzstan and its regional trading partners further create difficulties for expanding agricultural exports.

Overall, the low knowledge and skills base among the value chain participants and public sector representatives was the key constraint for increasing competitiveness of the Kyrgyz agri-food products as identified by the seminar participants. As presentations by experts showed, improving understanding by the Kyrgyz milk producers of the different types of feed and the feeding process can drastically lower milk production costs, making it more competitive. Similarly, improving capacity of farmers to plan the production process has a high potential for lowering lamb production costs.

(ii) Export support measures, including export information systems:

The seminar highlighted the need for the Kyrgyz producers and exporters to have better access to crucial information on opportunities in export markets and trade rules. It was noted that Kyrgyz producers and exporters in the country continuously lack information about trade procedures, packaging requirements, product branding, Hazard Analysis and Critical Control Points (HACCP), as well as analytical information on the international markets, including prices. Stakeholders are often unaware of which government agencies can provide such information. At the same time, public officials often have limited knowledge about the export procedures, standards and requirements in the destination markets.

There are currently initiatives that exist in the country that aim to provide market participants with information relevant to agricultural exports. Among them are State Enterprise Single Window Center for Foreign Trade under the Ministry of Economy of the Kyrgyz Republic and an online platform “AgroInformAsia”. However, further scaling up of similar services is urgently needed in the country.

(iii) Food quality and safety, SPS systems and enhancing compliance with SPS requirements:

The seminar demonstrated that there are many challenges related to the functioning of SPS systems in Kyrgyzstan. The country suffers from serious deficiencies in laboratory testing facilities in the country, both in terms of plant quarantine and veterinary control, which constraints effective management of food safety and animal health in the food value chain. There is also a shortage of professionals with appropriate level of technical skills to run the existing testing facilities. It was noted by the seminar participants that improved SPS capacity is necessary for the Kyrgyz agricultural producers and processors to comply with the tightening SPS requirements in the foreign markets, but also to improve the domestic food safety, and animal and plant health situation, in order to increase the competitiveness of domestic agricultural produce.

Challenges with harmonization of the SPS system in Kyrgyzstan considering WTO and Eurasian Economic Union (EAEU) rules were also discussed at the seminar. It was noted that although one year passed after Kyrgyzstan joined the EAEU, there is still a low level of awareness among national exporters and the competent authorities about the EAEU regulations regarding both TBT and SPS measures. In addition, Kyrgyz veterinary control system has not yet been recognized as equivalent to the level of animal health protection requirements established by the EAEU.

Recommendations and follow-up actions

The seminar concluded with the participants outlining further specific steps to enhance the agricultural export capacity in Kyrgyzstan. The following recommendations were identified:

(i) Competitiveness of agri-food products:

- a. Improving knowledge and skills of agricultural producers was identified as a key focus area for improving the competitiveness of agri-food products and strengthening their export potential. The following instruments to improve access to information on various aspects of agricultural production by small and medium enterprises could be developed: Use of video and audio training materials, conducting training seminars, introducing training programs in the university and school curricular, use of social media and apps, etc.;
- b. Focus on niche products that have high export potential. Examples of such products, identified by the seminar participants, included cherries, apples, honey, red meat, processed milk products, and non-cow milk. It is important to identify and scale up successful practices that already exist in Kyrgyzstan;
- c. Stimulate investment in improving quantity and quality of agricultural produce (for example, through partial compensation for purchasing agricultural equipment or through strengthening land tenure legislation; it was noted during the workshop that in some instances Kyrgyz farmers lack incentives to plant fruit trees due to weak governance of land tenure);
- d. Introduce risk management mechanisms;
- e. Strengthen business associations and B2B-type of interaction;
- f. In export promotion efforts, focus on the best performing companies in the market;
- g. Ensure that any improvements introduced by the governments are driven by the needs of local producers and exporters. This can be achieved by ensuring that market research accompanies export promotion processes and that the government holds frequent consultations with the participants of the value chain.

(ii) Export support measures, including export information systems:

- a. Strengthen the work of the Ministry of Agriculture and Melioration in the area of agricultural export promotion through the creation of a department that would provide consulting and analytical services. Such a department would complement an existing department that currently focuses on improving collaboration with the EU and WTO;
- b. Improve the capacity of the regional offices of the Ministry of Agriculture and Melioration, including by supplying them with informational resources and training them on how to fill out and process export paperwork;
- c. Strengthen collaboration between the Ministry of Agriculture and Melioration, the Ministry of Economy and other relevant government bodies in the area of export promotion;
- d. Similarly, strengthen collaboration between the Ministry of Agriculture and Melioration, the Ministry of Economy and private agents involved in agricultural exports, such as commercial banks, private analytical agencies, NGOs, etc.
- e. Expand the presence of designated trade missions within the Kyrgyz embassies abroad with the goal of promoting Kyrgyz exports (under the jurisdiction of the Ministry of Economy);
- f. Speed up the launch of the online trade portal in multiple foreign languages and keep it up-to-date;
- g. Prepare and disseminate manuals on export procedures with Kyrgyzstan's trading partners;
- h. Actively promote Kyrgyz products abroad – including through participation in trade fairs and developing country brands;
- i. In January 2016 the EU granted Kyrgyzstan a GSP+3 status, which allows Kyrgyz exporters to supply to the EU at zero tariff rate selected agricultural and food products. It comes with the help desk that contains significant information relevant to the exports to the EU markets. As such, it is important to create awareness about this resource among the interested parties in Kyrgyzstan.

(iii) Enhancing compliance with SPS and TBT requirements:

- a. In order to enhance compliance with the SPS and TBT requirements in the export markets, the Government needs to approach this issue in a systematic way. There is a need to develop a detailed plan of action to improve domestic regulation and institutions in the area of SPS and TBT;
- b. Strengthen government control over compliance with food safety and quality standards along the supply chain;
- c. Strengthen and develop laboratory testing capacities in the country;

³ EU Generalised Scheme of Preferences

- d. Develop information systems on SPS and TBT requirements in the domestic and the export markets and provide access for market participants. This could be done by:
 - i. Creating a help-desk at the Ministry of Economy (Ukraine can serve an example of the country in which such a help-desk successfully operates);
 - ii. Introduce an information portal with the list of accredited labs in Kyrgyzstan and in the region.

Possible FAO support

The Export Development Plan contains a number of activities targeting expansion and diversification of agri-food exports from Kyrgyzstan, for example markets studies, export guides and training seminars that would enable producers and exporters strengthen their links with the existing trading partners and enter new markets. FAO could provide support to such activities with information, analysis and capacity development within its ongoing projects and under the Regional Initiative on Agri-food Trade and Market Integration.