

Transition in Kyrgyzstan

Venturing Beyond the Macro-Level

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There is a tendency in the literature on economic transition to focus on the macro-level, the systemic and sometimes the sectoral, whilst regional and social dimensions receive less prominence in description, analysis and policy thinking. Detailed studies of the experience of the transition from the point of view of class, occupation, ethnicity, age¹ and gender² are the exception rather than the rule. In an attempt to move away from broad, macro-accounts of transition, this article explores the experiences of poor households with children in three diverse local settings in the southern provinces of Osh and Djalalabad.

The article begins by outlining the key economic changes in Kyrgyzstan since independence in 1991. It then highlights the early effects of transition on poor households: in the mining town of Kok-Djangak; in two predominantly agricultural sites, namely, Gas and Sogment co-operatives in Batken district (*raion*), Osh province (*oblast*), and Kisiltuu, a former collective farm in Suzak district, Djalalabad; and two agro-pastoral locations, namely, Konduk in Kara-Kuldja district, Osh and Bel-Aldei Village Council, Toktogul district, Djalalabad. The third part considers the early impact of transition upon children.³

1 Making the transition

With the collapse of the Soviet Union in 1991, the Central Asian republics unexpectedly and with seemingly little effort on their part gained full

¹ For a comprehensive study of the effects of transition on children in the former Soviet Union, see Cornia and Sipos (1991) and Carlson (1994).

² For studies of the situation of women in Kyrgyzstan see Kosmarskaya (1996) and Kuehnast (1993).

³ The article is based upon fieldwork conducted in the autumn of 1994. Interviews were conducted with 162 adults, mainly women, from 154 poor households with children. Government officials, domestic non-governmental organisations, foreign donor agencies as well as village leaders provided important additional insights.

This research was initiated by the Save The Children Fund and sponsored in conjunction with the British government's Know-How Fund. The aim of the research was to identify the effects of transition on poor households and their ways of coping. The results of this research are available in Howell (1996a, b, c).

independence⁴. Whilst the newly elected leaders were initially enthused by the challenge of determining their own national political and economic agendas, the harsh realities of rapid, systemic change soon became apparent. Not only did the breakdown of the old order explode past securities and rupture vital economic links, but it was by no means clear whether transition was to lead and how this might be achieved.

Kyrgyzstan, like other Central Asian states, was a vital component of a vast economic machine that was already displaying symptoms of stagnation and systemic malaise.⁵ The process of industrialisation in Kyrgyzstan served not only to increase the numerical presence of the urban working class and so bolster the social base of the Communist Party, but also to fuel the broader production plans of the Soviet Union, resulting in a high degree of specialisation and inter-republic trade. Key industries in Kyrgyzstan were mining, metallurgy, sugar-refining, wool-processing, textiles and agricultural machinery (World Bank 1993a: 4). Agriculture played a significant role in Kyrgyzstan's economy, accounting for one third of gross domestic product (GDP) and 22 per cent of employment (World Bank 1993a: 4). Following the disintegration of the Soviet Union, the dependency of Kyrgyzstan, and other Central Asian states, upon inter-republic trade and production became all too evident. Over 80 per cent of Kyrgyzstan's imports and 98 per cent of exports were within the USSR (Cevikoz 1994: 46).⁶

With the breakdown of inter-republic trade, the curtailing of financial transfers from Moscow⁷ and a decline in consumer demand and investment⁸,

Kyrgyzstan's factories soon began to falter, leading to sharp cuts in production, idle capacity and, in the worst cases, closures and lay-offs⁹. Kyrgyzstan plunged into recession. GDP fell annually until 1995, when positive growth was registered for the first time, albeit only one per cent (World Bank 1997a). As of 1996, GDP was only 51 per cent of its 1989 level (Kaser 1997: 6).

As inflation spiralled in the early 1990s¹⁰, subsidies from Moscow dried up and real wages fell, a process of impoverishment set in. Whilst the new opportunities for private business and trade created a small elite of newly rich¹¹, for the vast majority of people standards of living continued to remain below pre-independence levels, proving particularly stressful for those already relatively poor under the old regime. New forms of poverty began to emerge linked to unemployment, distance from urban centres and the breakdown of the comprehensive system of allowances and welfare benefits. Donor agencies variously identified single-parent families, households with a large number of dependent children, pensioners and low-income families in remote areas as particularly at risk. Whereas in 1989 about 35 per cent of the population were considered poor, by 1993 over 80 per cent were reported to be underprovisioned (Falkingham and Ackland 1994: 2). Whilst initially the new leadership had sought to maintain and extend the vast web of social welfare benefits, this became increasingly unsustainable, leading to selective, graduated cuts and a rethinking of the social welfare system.

Kyrgyzstan's new leaders were faced with the tasks of not only dealing with the consequences of

⁴ On the history and politics of Central Asia see Allworth (1989), Rashid (1994) and Malik (1994). For an account of the process of independence see Grant (1994).

⁵ For more detailed analyses of Central Asian economies see Cevikoz (1994), Mandelbaum (1994) and Spoor (1996).

⁶ Other Soviet republics were the source of 86 per cent of Uzbekistan's imports, 83.5 per cent of Kazakhstan's, 86 per cent of Turkmenistan's and 87 per cent of Tajikistan's. 85 per cent of Uzbekistan's exports were destined for other Soviet republics, 91 per cent of Kazakhstan's, 92 per cent of Turkmenistan's and 86 per cent of Tajikistan's.

⁷ Until independence Kyrgyzstan had a trade deficit

with the rest of the USSR, half of which was financed by transfers from the Union (World Bank, 1993a: 4).

⁸ According to Kaser (1997: 9) the ratio of fixed investment to GDP in mid-1994 was 11 per cent lower than its 1989 level.

⁹ In the first half of 1994 alone, 19,000 people were made redundant, double the number of the previous year (Rumiantsev, 1994: 1).

¹⁰ Inflation in Kyrgyzstan began to fall from 1994, with an annual average of 278 per cent (after 1,209 per cent in 1993), and fell further to 30 per cent in 1996 (UNECE 1997: 225).

¹¹ Kaser (1997: 16) points out that initially the privatisation of small enterprises had an ethnic bias, with benefits going mainly to non-Kyrgyz.

sudden economic collapse but also of mapping out a direction for the future. This involved not least a radical restructuring of the economy, a repositioning of the country economically and politically in a changing global context and a revamping of the institutional set-up. With a continuing budget deficit¹², unfamiliarity with the functioning of the market, past insularity and Kyrgyzstan's landlocked geographical location, the challenge was formidable.

Since its new-found independence Kyrgyzstan has undertaken a series of reforms aimed at introducing market forces, liberalising prices, increasing the role of the private sector, reorienting and liberalising trade and overhauling the system of social welfare. Retail and producer prices began to be liberalised from April 1991, with bread subsidised up till November 1994 (Kaser, 1997: 10). In early 1994 import and export licences were abolished. In an effort to reduce its past dependence on Soviet republics, Kyrgyzstan has actively sought new trade agreements with Europe and China, though as of 1995 the former Soviet republics continued to be the main trade partners¹³.

Kyrgyzstan has proceeded rapidly towards privatisation, selling state enterprises and houses through voucher and auction systems and drafting relevant legislation¹⁴. In rural areas state and collective farms were broken down into co-operatives and associations, and land and animals leased to individuals. In 1996 the process of land reform was further consolidated with a presidential decree extending usufruct from 49 to 99 years.

International donors have applauded Kyrgyzstan's moves towards greater democracy and its early commitment towards a market economy¹⁵. Indicative of this support Kyrgyzstan was one of the first Commonwealth of Independent States (CIS)

countries to agree an Enhanced Structural Adjustment Facility Arrangement with the International Monetary Fund (IMF) in 1994. In order to attract foreign investment, it set up an Agency for Foreign Investment. By the end of 1995 it had secured US\$ 143 million in foreign investment, 14 times the amount in 1993¹⁶. Although positive GDP figures in 1995 suggested economic recovery, still there was little doubt that falling real wages, the depletion of personal savings and unemployment were having an adverse effect on the daily lives of the majority of the population, and especially poor households.

2 Rural and urban poverty

Having sketched some of the key features of the economic crisis and reform measures, this section addresses the differentiated impact of transition on the poor in three distinct socio-economic contexts, namely, urban, agro-pastoral and agricultural. In the pre-independence era, efforts were made to eradicate forms of poverty rooted in the private ownership of the means of production through collectivisation and to mitigate forms of poverty related to disability, age and family size through the extensive provision of subsidies and welfare benefits. Almost half the population was entitled to either a pension or a child allowance (World Bank, 1993b: 4). With the ending of budgetary transfers from the Union¹⁷, the comprehensive safety net gradually weakened and proved increasingly unable either to sustain the level of benefits under the former system, or to provide for new needs emerging in the transition process.

In all three research locations, interviewees reported a reduction in expenditure on food items such as meat, sugar, biscuits and sweets, as well as luxury goods, clothes and shoes. In order to ensure sufficient income for essential purchases, households

¹² In 1994 this amounted to 8 per cent of GDP, falling to 6 per cent in 1996 (EBRD, *Transition Report 1996*, quoted in Kaser 1997: 13).

¹³ About one third of imports and exports were with non-CIS states (Kaser 1997: 14).

¹⁴ By mid-1996, 546 state enterprises were fully privatised whilst another 200 were majority privatised (World Bank 1997b: 1–2).

¹⁵ Pryde (1995: 116) notes how international donors

have tended to overlook corruption and irregularities in the election process so as to uphold Kyrgyzstan as a model of democracy in the region.

¹⁶ The largest single foreign investment in Kyrgyzstan is a gold-mining joint venture between Canada and Kyrgyzstan, which is expected to become the country's largest single source of export earnings (World Bank 1997b: 4).

¹⁷ The grant from the Union was as large as government revenue (UNICEF 1992: 10).

would combine a number of strategies such as drawing down liquid, productive and capital assets, borrowing from friends, relatives and government officials and finding new income sources through migration, diversification, petty trade and commerce. In agro-pastoral locations the barter or sale of livestock was a particular means for satisfying a range of needs such as purchasing school clothes and food. In Bel-Aldei, 55 per cent of interviewees had sold animals to purchase clothes for their children. In contrast, in urban Kok-Djangak interviewees reported selling household items such as furniture, rugs, sofas, televisions and cupboards to raise income.

The stress sales of livestock have led to particular problems under the contractual system introduced with decollectivisation. Whilst the details of this system vary from village to village, leasers in general are required to return a specified amount of wool and meat each year in return for the right to tend formerly collectively owned animals. Having sold some of their animals to raise cash income for immediate needs, poor households then faced difficulties in meeting their contractual obligations, so facing the prospect of indebtedness.

Government cuts in social expenditure have in turn affected the capacity of local governments to sustain the previous system of benefits and allowances.¹⁸ Whilst in the urban location most interviewees continued to receive family allowances, in both the agro-pastoral and agricultural sites, such allowances had not been paid, sometimes for over a year, removing an important source of cash for poor households.¹⁹ Faced with increasingly strained budgets the local departments of social protection had begun to prioritise needs, placing pensioners, the disabled and single parents at the top of their lists. In addition, foreign aid donations of wheat, oil and cloth were channelled through the departments to poor households. Although the urban poor households we interviewed continued to receive family allowances more regularly than their rural counter-

parts, still they could not so readily turn to alternative sources of sustenance such as private plots land, livestock and wild foods.

Although Kyrgyzstan produces its own hydroelectric power, it is a net importer of oil, gas and coal. With the breakdown of inter-republic trade and dwindling foreign exchange reserves Kyrgyzstan has not been able to meet demand for heating fuel. Local co-operative officials in Batken recounted difficulties in purchasing both fuel and fertilisers, the prices of which had escalated in relation to agricultural commodities. In the more remote and mountainous agro-pastoral areas, access to coal had worsened as governmental supplies dwindled and transport costs put coal beyond the reach of poor households. In Konduk and Bel-Aldei all interviewees had stopped using coal as a form of heating, substituting this with wood and dung.²⁰

The ability of poor households to ride the crisis by engaging in petty trade and production has not only been affected by a lack of capital, risk aversion and dwindling child-care services but also by a lack of opportunities to purchase inputs and sell goods. Geographical remoteness, poor transport and communications made a crucial difference as to whether members of a poor household could consider setting up their own small businesses. In the case of the two farming villages in Batken, both were situated close to a market place and were also within easy reach of markets in Uzbekistan and Tajikistan. In contrast, Konduk village lay a good three hours across untarmacked road from the district centre, making it difficult for local people either to purchase or sell products. To illustrate, a group of poor women in mountainous Bel-Aldei started to produce embroidery work. Faced with limited demand and transport costs to the nearest market place they eventually abandoned their collective project.

Finally, the psychological effects of transition should not be overlooked. While political and economic change no doubt has brought new

¹⁸ Government social expenditure fell from 72 per cent of budget expenditure in 1991 to 61 per cent in 1992 (World Bank 1993b: 20).

¹⁹ According to World Bank estimates cash benefits made up a larger proportion of total income in poor households, averaging about 9–10 per cent (World Bank 1993b: 10–12).

²⁰ In the case of Bel-Aldei, eight interviewees, that is, 31 per cent of the sample, used electric heaters which had been given to them as part of a post-earthquake reconstruction programme.

opportunities for those with initiative, dynamism and creativity, for those used to the securities of the past system, such as guaranteed employment, pensions, regular heating, subsidised housing, education and health, the rapidity of the change might well foster a certain nostalgia for the old system. In the words of an old herder: 'Everything was better before on the state farm. The state brought my salary to the mountains and on time.'

3 Children and transition

Whilst the process of transition has created hardships for poor households, it has also had particular consequences and implications for children. With the ending of Union transfers in January 1992, problems of liquidity and cuts in government expenditure, it became increasingly difficult for local governments, which had prime responsibility for education and health, to sustain past levels of provision.²¹ With provincial governments limiting expenditure to salaries, drugs and food for patients, there are already signs that educational and health provision is deteriorating.

The rising cost of heating fuel and paper, delays in the payments of teachers' salaries as well as declining local government budgets have all contributed to a gradual fall in the quality of education provided. Under the Soviet system, schools in mountainous areas were allocated coal or other forms of fuel to provide heating. With local governments no longer able to make this outlay, schools in the agropastoral research locations were forced to close during the depths of winter. In Bel-Aldei the school closed for two months in the winter of 1993 as the cold prevented more than half the children from attending.²² District leaders had decided to close the school for a month the following year but local teachers anticipated closing for longer than this.

Despite nominal increases, the real wages of teachers have continued to decline (World Bank: 1993b: 98). Faced with the declining real value of their

wages, teachers not only have become demoralised but also have sought other, more lucrative forms of employment such as petty trade and commerce. Whilst in 1990–91 only one per cent of teachers left their posts in Batken district to start a business, by 1993–94 this rose to almost 20 per cent. In Suzak district 10 per cent of teachers left their posts in 1994 alone. For many, however, with little experience of the market and few sources of capital, the option of engaging in petty trade or commerce is daunting.

Changes in the school curriculum, the revision of school textbooks to eliminate Soviet ideology and the future substitution of Kyrgyz for Russian in secondary and higher education put enormous pressure on the local publishing industry. With rising costs of paper and other production costs, the supply of textbooks has fallen below past levels.²³ With poor transport links and rising fuel costs, schools in remote locations are likely to experience the shortage more acutely.

For poor households the introduction of charges for borrowing textbooks is yet another stress, particularly where there are several school-age children. Although schools have waived charges so as to ensure that poor children can attend, faced with growing pressure on resources it is unlikely that they will be able to maintain this in the long run. For some poor households even providing basic exercise books can demand considerable ingenuity.²⁴

In the Soviet era Kyrgyzstan had developed an extensive system of child care, with a total of 1,698 pre-school centres, of which 1,008 were in rural areas. In the wake of declining local government budgets and non-payment of salaries, many of these stopped operating. In Toktogul district only one sixth of kindergartens remained open in 1994. Similarly in Batken district only eight out of 20 were still in operation. Even though not all children had benefited from kindergartens, nevertheless

²¹ In 1992, 88 per cent of health expenditure and 78 per cent of education expenditure were carried by province budgets (World Bank 1993b: 23).

²² Similarly in Suzak district the school closed for a month during the winter because of the lack of fuel.

²³ In 1992 the number of textbook titles produced was only two thirds of that in previous years (World Bank 1993b: 98).

²⁴ For example, one interviewee reported how she would sew together the remaining blank pages of old exercise books to make a new one for her children.

local governments gave priority to children from poor and large families. For poor households the closure of pre-school facilities is particularly significant, as they will be less able to afford private pre-school education. In rural areas kindergartens operated on a seasonal basis to permit women to participate in the harvest. With decollectivisation and the de facto dissolution of local Women's Councils the ending of seasonal kindergartens is likely not only to affect rural women's ability to participate in collective, waged labour but also to reduce opportunities open to rural schoolchildren to broaden their horizons and develop new skills.

In Kyrgyzstan it is customary to start the school year with a new set of clothes and shoes. The rising costs of clothing and shoes coupled with the erosion of cash savings have put particular stress on poor households. In Bel-Aldei Village Council, 55 per cent of interviewees gave the purchase of clothes for their children as the reason for selling their animals. In some households siblings would wear their parents' shoes or share shoes, attending school at different times. In some cases children stopped attending school altogether for lack of shoes or decent clothes to wear. For example, in Bel-Aldei Village Council, 18 out of 28 households interviewed reported that their children had stopped attending school because of a lack of winter clothes and shoes.

Although a lack of systematic data and a nutritional monitoring system make it difficult to draw any strong conclusions about the effects of transition upon children, nevertheless the closure of milk kitchens, higher food prices and the abandoning of school meal provision together point to a potential negative nutritional effect that needs to be carefully observed over the next few years. Under the Soviet system Kyrgyzstan, despite being a predominantly agricultural country, still had to import sugar, milk,

wheat, vegetable oil and baby foods (UNICEF 1992: 7). Unable to secure supplies of milk and baby food, either through imports or from former state farms, milk kitchens have gradually been forced to close. In Suzak district only one third of milk kitchens remained open in the winter of 1994. Milk kitchens were an important source of dairy products for children. Although their closure is more likely to affect children in urban areas, as households in rural areas tend to keep one or two cows, nevertheless where poorer families have been forced to sell their cattle, the nutritional intake of rural children in poor households is likely to be endangered.

A similar threat to the nutritional status may be posed by the ending of school meal provision. As the cost of living rose, parents could no longer afford to pay for meals, with the result that schools have abandoned such a service. Although systematic evidence is needed to ascertain a nutritional decline, it is nevertheless noteworthy that a UNICEF delegation has underscored the potential nutritional impact of the economic crisis, and in particular micro-nutrient deficiencies such as iron and Vitamin A.²⁵

4 Conclusion

This article has highlighted the localised and diverse effects of transition that are not readily captured through broad, macro-economic analyses nor easily remedied through macro-level policy prescriptions. Whilst attention has been drawn to the differential effects of transition upon poor households in rural and urban areas and the impact upon and implications for children, further research is needed to explore in depth the particular experiences of transition for women, the elderly, the urban working class, former collective farmers, new entrepreneurs and prospering farmers.

²⁵ Similarly Welsby (1994), a USAID consultant, reported that ministry of health officials related increasing instances of malnutrition, especially in Osh

and Djalalabad, though further evidence is needed to substantiate these claims.

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