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

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CHAPTER 15. IMPLICATIONS OF NON-EVOLUTIONARY LAND REFORM

15.1 A WIDER APPROACH

15.1.1 EMPHASIS ON EQUITY
This chapter contains second thoughts on the effects of land reform, it also reviews the most notable strategy implications of land and agrarian reform. The research in this document primarily focuses on project advisors and expatriate experts working on the ground. It is not my intention to raise political issues, but results of the research and the developed method do provide signals and indications for project strategies. In addition, a number of implications provide background information for consultants and add to the conclusions and statements in the following chapter.

From a research perspective, property is often conceptualized as a resource endowment to be allocated in the most efficient way to alleviate rural poverty and food insecurity. There is an assumed automatic link between commodifying of land and economic development. This assumption often makes a government turning a blind eye to growing inequity simply because it is accepted as the price to be paid for economic development. Myrdal [60] (p. 51 and 52) remarks that this growing inequity is based on "the traditional common assumption that a price had to be paid for the egalitarian reforms. The reforms were argued in terms of reaching greater social justice, the importance of which was gradually becoming recognized so widely in the developed countries that the political conditions were created for their passing through the parliaments. The reforms were coming to be considered worth their price...This thought is often rationalized by a saying, which throughout the development of economic thinking has also been popular in developed countries, viz., that 'production goes before distribution'".

But then he argues (in 1970) that in recent years evidence has emerged that welfare states, instead of being costly for a society, actually lay the basis for more steady and rapid economic development. Economic development thus should result in political attention for positive change in income among those population groups where poverty is most significant. Since most of the poor live in rural areas, improvement of agricultural production resulting in income improvement in rural areas and improved nutritional status should, in most countries, be focussing points of a development policy. A possible negative result like growing inequity in the distribution of resources has to be corrected by additional measures of the government.

El-Ghonemy [37](p.1-2) lists three concerns about the decline in land reform since the 1980s. First, from originally being the foundation of rural development, land reform has suffered decline, ironically almost at the same time that countries committed themselves to realize equitable distribution of land, to implement land distribution and to eliminate under-nutrition. (FAO, Rome 12 - 20 July 1979) [28]. The second concern is academic and analytic; there is a growing gap between the institutional and political determinants of rural poverty and the application of analytical economic theory. Economics has changed from a social science to Newtonian mechanics. Quantitative analysis and efficient allocation of resources by a free market economy, has had more emphasis than distribution and welfare considerations. The third concern comes from the swift swings in international development. Emphasis on liberalization of trade and structural adjustments of national economies
resulted in a delay of land reform implementation, land reclamation and land settlements’ schemes, and a decrease of subsidized goods and services in rural areas.

Property rights have a strong political function as an element of power to subordinate people at all levels of socio-political organization. In theory the alleged absolute character of private individual ownership of property rights differs from actual legal regulations. But absolute ownership is a myth, because of the public limitations or constraints put on property in most countries. Governments act to safeguard the social function in a property regime. Especially for agricultural land this may require an exploitation pattern not directed at the immediate and full production potential of property. It may require a property system in which more than one owner has equitable rights to the property (in which, for example, trees have a different owner than the land they grow on, and a third person owns the fruit of those trees). It can also become manifest in conditions on transferability imposed by the authorities. Another example of a social orientation in a property regime can currently be found in China where family size determines the size of the land made available for agricultural production. One can think also of a system in which kinship or community relations play a role in the management of the land. Like for example in customary systems where transfers of land to ‘outsiders’ need the approval of the clan or community; or a system in which less fortunate members of the community have a right to a reasonable share in the harvests. All this will require a different approach to property systems that are partly ‘western style’ while at the same time maintaining some of the social features of most communal tenure systems. With many countries in transition this may be a thought worthy of trying.

15.1.2 NOT ONLY ECONOMIC EMPHASIS

An important research finding is that economic development can not be achieved by neglecting other elements in development policy. Technological change and capital accumulation are crucial factors for growth. For rural regions access to sufficient farmland, to capital, to mechanization, to biotechnology, to extension services, to agricultural education, to markets for in- and output, and to information are the most crucial factors to achieve growth.

Ismail Serageldin, [75] international economist and vice-president of the World Bank for special programs, sees an urgent need to increase agricultural production in order to feed a burgeoning world population. At the same time, though, he worries that the growing privatization of biological research could hinder that effort. He states: "There is no way of dealing with poverty, protection of the environment, or food without transforming agricultural production at the small holder level in developing countries". The world is, in parallel, on the cusp of a new revolution in the biological sciences. The manipulation of genes opens up all sorts of possibilities such as the application that plants are more drought-resistant, more salt tolerant, more resistant to pests without pesticides. There is an enormous biotechnology investment by the private sector, but private money is only invested if it can be recouped, with the protection of intellectual property. This raises issues and ethical questions. Poor farmers who have bred plants over generations get nothing out of a patent for which they supplied the basic ingredients. If the science used to produce the Viagra pill could be applied to produce a malaria pill, we would be able to have the old parallelism of an open access exchange system. There should be a serious dialogue between the private and the public sector in order to ensure that there is adequate attention to the poor, and that the
issue of proprietary science does not become a real threat. Prevent science from creating a
gap between "haves" and "have-nots", making a 'scientific apartheid' in this century.
At the start of the new millennium it is known that 840 million people are going hungry and 2
billion are malnourished. The global population grows by 3 per second. Food should be
available at affordable prices and production increase is the answer in the countries
themselves. India could realize a production growth on almost the same arable land area
from 7 million ton in 1961 to 197 million ton in 1990, with biotechnology and green revolution
higher yields. Integrated pest management results in less pesticide use and cost of
chemicals. Teach people that livestock are not only food and transport, but if corralled
during the night also produce manure.
It is important to educate the poor smallholder farmer to reduce food insecurity and poverty.
The conclusion is that the Kyrgyz government should provide specific agricultural education
and should strongly stimulate modern agricultural technology to improve agricultural
production and to give Kyrgyzstan an advantageous position in producing certain export
crops.

15.1.3 CAREFUL IMPLEMENTATION OF REFORM
In the abstract (p. ix) of "Time to Rethink Privatization in Transition Economies" John Nellis
[62] expresses concerns about privatization programs. "Worldwide evidence shows that
privatization improves firm performance. But in some institutionally-weak transition
economies, ownership change has so far not delivered on its promise. Why? Mass and
rapid privatization schemes turned over mediocre assets to people lacking the incentives,
skills and resources to manage them well. Most high-quality assets have ended up in the
hands of the resourceful, agile and well-connected few who for a variety of reasons have
tended not to embark on the thorough restructuring that might have justified their acquisition
of the assets. In an institutional vacuum, privatization can and has led to stagnation and
decapitalization rather than to better financial results and increased efficiency.
What is to be done? Proposals include re-nationalization and/or postponement of further
privatization, both to be accompanied by measures to strengthen the managerial and
administrative capacities of the state. Neither approach seems likely to produce short-term
improvements; the regrettable fact is that governments that botch privatization are equally
likely to botch the management of state-owned firms. And there is no need for such
measures in a number of Central European transition countries, where privatization is (in the
main) more or less living up to expectations.
For institutionally weak countries, the less dramatic but reasonable short-term course of
action is to push ahead, more slowly, with case-by-case and tender privatization, in
cooperation with the international assistance community, in hopes of producing some
success stories that will lead by example".
More than 100 countries, on every continent, have privatized some or most of their state-
owned companies. The process has not been reversed. On a very small scale some
companies have been renationalized. Evidence is mounting that privately-owned firms
outperform state owned enterprises.
Research shows significant increases in profitability, operating efficiency, capital investment
spending, output and employment and a decline in leverage and an increase in dividends.
And yet, despite the ubiquity of divestiture, privatization moved from novelty to global
orthodoxy in the space of two decades. Doubts remain and are growing, suspicions and
concerns about privatization are resurfacing. There are fears that privatizations have not proven to be beneficial to society (it may well be for shareholders!), or at least for significant groups of generally poor and powerless actors in society. John Nellis' principle findings are (p. 3 and 4):

- Too much was expected and promised in institutionally weak transition economies
- For what seemed excellent political reasons, emphasis has been on rapid transactions rewarding with stakes workers and managers in the firms being privatized out of fear that they might block the process
- The farther east (from the Atlantic that is) one travels the more the required supporting institutionalization, financial discipline, competition, freedom and promotion of entry to the new businesses have not been attended to. Here the speedy insider oriented forms of privatization have not delivered (yet).

But he also remarks that if these states had retained the firms in public ownership there is no guarantee or even expectation that they would have performed better! If they botch, the botching is everywhere, and :“The key unanswered question is how to go about correcting and improving privatization in institutionally weak settings” (p. 4).

These remarks for firms in general by Nellis can be applied to privatization of farms and farmland. It is important to set a pace of reform that allows the population to cope with changes. Too quick implementation might exclude a large segment because they are yet not familiar (enough) with the new approach. A careful and well-timed reform project will create better opportunities for a wider circle of farmers to feel sufficiently confident to respond to the new challenges.

The conclusion is: to be successful, land and agrarian reform must be carried out after extensive investigation of the circumstances in the target country, and with carefully timely implementation of the various interrelating other activities and policies.

15.2 THE STANDARD MODEL

15.2.1 OVERALL PICTURE
The broad framework for economic progress in the prosperity paradigm as developed in this document, requires a policy blueprint for the process by which culture, natural resources and institutions create capital and economic progress to alleviate (rural) poverty and food insecurity. Research at the Ohio State University in Columbus has led to a standard model (shown on the next page) that relates on markets to allocate goods and services being rival and exclusionary.

When goods are non-rival, consumption by one consumer does not compete with consumption by another, hence, a supplier can charge a high price which will limit consumption and economic progress. Where goods are non-exclusionary, markets under-produce because a supplier will not be able to capture enough of the monetary benefits to cover his costs. It is assumed that the standard model provides a blueprint outlining the basic elements of a political framework. When implemented as such it is expected to boost economic development.
## STANDARD MODEL

| Macro environment | Honesty + competence in public administration  
| Sound macro economic policy | Security, stability and order  
|                        | Property rights (reap what is sown)  
|                        | Competition (limited parastatals, encourage foreign trade)  
| Use foreign markets | Fiscal responsibility (avoid persisting deficits)  
|                        | Monetary restraint (money supply in line with GDP growth rate)  
|                        | Appropriate taxation (preferably VAT, sales tax etc.)  
| Proper infrastructure | Proper foreign exchange rate  
|                        | Openness to trade  
| High returns public services | All weather “roads”  
|                        | Bridges, airports, seaports, utilities  
| Environmental sound | Agricultural research  
|                        | Human resource investment  
|                        | Sanitation for food security  
|                        | Health services  
| Food + Income | Attention for environmental effects  
|                        | Minimum level guaranteed by safety net  

The standard model in a simple scheme

### 15.2.2 DETAILS OF THE STANDARD MODEL

The functions of the “Standard model” (as described by Tweeten [93], [94]) can be elaborated in brief as follows:

#### The macro environment

There must be honesty and competence in public administration. Corruption in government undermines economic progress. The same goes for matters such as security, stability, and order. The rule of law and order needs a judicial system to administer justice and interpret laws. The government needs to strive for an environment where business plans can be made and carried out with minimal transaction costs. To encourage investment and improvements in property, investors must be able to “reap what is sown”. Property rights allow property to be used as collateral for loans. A favorable investment climate avoids capital flight and attracts foreign direct investment. Governments need to avoid giving protection to firms exercising monopoly power. Open foreign trade to countervail the economic power of domestic firms is often the most effective option. State-owned enterprises need to be avoided where possible. The government role should be inducing the private sector to produce public goods.

#### Sound macroeconomic policies include:

Countries need to avoid persistent deficits in their operating account. A deficit is justified in the capital account only for investments with the strong chance of a return that will pay the principal and interest, plus leave a social dividend. As far as monetary restraint is concerned a useful rule of thumb is to increase money supply at the real GDP growth rate, with appropriate adjustments for foreign exchange and direct investment. A central bank at “arms length” from political pressure, and with the sole objective of price stability has proven successful in several countries.
There must be appropriate taxation. Charge user fees for utilities and try to tax bad things (over-consumption, tobacco, alcohol, emissions) not the good ones (investment savings, export). Sales tax, value-added tax and property tax distort the economy less than taxes on corporate profits and exports.

**A successful developing economy utilizes foreign markets.**

The conditions are: a proper foreign exchange rate achieved by the market and a sound monetary-fiscal policy, openness to trade in investment, goods and services with allowances for infant industry, national security and sanitary protections.

**A proper infrastructure**

This requires investment in all-weather roads to allocate commodities for food security and to encourage commercial activity consistent with comparative advantage. (Bridges, seaports, airports, reliable utilities and the like).

**Public services that offer high returns**

Some public services offer higher returns than others do, like agricultural research, and human resources investments. Universal elementary schooling is a priority for food security and development and positive externalities of broad-based development for men, women and minorities are essential. There must be a regime of minimum standards of sanitation for food security and health services.

**Environment**

Sustainable development requires attention to the environment. Do not consume and exploit now the needs of future generations. Integrated crop management, conservation tillage, integrated pest management, pest resistant crops and livestock and the like.

**Food and income safety net**

A social safety net for those unable to depend on themselves, the market, family, or other private sources of sustenance is essential. The height and breadth of social services is a political decision.

**15.2.3 IMPLICATION OF THE STANDARD MODEL**

Not all elements of the standard model can be pursued simultaneously. Priorities are policy reform, agricultural technology adaptation, elementary schooling, and infrastructure. The policy reform is an overarching priority because it is essential to most other dimensions of the standard model. Thus the standard model should be seen as a policy blueprint. It describes the requirements for a society under which the process that alleviates poverty and alleviates food insecurity will flourish.

In the early stages of implementing the standard model when the economy still has a low base to provide minimal development tools such as improved agricultural technology foreign assistance is critical (Burnside and Dollar, 1997) [12]. Furthermore foreign assistance can be decisive for countries which want to break the poverty cycle of too little income to support public infrastructure and services necessary to raise income.

The standard model is a set of rules to guide the process by which culture, natural resources and institutions create capital and economic development to decrease poverty and food insecurity. Application of the standard model is not a guarantee, but rather a proven base for sustainable economic development. An advantage of economic development is that it provides resources to fund socially critical functions such as education and research, health care, infrastructure and what is perhaps of less importance in former communist countries where – except for some ethnic minorities - families tend to be small, it
implicitly reduces population growth.

A high safety net ("welfare state") often means slower economic growth. In an IMF working paper of December 1995, research of Tanzi and Schuknecht (1995) [83] concludes that a public sector of no more than one-fourth of the GDP appears to be adequate for economic progress and food security if military spending is restrained and social security privatized. Most decisions of when, where and what to produce are left to prices reflecting market supply and demand; the standard model calls for a lean public sector doing a few things well. I'd like to add that the reverse seems also to be true, a high safety net slows down economic decline!

The standard model has been successful in nations following its principles. Analytical studies make that case compelling (Kim Holmes and Melanie Kirkpatrick, 1996 [41]; Jeffrey Sachs, 1997 [70]. It must be concluded that in Kyrgyzstan today too many elements of the standard model are still insufficiently developed to expect a sustainable economic development.

15.3 INTEGRITY OF LAND RELATED DATA

15.3.1 COMPATIBILITY OF LAND RELATED DATA

Data on land are a necessity to govern properly. In modern societies various, sometimes complex, computerized land data systems supply information for considerations on responsible use of natural resources for decision making on land distribution, for decentralizing the governing in matters of economic regulation, zoning, and physical planning. There is a vivid exchange of data between all levels and disciplines in government. Due to the fact that computerized systems can exchange data easily, strict definitions and a couple of rules have to be followed to make that happen efficiently and reliably. The registered data on land must have integrity, or in other words must be compatible and convertible to a commonly used (and perhaps centrally dictated) data exchange format.

Different government agencies use land related data for their own purposes first and will initially build up land data systems without bothering too much about exchange of data and information. The result is a mixture of different systems, with different formats and definitions causing problems or impossibilities when it comes to data exchange. Easily exchangeable data on land does provide governments with important tools for exercising fair, reliable, accountable and flexible governing. Data obtained by citizens from government agencies are in compliance with each other, and will provide citizens with a feeling of security as far as their actions are based on land data storage and retrieval by the government. This also results in positive effects on the level of land tenure security as experienced by the population. In the ideal situation all land related data stored at all government levels should be fully exchangeable and compatible. Data on the who, what, when, where and how should translate into unambiguous and clear (land) information.

15.3.2 A POSSIBLE SOLUTION

It goes far beyond the scope of this document to much further elaborate on this point, but let me give a few examples of conditions that provide for the integrity of land related data. A land registration system showing the property rights of the population should be easily comparable with the land tax system showing at least the same subjects and objects without
confusion. (It is interesting that in the US some states use the comparison to carry out 'tax-sales' by the government to clean their land-related data banks). Objects mentioned before in systems in their alphanumerical form should be comparable with objects shown on maps in geographical form. Subjects related to real property objects should be the same in the land tax system as in the land zoning system. This matter can be visualized by using the 'apartment-building' approach.

Each floor of the apartment building contains land-related data for a specific government function or task. Apart from specific land related data to perform that task, government agencies will store multi-functional data as well in their systems. For example a typical specific data set might be the permit to have a gas station on a piece of land. This is of importance for zoning and environmental agencies of government. A multifunctional data element is the name of the owner(s) of the property right(s), because that element might be stored in a multitude of land related data systems at all levels of government. Great care should thus be taken to construct a stairway between each floor that enables data exchange between the floors of the most relevant multi-functional data, in order to prevent confusion about the owner of property rights between the systems.

The apartment building of land related data:

<table>
<thead>
<tr>
<th>Central stairway</th>
<th>Various ‘floors’ with their specific land related data</th>
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</thead>
<tbody>
<tr>
<td>Multi-functional data on land connecting the various floors (stairways)</td>
<td>Specific data on rights to land</td>
</tr>
<tr>
<td></td>
<td>Specific data on zoning</td>
</tr>
<tr>
<td></td>
<td>Geographical data on land</td>
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<td></td>
<td>Data on real property constructions</td>
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<td></td>
<td>Data on utilities</td>
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<tr>
<td></td>
<td>Cadastral data</td>
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<tr>
<td></td>
<td>Etcetera</td>
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<td>Etcetera</td>
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</table>

Multifunctional data must be created or at least designed by one central authority and must have a (preferably the same) central updating authority recognized and respected by each user of land related data. It is my experience that it pays (considerably) for the exchange of land related data in a country when multi-functional data are managed in a centralized way.
15.4 NEGLECTED DYNAMICS

15.4.1 VISUALIZATION OF DYNAMICS

The link between land tenure and food security goes beyond direct production. The simple food security model does not explicitly pay attention to the three components of access to food – sufficiency, sustainability, and vulnerability. We can investigate these aspects separately and can do so by introducing an extended scheme for the dynamic system in which decisions about production, marketing, consumption, and investment drive changes and in turn are driven by changes over time in distribution of resources within and among households.

According to Maxwell and Wiebe [55] the figure above shows the dynamics. Conventional focus of land tenure is represented in the right-hand side of the figure. Food security research generally focuses on the lower half of the figure. The institutional provisions are depicted in the top of the figure. To understand the figure, start at the top center and go clockwise. The endowment drives resource allocation decisions on production and/or exchange of commodities; the resulting entitlements (wealth and income) generate the household access and give consumption and investment decisions. Decisions of the household are critical for the household endowment in the next cycle. A household whose members have secure access to sufficient food can consume without drawing unsustainable on its reserves, maintaining its endowments of labor and non-labor resources over the longer term. Other households may be forced to a choice (not free to choose) between maintaining health and labor endowment or maintaining the non-labor endowment. The difference between the two households described here can be depicted in two figures. Household A is food secure over time because of the sustainability of its resources: The figures depict the access to resources (Y) over time. Y varies during the year due to seasonality of agricultural production or employment opportunity, and Y varies more than consumption C over the year. The household in the first figure (see next page) only experiences transitory insecurity, and because most of the year the level of Y is higher than the level of C the total endowments (E) do increase during the year.
For a food insecure household B the figure (with approximately the same seasonal effects) will be:

Here the level of resources Y, is insufficient for the purchase of C (the level of C is higher) resulting in a depletion of the endowments depicted by E.

Another dynamic element (Maxwell and Wiebe) comes from vulnerability as mentioned previously. A resource-poor, food insecure household with limited access to credit, will opt for a crop with low returns if that crop is to be trusted, rather than go for a crop with higher returns but with more risk for failure. Expectations about potential long-term tradeoffs between sufficient consumption and investment in non-labor resources affect resource allocation decisions in the short term.

Some important conclusions of dynamics are that if bad years succeed each other and there are not enough good years to restore depleted assets, there is no sustainability in the long run, making any resource poor household food insecure. It also suggests that wealthier households will gain in endowments over the poorer in due time because of their initial position. Wealthier households can, with less risk, make the choice for a higher return crop (on most of their land), increasing their chances for a higher yield, than a resource poor household can do.

Over time, the result of a change in land tenure arrangements will most likely not be equally distributed among the households. Resource poor households will lose to more endowed households and over time the gap between the two can increase considerably. The effect of this growing gap between those who benefit more from reform than those who are less fortunate can be diminished or even be eliminated by specific institutional measures taken by the government, but this is seldom part of initial changes in the institutional arrangements.
15.4.2 INTERDEPENDENCY OF THE TWO PARADIGMS

In chapter 5 a method has been developed to assess the efficiency of land reform projects. At the end of the chapter two paradigms were brought together into one model. Although it is possible to follow completely one of the paradigms, it is actually impossible to separate the two effects of economic development on the one hand and change in food security on the other hand as suggested by the two ‘branches’ of the model. Although different emphasis will be employed and specific measures will be taken to achieve one of the goals as formulated in the model, it will not determine whether the model only leads to the prosperity goal or only to the food security goal, because it eventually will affect both paradigms.

It confirms much of research results by others that economic development and food security improvement go hand in hand. If economic development is seen as the most urgent aim – the prosperity goal – then emphasis in elements of the model should be mainly prosperity oriented. The result is that in the first element of change - institutional change - a legal model should be used that focuses on rapid commodifying of property (Property stripped as much as possible from social obligations). The function of property in the new legal system should be toward economic organizations were commodified property has the best ability to be exchanged easily to contribute to efficient and optimal allocation. In such cases imported legal systems that follow the Roman law doctrine of (almost) absolute property rights might do well.

If on the other hand, the first priority is on reaching a higher level of food security and increased rural living standards – as in the food security paradigm – the new legal system to be incorporated in the institutions should be more socially oriented. In this case absolute private ownership of property rights like in the continental Western-European countries is most likely not the optimal solution.

Rather than transferring property from the State to private individuals, creating absolute property ownership, a more socially mortgaged right to land should be promoted as the primary private right to land. In previous chapters it has become clear that there are always ‘losers’ in the process of transfer of rights, not only the well-known groups such as women, elderly people, and hunter-gatherers, but sometimes also the urban population, when economic development does not provide for earnings for access to food.

A possible solution could be to develop an inheritable lease right to property at a long term fixed (low-level) lease rate issued and guaranteed by the state (as sovereign owner of property rights) with certain conditions attached to it. Certain obligations for the use of the resource could be attached as part of the contract between the absolute owner (the state) and the hereditary lessee (the private owner of the inheritable right to lease the resource). The state then should use the lease income for redistribution of resources to combat growing inequity. It should be remembered that if ever existing, real absolute property rights are an extreme exception.

So why not at the beginning of the privatization process distribute socially oriented (thus limited) private property rights? The social function of property is institutionalized by rules, principles and procedures to some degree in all societies, for legitimate control over and access to the means of production (on analogy of Von Benda-Beckmann [5] p. 310/311)

On the other hand, when economic development should rapidly come about – which seems hardly likely in the light of current experiences in most countries in transition – there is
nothing inherently wrong with absolute rights of property ownership, as long as there is a secure social safety net for those who benefit less from the change in property regime.

15.4.3 A DIFFERENT PROPERTY REGIME?
When new legislation is imported in a country, it normally takes considerable time for a government to implement an institutionalized and respected legitimate control. In the situation of a country in transition this will most likely not happen simultaneously with the redistribution of land in privately owned separate units. Land redistribution generally comes first. But soon it will be realized that private ownership of property must be restricted for the benefit of a society as a whole. If the legislature is willing to discuss and propose restrictions on the private property rights soon after distributing them, this will surprise and disappoint (or even outrage) new owners of rights to land and it will certainly undermine their perception of land tenure security. When importing a new property regime, the state should create more emphasis on the social function of the property. In that case these restrictions might not be necessary. Design a new property regime in which the state retains certain influence on the use of real property and takes a fair share in the reaping of increasing benefits of redistributed property. This government share must then be used for correction of growing inequities among the population. In former communist countries – where there is a lot of mistrust between the citizens and the state - this could be done by the legal construction of inheritable very long term lease rights with reasonable lease rates. The lease contract should contain the conditions for the use of the property and thus be known to the lessee before hand without any surprises afterwards created by public law, and interfering with the ownership shortly after it is acquired. In doing so the contract between the state and the lessee will contribute to the latter's feeling of tenure security.

Recently the Kyrgyz government changed the contents of the rights to agricultural land. Originally land certificates and State Akts provided the holder with (inheritable) use rights, but in November 1998 ownership rights replaced these rights. The different land policy in neighboring China – culturally and ethnically Kyrgyzstan’s closest neighbor - has evidently not influenced the decisions made in Kyrgyzstan. The change from use rights to ownership rights of agricultural land was adopted in 1998, while in 1996 a World Bank development report (“from plan to market”) presented some specific comparative data on the GDP growth and inflation in both countries:

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<tr>
<td><strong>GDP growth rates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>6.9</td>
<td>-9.1</td>
<td>-15.8</td>
<td>-16.3</td>
<td>-26.5</td>
<td>-6.0</td>
</tr>
<tr>
<td>China</td>
<td>3.9</td>
<td>8.0</td>
<td>13.6</td>
<td>13.4</td>
<td>11.8</td>
<td>10.2</td>
</tr>
<tr>
<td><strong>Average annual inflation rates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>3.0</td>
<td>85.0</td>
<td>854.6</td>
<td>1208.7</td>
<td>280.0</td>
<td>45.0</td>
</tr>
<tr>
<td>China</td>
<td>1.6</td>
<td>3.0</td>
<td>5.4</td>
<td>13.0</td>
<td>21.7</td>
<td>17.0</td>
</tr>
</tbody>
</table>

Source: WB 1996

The growth in China has been achieved without transferring agricultural land to private individual owners, by using the system of re-adjustable use rights without full protection of the exclusiveness and duration of property rights (see 2.5.3).
The Kyrgyz government has made all property subject of absolute ownership rights in a Western fashion. Safeguarding some of the social functions of property will most likely soon force the government to introduce limitations on the use of property by public law. After just having granted full ownership rights to private individual owners, this will undoubtedly cloud the relationship between government and citizens.

In my opinion more emphasis on the social function of property in the rural areas of former Soviet states is a necessity simply because of the lack of an adequate social security net. The urban population can not fall back on subsistence agriculture when the economic motor of development stalls. Older urban inhabitants and people incapable of being agricultural employees in rural areas are dependent on all kinds of survival techniques. They should have some extra possibilities, like a garden plot, allowance for grazing a beast in the margin of fields or along roads, picking up left over harvest on the field and collecting firewood, because there most likely is no sufficient government resource for adequate social support for them.

Some thirty years ago researchers (re-)discovered the benefits of a more socially oriented approach for tenure regimes, but until today little attention is paid to this aspect in the terms of reference of international donor sponsored projects. In almost all former Soviet states the population is quite used to a concept where the state owns all real property, and 'inheritable' use rights are given to individuals. A conditioned inheritable lease right to real property might be well accepted in those countries, providing the state with possibilities to condition socially acceptable use of the real property. Statistics on agricultural production in Kyrgyzstan from the last decade - when inheritable use rights was the dominant land tenure mode (until November 1998) for farm land, show that this type of land tenure did not impede the development of agricultural production in an extraordinarily negative way.