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A new property regime in Kyrgyzstan; an investigation into the links between land reform, food security, and economic development

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CHAPTER 11. ASSESSMENT OF CHANGE IN INCOME

11.1 OBSERVATIONS AND INDICATORS ON INCOME

11.1.1 OBSERVATIONS

Asking people about their changing income situation will provide data on the change in income. Daily observations during the project were mainly limited to the situation in the capital city, which is not representative for the actual situation in the country, let alone for change in income in rural areas.

I will have to use indicators of income change on the macro level. It will be clear that data on income as long as this is nominal does not give the right information. Nominal income changes should be corrected for changes in the cost of living.

In the following table the national average wage is compared with the minimum consumption budget for the last five years (data from Natskomstat):

Year (Amounts in Kyrgyz som)	1995	1996	1997	1998	1999	2000
Nominal average wage (averages per month)	368	491	680	841	1050	1177/2010 ¹⁵
Minimum consumption budget	334	534	691	799	1097	1205

Although there are no specific data available it can be assumed that there is a difference in income between urban and rural residents like in almost all other countries. Expressed in monetary amounts the rural people may be worse off than urban dwellers, but this can be more than compensated for by the advantage of some subsistence agriculture, which is out of reach for the majority of urban dwellers. The table indicates that a nominal increase in average wages in the Kyrgyz Republic could not make up for an increase in costs. The situation worsened until 2000 but looking at one of the numbers perhaps for the first time in several years the nominal average wage might be higher than the minimum consumption budget. Perhaps a little too early and certainly not enough as a positive sign, because over January/February 2001, the average wage was reported to be 1218 and the minimal consumer budget as 1292 by Natskomstat. It is important to realize that apart from the figures presented here, the social safety net disintegrates more and more, leaving many citizens in the lower income group without protection against the persistent inflation. Many retired persons are dependent on the state (as their former employer) for pension payments and the state has enormous difficulties to satisfy all material needs in the country. The conclusion is that official data in Kyrgyzstan on income and minimum consumption show persistence of a stagnation of the economy.

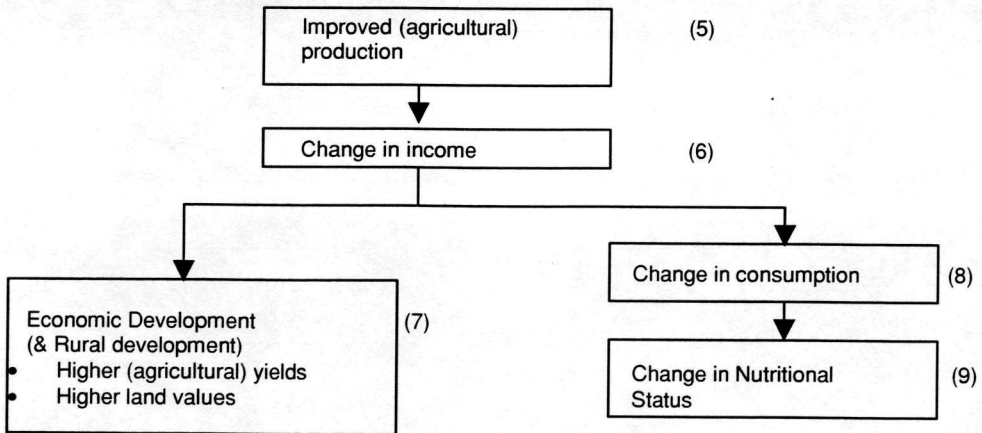
It should be borne in mind also that statistical information in many countries in transition gives only 'official' data. While discussing income change with people during my

¹⁵ These two different numbers appear in two different Natskomstat statistical report sheets. The first number appears in 'Main social and economic indicators' and the second number is reported in 'Social Sector annual data'.

assignments, it always surprises me that rural residents can survive even if there is hardly any monetary income. Close observation shows that there is a vast informal barter economy in which goods are traded for other goods. As a reminiscence of the communist times, there is also a strong sense of survival and persons related to each other by family ties or kinship will generally go very far in supporting each other during times of hardship; further than familiar to the Western observer with experience in a dominantly capitalist society. Another observation in Kyrgyzstan (and in other former communist countries) is that people continue coming to work even if there has been no wage payment for several months in a row. Due to some bureaucratic problems and the bankruptcy of a bank chosen by the project, we encountered this situation with our own project staff in the Land and Real Estate Registration Project in Kyrgyzstan. For several months payments could not be made and we, as expatriate project staff, were sometimes asked for (small) personal loans, but as a whole the project staff continued working, mostly as we were told, out of fear of losing the job.

11.1.2 INDICATORS

Because of the strong focus on rural areas, change in income in the model is mainly the effect of improved agricultural production. However, because of the nature of the land and agrarian reform in countries in transition, there is also a change in property ownership in urban areas. Very little can be said about the effects of the new property regime for dominantly urban dwellers. Their possibility of an increase in income can be achieved by actively exploiting the property either by putting it up for rent (and move in with relatives – a situation often encountered and observed in Bishkek where there is (foreign) demand), by selling one property and start sharing another apartment with relatives or others, or by taking out a mortgage and using the extra cash for – hopefully – lucrative dealings. The potential gainers in income by land and agrarian reform are more likely the inhabitants of the rural areas.



Typical indicators for change in income are:

- Change in monetary income
- Change in demand for 'luxury' goods (like TV sets and household appliances)

- Change in demand for appropriate agricultural assets (especially for smaller-scale farming)
- Change in investment for on-farm living conditions in general (for example pavement of drive ways, replacement of out-houses etc.)

Most of these changes must be collected by field observations since most data is hard to collect elsewhere. Interesting personal observations in Bishkek were the presence of video rental shops and the opening of the first internet café in Kyrgyzstan in 1999.