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

Dekker, H.A.L.

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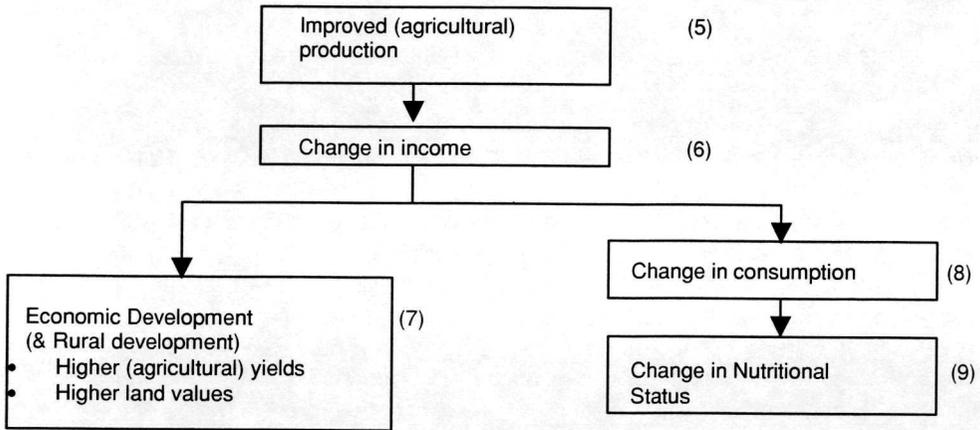
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CHAPTER 12. ASSESSMENT OF ECONOMIC DEVELOPMENT

12.1 THE PROSPERITY BRANCH OF THE MODEL

12.1.1 INDICATORS AND STATISTICS

The 'prosperity' branch in the model will be followed first. All changes discussed before are often supposed to lead to economic development - (7) - in the prosperity paradigm.



Two possible indicators mentioned in the model are higher yields and higher land values (or in a wider perspective higher incomes and higher values of real property). When discussing the element – improved agricultural production – it could be demonstrated with data from Natskomstat that agricultural production declined in the first years after independence. The production as a whole has since recovered and shows for most crop yields that are higher than the level before independence.

The full table of higher levels of agricultural production can be found in paragraph 9.2.2 but it is illustrative enough to repeat it in very short form:

Type of crop in ton x 1000	1990	1993	1996	1999
Grain in total	1482	2792 (~ 1600)	1322	1613
Sugar beets + Potatoes in total	367	528	752	1494
Vegetables, Fruits In total	743	332	506	902

(2792 being an obvious mistake)

This is at least a positive sign for the growth of the economy, but not enough to draw any conclusions yet. Another indicator discussed in chapter 3 is the value of land and real property. I could obtain individual data on the ground just by asking BTI staff and individual right holders, but the answers were very contradictory and I was unable to clearly receive

indications of a change in the value of land or real property during the relatively short project time.

Another indicator of economic development is the change in the Gross Domestic Product (GDP). Statistics on the macro-economic situation in Kyrgyzstan show that the annual GDP is now 1.4 billion US\$. The annual variation in GDP over the past nine years is shown in the following table (source: Prime-minister's report on economic results in Kyrgyzstan published in January 2000, calculation via a combination of 8 volume prices and 2 price indices)

Variation given in % (each year)

1991	1992	1993	1994	1995	1996	1997	1998	1999
- 7.8	- 13.9	- 15.5	- 20.1	- 5.4	+ 7.1	+ 9.9	+ 1.8	+ 2.1

The 1999 figure is reported by the National Statistical Committee (Natskomstat) published in the Times of Central Asia [88] of March 9, 2000. A week earlier the same paper reported that the goal of the government for 2000 is a growth in the GDP with 4 – 5 %. Recent reports (mid 2001) from Natskomstat show a grow of 5% in 2000.

Also the data of Natskomstat about the average wage and the minimum consumption budget shown in the previous chapter can be used to measure changes in economic development. Here the picture is less positive. There is a persistent negative gap between average wage and minimal consumer budget. For most Kyrgyzstani the transition to a market economy has not been beneficial with respect to their prosperity.

12.1.2 POVERTY ALLEVIATION

Poverty alleviation is an important development challenge facing Kyrgyzstan. The government states that agricultural and rural development must lead the effort to combat poverty. Poverty has increased during the transition. Poverty assessment surveys show that poverty is more severe in rural areas and in the southern oblasts. Other indicators of declining living standards are the increase of malnutrition, particularly among children, and the greater difficulty of residents in rural areas to receive pensions and other social benefits, in part because of the inadequate banking system in rural areas (Source: WB discussion paper # 394). Although at the national level food security is reasonably reached, at the household level, the situation has worsened between 1991 to 1999 especially in the two lowest quintiles of the population. Under the FSU social benefits were guaranteed to every citizen, regardless of economic or financial costs. Under the current rules of free market economy total coverage of social services is much harder to achieve, another reason that industrial production dropped drastically after 1991 due to lack in demand and causing widespread unemployment. The share of the agricultural sector in employment has grown from 33% in 1991 to 49% in 1997 (Source: WB paper # 394 [100]) but it has to be born in mind that wages in rural areas are significantly lower than wages in industry. That is why poverty in general increased, poverty being more severe in the southern – mainly agricultural - oblasts (Osh and Djallal-Abad) than for example in the northern oblast of Chui, which is situated around the capital city Bishkek.

The conclusion is that the effects of the institutional changes introducing the restructuring of the agriculture in Kyrgyzstan show positive signs, but have not yet delivered (beginning of 2000) on their full expectations with respect to economic development. Average living

standards in the Republic have hardly improved and living conditions in rural areas are hardly any better now than before independence. But most farmers now are independent farmers and not agricultural employees and they may make their own decisions on how to run their farm.

12.1.3 ECONOMIC PERSPECTIVE

It is difficult to give a prognosis for the development of the economy and rural living in the Kyrgyz Republic. The economic decline has still not been turned upwards into convincing economic development, but small signs of improvement or at least of a possibility of this happening can be observed. The inflation has come down and is stabilizing to an acceptable level. The government is able to control the exchange rate of the national currency. The agricultural production is back on its pre-independence levels and for some crops it is even higher than before. The new smaller farms seem to absorb more labor per hectare than the old style farms and this will result in more employment in rural areas. There are still a number of conditions that should be fulfilled in order to achieve a sustainable economic development. The infrastructure for marketing agricultural produce needs urgent improvement, agricultural credit must be expanded, extension services for agricultural education are needed and agro-technology should be promoted and employed. This combination of measures will make Kyrgyzstan more competitive in agricultural production.