

Terms of Reference

Preparation of a project proposal to promote compliance with international SPS requirements including Eurasian Economic Union Technical Regulations

STDF Project Preparation Grant (STDF/PPG/569) Submitted by the Association of Fruit and Vegetable Enterprises (AFVE)¹

Background

1. The Kyrgyz Republic is one of the weakest countries in the Eurasian Economic Union (EAEU). According to the World Bank, over 2.1 million Kyrgyz citizens (total population of 5.7 million) lived below the poverty line in 2013. Agriculture contributes substantially to employment and the economy, but is poorly developed with limited mechanization and extensive use of outdated methods. Since 2015, membership of the EAEU has opened up opportunities to increase export of fresh and processed produce (including fruits, berries, vegetables) to Kazakhstan and Russia. However, to access these markets, food companies in the Kyrgyz need to be able to implement improved food safety management systems based on Codex standards and to meet relevant EAEU regulations on food safety and quality.

2. Capacity in the food industry to implement food safety management systems is currently very limited. Most stakeholders in fruit and vegetable value chains in the Kyrgyz Republic have limited knowledge and capacity to ensure the safety and quality and safety of their fresh/processed produce, which is now a requirement to enter regional markets. Only a few companies have introduced international standards. The majority of processors use either outdated Soviet standards or Kyrgyz national standards, which are less stringent and outdated compared to international (Codex) standards and EAEU requirements, and not recognized internationally. This has become a serious obstacle to trade with the Kyrgyz Republic's accession to the EAEU.

3. The EAEU has two key normative acts governing the production and circulation (placing on market) of processed fruits and vegetable. Compliance with these regulations will become compulsory in 2018, replacing the existing Technical Regulations "On safety of non-alcohol beverages" in the Kyrgyz Republic:

- The Technical Regulation "On Safety of Food Products" prescribes general conditions for food products such as procedural and administrative conditions. It sets Maximum Residue Levels (MRLs) for chemicals and additives in food products. It also lays down responsibilities of producers, importers and competent bodies in EAEU member countries. It states that food producers (including those producing beverages) shall introduce HACCP system in their production.
- The Technical Regulation "On safety of beverages made of fruits and vegetables" sets MRLs for chemicals and food additives. It also set out the responsibilities of producers, importers and competent bodies in EAEU member countries.

¹ In 2016, the Association of Fruit and Vegetable Enterprises (AFVE) made a request to the Ministry of Justice to change its official name to Association of Food Industry Enterprises (AFIE) given that several private companies dealing with manufacture of dairy products, food logistics, etc. are also members of the association. This request is under consideration. The PPG application submitted to the STDF used the planned new name of the association (AFIE). Since the name change has not yet been confirmed by the government, the TORs and Contract for this PPG refer to AFVE.

4. Prior to the accession to the EAEU, most food and agricultural production in the Kyrgyz Republic was sold locally. Very few companies from the Kyrgyz Republic were able to compete in regional markets. Membership of the EAEU also opened up opportunities for companies from other EAEU member states to sell their products in the Kyrgyz Republic. Since then, food products from Russia and Kazakhstan (mostly juices) have become more competitive by price and quality in Kyrgyzstan. Companies producing processed fruit and vegetables in Russia and Kazakhstan have introduced good international production practices, methods of production, HACCP, GHPs, GMPs, etc. which gives them a competitive edge. It is therefore increasingly difficult for Kyrgyz companies – which have not implemented or improved food safety management systems and cannot demonstrate their ability to meet food safety and quality requirements – to compete in regional markets and even in the domestic market.

5. Local food companies are likely to face additional challenges to remain competitive in the domestic market and in regional (EAEU) export markets from 2018 when compliance with the two EAEU's Technical Regulation mentioned above becomes compulsory. Food processing plants and primary producers which fail to implement improved food safety management systems and the new EAEU technical regulations are expected to make significant economic losses or go out of business.

6. Most exports from the Kyrgyz Republic go to markets in the Commonwealth of Independent States (mainly Russia and Kazakhstan). Only 20% of export of processed fruits, vegetables and berries are shipped to other foreign markets. Research by SIAR Consulting agency found that Kyrgyz products were competitive by price in regional markets, however, food safety and quality was insufficient to enter and compete in external markets. The overall share of Kyrgyz food and agricultural products in Russian and Kazakhstan markets remain low. The government and industry believe there is potential to expand export of fresh and processed fruit and vegetable products if outstanding capacity building needs related to food safety and quality are addressed.

7. Overall, the quantity of value-added products (such as juices and/or concentrates) produced in the Kyrgyz Republic and sold in domestic or regional markets is low. Most of the local production is sold as unprocessed fruits, vegetables and berries. Fruit and vegetable juices account for most value-added products in the Kyrgyz Republic and accounted for a significant increase in export (6.5 times) during the last decade. Apple juice is the most important product (50-70% of exports depending on harvest). Members of the AFVE have reported a real fall in the export of juices, jams and other products from the Kyrgyz Republic to the EAEU and other countries since membership of the EAEU August 2015.

8. Developing the local food industry and agricultural sector (which employs over 60% of the population) is recognized as an important national priority. The National Strategy for the Sustainable Development of Kyrgyzstan for 2013-2017 includes a Chapter on the "Development of strategic industries of the economy" where agriculture and food processing are important priorities. The Strategy recognizes the capacity gaps and challenges related to weak food safety and quality control, the lack of appropriate conformity assessment practices. Food safety issues have also been included in the Government's Export Strategy for the Kyrgyz Republic for 2015-2017.

9. The Government and industry are working together to change this situation, focusing on facilitation of investments to improve the capacities of domestic agricultural/food plants and factories and promote the adoption and implementation of improved food safety management systems. Approximately 29% of Kyrgyz enterprises have introduced some quality standards, and some agricultural/food processing plants have introduced ISO 22000.

Objectives and expected results of the PPG

10. The Association of Fruit and Vegetable Enterprises (AFVE) submitted a request for a Project Preparation Grant (PPG) to the STDF to help its member companies improve their food safety capacity and increase exports of fruit and vegetables to regional markets.² The request was approved by the STDF Working Group in 2016, subject to some conditions.

11. The purpose of the PPG is to prepare a project that supports food safety capacity building so that the food industry in the Kyrgyz Republic can export their fresh and processed fruits, berries and vegetables to regional markets (particularly Russia and Kazakhstan). The main output will be a proposal for a project, for consideration by the STDF or others donors, to help stakeholders in fruit and vegetable value chains to implement international standards (Codex), EAEU regulations on food safety and quality, as well as ISO 22000, GAPs, GMPs, HACCP, etc., to access to regional markets. It is expected that this project would have an important impact on economic development and incomes in rural areas of Kyrgyzstan, and that it would benefit a large number of women who work in the food and agricultural sector.

12. AFVE will play a leading role in implementation of this PPG in close collaboration with relevant stakeholders and an International Consultant. AFVE will select an International Consultant (based on a short-list provided by the STDF) to support the implementation of this PPG based on specific Terms of Reference. The International Consultant will be contracted separately by the STDF. The International Consultant will primarily be responsible for drafting and finalizing the project proposal under this PPG, based on research, analysis and other work carried out by AFVE, and will also provide guidance to support AFVE to implement other activities under this PPG.

13. AFVE will deliver the following outputs under this PPG:

- i. Detailed report analysing the existing capacity, challenges and capacity building needs of food and agricultural enterprises in Kyrgyzstan with regard to the implementation of international (Codex) standards, relevant EAEU Technical Regulations, GAPs, GMPs, HACCP and ISO22000. This report should include an overview and analysis of the financial investments required to upgrade food safety knowledge and skills, as well as any other costs associated with infrastructure, equipment and/or other gaps which need to be in addressed to implement improved food safety management systems.
- ii. Market analysis study which includes a detailed analysis of opportunities to expand exports of different fresh and processed fruit and vegetable products from Kyrgyz Republic to regional markets (particularly Russia and Kazakhstan), including analysis of food safety and other key requirements needed to access these markets.
- iii. Short report describing the work carried out under the PPG. This report should describe the activities implemented, the results achieved, and the key stakeholders involved and/or consulted. It should also attach copies of relevant documents produced under the PPG. Any documents related to SPS capacity building in Kyrgyz Republic, identified during the work under this PPG, should be provided to the STDF for inclusion in the STDF Virtual Library.

² The AFVE is a non-profit, non-commercial organization comprising 54 enterprises producing value added products from local fruits, vegetables and berries. Member companies of the AFIE employ around 3,500 people, and had a total output of around USD 5 million in 2015. Potential estimated growth is around 10-12% for 2016-2018.

14. In addition, based on the above-mentioned outputs, AFVE will provide substantive inputs to draft and finalize the project proposal to be prepared by the International Consultant. This project proposal will focus on improving the food safety capacity of enterprises involved in the production and/or processing of fruit and vegetable products to increase exports to regional markets (particularly Russia and Kazakhstan).

Role and responsibilities of the AFVE

15. The AFVE will play a leading role in implementation of this PPG, in close collaboration with the International Consultant and other concerned stakeholders in the public and private sector.

16. The AFVE will ensure that all relevant stakeholders in government (including the Ministry of Agriculture, Melioration and Food Industry, and the Ministry of Economy), international organizations, donors, private sector, etc. are informed about the PPG, and invited to participate in stakeholder workshops organized under the PPG and to provide their views and observations on the project to be developed.

17. The AFVE will engage required national expertise to provide technical guidance and support to implement the PPG, deliver the above-mentioned outputs and meet the objectives of this PPG.

18. The AFVE will update the STDF Secretariat regularly on progress made in implementation of the PPG, any challenges encountered and solutions identified.

Indicative tasks to be carried out by AFVE during implementation of the PPG

19. The following tasks will be carried out by AFVE – including national consultants working under the supervision and guidance of the AFVE – during implementation of the PPG.

- Collect and review relevant reports related to food safety, as well as documents on recent/ongoing/planned projects related to food safety, agri-food value chains and/or trade in the Kyrgyz Republic, as well as any relevant existing training materials³ which could be of use in the resulting project.
- Identify key stakeholders involved in activities of relevance to this PPG and/or the resulting project and seek their buy-in and engagement in the implementation of this PPG and support for the resultant project proposal.
- Hold in-depth interviews with relevant government and private sector stakeholders in the Kyrgyz Republic, as well as relevant international organizations, development partners and donors (ADB, GIZ, EU, FAO, IFC, Hilfswerk Austria International, ITC, Switzerland, World Bank, WHO, USAID, etc.) providing support to improve food safety and/or promote agricultural development and trade to discuss:
 - priorities to be addressed within the project proposal and opportunities for the resulting project to support national objectives;

³ For instance, this includes the following: i) 2014 Guide on Labelling of Canned Vegetables in accordance with the requirements of the Technical Regulation on Labelling of the EAEU; ii) 2014 Guide focused on HACCP principles for fruit and vegetable processing enterprises; iii) Analysis in 2013-14 of the capacity of the national laboratory system to control the safety of food products in the Kyrgyz Republic, with a focus on milk and dairy products.

- how to build on the experiences, results, lessons and/or recommendations and ensure synergies with other projects to improve food safety capacity in the Kyrgyz Republic (see below); and
 - possible interest and opportunities to obtain financing (or co-financing) for the project proposal to result from this PPG. Depending on these discussions, the project proposal developed may be written in the format / template of one of these donors.
- In particular, explore and analyse linkages, synergies and complementarities with the following projects/activities, as well as any other relevant projects or programmes:
 - EU project in Kyrgyz Republic to introduce HACCP in the food sector.
 - EU-supported Central Asia Invest IV Project "Boosting Small Businesses Competitiveness", involving Hilfswerk Austria International, which includes support to food safety, value chain development, private sector development, etc.
 - FAO Project "Capacity development in food safety risk management of food enterprises and national authorities in Kyrgyz Republic and Republic of Tajikistan" (GCP/SEC/010/TUR), which started in 2013. The project delivered training to individuals in the public and private sectors to develop and apply risk-based preventive systems for food safety hazards management and control, including HACCP. National guides on good hygiene practices for selected aspects of food production, and for developing HACCP plans, were developed under this FAO project and could be re-used and further disseminated under the project to be developed through this PPG.
 - GIZ project supporting the introduction of HACCP in two Kyrgyz food processing enterprises.⁴
 - GIZ Project "Promotion of Sustainable Economic Development in Kyrgyzstan" (September 2016-December 2019). Part of this project will provide access to financial services for micro, small and medium-sized enterprises (MSMEs) and agricultural producers involved in selected value chains, including provision of financial services and financing for investments needed to ensure food safety and comply with the requirements of QMS like HACCP.
 - Support by Switzerland focused on organic production of cotton, certain fruits and berries.
 - "Local market development" project in Kyrgyzstan, implemented with financial support from ICCO and Helvetas, to improve income of smallholder farmers through the production of vegetables and fruits for local markets. This project provided support to produce the "Development Strategy of Fruit and vegetables processing Industry in the Kyrgyz Republic for the Period 2008-12".
 - Support by the ADB focused on sanitary and phytosanitary capacity building in the Kyrgyz Republic and the region to support adaptation to new rules and practices following accession to the EAEU.

⁴https://www.unece.org/fileadmin/DAM/trade/agr/meetings/ge.02/2015/Presentations-DDP-Workshop/01July_Baizhumanova.pdf

- FAO/WHO Codex Trust Fund supported project in the Kyrgyz Republic aimed at strengthening national Codex structures for full and effective engagement of the country in Codex. The project will begin in the first quarter of 2017 and last for three years.
- Any other relevant projects / programmes implemented or planned by the World Bank, USAID, etc.
- Systematically compile all the information collected so that it can be used by the International Consultant to inform development of the project proposal.
- Provide substantive inputs to the International Consultant to draft and finalize a project proposal to strengthen food safety capacity in Kyrgyz Republic and promote exports of fresh and processed fruits, vegetables and berries to regional markets. This project proposal should:
 - Clearly identify and map out linkages, synergies and complementarities to related activities and projects, supported by the government, donors and development partners.
 - Take account of, and build on, what has worked in food safety capacity building interventions to date, and learn from other relevant experiences;
 - Clearly elaborate the purpose, expected outcomes, outputs and activities of the proposed project, based on a coherent logical framework. The logical framework should include indicators to measure performance, sources of verification and any key assumptions.
 - Clearly identify the roles and responsibilities of all concerned public and private stakeholders, and outline a practical mechanism for project implementation and management.
 - Explore and identify options to pursue a public-private partnership approach to address improve food safety capacity in the value chain, and to leverage private sector support / resources for the resulting interventions.
 - Include a detailed estimate of the budget required to implement the proposed project and, where possible, identify possible donors and/or private sector support for the resulting project.
 - Consider cross-cutting issues related to gender and environmental aspects affecting the value chain.
 - Include a detailed work plan and timetable for project implementation.
 - Identify and assess the possible risks and challenges faced in the proposed project, as well as risk mitigation strategies to ensure its success and sustainability.
- Obtain letters of support for the resulting project proposal from key public and private sector stakeholders in the Kyrgyz Republic. As appropriate, these letters should include a clear expression of support for the proposed project, and demonstrate clear commitment to take actions needed to ensure the success and sustainability of the project.

- Organize and facilitate, in collaboration with the International Consultant, a stakeholder workshop to discuss the draft project proposal with concerned stakeholders. This will include preparation of the workshop agenda, distribution of invitations and logistics for the workshop, preparation and distribution of a document outlining the project concept, drafting a summary report of the workshop including key comments and feedback received, etc.
- Facilitate all meetings during implementation of the PPG, lead stakeholder interviews, prepare agendas for meetings (e.g. debriefing meeting with national authorities, project validation workshops) and summaries of meetings for circulation to participants.
- Provide all necessary support (including assistance with interpretation and/or translation as required) to enable the International Consultant to successfully deliver on his/her Terms of Reference.

Timeframe

20. The planned starting date is February 2017 with an expected completion date of end of September 2017.